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## *Forward-Looking Statements*

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

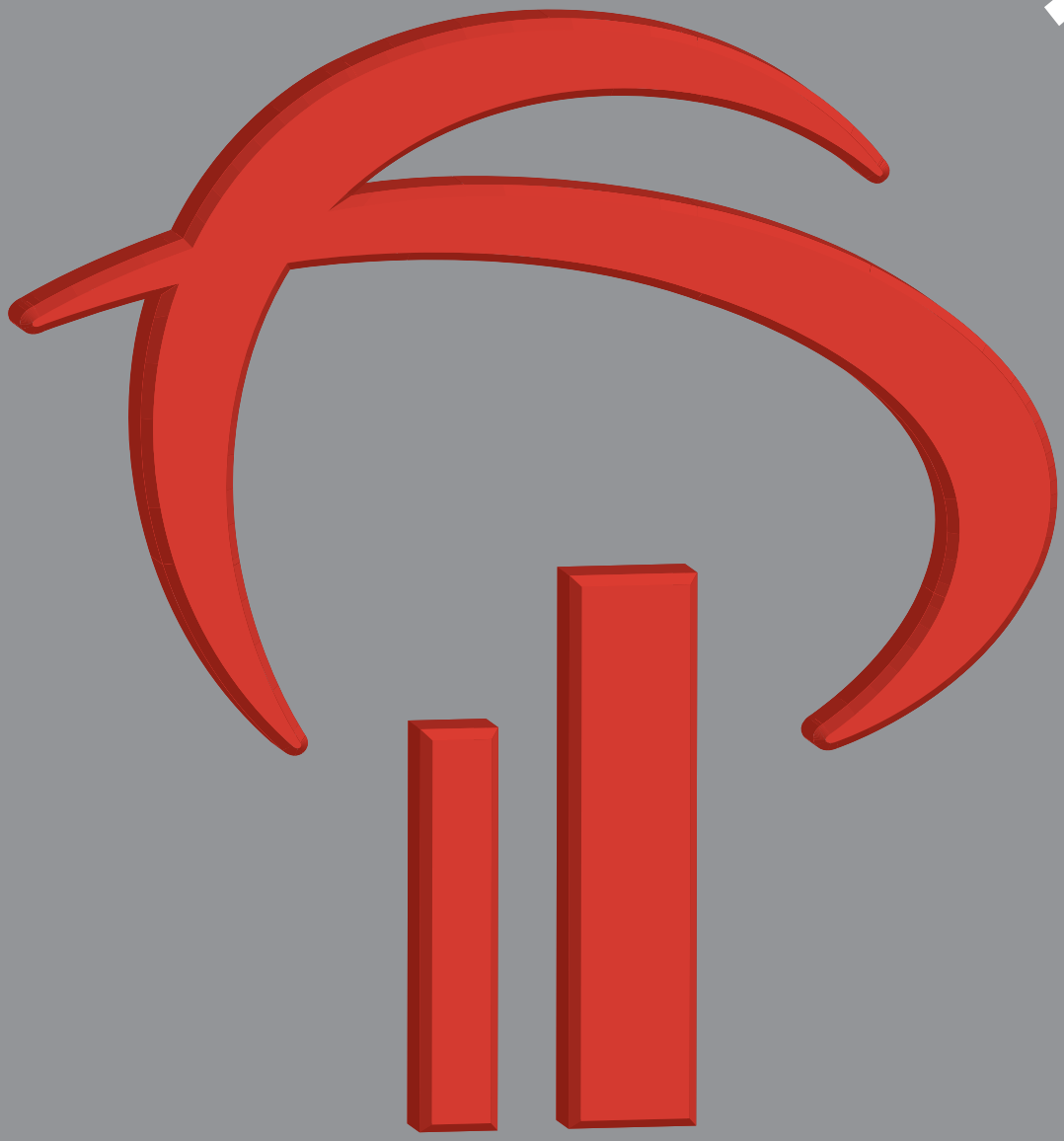
Factors which could modify actual results include, among others, changes in regional, national and international commercial and economic conditions; inflation rates; increase in customer delinquency on the account of borrowers in loan operations, with the consequent increase in the allowance for loan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

Accordingly, the reader should not rely excessively on these forward-looking statements. These statements are valid only as of the date they were prepared. 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 for any other reason.

Few numbers of this Report were submitted to rounding adjustments.
Therefore, amounts indicated as total in certain charts may not correspond to the arithmetic sum of figures preceding them.

# *Press Release*

1



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

ISO 9001 2008

## Highlights

The main figures obtained by Bradesco in the first half of 2012 are presented below:

1. Adjusted Net Income[(1)] in the first half of 2012 stood at R$5.712 billion (a 2.7% increase compared to the R$5.563 billion recorded in the same period last year), corresponding to earnings per share of R$2.97 in the last 12 months and Return on Average Shareholders' Equity[(2)] of 20.6%.

2. Adjusted Net Income is composed of R$3.926 billion from financial activities, representing 68.7% of the total, and R$1.786 billion from insurance, pension plan and capitalization bond operations, which accounted for 31.3%.

3. On June 30, 2012, Bradesco's market capitalization stood at R$104.869 billion [(3)].

4. Total Assets stood at R$830.520 billion in June 2012, a 20.5% increase over the same period in 2011. Return on Total Average Assets was 1.4%.

5. The Expanded Loan Portfolio[(4)] stood at R$364.963 billion in June 2012, up 14.1% on the same period in 2011. Operations with individuals totaled R$112.235 billion (up 9.1%), while operations with companies totaled R$252.728 billion (up 16.5%).

6. Assets under Management stood at R$1.131 trillion, up 21.0% on June 2011.

7. Shareholders' Equity stood at R$63.920 billion in June 2012, up 21.0% on June 2011. Capital Adequacy Ratio stood at 17.0% in June 2012, 11.8% of which fell under Tier I Capital.

8. Interest on Shareholders' Equity and Dividends were paid and recorded in provision to shareholders for income in the first half of 2012 in the amount of R$1,916 million, of which R$1,122 million was paid as monthly and interim dividends and R$794 million was recorded in provision.

9. Financial Margin stood at R$21.729 billion, up 15.4% in comparison with the first half of 2011.

10. The Delinquency Ratio over 90 days stood at 4.2% on June 30, 2012 (3.7% on June 30, 2011).

11. The Efficiency Ratio[(5)] improved by 0.3 p.p. (from 42.7% in June 2011 to 42.4% in June 2012) and the "adjusted-to-risk" ratio stood at 53.1% (52.2% in June 2011).

12. Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income totaled R$20.988 billion the first half of 2012, up 20.1% over the same period in 2011. Technical Reserves stood at R$111.789 billion, up 19.0% on June 2011.

13. Investments in infrastructure, information technology and telecommunications amounted to R$1.986 billion in the first half of 2012, a 14.1% increase on the previous year.

14. Taxes and contributions, including social security, paid or recorded in provision, amounted to R$11.483 billion, of which R$4.945 billion referred to taxes withheld and collected from third parties and R$6.538 billion from Bradesco Organization activities, equivalent to 114.5% of Adjusted Net Income [(1)].

15. Bradesco has an extensive customer service network in Brazil, comprising 7,893 service points (4,650 branches and 3,243 Service Branches - PAs). Customers can also use 1,476 PAEs – ATMs (Automatic Teller Machines) in companies, 40,476 Bradesco Expresso service points, 35,226 Bradesco *Dia & Noite* ATMs and 12,258 *Banco24Horas* ATMs.

(1) According to non-recurring events described on page 8 of this Report on Economic and Financial Analysis; (2) Excludes mark-to-market effect of available-for-sale securities recorded under Shareholders' Equity; (3) R$114.304 billion considering the closing price of preferred shares (most traded share); (4) Includes sureties and guarantees, letters of credit, advances of credit card receivables, co-obligation in loan assignment (receivables-backed investment funds and mortgage-backed receivables), co-obligation in rural loan assignment, and operations bearing credit risk – commercial portfolio, which includes debentures and promissory notes; and (5) In the last 12 months.

## Highlights

16. Payroll, plus charges and benefits, totaled R$5.002 billion. Social benefits provided to the 104,531 employees of the Bradesco Organization and their dependents amounted to R$1.202 billion, while investments in training and development programs totaled R$62.599 million.

17. Major Awards and Recognitions in the period:

- Bradesco was recognized as the "Best Brazilian Bank" and "Latin America's Best Bank" in the 2012 edition of the Euromoney Awards for Excellence, which is annually granted by British magazine *Euromoney*, renowned as one of the world's most important in the financial institution segment;
- Bradesco is one of the world's most solid banks. It ranked 13th among 20 global institutions, and is the only truly Brazilian bank in the ranking (Bloomberg News);
- Bradesco is the private company with the most valuable brand in Brazil. In general ranking (including government companies), it placed second among 480 brands in 32 categories, and placed first among Latin American companies (BrandAnalytics/ Millward Brown – *IstoÉ* magazine);
- Bradesco Organization stood out in the Best and Largest 2012 edition: it ranked first among the "200 Largest Groups" and "50 Largest Banks that Operate in Brazil," and it is also the private financial institution with highest number of demand deposits and rural loans, checking account holders and active credit cards. In the insurance segment, Grupo Bradesco Seguros e Previdência occupied three the top six positions in the insurance segment ranking in Brazil through Bradesco Saúde (first), Bradesco Vida e Previdência and Bradesco Auto/RE (*Exame* magazine);
- The Organization was granted the "Best Company to Launch a Career Award," in the "Young Talent Retention" category (*Você S/A* magazine in partnership with FIA – Fundação Instituto de Administração);
- Bradesco won the "2012 *Consumidor Moderno*" Award for Excellence in Customer Service, in the "Premium Bank" and "Credit Card" categories (*Consumidor Moderno* magazine – *Grupo Padrão*); and
- The Investor Relations area was awarded the "Best Investor Relations of the Financial Sector," according to IR Magazine Awards Brazil 2012.

18. With regards to sustainability, Bradesco divides its actions into three pillars: (i) Sustainable Finances, focused on banking inclusion, social and environmental variables for loan approvals and offering social and environmental products; (ii) Responsible Management, focused on valuing professionals, improving the workplace and adopting eco-efficient practices; and (iii) Social and Environmental Investments, focused on education, the environment, culture and sports. In this area, we point out Fundação Bradesco, which has a 55-year history of extensive social and educational work, with 40 schools in Brazil. In 2012, a projected budget of R$385.473 million will benefit 111,170 students in its schools, in Basic Education (from Kindergarten to High School and Vocational Training - High School Level), Education for Youth and Adults; and Preliminary and Continuing Qualification focused on the creation of jobs and generation of income. The nearly 50 thousand students in Basic Education are guaranteed free, quality education, uniforms, school supplies, meals and medical and dental assistance. Fundação Bradesco also aided another 300,150 students through its distance learning programs, found at its e-learning portal "Virtual School." These students completed at least one of the many courses offered by the Virtual School. Furthermore, another 83,323 people will benefit from projects and actions in partnerships with Digital Inclusion Centers (CIDs), the *Educa+Ação* Program and Technology courses (*Educar e Aprender* – Teach and Learn).

# Main Information

| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 | Variation % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 2Q12 x 1Q12 | 2Q12 x 2Q11 |
| Income Statement for the Period - R$ million | | | | | | | | | | |
| Book Net Income | 2,833 | 2,793 | 2,726 | 2,815 | 2,785 | 2,702 | 2,987 | 2,527 | 1.4 | 1.7 |
| Adjusted Net Income | 2,867 | 2,845 | 2,771 | 2,864 | 2,825 | 2,738 | 2,684 | 2,518 | 0.8 | 1.5 |
| Total Financial Margin | 11,034 | 10,695 | 10,258 | 10,230 | 9,471 | 9,362 | 9,018 | 8,302 | 3.2 | 16.5 |
| Gross Loan Financial Margin | 7,362 | 7,181 | 7,162 | 6,928 | 6,548 | 6,180 | 6,143 | 5,833 | 2.5 | 12.4 |
| Net Loan Financial Margin | 3,955 | 4,087 | 4,501 | 4,149 | 4,111 | 3,820 | 3,848 | 3,774 | (3.2) | (3.8) |
| Allowance for Loan Losses (ALL) Expenses | (3,407) | (3,094) | (2,661) | (2,779) | (2,437) | (2,360) | (2,295) | (2,059) | 10.1 | 39.8 |
| Fee and Commission Income | 4,281 | 4,118 | 4,086 | 3,876 | 3,751 | 3,510 | 3,568 | 3,427 | 4.0 | 14.1 |
| Administrative and Personnel Expenses | (6,488) | (6,279) | (6,822) | (6,285) | (5,784) | (5,576) | (5,790) | (5,301) | 3.3 | 12.2 |
| Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income | 11,570 | 9,418 | 11,138 | 9,025 | 9,628 | 7,845 | 9,012 | 7,673 | 22.8 | 20.2 |
| Balance Sheet - R$ million | | | | | | | | | | |
| Total Assets | 830,520 | 789,550 | 761,533 | 722,289 | 689,307 | 675,387 | 637,485 | 611,903 | 5.2 | 20.5 |
| Securities | 322,507 | 294,959 | 265,723 | 244,622 | 231,425 | 217,482 | 213,518 | 196,081 | 9.3 | 39.4 |
| Loan Operations [1] | 364,963 | 350,831 | 345,724 | 332,335 | 319,802 | 306,120 | 295,197 | 272,485 | 4.0 | 14.1 |
| - Individuals | 112,235 | 109,651 | 108,671 | 105,389 | 102,915 | 100,200 | 98,243 | 93,038 | 2.4 | 9.1 |
| - Corporate | 252,728 | 241,181 | 237,053 | 226,946 | 216,887 | 205,920 | 196,954 | 179,447 | 4.8 | 16.5 |
| Allowance for Loan Losses (ALL) | (20,682) | (20,117) | (19,540) | (19,091) | (17,365) | (16,740) | (16,290) | (16,019) | 2.8 | 19.1 |
| Total Deposits | 217,070 | 213,877 | 217,424 | 224,664 | 213,561 | 203,822 | 193,201 | 186,194 | 1.5 | 1.6 |
| Technical Reserves | 111,789 | 106,953 | 103,653 | 97,099 | 93,938 | 89,980 | 87,177 | 82,363 | 4.5 | 19.0 |
| Shareholders' Equity | 63,920 | 58,060 | 55,582 | 53,742 | 52,843 | 51,297 | 48,043 | 46,114 | 10.1 | 21.0 |
| Assets under Management | 1,130,504 | 1,087,270 | 1,019,790 | 973,194 | 933,960 | 919,007 | 872,514 | 838,455 | 4.0 | 21.0 |
| Performance Indicators (%) on Adjusted Net Income (unless otherwise stated) | | | | | | | | | | |
| Adjusted Net Income per Share - R$ [2] | 2.97 | 2.96 | 2.93 | 2.91 | 2.82 | 2.72 | 2.61 | 2.38 | 0.3 | 5.3 |
| Book Value per Common and Preferred Share - R$ | 16.74 | 15.21 | 14.56 | 14.08 | 13.82 | 13.42 | 12.77 | 12.26 | 10.1 | 21.1 |
| Annualized Return on Average Shareholders' Equity [3] [4] | 20.6 | 21.4 | 21.3 | 22.4 | 23.2 | 24.2 | 22.2 | 22.5 | (0.8) p.p. | (2.6) p.p. |
| Annualized Return on Average Assets [4] | 1.4 | 1.5 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | (0.1) p.p. | (0.3) p.p. |
| Average Rate - Annualized (Adjusted Financial Margin / Total Average Assets - Purchase and Sale Commitments - Permanent Assets) | 7.9 | 7.9 | 7.8 | 8.0 | 7.8 | 8.2 | 8.3 | 7.9 | - | 0.1 p.p. |
| Fixed Assets Ratio - Total Consolidated | 18.2 | 19.9 | 21.0 | 16.7 | 17.3 | 17.4 | 18.1 | 16.7 | (1.7) p.p. | 0.9 p.p. |
| Combined Ratio - Insurance [5] | 85.0 | 85.6 | 83.6 | 86.2 | 85.8 | 86.1 | 85.1 | 85.3 | (0.6) p.p. | (0.8) p.p. |
| Efficiency Ratio (ER) [2] | 42.4 | 42.7 | 43.0 | 42.7 | 42.7 | 42.7 | 42.7 | 42.5 | (0.3) p.p. | (0.3) p.p. |
| Coverage Ratio (Fee and Commission Income/Administrative and Personnel Expenses) [2] | 63.2 | 62.9 | 62.2 | 62.7 | 63.5 | 63.6 | 64.2 | 65.1 | 0.3 p.p. | (0.3) p.p. |
| Market Capitalization - R$ million [6] | 104,869 | 113,021 | 106,971 | 96,682 | 111,770 | 117,027 | 109,759 | 114,510 | (7.2) | (6.2) |
| Loan Portfolio Quality % [7] | | | | | | | | | | |
| ALL / Loan Portfolio | 7.4 | 7.5 | 7.3 | 7.3 | 6.9 | 7.0 | 7.1 | 7.4 | (0.1) p.p. | 0.5 p.p. |
| Non-Performing Loans (>60 days [8] / Loan Portfolio) | 5.1 | 5.1 | 4.8 | 4.6 | 4.5 | 4.4 | 4.3 | 4.6 | - | 0.6 p.p. |
| Delinquency Ratio (> 90 days [8] / Loan Portfolio) | 4.2 | 4.1 | 3.9 | 3.8 | 3.7 | 3.6 | 3.6 | 3.8 | 0.1 p.p. | 0.5 p.p. |
| Coverage Ratio (> 90 days [8]) | 177.4 | 181.7 | 184.4 | 194.0 | 189.3 | 193.6 | 197.6 | 191.8 | (4.3) p.p. | (11.9) p.p. |
| Coverage Ratio (> 60 days [8]) | 144.0 | 146.6 | 151.8 | 159.6 | 154.0 | 159.1 | 163.3 | 162.0 | (2.6) p.p. | (10.0) p.p. |
| Operating Limits % | | | | | | | | | | |
| Capital Adequacy Ratio - Total Consolidated | 17.0 | 15.0 | 15.1 | 14.7 | 14.7 | 15.0 | 14.7 | 15.7 | 2.0 p.p. | 2.3 p.p. |
| - Tier I | 11.8 | 12.0 | 12.4 | 12.2 | 12.9 | 13.4 | 13.1 | 13.5 | (0.2) p.p. | (1.1) p.p. |
| - Tier II | 5.2 | 3.0 | 2.7 | 2.5 | 1.8 | 1.7 | 1.7 | 2.3 | 2.2 p.p. | 3.4 p.p. |
| - Deductions | - | - | - | - | - | (0.1) | (0.1) | (0.1) | - | - |

# Main Information

| | Jun12 | Mar12 | Dec11 | Sept11 | Jun11 | Mar11 | Dec10 | Sept10 | Variation % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Jun12 x Mar12 | Jun12 x Jun11 |
| Structural Information - Units | | | | | | | | | | |
| Service Points | 65,370 | 62,759 | 59,721 | 55,832 | 53,256 | 50,977 | 48,691 | 45,831 | 4.2 | 22.7 |
| - Branches | 4,650 | 4,636 | 4,634 | 3,945 | 3,676 | 3,651 | 3,628 | 3,498 | 0.3 | 26.5 |
| - PAs [9] | 3,243 | 2,986 | 2,962 | 2,990 | 2,982 | 2,978 | 2,933 | 2,886 | 8.6 | 8.8 |
| - PAEs [9] | 1,476 | 1,497 | 1,477 | 1,589 | 1,587 | 1,588 | 1,557 | 1,559 | (1.4) | (7.0) |
| - Outplaced Bradesco Network ATMs [10] | 3,992 | 3,974 | 3,913 | 3,953 | 3,962 | 3,921 | 3,891 | 4,104 | 0.5 | 0.8 |
| - *Banco24Horas* Network ATMs [10] | 10,459 | 10,583 | 10,753 | 10,815 | 10,856 | 10,326 | 9,765 | 8,113 | (1.2) | (3.7) |
| - Bradesco Expresso (Correspondent Banks) | 40,476 | 38,065 | 34,839 | 31,372 | 29,263 | 27,649 | 26,104 | 24,887 | 6.3 | 38.3 |
| - Bradesco Promotora de Vendas | 1,061 | 1,005 | 1,131 | 1,157 | 919 | 853 | 801 | 773 | 5.6 | 15.5 |
| - Branches / Subsidiaries Abroad | 13 | 13 | 12 | 11 | 11 | 11 | 12 | 11 | - | 18.2 |
| ATMs | 47,484 | 47,330 | 46,971 | 45,596 | 45,103 | 44,263 | 43,072 | 41,007 | 0.3 | 5.3 |
| - Bradesco Network | 35,226 | 35,007 | 34,516 | 33,217 | 32,714 | 32,514 | 32,015 | 31,759 | 0.6 | 7.7 |
| - *Banco24Horas* Network | 12,258 | 12,323 | 12,455 | 12,379 | 12,389 | 11,749 | 11,057 | 9,248 | (0.5) | (1.1) |
| Credit and Debit Cards [11] - in million | 150 | 160 | 156 | 153 | 150 | 148 | 145 | 141 | (6.1) | (0.2) |
| - Credit Cards | 95.3 | 93.8 | 91.4 | 90.1 | 89.0 | 87.4 | 86.5 | 83.4 | 1.6 | 7.1 |
| - Debit Cards [12] | 55 | 66 | 64 | 63 | 61 | 60 | 59 | 57 | (17.1) | (10.7) |
| Employees | 104,531 | 105,102 | 104,684 | 101,334 | 98,317 | 96,749 | 95,248 | 92,003 | (0.5) | 6.3 |
| Outsourced Employees and Interns | 12,661 | 12,659 | 11,699 | 10,731 | 10,563 | 10,321 | 9,999 | 9,796 | 0.0 | 19.9 |
| Foundations Employees [13] | 3,912 | 3,877 | 3,806 | 3,813 | 3,796 | 3,788 | 3,693 | 3,756 | 0.9 | 3.1 |
| Customers - in millions | | | | | | | | | | |
| Checking accounts | 25.6 | 25.4 | 25.1 | 24.7 | 24.0 | 23.5 | 23.1 | 22.5 | 0.8 | 6.7 |
| Savings Accounts [14] | 45.2 | 41.3 | 43.4 | 40.6 | 39.7 | 39.4 | 41.1 | 38.5 | 9.4 | 13.9 |
| Insurance Group | 41.9 | 40.8 | 40.3 | 39.4 | 38.0 | 37.0 | 36.2 | 34.6 | 2.7 | 10.3 |
| - Policyholders | 36.3 | 35.4 | 35.0 | 34.3 | 33.0 | 32.1 | 31.5 | 30.0 | 2.5 | 10.0 |
| - Pension Plan Participants | 2.2 | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | - | 4.8 |
| - Capitalization Bond Customers | 3.4 | 3.2 | 3.1 | 3.0 | 2.9 | 2.8 | 2.7 | 2.6 | 6.3 | 17.2 |
| Bradesco Financiamentos [15] | 3.8 | 3.8 | 3.8 | 4.0 | 4.2 | 4.5 | 4.9 | 4.9 | - | (9.5) |

(1) Expanded Loan Portfolio: includes sureties and guarantees, letters of credit, advances of credit card receivables, co-obligation in loan assignment (receivables-backed investment funds and mortgage-backed receivables), co-obligation in rural loan assignment and operations bearing credit risk – commercial portfolio, covering debentures and promissory notes;
(2) In the last 12 months;
(3) Excluding mark-to-market effect of available-for-sale securities recorded under shareholders' equity;
(4) Adjusted net income for the period;
(5) Excludes additional reserves;
(6) Number of shares (excluding treasury shares) multiplied by the closing price of common and preferred shares on the period's last trading day;
(7) Concept defined by the Brazilian Central Bank (Bacen);
(8) Credits overdue;
(9) PA (Service Branch), a result from the consolidation of PAB, PAA and Exchange Points, according to CMN Resolution 4,072 of April 26, 2012; and PAE: ATM located in the premises of a company;
(10) Including overlapping ATMs within the Bank's own network and the *Banco24Horas* network: 2,059 in June 2012; 2,050 in March 2012; 2,019 in December 2011; 2,040 in September 2011; 2,045 in June 2011; 2,024 in March 2011; 1,999 in December 2010 and 1,670 in September 2010;
(11) Includes pre-paid, Private Label and Ibi México as of December 2010;
(12) The debit card base related to idle cards reduced in the second quarter of 2012;
(13) Fundação Bradesco, Digestive System and Nutritional Disorder Foundation (Fimaden) and Bradesco Sports and Recreation Center (ADC Bradesco);
(14) Number of accounts; and
(15) The customer base measurement criterion was changed in June 2012.

# Ratings

## Main Ratings

| Fitch Ratings | | | | | | | |
|---|---|---|---|---|---|---|---|
| International Scale | | | | | | Domestic Scale | |
| Feasibility | Support | Domestic Currency | | Foreign Currency | | Domestic | |
| | | Long Term | Short Term | Long Term | Short Term | Long Term | Short Term |
| a - | 2 | A - | F1 | BBB + | F2 | AAA (bra) | F1 + (bra) |

| Moody´s Investors Service [1] | | | | | | | R&I Inc. |
|---|---|---|---|---|---|---|---|
| Financial Strength / Individual Credit Risk Profile | International Scale | | | | Domestic Scale | | International Scale |
| | Foreign Currency Debt | Domestic Currency Deposit | | Foreign Currency Deposit | | Domestic Currency | Issuer Rating |
| C - / baa1 | Long Term | Long Term | Short Term | Long Term | Short Term | Long Term / Short Term | BBB |
| | Baa1 | A3 | P - 2 | Baa2 | P-2 | Aaa.br / BR - 1 | |

| Standard & Poor's [2] | | | | | | Austin Rating | | |
|---|---|---|---|---|---|---|---|---|
| International Scale - Counterparty Rating | | | | Domestic Scale | | Corporate Governance | Domestic Scale | |
| Foreign Currency | | Domestic Currency | | Counterparty Rating | | | Long Term | Short Term |
| Long Term | Short Term | Long Term | Short Term | Long Term | Short Term | AA+ | AAA | A -1 |
| BBB | A - 2 | BBB | A - 2 | brAAA | brA - 1 | | | |

(1) On June 27, 2012, due to changes in its methodology, the risk classifying agency Moody´s Investors Service changed three Bradesco ratings, as follows: (i) financial strength, from 'B-' to 'C-;' (ii) domestic currency deposits – long term, from 'A1' to 'A3;' and (iii) domestic currency deposit – short term, from 'P-1' to 'P-2.' These downgrades are due to agency's evaluation on the correlation between sovereign credit risk and rating of several entities in Brazil, accordingly, not referring to any change in Bank's financial bases.

(2) On July 11, 2012, the risk classifying agency Standard & Poor´s upgraded Bradesco short-term foreign and domestic currency ratings from 'A3' to 'A2,' as a result of the upgrade of sovereign short-term foreign currency rating after the agency changed its criteria of the connection between long and short-term ratings attributed to sovereign governments.

## Book Net Income vs. Adjusted Net Income

The main non-recurring events that impacted book net income in the periods below are presented in the following comparative chart:

| | | | | R$ million |
|---|---|---|---|---|
| | 1H12 | 1H11 | 2Q12 | 1Q12 |
| **Book Net Income** | **5,626** | **5,487** | **2,833** | **2,793** |
| **Non-Recurring Events** | **86** | **76** | **34** | **52** |
| - Civil Provision | 143 | 123 | 57 | 86 |
| - Tax Effects | (57) | (47) | (23) | (34) |
| **Adjusted Net Income** | **5,712** | **5,563** | **2,867** | **2,845** |
| **ROAE % [1]** | **20.3** | **22.9** | **20.6** | **21.0** |
| **Adjusted ROAE % [1]** | **20.6** | **23.2** | **20.9** | **21.4** |

(1) Annualized.

## Summarized Analysis of Adjusted Income

To provide for better understanding, comparison and analysis of Bradesco's results, we use the Adjusted Income Statement for analysis and comments contained in this Report on Economic and Financial Analysis, obtained from adjustments made to the Book Income Statement, detailed at the end of this Press Release, which includes adjustments to non-recurring events shown on the previous page. Note that the Adjusted Income Statement serves as the basis for the analysis and comments made in Chapters 1 and 2 of this report.

R$ million

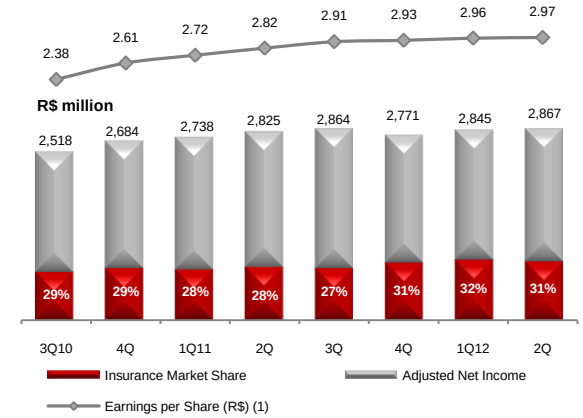
| | Adjusted Income Statement | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1H12 | 1H11 | Variation 1H12 x 1H11 | | 2Q12 | 1Q12 | Variation 2Q12 x 1Q12 | |
| | | | Amount | % | | | Amount | % |
| **Financial Margin** | **21,729** | **18,833** | **2,896** | **15.4** | **11,034** | **10,695** | **339** | **3.2** |
| - Interest | 20,740 | 18,016 | 2,724 | 15.1 | 10,518 | 10,222 | 296 | 2.9 |
| - Non-interest | 989 | 817 | 172 | 21.1 | 516 | 473 | 43 | 9.1 |
| ALL | (6,501) | (4,797) | (1,704) | 35.5 | (3,407) | (3,094) | (313) | 10.1 |
| **Gross Income from Financial Intermediation** | **15,228** | **14,036** | **1,192** | **8.5** | **7,627** | **7,601** | **26** | **0.3** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations (1) | 1,830 | 1,573 | 257 | 16.3 | 953 | 877 | 76 | 8.7 |
| Fee and Commission Income | 8,399 | 7,261 | 1,138 | 15.7 | 4,281 | 4,118 | 163 | 4.0 |
| Personnel Expenses | (5,925) | (5,041) | (884) | 17.5 | (3,047) | (2,878) | (169) | 5.9 |
| Other Administrative Expenses | (6,842) | (6,319) | (523) | 8.3 | (3,441) | (3,401) | (40) | 1.2 |
| Tax Expenses | (2,003) | (1,793) | (210) | 11.7 | (991) | (1,012) | 21 | (2.1) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 59 | 50 | 9 | 18.0 | 19 | 40 | (21) | (52.5) |
| Other Operating Income/Expenses | (2,031) | (1,686) | (345) | 20.5 | (1,035) | (996) | (39) | 3.9 |
| **Operating Result** | **8,715** | **8,081** | **634** | **7.8** | **4,366** | **4,349** | **17** | **0.4** |
| Non-Operating Income | (40) | (11) | (29) | - | (22) | (18) | (4) | 22.2 |
| Income Tax / Social Contribution | (2,929) | (2,409) | (520) | 21.6 | (1,461) | (1,468) | 7 | (0.5) |
| Non-controlling Interest | (34) | (98) | 64 | (65.3) | (16) | (18) | 2 | (11.1) |
| **Adjusted Net Income** | **5,712** | **5,563** | **149** | **2.7** | **2,867** | **2,845** | **22** | **0.8** |

(1) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance Retained Premiums, Pension Plans and Capitalization Bonds - Variation in Technical Reserves of Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance Plans, Pension Plans and Capitalization Bonds.

# Summarized Analysis of Adjusted Income

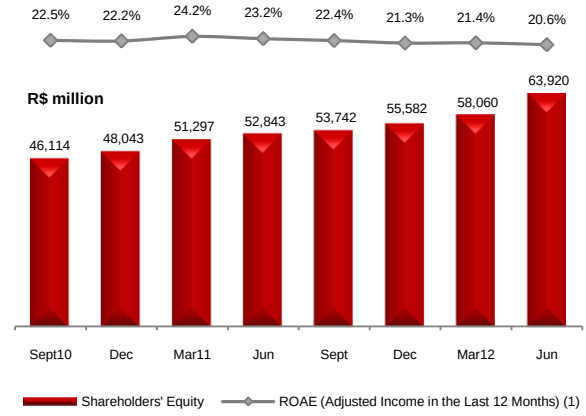
## Adjusted Net Income and Profitability

In the second quarter of 2012, Bradesco posted adjusted net income of R$2,867 million, up 0.8%, or R$22 million, on the previous quarter, mainly driven by: (i) growth in financial margin, as a result of higher income, both from the interest portion, arising from the increased volume of transactions, and non-interest portion; (ii) greater fee and commission income; (iii) higher insurance operating income; offset by: (iv) an increase in the allowance for loan losses; (v) higher personnel and administrative expenses; and (vi) an increase in other operating expenses (net of other operating income).




(1) In the last12 months.

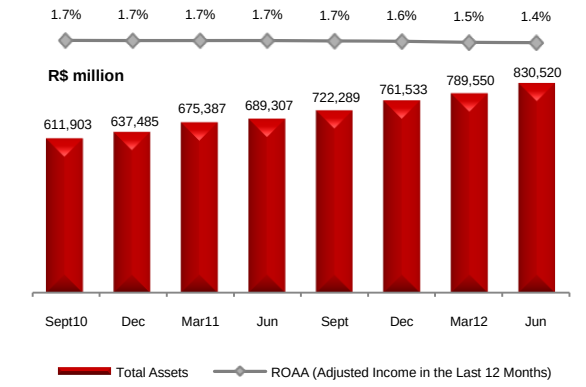
In comparison with the same half a year earlier, adjusted net income increased by R$149 million, or 2.7% in the first half of 2012, for Return on Average Shareholders' Equity (ROAE) of 20.6%. Main items included in the Statement of Adjusted Income are addressed below.




(1) Annualized.

Shareholders' Equity stood at R$63,920 million in June 2012, up 21.0% on the balance of June 2011. It is worth pointing out the R$4,105 million increase in the surplus amount of some former "Held to Maturity" securities classified to "Available for Sale" category due to the adoption of CPCs 38 and 40 by the Insurance Group. The Capital Adequacy Ratio stood at 17.0%, 11.8% of which fell under Tier I Reference Shareholders' Equity.

Total Assets came to R$830,520 million in June 2012, up 20.5% over June 2011, driven by the increase in operations and the expansion of business volume. Return on Average Assets (ROAA) reached 1.4%.



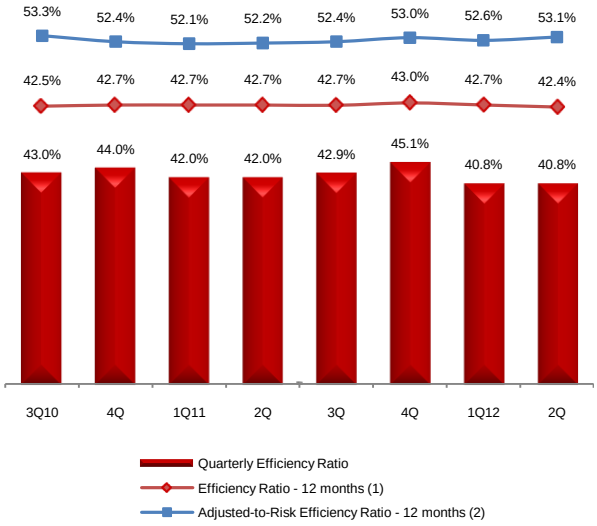
# Summarized Analysis of Adjusted Income

## Efficiency Ratio (ER)

The Efficiency Ratio in the last 12 months(1) improved by 0.3 p.p. over the previous quarter, reaching 42.4% in the second quarter of 2012, lowest recorded in the last eight quarters. The improvement in ER was mainly driven by the growth in financial margin and fee and commission income, which was mainly due to an increase in average business volume, resulting from accelerated organic growth, which began in the second half of 2011, and higher treasury gains, partially impacted by an increase in personnel and administrative expenses in the period.

With regards to the quarterly ER, the indicator was stable when compared to the previous quarter.

The "adjusted to risk" ER, which reflects the impact of risk associated with loan operations(2), stood at 53.1% in the second quarter of 2012, a 0.5 p.p. improvement over the previous quarter, mainly resulting from the adequate provisioning levels regarding the estimated loss from certain corporate customers.

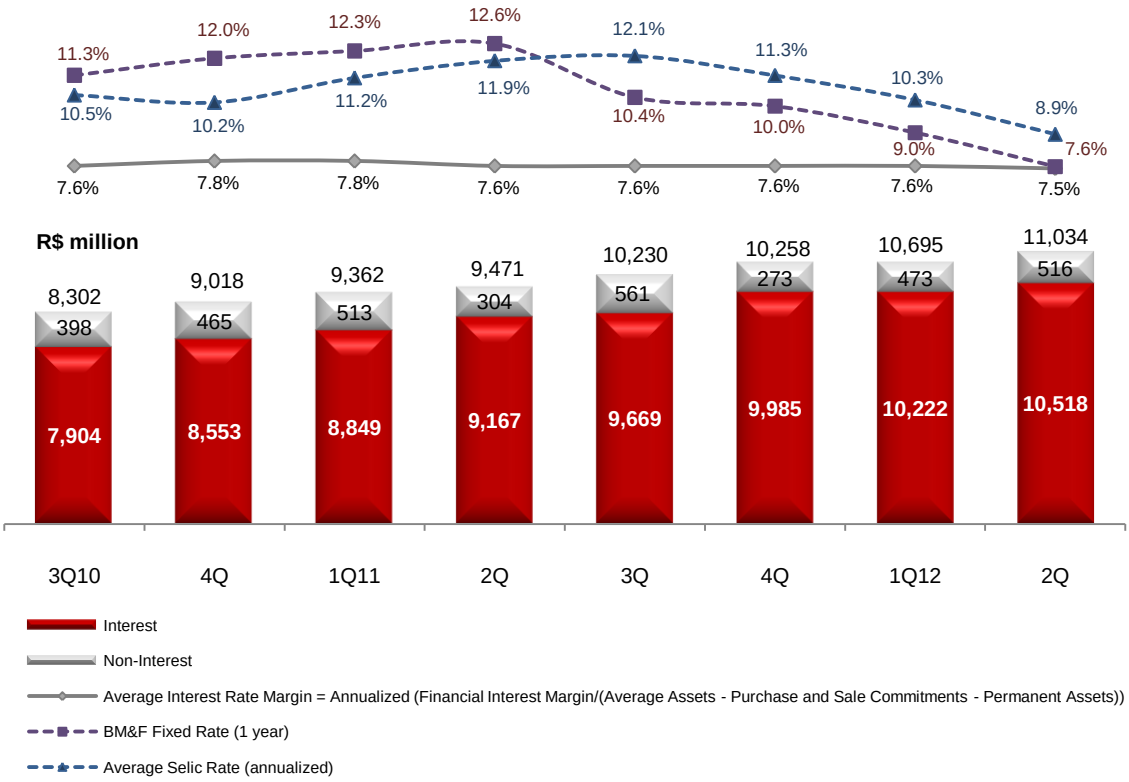



(1) ER = (Personnel Expenses – Employee Profit Sharing + Administrative Expenses) / (Financial Margin + Fee and Commission Income + Income from Insurance + Equity in the Earnings (Losses) of Unconsolidated Companies + Other Operating Income – Other Operating Expenses). Considering the ratio between: (i) total administrative costs (Personnel Expenses + Administrative Expenses + Other Operating Expenses + Tax Expenses not related to revenue generation + Insurance Selling Expenses) and (ii) revenue net of related taxes (not considering Claims and Selling Expenses from the Insurance Group), our ER in the second quarter of 2012 would be 45.2%; and

(2) Including ALL expenses, adjusted for granted discounts, loan recovery and sale of foreclosed assets, among others.

# Summarized Analysis of Adjusted Income

## Financial Margin




The R$339 million increase between the second quarter of 2012 and the first quarter of 2012 was mainly due to:

- a R$296 million increase in interest-earning operations, mainly due to higher gains with “Loans”, due to increased volume of transactions in the period, and “Securities/Other” margins; and

- a R$43 million increase in the non-interest margin, due to greater “Treasury/Securities” gains.

Financial margin posted a R$2,896 million improvement between the first half of 2012 and the same period in 2011, for growth of 15.4%, mainly driven by:

- a R$2,724 million increase in income from interest-earning operations due to an increase in business volume, mainly from: (i) “Loans;” and (ii) “Securities/Other;” and

- higher income from the non-interest margin, in the amount of R$172 million, due to higher “Treasury/Securities” gains.

# Summarized Analysis of Adjusted Income

## Interest Financial Margin – Annualized Average Rates

R$ million

| | 1H12 | | | 1H11 | | |
|---|---|---|---|---|---|---|
| | Interest | Average Balance | Average Rate | Interest | Average Balance | Average Rate |
| Loans | 14,543 | 277,005 | 10.9% | 12,728 | 245,018 | 10.7% |
| Funding | 2,209 | 334,070 | 1.3% | 2,141 | 285,939 | 1.5% |
| Insurance | 1,577 | 107,966 | 2.9% | 1,818 | 90,700 | 4.0% |
| Securities/Other | 2,411 | 283,699 | 1.7% | 1,329 | 216,454 | 1.2% |
| **Financial Margin** | **20,740** | **-** | **7.6%** | **18,016** | **-** | **7.6%** |

| | 2Q12 | | | 1Q12 | | |
|---|---|---|---|---|---|---|
| | Interest | Average Balance | Average Rate | Interest | Average Balance | Average Rate |
| Loans | 7,362 | 281,442 | 10.9% | 7,181 | 272,481 | 11.0% |
| Funding | 1,041 | 336,954 | 1.2% | 1,168 | 331,186 | 1.4% |
| Insurance | 726 | 110,120 | 2.7% | 851 | 105,811 | 3.3% |
| Securities/Other | 1,389 | 283,763 | 2.0% | 1,022 | 283,634 | 1.4% |
| **Financial Margin** | **10,518** | **-** | **7.5%** | **10,222** | **-** | **7.6%** |

The annualized interest financial margin rate stood at 7.5% in the second quarter of 2012, down 0.1 p.p. on the previous quarter, mainly due to: (i) the shrinkage in the average “Insurance” margin rate impacted by: (a) a lower profitability of assets indexed to IPCA; and (b) the performance of multimarket funds, which were affected by the 15.7% Ibovespa devaluation in the quarter; (ii) the drop in the average “Funding” margin rate due to the decrease in Selic interest rates; and (iii) the reduction in the average “Loan” margin rate due to the decrease in interest rates in effect resulting from the change in the mix loan portfolio.

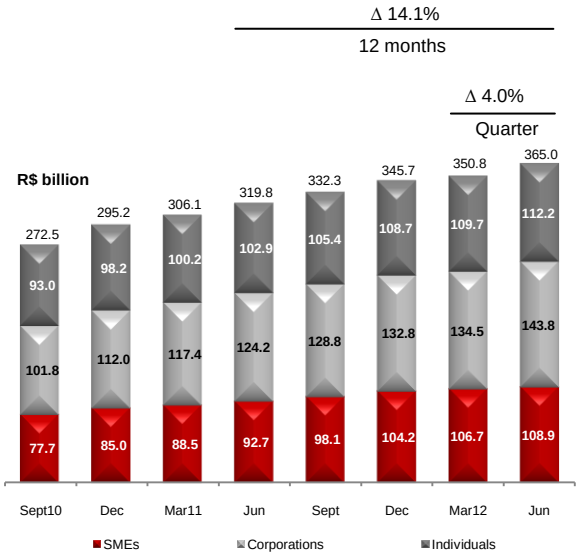
# Summarized Analysis of Adjusted Income

## Expanded Loan Portfolio (1)

In June 2012, Bradesco's loan operations totaled R$365.0 billion. The 4.0% increase in the quarter was due to growth of: (i) 7.0 in Corporations; (ii) 2.4% in Individuals; and (iii) 2.0% in Small and Medium-sized Entities (SMEs).

Over the last 12 months, the expanded portfolio increased 14.1%, driven by: (i) 17.3% growth in SMEs; (ii) 15.9% growth in Corporations; and (iii) 9.1% growth in Individuals.

In the Individuals segment, the products that posted the strongest growth in the last 12 months were: (i) real estate financing; (ii) payroll-deductible loans; and (iii) BNDES/Finame onlending. In the Corporate segment, growth was led by: (i) real estate financing – corporate plan; (ii) operations bearing credit risk - commercial portfolio; and (iii) export financing.



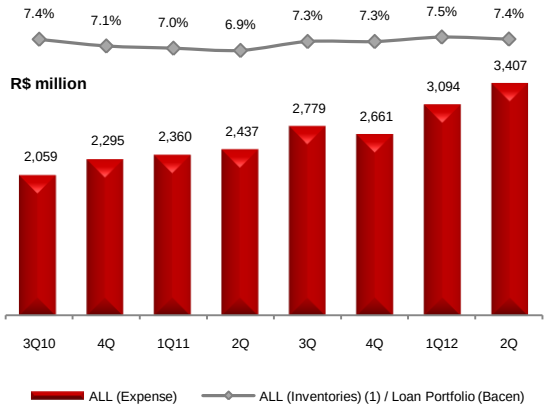

(1) Includes sureties, guarantees, letters of credit, advances of credit card receivables, debentures, promissory notes, assignment of receivables-backed investment funds and mortgage-backed receivables and rural loan.

For more information, see Chapter 2 of this Report.

## Allowance for Loan Losses (ALL)

In the second quarter of 2012, ALL expenses stood at R$3,407 million, up 10.1% from the previous quarter, mainly as a result of: (i) the 3.5% increase in the volume of loan operations – concept defined by Bacen; and (ii) adequate provisioning levels regarding the estimated losses from certain corporate customers under the process of debt restructuring.

In comparison with the first half of 2011, ALL expenses in the same period in 2012 increased by 35.5%, mainly due to: (i) an 11.3% growth in loan operations - concept defined by Bacen, in the period; and (ii) greater delinquency ratio in the period.

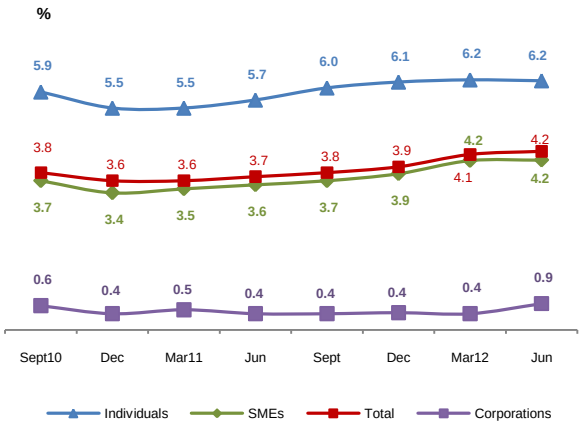



(1) Includes exceeding ALL in the total amount of R$1.0 billion in the third quarter of 2011.

# Summarized Analysis of Adjusted Income

## Delinquency Ratio > 90 days [1]

The delinquency ratio of over 90 days posted a slight increase of 0.1 p.p. in the quarter. It is worth highlighting the stabilization of Individuals and SMEs, which accounted for 6.2% and 4.2%, respectively, in the period.

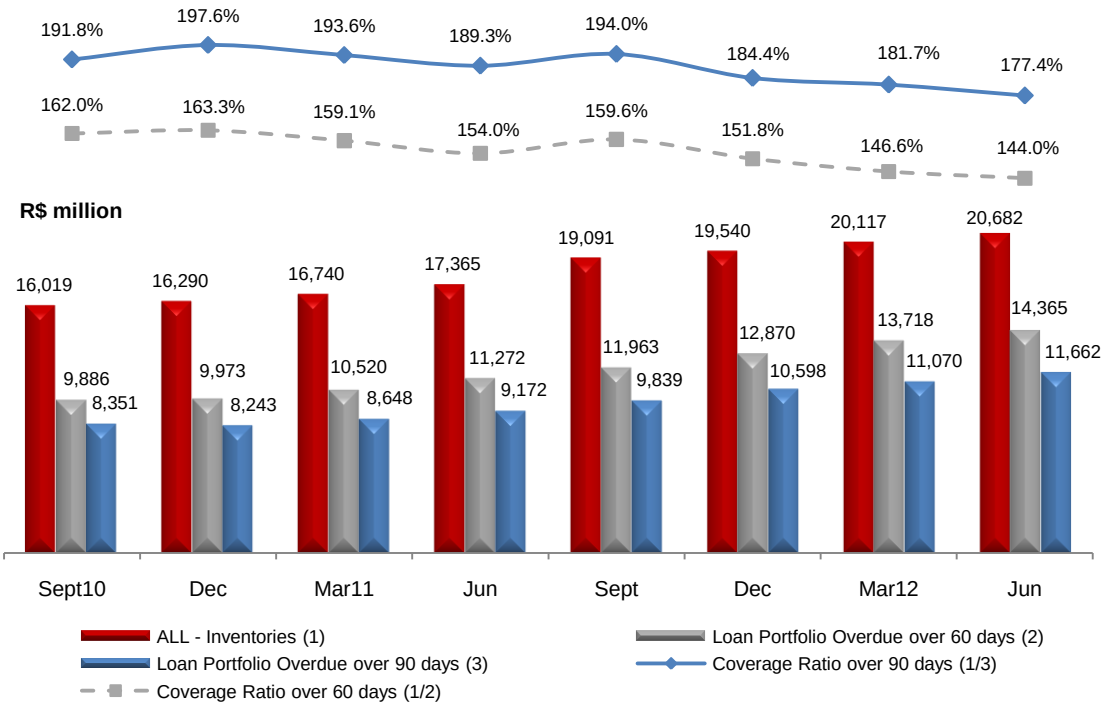



(1) Concept defined by Bacen.

## Coverage Ratios [1]

The following graph presents the evolution of the coverage ratio of the ALL for loans overdue for more than 60 and 90 days. In June 2012, these ratios stood at 144.0% and 177.4%, respectively, pointing to a comfortable level of provisioning.

The ALL, totaling R$20.7 billion in June 2012, was made up of: (i) R$16.7 billion required by the Brazilian Central Bank; and (ii) R$4.0 billion in additional provisions.



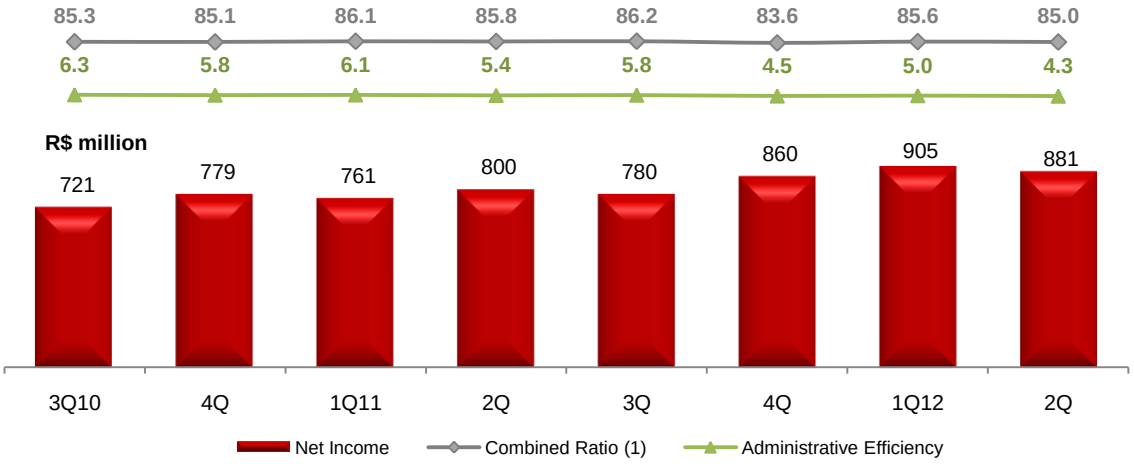

(1) Concept defined by Bacen.

# Summarized Analysis of Adjusted Income

## Income from Insurance, Pension Plan and Capitalization Bond Operations

Net income in the second quarter of 2012 stood at R$881 million (R$905 million in the first quarter of 2012), with an annualized Return on Shareholders' Equity of 26.0%.

Net income totaled R$1.786 billion, up 14.4% in the first half of 2012 in comparison with the same period a year earlier (R$1.561 billion), with a 25.6% Return on Shareholders' Equity.




(1) Excluding additional provisions.

| | R$ million (unless otherwise stated) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 | Variation % | |
| | | | | | | | | | 2Q12 x 1Q12 | 2Q12 x 2Q11 |
| Net Income | 881 | 905 | 860 | 780 | 800 | 761 | 779 | 721 | (2.7) | 10.1 |
| Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income | 11,570 | 9,418 | 11,138 | 9,025 | 9,628 | 7,845 | 9,012 | 7,673 | 22.8 | 20.2 |
| Technical Reserves | 111,789 | 106,953 | 103,653 | 97,099 | 93,938 | 89,980 | 87,177 | 82,363 | 4.5 | 19.0 |
| Financial Assets [1] | 128,526 | 122,147 | 116,774 | 110,502 | 106,202 | 102,316 | 100,038 | 92,599 | 5.2 | 21.0 |
| Claims Ratio | 71.3 | 71.9 | 68.6 | 71.5 | 72.2 | 72.0 | 71.1 | 72.4 | (0.6) p.p. | (0.9) p.p. |
| Combined Ratio | 85.0 | 85.6 | 83.6 | 86.2 | 85.8 | 86.1 | 85.1 | 85.3 | (0.6) p.p. | (0.8) p.p. |
| Policyholders / Participants and Customers (in thousands) | 41,898 | 40,785 | 40,304 | 39,434 | 37,972 | 37,012 | 36,233 | 34,632 | 2.7 | 10.3 |
| Market Share of Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income [2] | 24.5 | 23.4 | 25.6 | 24.9 | 25.0 | 23.2 | 24.7 | 24.7 | 1.1 p.p. | (0.5) p.p. |

(1) As of the fourth quarter of 2010, held-to-maturity securities were reclassified to available for sale category, for adoption CPCs 38 and 40; and
(2) The second quarter of 2012 includes the latest data released by Susep (May 2012).

## Summarized Analysis of Adjusted Income

In a year-on-year comparison, revenue in the second quarter of 2012 was up 22.8%, leveraged by the performance of Life and Pension Plan and Capitalization products that grew by 34.5% and 17.9%, respectively.

In the first half of 2012, total revenue increased by 20.1% over the same period in 2011, which was driven by the performance of all segments that posted an over double-digit growth in the period.

Net income remained stable when compared to the previous quarter, and the main performance indicators improved, as a result of the company's focus on more profitable products, pointing out the 0.6 p.p. drop in claims ratio.

Net income in the first half of 2012 was up 14.4% over the same period in 2011, due to: (i) a 20.1% increase in revenue; (ii) the focus on more profitable products; (iii) the 0.5 p.p. drop in claim ratios; (iv) improved equity income; and (v) a reduction in general and administrative expenses, even when accounting for the collective bargaining agreement in the sector in January 2012; partially offset: (vi) by a decreased financial income.

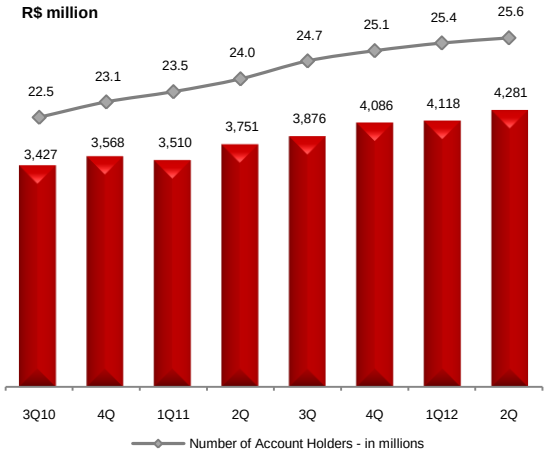
With regards to solvency, Grupo Bradesco de Seguros e Previdência complies with all Susep rules, effective as of January 1, 2008, and has adjusted to meet global standards (Solvency II). The Group posted leverage of 2.4 times its Shareholders' Equity in the period.

# Summarized Analysis of Adjusted Income

## Fee and Commission Income

In the second quarter of 2012, fee and commission income came to R$4,281 million, up R$163 million, or 4.0% over the previous quarter. The increase in income was driven by: (i) an increase in card income; (ii) higher income from checking accounts and (iii) higher volume of loan operations.

In comparison with the same period a year earlier, the R$1,138 million increase, or 15.7%, in fee and commission income in the first half of 2012 was mainly due to: (i) the performance of the credit card segment, driven by the growth in credit card base and revenue; (ii) higher income from checking accounts, which was a result of the growth in business volume and an increase in the checking account holder base, which posted net growth of 1.6 million accounts in the period; (iii) greater income from fund management; (iv) greater income from loan operations, resulting from an increase in the volume of contracted operations and surety and guarantee operations; and (v) greater gains with capital market operations (underwriting / financial advisory).



# Summarized Analysis of Adjusted Income

## Personnel Expenses

In the second quarter of 2012, the R$169 million increase from the previous quarter was due to the following:

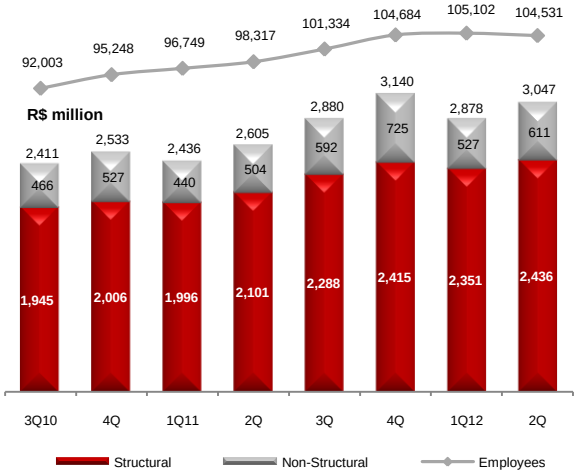
- structural expenses – up R$85 million, basically due to the lower concentration of holidays in the second quarter of 2012; and

- non-structural expenses – R$84 million increase, mainly due to higher expenses with: (i) provision for labor claims; (ii) employee and management profit sharing; and (iii) training.

In comparison with the same period a year earlier, the R$884 million increase in the first half of 2012 was mainly the result of:

- R$689 million in structural expenses, resulting from: (i) increased expenses with salaries, social charges and benefits, due to higher salary levels (2011 collective bargaining agreement); and (ii) the net increase in the number of employees by 6,214 professionals, due to organic growth and the expansion of service points in the period; and

- R$195 million in non-structural expenses, mainly driven by greater expenses with: (i) employee and management profit sharing; and (ii) provision for labor claims.



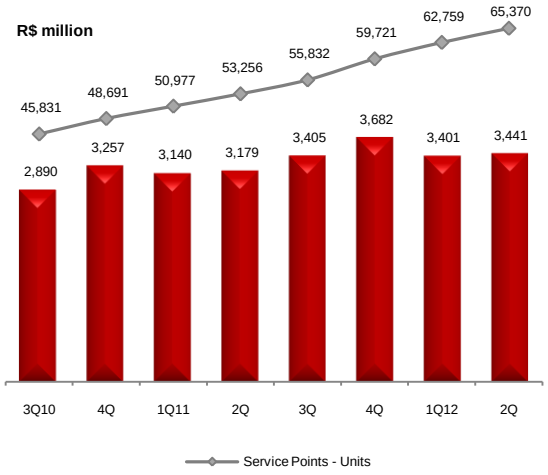

Note: Structural Expenses = Salaries + Social Charges + Benefits + Pension Plans.
Non-Structural Expenses = Employee and Management Profit Sharing + Training + Labor Provision + Costs with Termination of Employment Contracts.

# Summarized Analysis of Adjusted Income

## Administrative Expenses

In the second quarter of 2012, the 1.2% increase in administrative expenses from the previous quarter was mainly the result of higher expenses with: (i) rent; (ii) marketing and advertising; (iii) communication; (iv) data processing; and (v) depreciation and amortization.

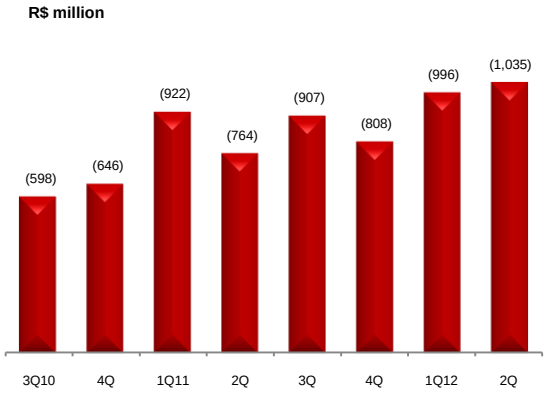
In comparison with the first half of 2012 and the same period a year earlier, the 8.3% increase in the first quarter of 2012 was mainly due to: (i) contractual adjustments; (ii) increase in business and service volume; (iii) the opening of 12,114 service points, mainly the increase to 974 branches and 11,213 Bradesco Expresso points, for a total of 65,370 service points on June 30, 2012; which was partially offset by lower expenses with: (iv) outsourced services; and (v) marketing and advertising.




## Other Operating Income and Expenses

Other operating expenses, net of other operating income, totaled R$1,035 million in the second quarter of 2012, up R$39 million over the previous quarter, and R$345 million in comparison with the first half of 2012.

Compared with the same quarter last year and the previous quarter, the increase in other operating expenses, net of other operating income, was mainly the result of greater expenses with: (i) operating provisions, particularly those for tax and civil contingencies; (ii) sundry losses; and (iii) the amortization of intangible assets due to acquisition of banking rights.

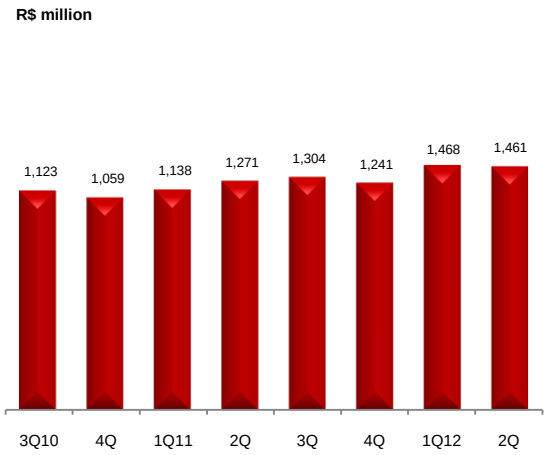


# Summarized Analysis of Adjusted Income

## Income Tax and Social Contributions

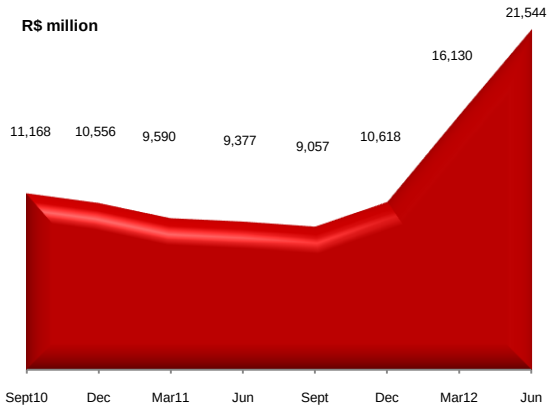
In the quarter-on-quarter comparison, income tax and social contribution expenses remained practically steady, mainly due to the fact that the taxable result remained the same in the period.

In the year-on-year comparison, the increase in these expenses is mainly the result of: (i) greater taxable result; and (ii) the termination of tax credits resulting from the increase in the social contribution rate from 9% to 15% in the first quarter of 2011.




## Unrealized Gains

Unrealized gains totaled R$21,544 million in the second quarter of 2012, a R$5,414 million increase from the previous quarter. This was mainly due to: (i) the appreciation of fixed-income securities due to mark-to-market accounting; (ii) the appreciation of investments, particularly the Cielo investment, which saw a 14.6% increase in share value in the quarter; (iii) the increase in unrealized gains from loan and leasing operations, deriving from reduction of market rates in effect; and partially offset by: (iv) the devaluation of equity securities due to mark-to-market accounting, resulting from the 15.7% drop of Ibovespa.



## Economic Outlook

In the second quarter of 2012, concerns over the global scenario mounted due to the synchronized slowdown of the leading economies, accompanied by increased financial volatility and risk aversion. The eurozone remained the center of attention, given the increasingly consolidated perception that a definitive solution for the bloc's fiscal imbalances is no easy task. At the bloc's most recent summit, leaders took the first step towards banking union and the European rescue fund was authorized to capitalize ailing banks directly, heading off the immediate risk of a meltdown. Nevertheless, there are still doubts regarding the sufficiency of funds for the bailout and the pace of the monetary union's recovery in the coming years.

Faced with these risks, global growth remained low, adversely impacting the confidence of the economic agents. In a direct response to this scenario, long-term U.S. and German treasury bond interest rates fell to their lowest ever level following a flight to quality. Commodity prices have also been declining throughout the year, despite short-term upward pressure from agricultural produce (adverse weather conditions) and oil (geopolitical tensions).

In Brazil, the deteriorating international scenario has been fueling the slowdown in activity since 2011, which was in turn triggered by the adoption of economic policies focused on reducing inflationary pressure at the beginning of last year. Following the sequence of shocks that has hit Brazil's economy since then, growth has slowed more than expected, especially in the manufacturing sector.

Although Brazil is still not immune to global events, it is certainly much better prepared to face the materialization of existing risks than it was in 2008. In response to the hefty domestic slowdown, the economic authorities have adopted a number of stimulus measures, including: (i) a series of interest rate cuts, which was facilitated by the changes in the rules governing savings account returns, has already reduced the Selic base rate to its lowest ever level; (ii) fiscal and tax incentives for consumer goods and industrial segments; (iii) the implementation of a government purchase program focused on capital goods; and (iv) a reduction in the capital cost of BNDES operations.

The depreciation of the real in recent months may bring some relief to national industry, albeit partially offset by the deceleration of global demand. Moreover, the country's ample foreign reserves (US$374 billion, versus US$208 billion in September 2008) and the volume of reserve requirements (R$390 billion, versus R$272 billion four years ago) constitute lines of defense that can be called upon rapidly if necessary. Given all these stimuli, Brazil's economy should respond favorably, accelerating the pace of growth throughout the second half.

Bradesco is maintaining its positive long-term outlook for Brazil. Despite the country's undeniable export vocation, domestic demand has been and will continue to be the main engine of economic performance. Household consumption has been driven by the expanding job market, while investments are likely to benefit from the reduction in the cost of capital and the opportunities generated by pre-salt oil exploration and the sporting events in the coming years. Given this expected recovery in domestic activity, together with continuing upward social mobility, the outlook for the Brazilian banking system also remains favorable.

The Organization continues to believe that Brazil will achieve a higher potential growth pace more rapidly if fueled by bigger investments in education and infrastructure and by economic reforms that increase the efficiency of the productive sector. Action on these fronts would play a crucial role in giving the private sector a more solid foundation in regard to facing global competition and continuing to grow and create jobs.

## Main Economic Indicators

| Main Indicators (%) | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 | 1H12 | 1H11 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interbank Deposit Certificate (CDI) | 2.09 | 2.45 | 2.67 | 3.01 | 2.80 | 2.64 | 2.56 | 2.61 | 4.59 | 5.52 |
| Ibovespa | (15.74) | 13.67 | 8.47 | (16.15) | (9.01) | (1.04) | (0.18) | 13.94 | (4.23) | (9.96) |
| USD – Commercial Rate | 10.93 | (2.86) | 1.15 | 18.79 | (4.15) | (2.25) | (1.65) | (5.96) | 7.76 | (6.31) |
| General Price Index - Market (IGP-M) | 2.56 | 0.62 | 0.91 | 0.97 | 0.70 | 2.43 | 3.18 | 2.09 | 3.19 | 3.15 |
| Extended Consumer Price Index (IPCA) – Brazilian Institute of Geography and Statistics (IBGE) | 1.08 | 1.22 | 1.46 | 1.06 | 1.40 | 2.44 | 2.23 | 0.50 | 2.32 | 3.87 |
| Federal Government Long-Term Interest Rate (TJLP) | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 1.48 | 2.98 | 2.98 |
| Reference Interest Rate (TR) | 0.07 | 0.19 | 0.22 | 0.43 | 0.31 | 0.25 | 0.22 | 0.28 | 0.26 | 0.55 |
| Savings Accounts | 1.58 | 1.70 | 1.73 | 1.95 | 1.82 | 1.76 | 1.73 | 1.79 | 3.31 | 3.61 |
| Business Days (number) | 62 | 63 | 62 | 65 | 62 | 62 | 63 | 65 | 125 | 124 |
| Indicators (Closing Rate) | Jun12 | Mar12 | Dec11 | Sept11 | Jun11 | Mar11 | Dec10 | Sept10 | Jun12 | Jun11 |
| USD – Commercial Selling Rate - (R$) | 2.0213 | 1.8221 | 1.8758 | 1.8544 | 1.5611 | 1.6287 | 1.6662 | 1.6942 | 2.0213 | 1.5611 |
| Euro - (R$) | 2.5606 | 2.4300 | 2.4342 | 2.4938 | 2.2667 | 2.3129 | 2.2280 | 2.3104 | 2.5606 | 2.2667 |
| Country Risk (points) | 208 | 177 | 223 | 275 | 148 | 173 | 189 | 206 | 208 | 148 |
| Basic Selic Rate Copom (% p.a.) | 8.50 | 9.75 | 11.00 | 12.00 | 12.25 | 11.75 | 10.75 | 10.75 | 8.50 | 12.25 |
| BM&F Fixed Rate (% p.a.) | 7.57 | 8.96 | 10.04 | 10.39 | 12.65 | 12.28 | 12.03 | 11.28 | 7.57 | 12.65 |

### Projections through 2014

| % | 2012 | 2013 | 2014 |
|---|---|---|---|
| USD - Commercial Rate (year-end) - R$ | 1.95 | 2.00 | 2.10 |
| Extended Consumer Price Index (IPCA) | 4.90 | 5.50 | 5.00 |
| General Price Index - Market (IGP-M) | 5.20 | 4.60 | 4.50 |
| Selic (year-end) | 7.50 | 8.50 | 8.50 |
| Gross Domestic Product (GDP) | 2.10 | 4.00 | 4.50 |

# Guidance

## Bradesco's Outlook for 2012

This guidance contains forward-looking statements that are subject to risks and uncertainties, as they are based on Management's expectations and assumptions and information available to the market to date.

| | |
|---|---|
| **Loan Portfolio [1] [2]** | **14 to 18%** |
| Individuals [3] | 12 to 16% |
| Companies [4] | 14 to 18% |
| SMEs [5] | 16 to 20% |
| Corporations | 13 to 17% |
| **Products** | |
| Vehicles [6] | 2 to 6% |
| Cards [7] [8] | 10 to 14% |
| Real Estate Financing (origination) [9] | R$ 14.0 bi |
| Payroll Deductible Loans | 26 to 30% |
| **Financial Margin [10]** | **10 to 14%** |
| **Fee and Commission Income [11]** | **10 to 14%** |
| **Operating Expenses [12]** | **8 to 12%** |
| **Insurance Premiums [13]** | **15 to 19%** |

(1) Expanded Loan Portfolio;

(2) Changed from 18–22% to 14–18%.

(3) Changed from 16–20% to 12–16%.

(4) Changed from 18–22% to 14–18%.

(5) Changed from 23–27% to 16–20%.

(6) Changed from 4–8% to 2–6%.

(7) Changed from 13–17% to 10–14%.

(8) Does not include the "BNDES Cards" and "Discounts on Advances of Receivables" portfolios;

(9) Changed from R$$11.4 billion to R$$14.0 billion.

(10) Under current criterion, Guidance for Interest Financial Margin.

(11) Changed from 8–12% to 10–14%;

(12) Administrative and Personnel Expenses; and

(13) Changed from 13–16% to 15–19%.

# Income Statements vs. Managerial Income vs. Adjusted Income

## Analytical Breakdown of Income Statement vs. Managerial Income vs. Adjusted Income

**Second Quarter of 2012**

R$ million

| | 2Q12 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Income Statement | Reclassifications | | | | | | | Fiscal Hedge [8] | Managerial Income Statement | Non-Recurring Events [9] | Adjusted Statement of Income |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | | | | |
| **Financial Margin** | **10,304** | **(271)** | **37** | **22** | **(618)** | **-** | **-** | **-** | **1,560** | **11,034** | **-** | **11,034** |
| ALL | (3,650) | - | - | - | 342 | (98) | - | - | - | (3,407) | - | (3,407) |
| **Gross Income from Financial Intermediation** | **6,654** | **(271)** | **37** | **22** | **(276)** | **(98)** | **-** | **-** | **1,560** | **7,627** | **-** | **7,627** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations [10] | 953 | - | - | - | - | - | - | - | - | 953 | - | 953 |
| Fee and Commission Income | 4,174 | - | - | - | - | - | 107 | - | - | 4,281 | - | 4,281 |
| Personnel Expenses | (3,047) | - | - | - | - | - | - | - | - | (3,047) | - | (3,047) |
| Other Administrative Expenses | (3,322) | - | - | - | - | - | - | (119) | - | (3,441) | - | (3,441) |
| Tax Expenses | (813) | - | - | - | (8) | - | - | - | (170) | (991) | - | (991) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 19 | - | - | - | - | - | - | - | - | 19 | - | 19 |
| Other Operating Income/Expenses | (1,620) | 271 | (37) | (22) | 284 | 20 | (107) | 119 | - | (1,092) | 57 | (1,035) |
| **Operating Result** | **2,998** | **-** | **-** | **-** | **-** | **(78)** | **-** | **-** | **1,390** | **4,310** | **57** | **4,366** |
| Non-Operating Income | (100) | - | - | - | - | 78 | - | - | - | (22) | - | (22) |
| Income Tax / Social Contribution and Non-controlling Interest | (65) | - | - | - | - | - | - | - | (1,390) | (1,455) | (23) | (1,477) |
| **Net Income** | **2,833** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,833** | **34** | **2,867** |

(1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item "Other Operating Expenses" to the item "Financial Margin;"
(2) Interest Income/Expenses from the insurance segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(3) Interest Income/Expenses from the financial segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(4) Income from Loan Recovery classified under the item "Financial Margin", Expenses with Discounts Granted classified under the item "Other Operating Income/Expenses", and Expenses with Write-offs of Leasing Operations classified under the item "Financial Margin" were reclassified to the item "ALL Expenses - Allowance for Loan Losses", and Tax Expenses, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"
(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "Other Operating Income/Expenses;"
(6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item "Other Operating Income/Expenses" were reclassified to the item "Fee and Commission Income;"
(7) Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"
(8) Partial result of Derivatives used to hedge investments abroad, which simply cancels the tax effects (Income Tax/Social Contribution (IR/CS) and Social Integration Program/Contribution for Social Security Financing (PIS/Cofins)) of this hedge strategy in terms of Net Income;
(9) For more information see page 8 of this chapter; and
(10) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance Plans, Pension Plans and Capitalization Bonds.

# Income Statements vs. Managerial Income vs. Adjusted Income

**First Quarter of 2012**

R$ million

| | 1Q12 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Income Statement | Reclassifications | | | | | | | Fiscal Hedge [8] | Managerial Income Statement | Non-Recurring Events [9] | Adjusted Statement of Income |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | | | | |
| **Financial Margin** | **11,773** | **(186)** | **59** | **(70)** | **(515)** | **29** | **-** | **-** | **(395)** | **10,695** | **-** | **10,695** |
| ALL | (3,298) | - | - | - | 265 | (61) | - | - | - | (3,094) | - | (3,094) |
| **Gross Income from Financial Intermediation** | **8,475** | **(186)** | **59** | **(70)** | **(250)** | **(32)** | **-** | **-** | **(395)** | **7,601** | **-** | **7,601** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations [10] | 877 | - | - | - | - | - | - | - | - | 877 | - | 877 |
| Fee and Commission Income | 3,995 | - | - | - | - | - | 122 | - | - | 4,118 | - | 4,118 |
| Personnel Expenses | (2,878) | - | - | - | - | - | - | - | - | (2,878) | - | (2,878) |
| Other Administrative Expenses | (3,290) | - | - | - | - | - | - | (110) | - | (3,401) | - | (3,401) |
| Tax Expenses | (1,122) | - | - | - | 68 | - | - | - | 43 | (1,012) | - | (1,012) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 40 | - | - | - | - | - | - | - | - | 40 | - | 40 |
| Other Operating Income/Expenses | (1,488) | 186 | (59) | 70 | 182 | 38 | (122) | 110 | - | (1,082) | 86 | (996) |
| **Operating Result** | **4,609** | **-** | **-** | **-** | **-** | **6** | **-** | **-** | **(352)** | **4,263** | **86** | **4,349** |
| Non-Operating Income | (12) | - | - | - | - | (6) | - | - | - | (18) | - | (18) |
| Income Tax / Social Contribution and Non-controlling Interest | (1,804) | - | - | - | - | - | - | - | 352 | (1,452) | (34) | (1,486) |
| **Net Income** | **2,793** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,793** | **52** | **2,845** |

(1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item "Other Operating Expenses" to the item "Financial Margin;"
(2) Interest Income/Expenses from the insurance segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(3) Interest Income/Expenses from the financial segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(4) Income from Loan Recovery classified under the item "Financial Margin", Expenses with Discounts Granted classified under the item "Other Operating Income/Expenses", and Expenses with Write-offs of Leasing Operations classified under the item "Financial Margin" were reclassified to the item "ALL Expenses - Allowance for Loan Losses", and Tax Expenses, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"
(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "Other Operating Income/Expenses;"
(6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item "Other Operating Income/Expenses" were reclassified to the item "Fee and Commission Income;"
(7) Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"
(8) Partial result of Derivatives used to hedge investments abroad, which simply cancels the tax effects (Income Tax/Social Contribution (IR/CS) and Social Integration Program/Contribution for Social Security Financing (PIS/Cofins)) of this hedge strategy in terms of Net Income;
(9) For more information see page 8 of this chapter; and
(10) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance Plans, Pension Plans and Capitalization Bonds.

# Income Statements vs. Managerial Income vs. Adjusted Income

**First Half of 2012**

R$ million

| | 1H12 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Income Statement | Reclassifications | | | | | | | Fiscal Hedge [8] | Managerial Income Statement | Non-Recurring Events [9] | Adjusted Statement of Income |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | | | | |
| **Financial Margin** | **22,077** | **(457)** | **96** | **(48)** | **(1,133)** | **29** | **-** | **-** | **1,165** | **21,729** | **-** | **21,729** |
| ALL | (6,948) | - | - | - | 607 | (159) | - | - | - | (6,501) | - | (6,501) |
| **Gross Income from Financial Intermediation** | **15,129** | **(457)** | **96** | **(48)** | **(526)** | **(130)** | **-** | **-** | **1,165** | **15,228** | **-** | **15,228** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations [10] | 1,830 | - | - | - | - | - | - | - | - | 1,830 | - | 1,830 |
| Fee and Commission Income | 8,169 | - | - | - | - | - | 229 | - | - | 8,399 | - | 8,399 |
| Personnel Expenses | (5,925) | - | - | - | - | - | - | - | - | (5,925) | - | (5,925) |
| Other Administrative Expenses | (6,612) | - | - | - | - | - | - | (229) | - | (6,842) | - | (6,842) |
| Tax Expenses | (1,935) | - | - | - | 60 | - | - | - | (127) | (2,003) | - | (2,003) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 59 | - | - | - | - | - | - | - | - | 59 | - | 59 |
| Other Operating Income/Expenses | (3,108) | 457 | (96) | 48 | 466 | 58 | (229) | 229 | - | (2,175) | 143 | (2,031) |
| **Operating Result** | **7,607** | **-** | **-** | **-** | **-** | **(72)** | **-** | **-** | **1,038** | **8,573** | **143** | **8,715** |
| Non-Operating Income | (112) | - | - | - | - | 72 | - | - | - | (40) | - | (40) |
| Income Tax / Social Contribution and Non-controlling Interest | (1,869) | - | - | - | - | - | - | - | (1,038) | (2,907) | (57) | (2,963) |
| **Net Income** | **5,626** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,626** | **86** | **5,712** |

(1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item “Other Operating Expenses” to the item “Financial Margin;”
(2) Interest Income/Expenses from the insurance segment were reclassified from the item “Other Operating Income/Expenses” to the item “Financial Margin;”
(3) Interest Income/Expenses from the financial segment were reclassified from the item “Other Operating Income/Expenses” to the item “Financial Margin;”
(4) Income from Loan Recovery classified under the item “Financial Margin”, Expenses with Discounts Granted classified under the item “Other Operating Income/Expenses”, and Expenses with Write-offs of Leasing Operations classified under the item “Financial Margin” were reclassified to the item “ALL Expenses - Allowance for Loan Losses”, and Tax Expenses, classified as “Other Operating Expenses, were reclassified under the item “Tax Expenses;”
(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item “Non-Operating Result” were reclassified to items “ALL Expenses - Allowance for Loan Losses” / “Other Operating Income/Expenses;”
(6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item “Other Operating Income/Expenses” were reclassified to the item “Fee and Commission Income;”
(7) Credit Card Operation Interchange Expenses classified under the item “Other Operating Income/Expenses” were reclassified to the item “Other Administrative Expenses;”
(8) Partial result of Derivatives used to hedge investments abroad, which simply cancels the tax effects (Income Tax/Social Contribution (IR/CS) and Social Integration Program/Contribution for Social Security Financing (PIS/Cofins)) of this hedge strategy in terms of Net Income;
(9) For more information see page 8 of this chapter; and
(10) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance Plans, Pension Plans and Capitalization Bonds.

# Income Statements vs. Managerial Income vs. Adjusted Income

**First Half of 2011**

R$ million

| | 1H11 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book Income Statement | Reclassifications | | | | | | | Fiscal Hedge [8] | Managerial Income Statement | Non-Recurring Events [9] | Adjusted Statement of Income |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | | | | |
| **Financial Margin** | **20,706** | **(203)** | **44** | **(140)** | **(836)** | **-** | **-** | **-** | **(738)** | **18,833** | **-** | **18,833** |
| ALL | (5,219) | - | - | - | 540 | (118) | - | - | - | (4,797) | - | (4,797) |
| **Gross Income from Financial Intermediation** | **15,487** | **(203)** | **44** | **(140)** | **(296)** | **(118)** | **-** | **-** | **(738)** | **14,036** | **-** | **14,036** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations [10] | 1,573 | - | - | - | - | - | - | - | - | 1,573 | - | 1,573 |
| Fee and Commission Income | 7,043 | - | - | - | - | - | 218 | - | - | 7,261 | - | 7,261 |
| Personnel Expenses | (5,041) | - | - | - | - | - | - | - | - | (5,041) | - | (5,041) |
| Other Administrative Expenses | (6,130) | - | - | - | - | - | - | (189) | - | (6,319) | - | (6,319) |
| Tax Expenses | (1,923) | - | - | - | 50 | - | - | - | 80 | (1,793) | - | (1,793) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 50 | - | - | - | - | - | - | - | - | 50 | - | 50 |
| Other Operating Income/Expenses | (2,325) | 203 | (44) | 140 | 246 | - | (218) | 189 | - | (1,809) | 123 | (1,686) |
| **Operating Result** | **8,734** | **-** | **-** | **-** | **-** | **(118)** | **-** | **-** | **(658)** | **7,958** | **123** | **8,081** |
| Non-Operating Income | (129) | - | - | - | - | 118 | - | - | - | (11) | - | (11) |
| Income Tax / Social Contribution and Non-controlling Interest | (3,118) | - | - | - | - | - | - | - | 658 | (2,460) | (47) | (2,507) |
| **Net Income** | **5,487** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,487** | **76** | **5,563** |

(1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item "Other Operating Expenses" to the item "Financial Margin;"
(2) Interest Income/Expenses from the insurance segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(3) Interest Income/Expenses from the financial segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
(4) Income from Loan Recovery classified under the item "Financial Margin", Expenses with Discounts Granted classified under the item "Other Operating Income/Expenses", and Expenses with Write-offs of Leasing Operations classified under the item "Financial Margin" were reclassified to the item "ALL Expenses - Allowance for Loan Losses", and Tax Expenses, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"
(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "Other Operating Income/Expenses;"
(6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item "Other Operating Income/Expenses" were reclassified to the item "Fee and Commission Income;"
(7) Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"
(8) Partial result of Derivatives used to hedge investments abroad, which simply cancels the tax effects (Income Tax/Social Contribution (IR/CS) and Social Integration Program/Contribution for Social Security Financing (PIS/Cofins)) of this hedge strategy in terms of Net Income;
(9) For more information see page 8 of this chapter; and
(10) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance Plans, Pension Plans and Capitalization Bonds.

# *Economic and Financial Analysis*

# 2



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

ISO 9001 2008

# Consolidated Statement of Financial Position and Adjusted Income Statement

## Statement of Financial Position

R$ million

| | Jun12 | Mar12 | Dec11 | Sept11 | Jun11 | Mar11 | Dec10 | Sept10 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current and Long-Term Assets** | **815,063** | **773,896** | **746,090** | **710,238** | **677,571** | **663,599** | **625,783** | **601,180** |
| Cash and Cash Equivalents | 13,997 | 25,069 | 22,574 | 10,018 | 7,715 | 6,785 | 15,738 | 9,669 |
| Interbank Investments | 92,858 | 84,690 | 82,303 | 85,963 | 86,147 | 100,159 | 73,232 | 92,567 |
| Securities and Derivative Financial Instruments | 322,507 | 294,959 | 265,723 | 244,622 | 231,425 | 217,482 | 213,518 | 196,081 |
| Interbank and Interdepartmental Accounts | 62,510 | 61,576 | 72,906 | 71,951 | 67,033 | 67,292 | 66,326 | 50,781 |
| Loan and Leasing Operations | 258,242 | 250,201 | 248,719 | 241,812 | 231,862 | 222,404 | 213,532 | 200,092 |
| Allowance for Loan Losses (ALL) | (20,682) | (20,117) | (19,540) | (19,091) | (17,365) | (16,740) | (16,290) | (16,019) |
| Other Receivables and Assets | 85,631 | 77,518 | 73,405 | 74,963 | 70,754 | 66,217 | 59,727 | 68,009 |
| **Permanent Assets** | **15,457** | **15,654** | **15,443** | **12,051** | **11,736** | **11,788** | **11,702** | **10,723** |
| Investments | 1,889 | 2,076 | 2,052 | 1,721 | 1,699 | 1,675 | 1,577 | 1,616 |
| Premises and Leased Assets | 4,523 | 4,551 | 4,413 | 3,812 | 3,658 | 3,666 | 3,766 | 3,401 |
| Intangible Assets | 9,045 | 9,027 | 8,978 | 6,518 | 6,379 | 6,447 | 6,359 | 5,706 |
| **Total** | **830,520** | **789,550** | **761,533** | **722,289** | **689,307** | **675,387** | **637,485** | **611,903** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| **Current and Long-Term Liabilities** | **765,398** | **730,214** | **704,664** | **667,312** | **635,360** | **623,069** | **588,610** | **564,794** |
| Deposits | 217,070 | 213,877 | 217,424 | 224,664 | 213,561 | 203,822 | 193,201 | 186,194 |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase | 225,974 | 213,930 | 197,448 | 171,458 | 164,204 | 178,989 | 171,497 | 157,009 |
| Funds from Issuance of Securities | 51,158 | 48,482 | 41,522 | 32,879 | 29,044 | 21,701 | 17,674 | 13,749 |
| Interbank and Interdepartmental Accounts | 3,618 | 3,231 | 4,614 | 2,974 | 3,037 | 2,647 | 3,790 | 2,451 |
| Borrowing and Onlending | 47,895 | 47,112 | 53,247 | 49,057 | 45,207 | 41,501 | 38,196 | 37,998 |
| Derivative Financial Instruments | 3,568 | 2,703 | 735 | 1,724 | 1,221 | 2,358 | 730 | 1,878 |
| Reserves for Insurance, Pension Plans and Capitalization Bonds | 111,789 | 106,953 | 103,653 | 97,099 | 93,938 | 89,980 | 87,177 | 82,363 |
| Other Liabilities | 104,326 | 93,926 | 86,021 | 87,457 | 85,148 | 82,071 | 76,345 | 83,152 |
| **Deferred Income** | **615** | **646** | **672** | **622** | **505** | **447** | **360** | **312** |
| **Non-controlling Interest in Subsidiaries** | **587** | **630** | **615** | **613** | **599** | **574** | **472** | **683** |
| **Shareholders' Equity** | **63,920** | **58,060** | **55,582** | **53,742** | **52,843** | **51,297** | **48,043** | **46,114** |
| **Total** | **830,520** | **789,550** | **761,533** | **722,289** | **689,307** | **675,387** | **637,485** | **611,903** |

# Consolidated Statement of Financial Position and Adjusted Income Statement

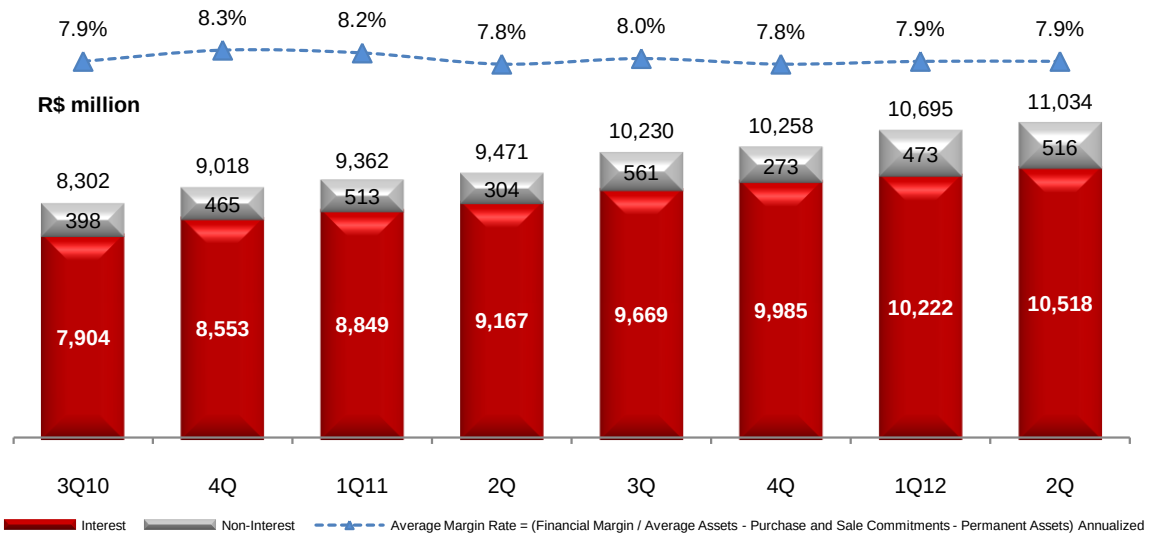
## Adjusted Income Statement

| | | | | | | | | R$ million |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| **Financial Margin** | **11,034** | **10,695** | **10,258** | **10,230** | **9,471** | **9,362** | **9,018** | **8,302** |
| Interest | 10,518 | 10,222 | 9,985 | 9,669 | 9,167 | 8,849 | 8,553 | 7,904 |
| Non-Interest | 516 | 473 | 273 | 561 | 304 | 513 | 465 | 398 |
| ALL | (3,407) | (3,094) | (2,661) | (2,779) | (2,437) | (2,360) | (2,295) | (2,059) |
| **Gross Income from Financial Intermediation** | **7,627** | **7,601** | **7,597** | **7,451** | **7,034** | **7,002** | **6,723** | **6,243** |
| Income from Insurance, Pension Plan and Capitalization Bond Operations (1) | 953 | 877 | 933 | 864 | 788 | 785 | 700 | 703 |
| Fee and Commission Income | 4,281 | 4,118 | 4,086 | 3,876 | 3,751 | 3,510 | 3,568 | 3,427 |
| Personnel Expenses | (3,047) | (2,878) | (3,140) | (2,880) | (2,605) | (2,436) | (2,533) | (2,411) |
| Other Administrative Expenses | (3,441) | (3,401) | (3,682) | (3,405) | (3,179) | (3,140) | (3,257) | (2,890) |
| Tax Expenses | (991) | (1,012) | (1,005) | (866) | (913) | (880) | (858) | (779) |
| Equity in the Earnings (Losses) of Unconsolidated Companies | 19 | 40 | 53 | 41 | 16 | 34 | 60 | 19 |
| Other Operating Income and Expenses | (1,035) | (996) | (808) | (907) | (764) | (922) | (646) | (598) |
| **Operating Result** | **4,366** | **4,349** | **4,034** | **4,174** | **4,128** | **3,953** | **3,757** | **3,714** |
| Non-Operating Income | (22) | (18) | 4 | 10 | (7) | (4) | 10 | (10) |
| Income Tax and Social Contribution | (1,461) | (1,468) | (1,241) | (1,304) | (1,271) | (1,138) | (1,059) | (1,123) |
| Non-controlling Interest | (16) | (18) | (26) | (16) | (25) | (73) | (24) | (63) |
| **Adjusted Net Income** | **2,867** | **2,845** | **2,771** | **2,864** | **2,825** | **2,738** | **2,684** | **2,518** |

(1) Income from Insurance, Pension Plan and Capitalization Bond Operations = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Drawings and Redemption of Capitalization Bonds – Selling Expenses with Insurance, Pension Plans and Capitalization Bonds.

# Financial Margin – Interest and Non-Interest

## Financial Margin Breakdown



# Financial Margin – Interest and Non-Interest

## Average Financial Margin Rate

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Financial Margin | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Interest - due to volume | | | | | 2,821 | 281 |
| Interest - due to spread | | | | | (97) | 15 |
| - Financial Margin - Interest | 20,740 | 18,016 | 10,518 | 10,222 | 2,724 | 296 |
| - Financial Margin - Non-Interest | 989 | 817 | 516 | 473 | 172 | 43 |
| **Financial Margin** | **21,729** | **18,833** | **11,034** | **10,695** | **2,896** | **339** |
| **Average Margin Rate (1)** | **7.9%** | **7.9%** | **7.9%** | **7.9%** | | |

(1) Average Margin Rate = (Financial Margin / Average Assets – Purchase and Sale Commitments - Permanent Assets) Annualized

In the second quarter of 2012, financial margin was R$11,034 million. Compared with the previous quarter there was a 3.2%, or R$339 million, increase. This variation was due to higher: (i) interest margin, totaling R$296 million; and (ii) non-interest margin, totaling R$43 million.

Year on year, financial margin grew by 15.4%, or R$2,896 million, in the first half of 2012, as a result of: (i) a R$2,724 million increase in interest margin, of which: (a) R$2,821 million corresponds to the increase in volume of operations; partially offset by: (b) the spread reduction, totaling R$97 million; and (ii) increase in non-interest financial margin, in the amount of R$172 million, due to higher Treasury/Securities gains.

# Financial Margin - Interest

## Interest Financial Margin - Breakdown

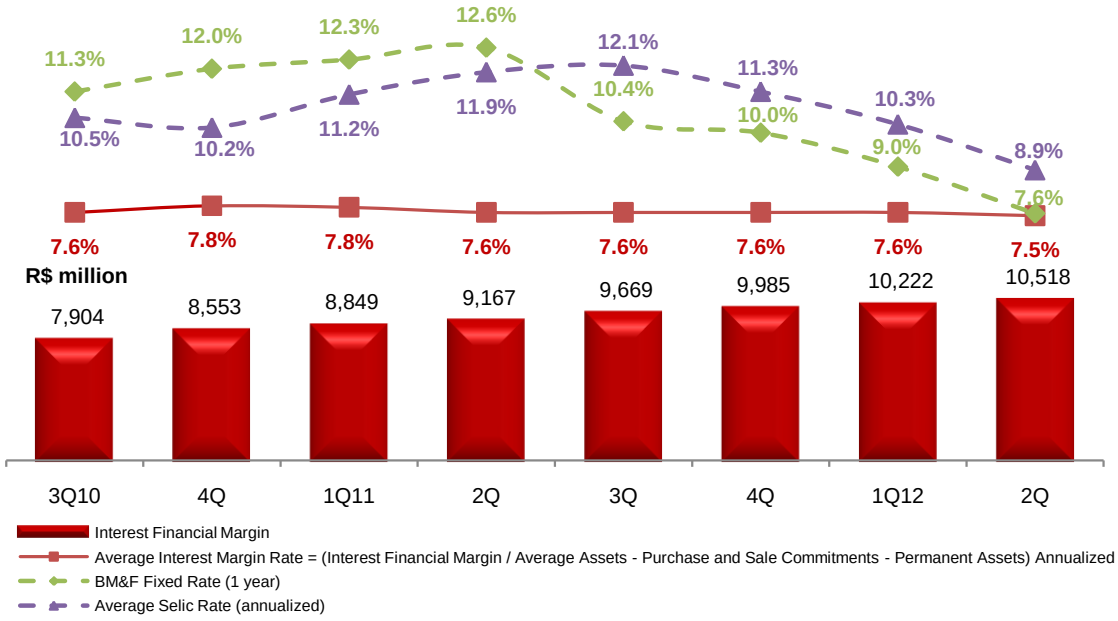
| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Interest Financial Margin Breakdown | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Loans | 14,543 | 12,728 | 7,362 | 7,181 | 1,815 | 181 |
| Funding | 2,209 | 2,141 | 1,041 | 1,168 | 68 | (127) |
| Insurance | 1,577 | 1,818 | 726 | 851 | (241) | (125) |
| Securities/Other | 2,411 | 1,329 | 1,389 | 1,022 | 1,082 | 367 |
| **Financial Margin** | **20,740** | **18,016** | **10,518** | **10,222** | **2,724** | **296** |

The interest financial margin in the second quarter of 2012 stood at R$10,518 million, versus R$10,222 million in the first quarter of 2012, for a R$296 million increase, or 2.9%. Between the first half of 2012 and the same period in 2011, there was a 15.1% increase, or R$2,724 million.

In quarter-on-quarter and year-on-year comparisons, the increase in interest margin was mainly driven by the following business lines: (i) “Loans;” and (ii) “Securities/Other.”

# Financial Margin - Interest

## Interest Financial Margin - Rates




The annualized interest financial margin rate versus total average assets stood at 7.5% in the second quarter of 2012, posting a 0.1 p.p. decrease in relation to the previous quarter, mainly due to (i) the downturn in the Insurance margin average rate, impacted by (a) a lower profitability of assets indexed to IPCA; and (b) the performance of multimarket funds, which was affected by the 15.7% depreciation of Ibovespa in the quarter; (ii) the decrease in the Funding margin average rate, as a result of reduced interest rates (Selic); and (iii) the decrease in the Loan margin average rate, as a result of lower interest rates in effect, combined with the change in the loan portfolio mix.

## Interest Financial Margin – Annualized Average Rates

R$ million

| | 1H12 | | | 1H11 | | |
|---|---|---|---|---|---|---|
| | Interest | Average Balance | Average Rate | Interest | Average Balance | Average Rate |
| Loans | 14,543 | 277,005 | 10.9% | 12,728 | 245,018 | 10.7% |
| Funding | 2,209 | 334,070 | 1.3% | 2,141 | 285,939 | 1.5% |
| Insurance | 1,577 | 107,966 | 2.9% | 1,818 | 90,700 | 4.0% |
| Securities/Other | 2,411 | 283,699 | 1.7% | 1,329 | 216,454 | 1.2% |
| **Financial Margin** | **20,740** | **-** | **7.6%** | **18,016** | **-** | **7.6%** |

| | 2Q12 | | | 1Q12 | | |
|---|---|---|---|---|---|---|
| | Interest | Average Balance | Average Rate | Interest | Average Balance | Average Rate |
| Loans | 7,362 | 281,442 | 10.9% | 7,181 | 272,481 | 11.0% |
| Funding | 1,041 | 336,954 | 1.2% | 1,168 | 331,186 | 1.4% |
| Insurance | 726 | 110,120 | 2.7% | 851 | 105,811 | 3.3% |
| Securities/Other | 1,389 | 283,763 | 2.0% | 1,022 | 283,634 | 1.4% |
| **Financial Margin** | **10,518** | **-** | **7.5%** | **10,222** | **-** | **7.6%** |

# Loan Financial Margin – Interest

## Loan Financial Margin – Breakdown

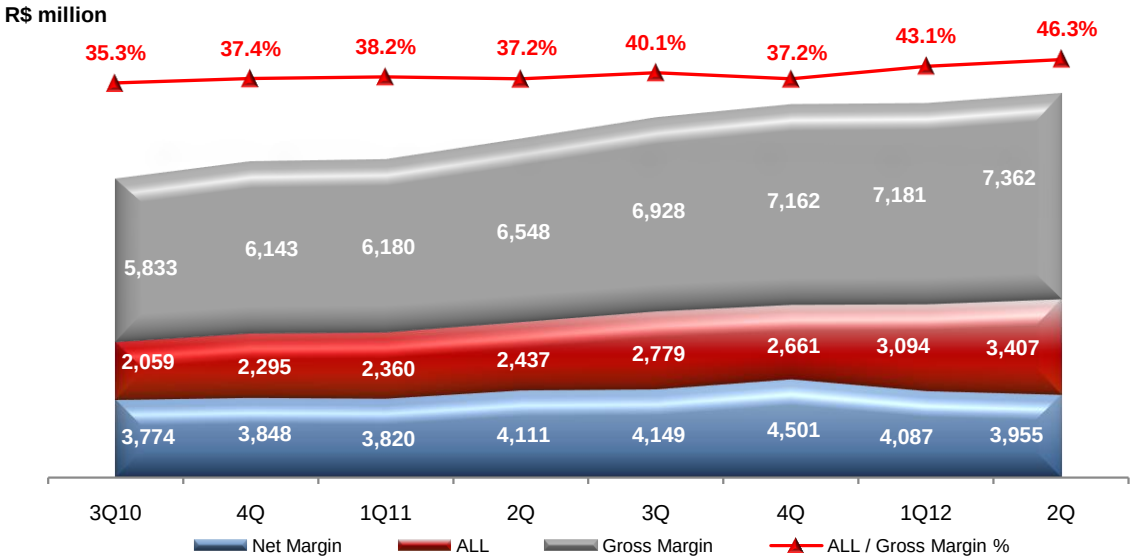
| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Financial Margin - Loan | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Interest - due to volume | | | | | 1,679 | 234 |
| Interest - due to spread | | | | | 136 | (53) |
| **Interest Financial Margin** | **14,543** | **12,728** | **7,362** | **7,181** | **1,815** | **181** |
| Income | 25,963 | 22,896 | 13,318 | 12,645 | 3,067 | 673 |
| Expenses | (11,420) | (10,168) | (5,956) | (5,464) | (1,252) | (492) |

In the second quarter of 2012, financial margin with loan operations reached R$7,362 million, up R$181 million or 2.5% over the previous quarter. The variation is the result of: (i) the R$234 million increase in average business volume; and offset by: (ii) the R$53 million decrease in the average spread, due to lower interest rates in effect, combined with the change in the loan portfolio mix.

Between the first half of 2012 and the same period in 2011, there was an increase of 14.3% or R$1,815 million in the loan financial margin, resulting from: (i) an R$1,679 million increase in the volume of operations; and (ii) the increase in average spread, in the amount of R$136 million, mainly impacted by: (a) reduced funding costs, due to the decrease in the interest rates (Selic) in the period; and partially mitigated by: (b) the change in the portfolio mix, due to the greater share of the Corporate segment, which has lower margins, accounting for an increase of 16.5% in the last 12 months, versus a 9.1% increase in the Individual segment in the same period.

# Loan Financial Margin - Interest

## Loan Financial Margin – Net Margin




The graph above presents a summary of loan activity. The Gross Margin line refers to interest income from loans, net of opportunity cost (essentially the accrued Interbank Deposit Certificate - CDI over rate in the period).

The ALL curve shows delinquency costs, which are represented by Allowance for Loan Losses (ALL) expenses, discounts granted in transactions net of loan recoveries and the result of the sale of foreclosed assets, among other items.

The net margin curve presents the result of loan interest income, net of ALL, which, in the second quarter of 2012, recorded a 3.2% decrease from the first quarter of 2012, in view of the increase of ALL. Between the first half of 2012 and the same period of 2011, the figure was up 1.4%, mainly due to the adequacy of provisioning level, for expected loss in some corporate customers, which are undergoing a debt restructuring process.

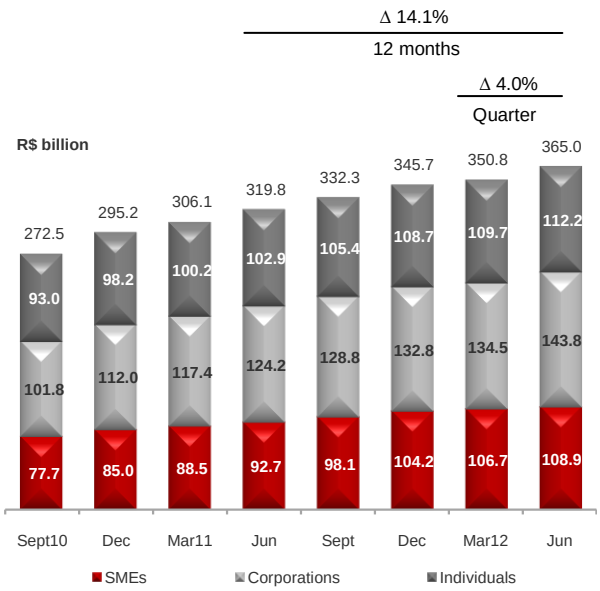
# Loan Financial Margin - Interest

## Expanded Loan Portfolio [1]

The expanded loan portfolio amounted to R$365.0 billion in June 2012, recording growth of 4.0% in the quarter, led by Corporations, which grew by 7.0% in the period. The expanded loan portfolio increased 14.1% over the last 12 months, mainly due to the 17.3% growth in the SME portfolio and 15.9% in the Corporations portfolio.

(1) Including sureties, guarantees, letters of credit, advances of credit card receivables, debentures, promissory notes, receivables-backed investment funds (FIDC), mortgage-backed receivables (CRI) and rural loans.

For further information, refer to page 42 herein.




## Expanded Loan Portfolio Breakdown by Product and Type of Customer (Individual and Corporate)

A breakdown of loan risk products for individuals – expanded portfolio is presented below:

| Individuals | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Vehicles - CDC | 29,324 | 29,075 | 26,804 | 0.9 | 9.4 |
| Payroll-Deductible Loans [1] | 19,243 | 18,398 | 16,886 | 4.6 | 14.0 |
| Credit Card | 18,545 | 17,903 | 17,141 | 3.6 | 8.2 |
| Personal Loans | 14,465 | 13,771 | 12,658 | 5.0 | 14.3 |
| Real Estate Financing [2] | 8,768 | 7,994 | 5,521 | 9.7 | 58.8 |
| Rural Loans | 6,367 | 6,599 | 6,009 | (3.5) | 6.0 |
| BNDES/Finame Onlending | 5,515 | 5,494 | 4,930 | 0.4 | 11.9 |
| Overdraft Facilities | 3,204 | 3,217 | 3,013 | (0.4) | 6.4 |
| Leasing | 2,871 | 3,510 | 5,946 | (18.2) | (51.7) |
| Sureties and Guarantees | 650 | 598 | 641 | 8.6 | 1.4 |
| Other [3] | 3,282 | 3,091 | 3,366 | 6.2 | (2.5) |
| **Total** | **112,235** | **109,651** | **102,915** | **2.4** | **9.1** |

Including:

(1) Loan assignment (FIDC): R$339 million in June 2012, R$420 million in March 2012, R$439 million in June 2011;

(2) Loan assignment (CRI): R$182 million in June 2012, R$198 million in March 2012 and R$248 million in June 2011; and

(3) Loan assignment (FIDC) for the acquisition of assets: R$2 million in June 2012, R$2 million in March 2012 and R$3 million in June 2011; and rural loan assignment: R$112 million in June 2012, R$112 million in March 2012 and R$121 million in June 2011.

Operations with loan risks for individuals – expanded portfolio grew by 2.4% in the quarter, led by the following products: (i) real estate financing; (ii) payroll-deductible loans; and (iii) credit card. As for the last 12 months, there was a 9.1% increase, and the products that most contributed to this growth were: (i) real estate financing; (ii) payroll-deductible loans; and (iii) BNDES/Finame onlending.

## Loan Financial Margin – Interest

A breakdown of loan risk products in the Corporate Segment – expanded portfolio is presented below:

| Corporate | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Working Capital | 42,533 | 41,551 | 37,863 | 2.4 | 12.3 |
| BNDES/Finame Onlending | 29,474 | 29,812 | 28,359 | (1.1) | 3.9 |
| Operations Abroad | 23,615 | 21,670 | 19,650 | 9.0 | 20.2 |
| Credit Card | 14,385 | 13,916 | 12,069 | 3.4 | 19.2 |
| Export Financing | 12,408 | 10,479 | 9,367 | 18.4 | 32.5 |
| Real Estate Financing - Corporate Plan (1) | 11,047 | 10,068 | 7,687 | 9.7 | 43.7 |
| Overdraft Account | 10,437 | 10,631 | 10,073 | (1.8) | 3.6 |
| Leasing | 6,722 | 7,008 | 7,773 | (4.1) | (13.5) |
| Vehicles - CDC | 6,245 | 5,965 | 4,568 | 4.7 | 36.7 |
| Rural Loans | 4,539 | 4,358 | 4,738 | 4.1 | (4.2) |
| Sureties and Guarantees (2) | 52,226 | 50,334 | 42,802 | 3.8 | 22.0 |
| Operations bearing Credit Risk - Commercial Portfolio (3) | 28,043 | 25,403 | 21,473 | 10.4 | 30.6 |
| Other (4) | 11,054 | 9,983 | 10,465 | 10.7 | 5.6 |
| **Total** | **252,728** | **241,181** | **216,887** | **4.8** | **16.5** |

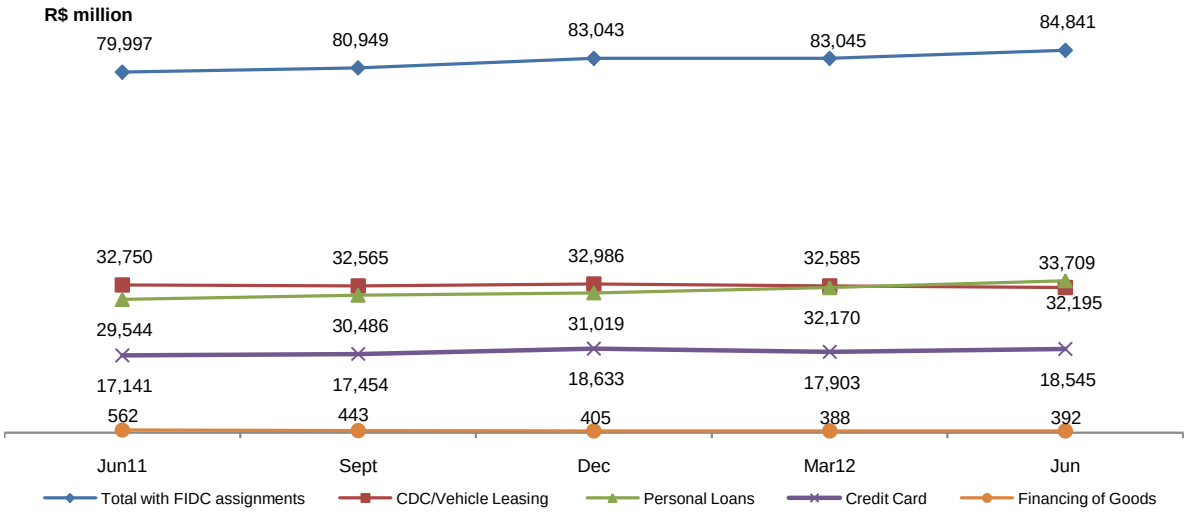
Including:
(1) Loan assignment (CRI): R$239 million in June 2012, R$280 million in March 2012, R$304 million in June 2011;
(2) 91.5% of sureties and guarantees from corporate customers were contracted by corporations;
(3) Operations with debentures and promissory notes; and
(4) Letters of credit: R$1,779 million in June 2012, R$1,556 million in March 2012 and R$1,630 million in June 2011.

Operations with loan risk for corporate customers – expanded portfolio, grew by 4.8% in the quarter and 16.5% in the last 12 months. The main highlights in the quarter and in the last 12 months were the following: (i) real estate financing – corporate plan; (ii) operations bearing credit risk – commercial portfolio; and (iii) export financing.

### Expanded Loan Portfolio - Consumer Financing

The graph below shows the types of credit related to Consumer Financing of Individual Customers (CDC/vehicle leasing, personal loans, financing of goods, revolving credit card and cash and installment purchases at merchants).

Consumer financing totaled R$84.8 billion, up 2.2% in the quarter and 6.1% in the last 12 months. Growth was led by: (i) vehicle financing (CDC/Leasing) (R$32.2 billion); and (ii) payroll-deductible loans (R$19.2 billion), which together totaled R$51.4 billion, accounting for 60.6% of the consumer financing balance. Given their guarantees and characteristics, these products provide a reduced level of credit risk to this group of operations.



# Loan Financial Margin – Interest

## Breakdown of the Vehicle Portfolio

| | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| **CDC Portfolio** | **35,569** | **35,040** | **31,372** | **1.5** | **13.4** |
| Individuals | 29,324 | 29,075 | 26,804 | 0.9 | 9.4 |
| Corporate | 6,245 | 5,965 | 4,568 | 4.7 | 36.7 |
| **Leasing Portfolio** | **6,305** | **7,222** | **10,522** | **(12.7)** | **(40.1)** |
| Individuals | 2,871 | 3,510 | 5,946 | (18.2) | (51.7) |
| Corporate | 3,434 | 3,712 | 4,576 | (7.5) | (25.0) |
| **Finame Portfolio** | **10,294** | **9,970** | **9,996** | **3.2** | **3.0** |
| Individuals | 1,032 | 931 | 1,069 | 10.8 | (3.5) |
| Corporate | 9,262 | 9,039 | 8,927 | 2.5 | 3.8 |
| **Total** | **52,168** | **52,232** | **51,890** | **(0.1)** | **0.5** |
| Individuals | 33,227 | 33,516 | 33,819 | (0.9) | (1.8) |
| Corporate | 18,941 | 18,716 | 18,071 | 1.2 | 4.8 |

Vehicle financing operations (individual and corporate customers) totaled R$52.2 billion in June 2012, remaining stable both in quarter-on-quarter and year-on-year comparisons. Of the total vehicle portfolio, 68.2% corresponds to CDC, 19.7% to Finame and 12.1% to Leasing. Individuals represented 63.7% of the portfolio, while corporate customers accounted for the remaining 36.3%.

## Expanded Loan Portfolio Concentration – by Sector

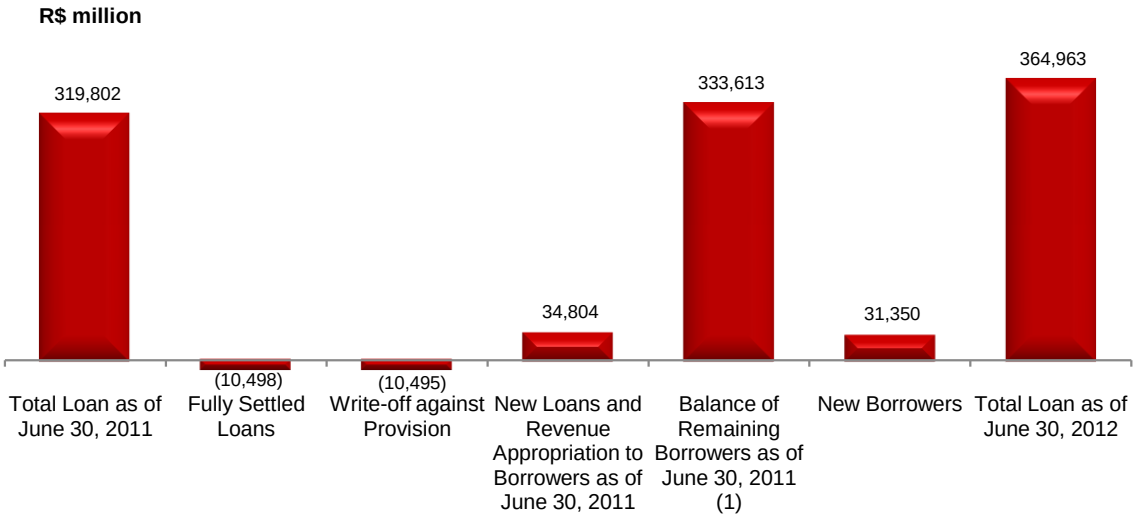
The expanded loan portfolio by economic activity sector posted a slight variation. In the quarter, “Commerce” and “Financial Intermediaries” posted greater shares, while “Services" posted the greatest growth in the last 12 months.

| Activity Sector | | | | | | R$ million |
|---|---|---|---|---|---|---|
| | Jun12 | % | Mar12 | % | Jun11 | % |
| **Public Sector** | **1,770** | **0.5** | **1,844** | **0.5** | **1,810** | **0.6** |
| **Private Sector** | **363,193** | **99.5** | **348,987** | **99.5** | **317,992** | **99.4** |
| **Corporate** | **250,958** | **68.8** | **239,336** | **68.2** | **215,077** | **67.3** |
| Industry | 78,798 | 21.6 | 75,436 | 21.5 | 70,452 | 22.0 |
| Commerce | 57,251 | 15.7 | 54,144 | 15.4 | 49,085 | 15.3 |
| Financial Intermediaries | 5,746 | 1.6 | 4,871 | 1.4 | 4,343 | 1.4 |
| Services | 105,188 | 28.8 | 101,243 | 28.9 | 87,352 | 27.3 |
| Agriculture, Cattle Raising, Fishing, Forestry and Forest Exploration | 3,975 | 1.1 | 3,642 | 1.0 | 3,844 | 1.2 |
| **Individuals** | **112,235** | **30.8** | **109,651** | **31.3** | **102,915** | **32.2** |
| **Total** | **364,963** | **100.0** | **350,831** | **100.0** | **319,802** | **100.0** |

# Loan Financial Margin - Interest

## Changes in the Expanded Loan Portfolio

Of the R$45.2 billion growth in the loan portfolio over the last 12 months, new borrowers accounted for R$31.3 billion, or 69.4%, representing 8.6% of the portfolio in June 2012.




(1) Including credits settled and subsequently renewed in the last 12 months.

# Loan Financial Margin - Interest

## Changes in the Expanded Loan Portfolio – By Rating

The chart below shows that both new borrowers and remaining debtors from June 2011 (customers that remained in the loan portfolio for at least 12 months) presented a good level of credit quality (AA-C rating), demonstrating the adequacy and consistency of the loan policy and processes, as well as required guarantees and credit ranking instruments used by Bradesco.

| Changes in the Extended Loan Portfolio by Rating from June 2011 to 2012 | | | | | | |
|---|---|---|---|---|---|---|
| Rating | Total Loans as of June 2012 | | New Customers from July 2011 to June 2012 | | Remaining Debtors as of June 2011 | |
| | R$ million | % | R$ million | % | R$ million | % |
| AA - C | 340,909 | 93.4 | 29,837 | 95.2 | 311,072 | 93.2 |
| D | 6,453 | 1.8 | 509 | 1.6 | 5,944 | 1.8 |
| E - H | 17,601 | 4.8 | 1,004 | 3.2 | 16,597 | 5.0 |
| **Total** | **364,963** | **100.0** | **31,350** | **100.0** | **333,613** | **100.0** |

## Expanded Loan Portfolio – By Customer Profile

The table below presents the changes in the expanded loan portfolio by customer profile:

| Type of Customer | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Corporations | 143,830 | 134,451 | 124,057 | 7.0 | 15.9 |
| SMEs | 108,898 | 106,730 | 92,830 | 2.0 | 17.3 |
| Individuals | 112,235 | 109,651 | 102,915 | 2.4 | 9.1 |
| **Total Loan Operations** | **364,963** | **350,831** | **319,802** | **4.0** | **14.1** |

The increase in the Corporations portfolio, both in the quarter and in the last 12 months, was mainly originated by: (i) the appreciation of the U.S. dollar against the real; and (ii) the growth in loan risk operations – commercial portfolio, which include debenture and promissory note operations.

## Expanded Loan Portfolio – By Customer Profile and Rating (%)

AA-C rated loans remained virtually steady in comparison with the previous quarter and slightly decreased in the year-on-year comparison.

| Type of Customer | By Rating | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jun12 | | | Mar12 | | | Jun11 | | |
| | AA-C | D | E-H | AA-C | D | E-H | AA-C | D | E-H |
| Corporations | 98.6 | 0.3 | 1.1 | 98.5 | 1.0 | 0.5 | 98.9 | 0.6 | 0.5 |
| SMEs | 91.3 | 3.0 | 5.7 | 91.6 | 2.8 | 5.6 | 92.2 | 2.5 | 5.3 |
| Individuals | 88.8 | 2.4 | 8.8 | 89.0 | 2.3 | 8.7 | 89.4 | 2.1 | 8.5 |
| **Total** | **93.4** | **1.8** | **4.8** | **93.4** | **2.0** | **4.6** | **93.9** | **1.6** | **4.5** |

# Loan Financial Margin – Interest

## Expanded Loan Portfolio – By Business Segment

The table below shows growth in the expanded loan portfolio by business segment, in which growth in the assets of the Prime and Corporate segments in the quarter stood out. Over the last 12 months, Prime, Middle Market and Retail posted the greatest gains.

| Business Segments | R$ million | | | | | | Variation % | |
|---|---|---|---|---|---|---|---|---|
| | Jun12 | % | Mar12 | % | Jun11 | % | Quarter | 12M |
| Retail | 100,538 | 27.5 | 96,914 | 27.6 | 88,182 | 27.6 | 3.7 | 14.0 |
| Corporate (1) | 151,847 | 41.6 | 143,751 | 41.0 | 135,545 | 42.4 | 5.6 | 12.0 |
| Middle Market | 45,447 | 12.5 | 44,686 | 12.7 | 37,746 | 11.8 | 1.7 | 20.4 |
| Prime | 13,768 | 3.8 | 12,935 | 3.7 | 10,441 | 3.2 | 6.4 | 31.9 |
| Other / Non-account holders (2) | 53,365 | 14.6 | 52,546 | 15.0 | 47,887 | 15.0 | 1.6 | 11.4 |
| **Total** | **364,963** | **100.0** | **350,831** | **100.0** | **319,802** | **100.0** | **4.0** | **14.1** |

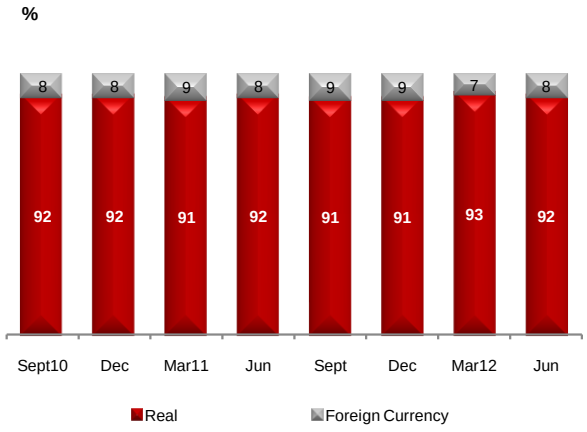
(1) Including loans taken out with co-obligation. In the table on page 40, Loan Portfolio – by Customer Profile, these amounts are allocated to Individuals; and

(2) Mostly, non-account holders using vehicle financing, cards and payroll-deductible loans.

## Expanded Loan Portfolio – By Currency

The balance of foreign currency-indexed and/or denominated loan and onlending operations (excluding ACCs – Advances on Foreign Exchange Contracts) totaled US$13.6 billion in June 2012 (US$13.4 billion in March 2012 and US$15.5 billion in June 2011), remaining stable in the quarter and representing a 12.3% drop, in dollars, in the last 12 months. In reais, these same foreign currency operations totaled R$27.5 billion in June 2012 (R$24.4 billion in March 2012 and R$24.2 billion in June 2011) a 12.7% growth in the quarter and 13.6% in the last 12 months.

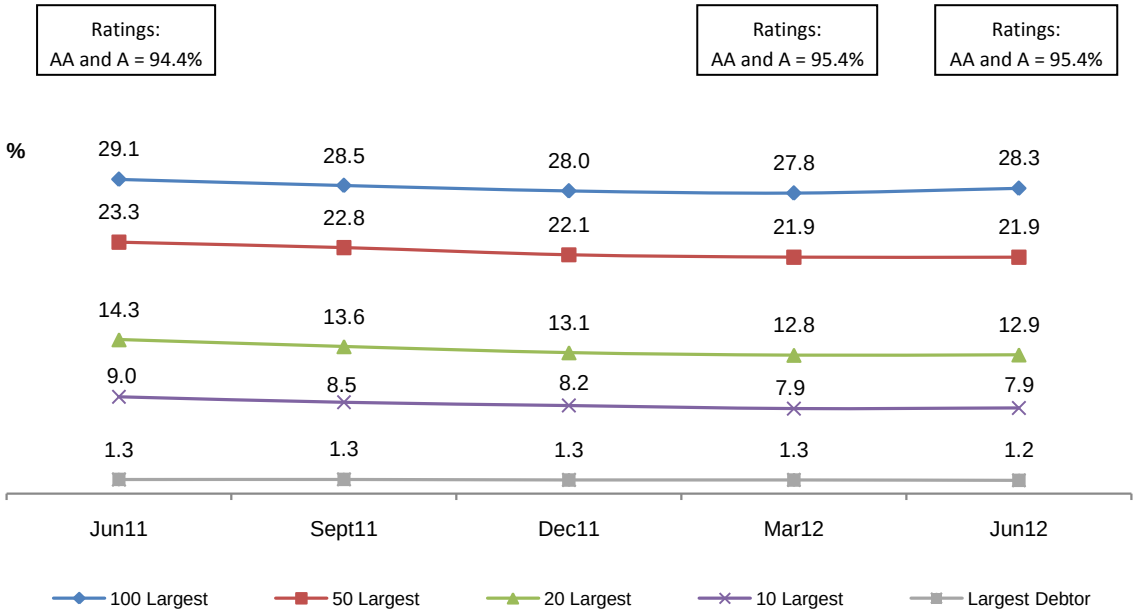
In June 2012, total loan operations, in reais, stood at R$337.4 billion (R$326.4 billion in March 2012 and R$295.6 billion in June 2011), up 3.4% on the previous quarter and 14.1% over the last 12 months.



# Loan Financial Margin - Interest

## Expanded Loan Portfolio – by Debtor

The concentration of credit exposure levels among the 100 largest debtors was down from the previous year. In the quarter: (i) the largest debtor concentration decreased; (ii) the 10 and 50 largest debtors concentration remained stable; and (iii) the 20 and 100 largest debtors concentration increased. The quality of the portfolio of the 100 largest debtors, when evaluated using AA and A ratings, remained stable in the quarter and increased in the last 12 months.




## Loan Portfolio – By Type

The table below presents all operations bearing credit risk by type, in the amount of R$387.2 billion, which increased by 4.4% in the quarter and 15.8% in the last 12 months.

| | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Loans and Discounted Securities | 135,873 | 130,587 | 121,142 | 4.0 | 12.2 |
| Financing | 97,156 | 93,491 | 82,178 | 3.9 | 18.2 |
| Rural and Agribusiness Financing | 15,624 | 15,609 | 14,823 | 0.1 | 5.4 |
| Leasing Operations | 9,588 | 10,514 | 13,720 | (8.8) | (30.1) |
| Advances on Exchange Contracts | 7,078 | 6,671 | 6,788 | 6.1 | 4.3 |
| Other Loans | 13,847 | 12,876 | 12,184 | 7.5 | 13.6 |
| **Subtotal of Loan Operations** (1) | **279,166** | **269,749** | **250,834** | **3.5** | **11.3** |
| Sureties and Guarantees Granted (Memorandum Accounts) | 52,876 | 50,932 | 43,443 | 3.8 | 21.7 |
| Letters of Credit (Memorandum Accounts) | 1,779 | 1,556 | 1,630 | 14.4 | 9.2 |
| Advances from Credit Card Receivables | 2,207 | 2,161 | 1,286 | 2.1 | 71.6 |
| Co-obligation in Loan Assignment FIDC/CRI (Memorandum Accounts) | 761 | 899 | 994 | (15.4) | (23.4) |
| Co-obligation in Rural Loan Assignment (Memorandum Accounts) | 131 | 131 | 141 | 0.1 | (7.3) |
| Operations bearing Credit Risk - Commercial Portfolio (2) | 28,043 | 25,403 | 21,473 | 10.4 | 30.6 |
| **Subtotal of Operations bearing Credit Risk - Expanded Portfolio** | **364,963** | **350,831** | **319,802** | **4.0** | **14.1** |
| Other Operations bearing Credit Risk (3) | 22,284 | 20,142 | 14,590 | 10.6 | 52.7 |
| **Total Operations bearing Credit Risk** | **387,247** | **370,974** | **334,392** | **4.4** | **15.8** |

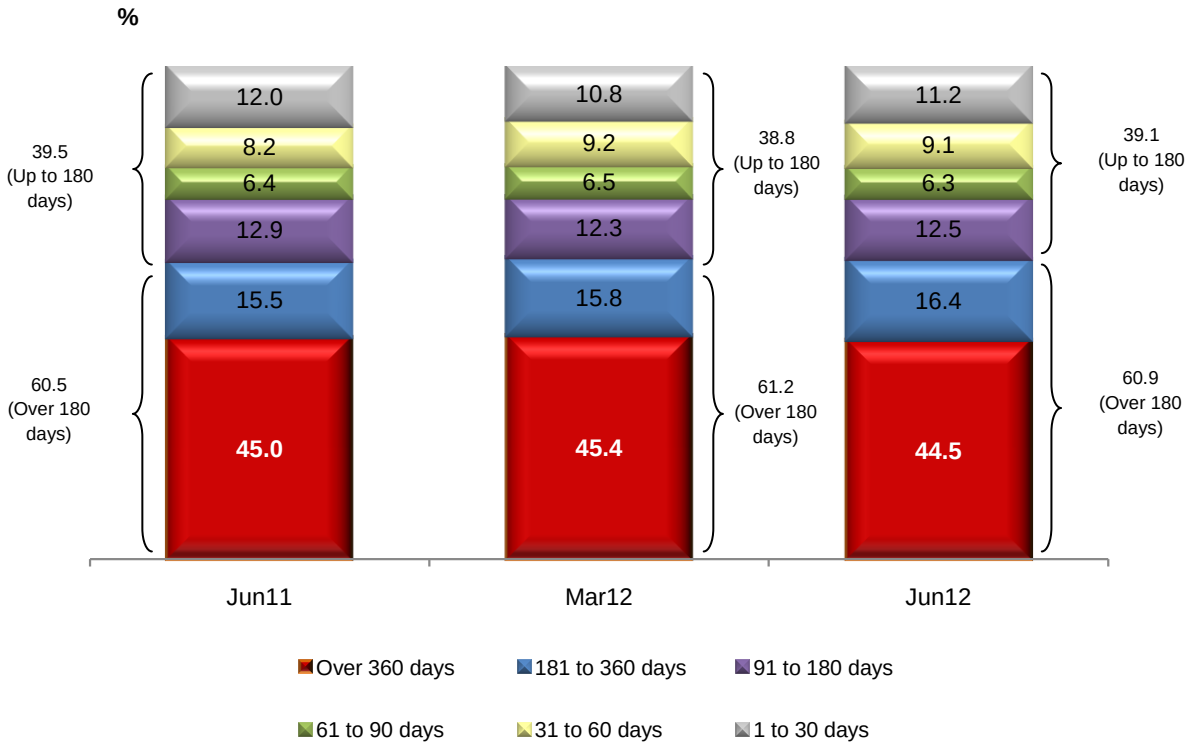
(1) Concept defined by Bacen;
(2) Including operations with debentures and promissory notes; and
(3) Including operations involving interbank deposit certificates (CDI), international treasury, swaps, forward currency contracts and investments in receivables-backed investment funds (FIDC) and mortgage-backed receivables (CRI).

## Loan Financial Margin - Interest

The charts below refer to the Loan Portfolio, as defined by Bacen.

### Loan Portfolio(1) – By Flow of Maturities

In June 2012 versus June 2011, performing loan operations presented a longer debt maturity profile, mainly as a result of the increased volume of BNDES and real-estate loan operations. It is worth noting that these operations are subject to lower risk, given their guarantees and characteristics, in addition to providing favorable conditions to gain customer loyalty.

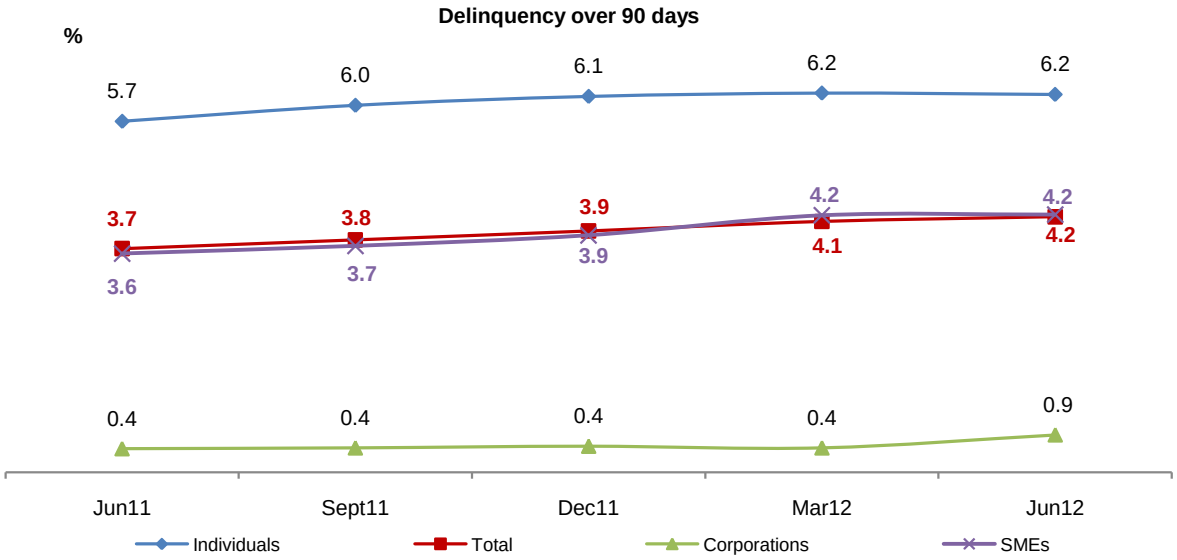



(1) Concept defined by Bacen.

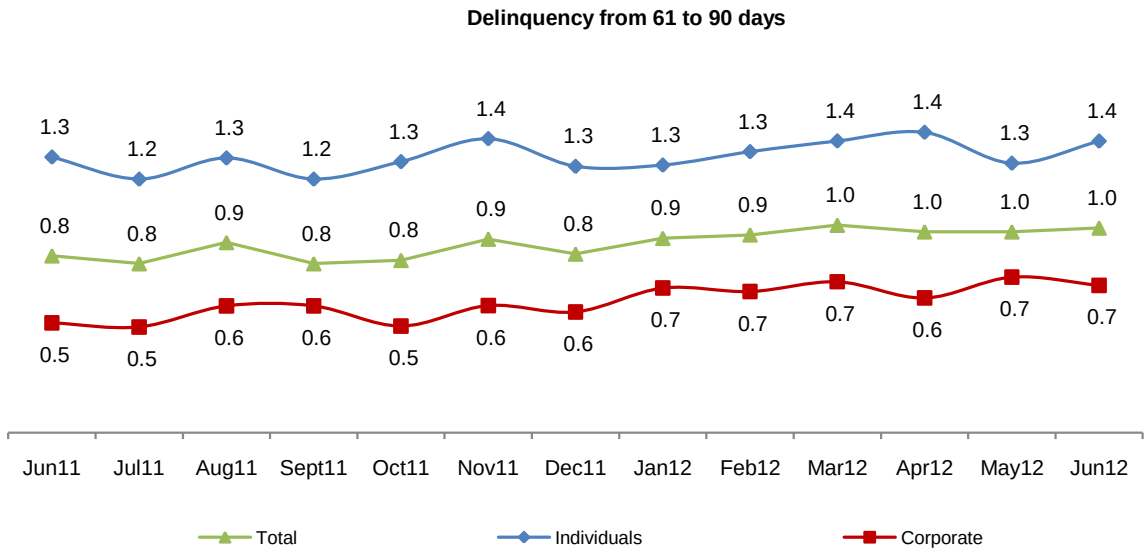
# Loan Financial Margin - Interest

## Loan Portfolio[(1)] – Delinquency over 90 days

Total delinquency ratio over 90 days had a slight increase of 0.1 p.p. in the quarter. It is worth noting that Individuals and SMEs remained stable, at 6.2% and 4.2%, respectively, in the period.




The graph below details that the total delinquency for operations overdue from 61 to 90 days remained stable in the quarter and posted a slight increase over the last twelve months. Loans to individuals overdue from 61 to 90 days increased by a mere 0.1 p.p. in the year. In the Corporate sector, this increase was 0.2 p.p. in the year, while this index remained practically stable in the last six months.

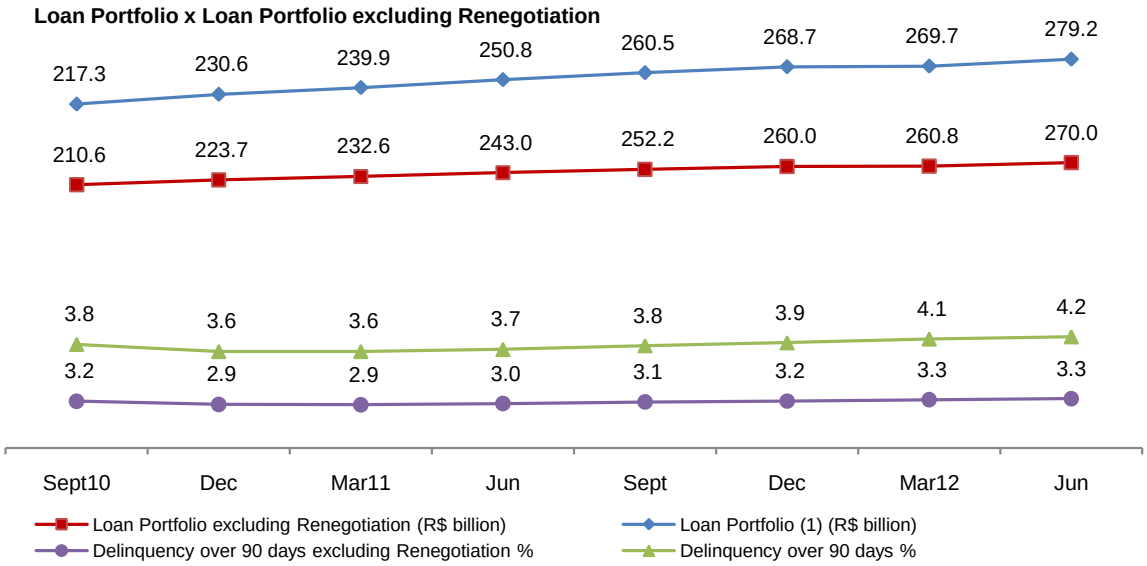



(1) Concept defined by Bacen.

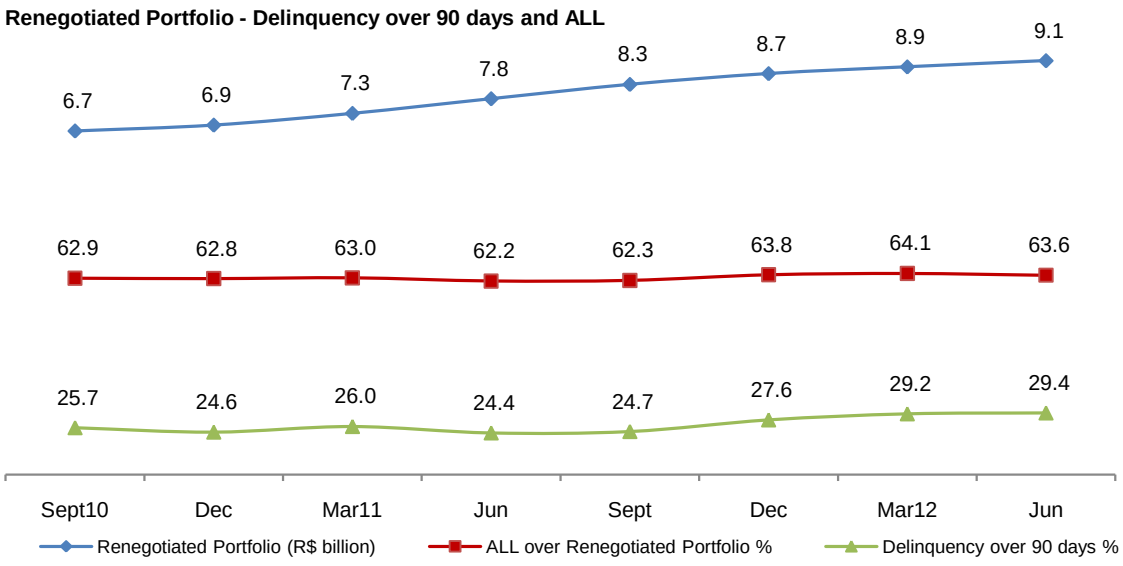
# Loan Financial Margin - Interest

## Renegotiated Portfolio – Delinquency over 90 days and ALL [(1)]

The loan portfolio, excluding renegotiation, stood at R$270.0 billion in June 2012, up 3.5% in the quarter. The graph below presents the behavior of the total portfolio and delinquency over 90 days, including and excluding renegotiation, both of which present similar trends, proof that renegotiation does not have a material effect on delinquency.




In June 2012, the renegotiated portfolio totaled R$9.1 billion, a 2.8% increase in the quarter. The renegotiated share in the total loan portfolio[(1)] was 3.3% in June 2012 (3.3% in March 2012). It is worth noting that, in June 2011, for an existing provision of 62.2% of the portfolio, net loss over the subsequent 12 months was 24.8%, meaning that the existing provision exceeded the loss recorded in the following 12 months by over 150%. Furthermore, the Company's provisions remained stable in the period.

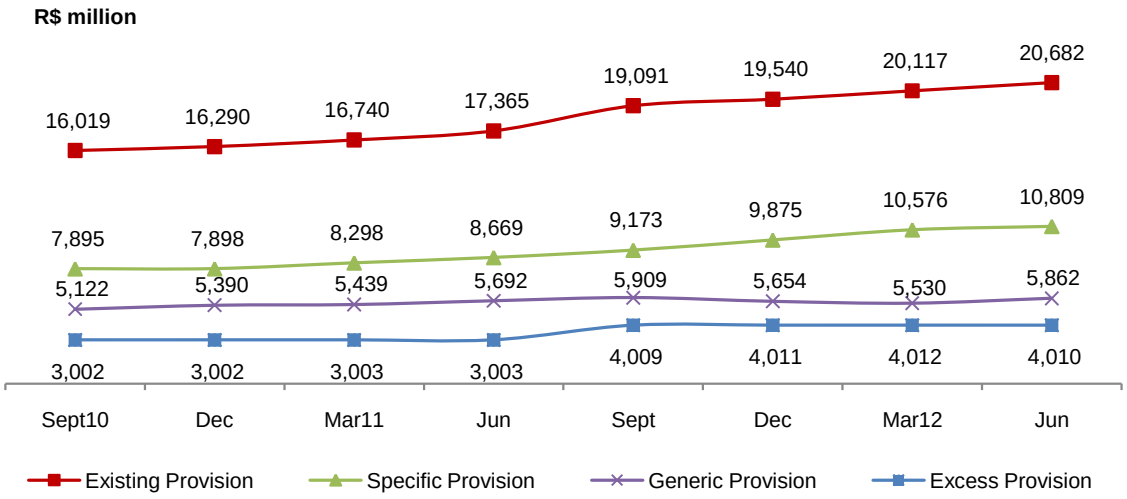



(1) Concept defined by Bacen.

# Loan Financial Margin - Interest

## Allowance for Loan Losses (ALL) x Delinquency x Losses [1]

An ALL of R$20.7 billion, representing 7.4% of the total portfolio, comprises the generic provision (customer and/or operation rating), the specific provision (non-performing operations) and the excess provision (internal criteria).

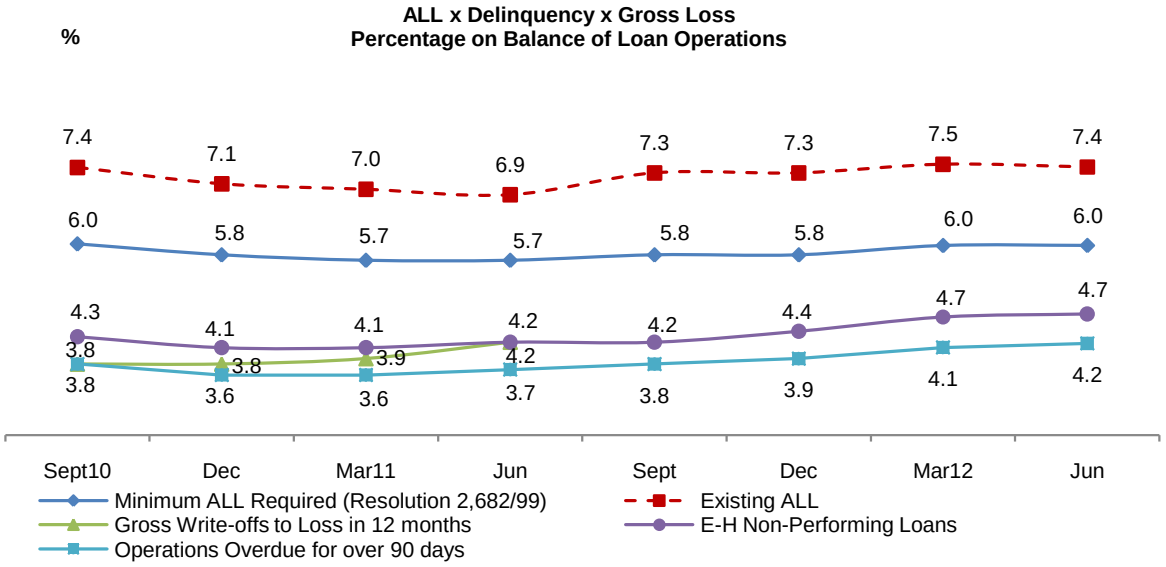



Bradesco has appropriate provisioning levels that, in our opinion, are sufficient to support potential changes in scenarios, such as higher delinquency levels and/or changes in the loan portfolio profile.

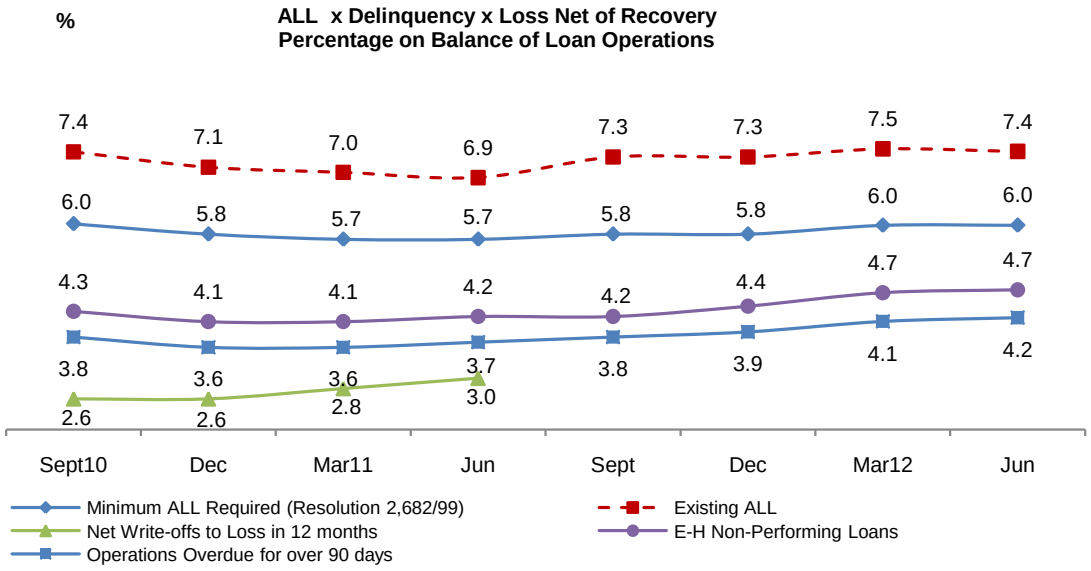
(1) Concept defined by Bacen.

## Loan Financial Margin - Interest

It is worth mentioning the assertiveness of adopted provisioning criteria, which is proven by: (i) analyzing historical data on recorded allowances for loan losses; and (ii) effective losses in the subsequent twelve-month period. For instance, in June 2011, for an existing provision of 6.9% of the portfolio(1), the effective gross loss in the subsequent twelve-month period was 4.2%, meaning the existing provision exceeded the loss over the subsequent twelve-month period by more than 65%, as shown in the graph below.




Analysis in terms of loss, net of recovery, shows a significant increase in the coverage margin. In June 2011, for an existing provision of 6.9% of the portfolio(1), the net loss in the subsequent twelve-month period was 3.0%, meaning that the existing provision covered the loss in the subsequent 12 months by more than 129%.



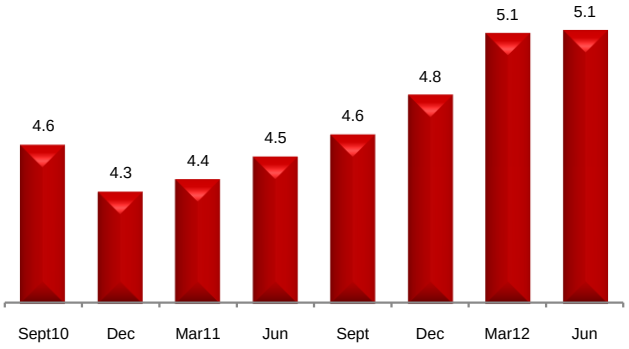

(1) Concept defined by Bacen.

# Loan Financial Margin - Interest

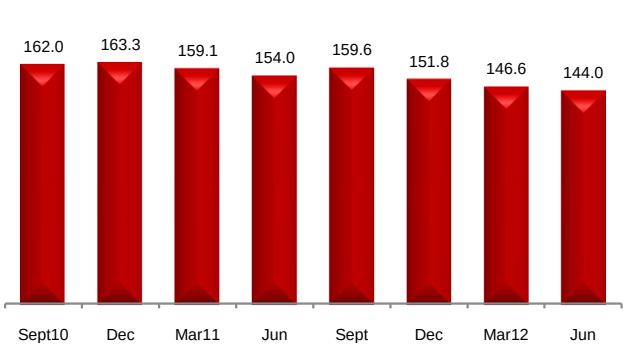
## Allowance for Loan Losses [1]

The Non-Performing Loan ratio (operations overdue for over 60 days) remained stable in the quarter-on-quarter comparison. Coverage ratios for the allowance for loans overdue for over 60 and 90 days stood at very comfortable levels.

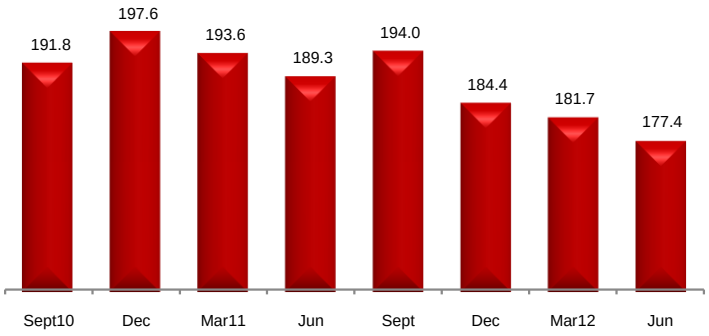
**Non Performing Loans [2] / Loan Operations [1] (%)**




**Existing Provision/Non-performing Loans (%)**




**Existing Provision/Operations Overdue for over 90 days (%)**




(1) Concept defined by Bacen; and
(2) Loan operations overdue for over 60 days and that do not generate revenue appropriation under the accrual accounting method.

# Loan Financial Margin - Interest

## Loan Portfolio[(1)] – Portfolio Indicators

To facilitate the monitoring of the quantitative and qualitative performance of Bradesco's loan portfolio, a comparative summary of the main figures and indicators is presented below:

| | R$ million (except %) | | |
|---|---|---|---|
| | Jun12 | Mar12 | Jun11 |
| **Total Loan Operations [(1)]** | **279,166** | **269,749** | **250,834** |
| - Individuals | 110,952 | 108,321 | 101,462 |
| - Corporate | 168,215 | 161,427 | 149,372 |
| **Existing Provision** | **20,682** | **20,117** | **17,635** |
| - Specific | 10,809 | 10,576 | 8,669 |
| - Generic | 5,862 | 5,530 | 5,692 |
| - Excess | 4,010 | 4,012 | 3,003 |
| Specific Provision / Existing Provision (%) | 52.3 | 52.6 | 49.9 |
| Existing Provision / Loan Operations (%) | 7.4 | 7.5 | 6.9 |
| AA - C Rated Loan Operations / Loan Operations (%) | 91.4 | 91.5 | 92.3 |
| D Rated Operations under Risk Management / Loan Operations (%) | 2.3 | 2.5 | 2.0 |
| E - H Rated Loan Operations / Loan Operations (%) | 6.3 | 6.0 | 5.7 |
| D Rated Loan Operations | 6,356 | 6,807 | 5,095 |
| Existing Provision for D Rated Loan Operations | 1,738 | 1,871 | 1,379 |
| D Rated Provision / Loan Operations (%) | 27.3 | 27.5 | 27.1 |
| D - H Rated Non-Performing Loans | 16,105 | 15,400 | 12,639 |
| Existing Provision/D - H Rated Non-Performing Loans (%) | 128.4 | 130.6 | 137.4 |
| E - H Rated Loan Operations | 17,519 | 16,188 | 14,253 |
| Existing Provision for E - H Rated Loan Operations | 15,084 | 14,305 | 12,509 |
| E - H Rated Provision / Loan Operations (%) | 86.1 | 88.4 | 87.8 |
| E - H Rated Non-Performing Loans | 13,166 | 12,572 | 10,422 |
| Existing Provision/E - H Rated Non-Performing Loan (%) | 157.1 | 160.0 | 166.6 |
| Non-Performing Loans [(2)] | 14,365 | 13,718 | 11,272 |
| Non-Performing Loans [(2)] / Loan Operations (%) | 5.1 | 5.1 | 4.5 |
| Existing Provision / Non-Performing Loans [(2)] (%) | 144.0 | 146.6 | 154.0 |
| Loan Operations Overdue for over 90 days | 11,662 | 11,070 | 9,172 |
| Existing Provision/Operations Overdue for over 90 days (%) | 177.4 | 181.7 | 189.3 |

(1) Concept defined by Bacen; and

(2) Loan operations overdue for over 60 days and that do not generate revenue appropriation under the accrual accounting method.

# Funding Financial Margin- Interest

## Funding Financial Margin – Breakdown

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Financial Margin - Funding | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Interest - due to volume | | | | | 318 | 18 |
| Interest - due to spread | | | | | (250) | (145) |
| **Interest Financial Margin** | **2,209** | **2,141** | **1,041** | **1,168** | **68** | **(127)** |

Comparing the second quarter of 2012 with the first quarter of 2012, the interest funding financial margin decreased 10.9% or R$127 million. The variation was due to: (i) the R$145 million decrease in average spread, due to lower Selic interest rate; and partially offset by: (ii) the R$18 million increase in volume of operations.

In the first half of 2012, the interest funding financial margin posted a result of R$2,209 million against R$2,141 million in the same period of 2011, increasing by 3.2%, or R$68 million, mainly driven by: (i) gains from average business volume, totaling R$318 million; and offset by: (ii) the decrease in the average spread of R$250 million.

# Funding Financial Margin – Interest

## Loans x Funding

To analyze Loan Operations in relation to Funding, it is first necessary to deduct from total customer funding (i) the amount committed to compulsory deposits at Bacen and (ii) the amount of available funds held at units in the customer service network; as well as add (iii) funds from domestic and foreign lines that provide funding to meet loan and financing needs.

Bradesco presents low reliance on interbank deposits and foreign lines of credit, given its capacity to effectively obtain funding from customers. This is a result of: (i) the outstanding position of its service points; (ii) the extensive diversity of products offered; and (iii) the market's confidence in the Bradesco brand.

Note that the use of funds provides a comfortable margin, which proves that Bradesco is capable of meeting demand for funds for loan operations through its own funding.

| Funding vs. Investments | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Demand Deposits | 32,529 | 31,955 | 33,036 | 1.8 | (1.5) |
| Sundry Floating | 4,122 | 6,948 | 4,308 | (40.7) | (4.3) |
| Savings Deposits | 62,308 | 59,924 | 54,811 | 4.0 | 13.7 |
| Time Deposits + Debentures (1) | 177,503 | 176,927 | 172,500 | 0.3 | 2.9 |
| Financial Bills | 31,124 | 32,405 | 17,422 | (4.0) | 78.6 |
| Other | 19,799 | 18,283 | 15,565 | 8.3 | 27.2 |
| **Customer Funds** | **327,385** | **326,442** | **297,642** | **0.3** | **10.0** |
| (-) Compulsory Deposits/Available Funds (2) | (67,210) | (79,159) | (65,065) | (15.1) | 3.3 |
| **Customer Funds Net of Compulsory Deposits** | **260,175** | **247,283** | **232,577** | **5.2** | **11.9** |
| Onlending | 32,122 | 32,490 | 33,520 | (1.1) | (4.2) |
| Foreign Lines of Credit | 17,018 | 11,423 | 15,851 | 49.0 | 7.4 |
| Funding Abroad | 51,411 | 42,648 | 34,738 | 20.5 | 48.0 |
| **Total Funding (A)** | **360,726** | **333,844** | **316,686** | **8.1** | **13.9** |
| **Loan Portfolio/Leasing/Cards (Other Receivables)/Acquired CDI (B) (3)** | **322,962** | **308,251** | **277,371** | **4.8** | **16.4** |
| **B/A (%)** | **89.5** | **92.3** | **87.6** | **(2.8) p.p.** | **1.9 p.p.** |

(1) Debentures mainly used to back purchase and sale commitments;
(2) Excluding government securities tied to savings accounts; and
(3) Comprising amounts relative to card operations (cash and installment purchases at merchants), amounts related to interbank deposit certificates (CDI) to rebate from compulsory deposits and debentures.

# Funding Financial Margin- Interest

## Main Funding Sources

The following table presents changes in main funding sources:

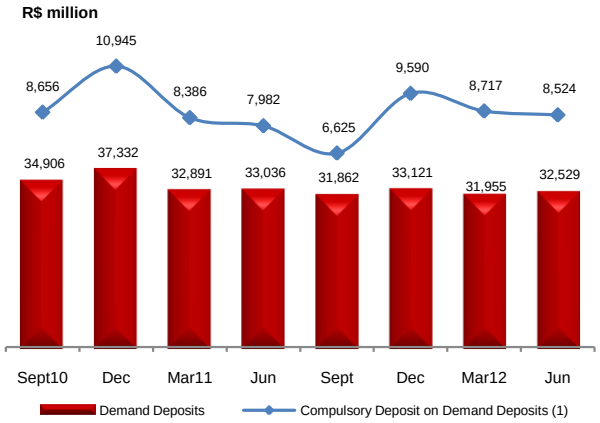
| | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Demand Deposits | 32,529 | 31,955 | 33,036 | 1.8 | (1.5) |
| Savings Deposits | 62,308 | 59,924 | 54,811 | 4.0 | 13.7 |
| Time Deposits | 121,761 | 121,485 | 125,385 | 0.2 | (2.9) |
| Debentures (1) | 55,742 | 55,442 | 47,115 | 0.5 | 18.3 |
| Borrowing and Onlending | 47,895 | 47,112 | 45,207 | 1.7 | 5.9 |
| Funds from Issuance of Securities (2) | 51,158 | 48,482 | 29,044 | 5.5 | 76.1 |
| Subordinated Debts | 34,091 | 30,122 | 24,564 | 13.2 | 38.8 |
| **Total** | **405,484** | **394,522** | **359,162** | **2.8** | **12.9** |

(1) Considering only debentures used to back purchase and sale commitments; and
(2) Including: Financial Bills, on June 30, 2012, amounting to R$31,124 million (R$32,405 million on March 31, 2012 and R$17,422 million on June 30, 2011).

## Demand Deposits

The R$574 million increase in the second quarter of 2012, when compared to the previous quarter, was the result of the seasonality of the first quarter of 2012, mainly due to the use of funds by certain customers to pay one-time expenses at the beginning of the year (e.g., IPVA and IPTU taxes).

The R$507 million or 1.5% decrease in comparison with the first quarter of 2011 was mainly due to new business opportunities offered to customers.



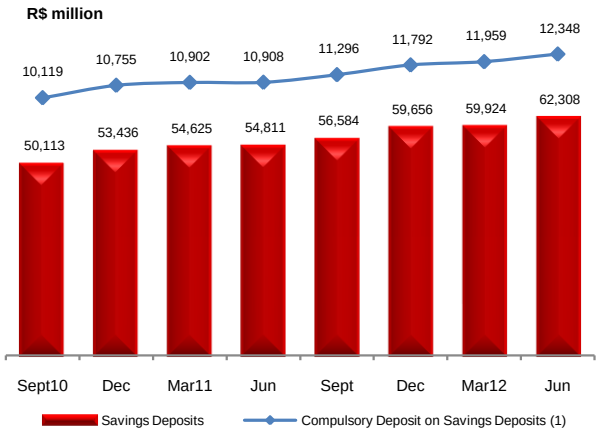

(1) Additional installments are not included.

## Savings Deposits

Savings deposits increased 4.0% in the quarter-on-quarter comparison and 13.7% in the last 12 months, mainly as a result of: (i) greater funding volume; and (ii) the remuneration of savings account reserve.

The new savings remuneration rule determines that: (i) the existing account balances up to May 3, 2012 will continue to remunerate at TR + 0.5% p.m.; and (ii) for deposits made as of May 4, 2012, the new rules are: (a) if the Selic rate is higher than 8.5% p.a., the TR + 0.5% p.m. remuneration will be maintained; and (b) when the Selic rate is equal to or lower than 8.5% p.a., the remuneration will be 70% of Selic rate + TR.

Bradesco is always increasing its savings accounts base and posted net growth of 5.5 million new savings accounts over the last 12 months.



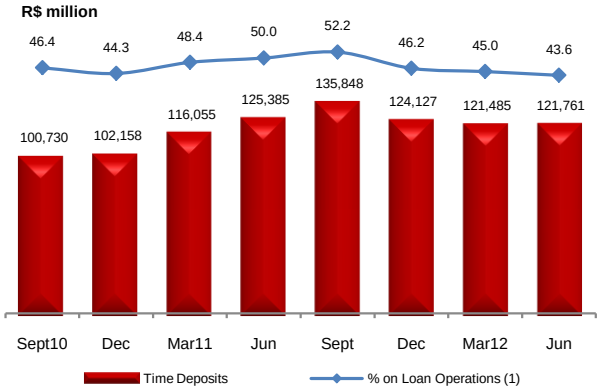

(1) Additional installments are not included.

# Funding Financial Margin – Interest

## Time Deposits

In the second quarter of 2012, time deposits totaled R$121,761 million, remaining virtually stable in relation to the previous quarter, decreasing by 2.9% or R$3,624 million from the same period of the previous year.

Such performance is basically due to the migration of funds to other funding sources, mainly Financial Bills, thereby extending average funding terms, which offset the increase of new funding and the restatement of the deposit portfolio.

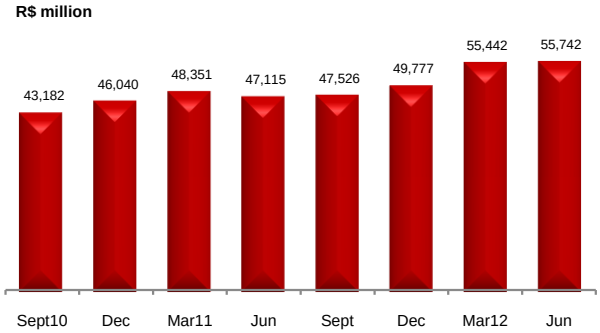



(1) Concept defined by Bacen..

## Debentures

On June 30, 2012, the balance of Bradesco's debentures was R$55,742 million, a slight increase of 0.5% quarter-on-quarter and 18.3% over the last 12 months.

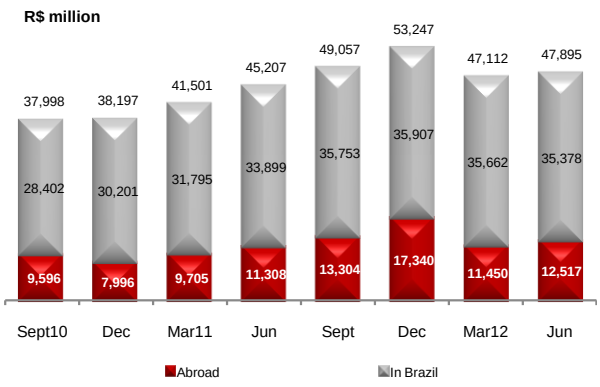
These variations are mainly due to the placement and maturity of the securities, which are also used to back purchase and sale commitments that are, in turn, impacted by the levels of economic activity.




## Borrowing and Onlending

The growth of R$783 million quarter on quarter was mainly due to an increase in borrowing and onlending obligations denominated in and/or indexed to foreign currency, from R$11,450 million in March 2012 to R$12,517 million in June 2012, mainly driven by the exchange gain of 10.9% in the quarter.

Between the first half of 2012 and the same period in 2011, the balance increased by 5.9%, or R$2,688 million, due to: (i) a R$1,479 million increase in the volume of funds raised through loans and onlending in Brazil, especially Finame operations; and (ii) the R$1,209 million increase in borrowing and onlending obligations denominated in and/or indexed to foreign currency, from R$11,308 million in June 2011 to R$12,517 million in June 2012, mainly due to: (a) the exchange gain of 29.5% in the period; and partially offset by: (b) the settlement of operations.

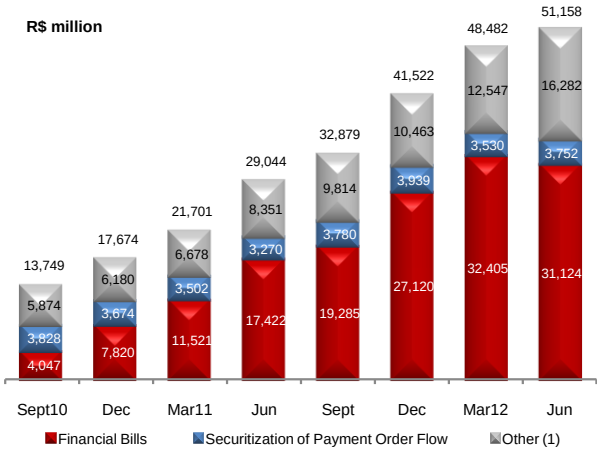


# Funding Financial Margin - Interest

## Funds for the Issuance of Securities

Funds from issuance of securities totaled R$51,158 million, a 5.5% or R$2,676 million increase in the quarter is mainly due to: (i) the increased volume of securities issued abroad of R$2,904 million; (ii) the greater volume of Letters of Credit for Agribusiness, in the amount of R$803 million; (iii) growth in the volume of Mortgage Bonds, in the amount of R$358 million; and partially offset by: (iv) the decrease of R$1,281 million in the balance of Financial Bills, due to the maturity of these securities.

When compared to the same period in 2011, the first half of the year posted a growth of 76.1%, or R$22,114 million, mainly the result of: (i) new issuances of Financial Bills, up by R$13,702 million, from R$17,422 million in June 2011 to R$31,124 million in June 2012; (ii) the increased volume of securities issued abroad of R$5,446 million, a result of exchange gains of 29.5% and new issuances carried out in the period; (iii) the higher volume of Mortgage Bonds, in the amount of R$1,675 million; and (iv) the higher volume of Letters of Credit for Agribusiness, in the amount of R$1,443 million.

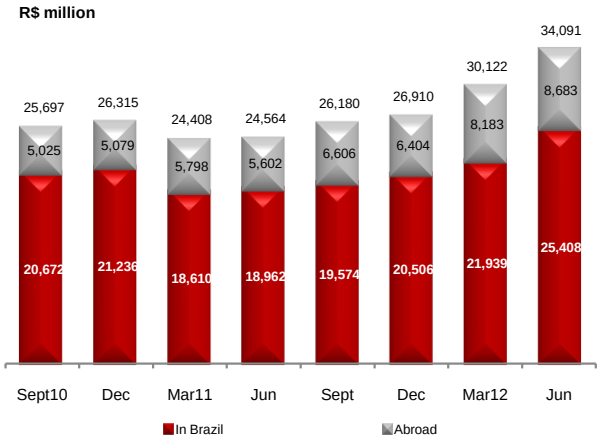



(1) Considering Collateral Mortgage Notes, Mortgage Bonds, Letters of Credit for Agribusiness, Debentures, Medium Term Note (MTN) Program Issues and the cost of issues over funding.

## Subordinated Debt

Subordinated Debt totaled R$34,091 million in June 2012 (R$8,683 million abroad and R$25,408 million in Brazil). In the last 12 months, Bradesco issued R$15,351 million in Subordinated Debt (R$2,008 million abroad and R$13,343 million in Brazil.

Additionally, it is worth pointing out that, in the second quarter of 2012, the Brazilian Central Bank authorized the use of Subordinated Financial Bills amounting to R$7,878 million (R$331 million in the first quarter of 2012) to compose Tier II of the Capital Adequacy Ratio, of which only R$26,025 million of total subordinated debt is used to calculate the Capital Adequacy Ratio, given their maturity terms.



## Securities/Other Financial Margin - Interest

### Securities/Other Financial Margin - Breakdown

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Financial Margin - Securities / Other | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Interest - due to volume | | | | | 571 | 1 |
| Interest - due to spread | | | | | 511 | 366 |
| **Interest Financial Margin** | **2,411** | **1,329** | **1,389** | **1,022** | **1,082** | **367** |
| Income | 17,648 | 12,199 | 9,049 | 8,599 | 5,449 | 450 |
| Expenses | (15,237) | (10,870) | (7,660) | (7,577) | (4,367) | (83) |

In the comparison between the second quarter of 2012 and the previous quarter, the interest financial margin from Securities/Other was up by R$367 million. This variation was mainly due to the gain in the average spread, in the amount of R$366 million.

In the first half of 2012, the interest financial margin with Securities/Other stood at R$2,411 million, versus R$1,329 million recorded in the same period a year earlier, up 81.4% or R$1,082 million. This is the result of: (i) an increase in the volume of operations which affected the result in R$571 million; and (ii) the R$511 million gain in the average spread.

## Insurance Financial Margin – Interest

### Insurance Financial Margin – Breakdown

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Financial Margin - Insurance | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Interest - due to volume | | | | | 252 | 28 |
| Interest - due to spread | | | | | (493) | (153) |
| **Interest Financial Margin** | **1,577** | **1,818** | **726** | **851** | **(241)** | **(125)** |
| Income | 5,340 | 4,991 | 2,265 | 3,075 | 349 | (810) |
| Expenses | (3,763) | (3,173) | (1,539) | (2,224) | (590) | 685 |

In the second quarter of 2012, interest financial margin from insurance operations posted an R$125 million or 14.7% loss over the previous quarter, due to: (i) a R$153 million loss in the average spread, mainly from: (a) the lower profitability of assets indexed to IPCA; and (b) the performance of multimarket funds, which were affected by the 15.7% Ibovespa depreciation in the quarter; and offset: (ii) a R$28 million increase in the volume of operations.

Between the first half of 2012 and the same period of 2011, interest financial margin from insurance operations was down 13.3%, or R$241 million. The change was due to: (i) the decreased average spread, in the amount of R$493 million; and partially offset by: (ii) a R$252 million increase in volume of operations.

# Financial Margin – Non-Interest

## Non-Interest Financial Margin - Breakdown

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Non-Interest Financial Margin | | | | | |
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Funding | (146) | (144) | (73) | (73) | (2) | - |
| Insurance | 182 | 100 | 19 | 163 | 82 | (144) |
| Securities/Other | 953 | 861 | 570 | 383 | 92 | 187 |
| **Total** | **989** | **817** | **516** | **473** | **172** | **43** |

The non-interest financial margin in the second quarter of 2012 stood at R$516 million, versus R$473 million in the first quarter of 2012. Margin was up R$172 million in the first half of 2012 when compared to the same period a year earlier. Main variations in the non-interest financial margin are due to:

- "Insurance," represented by gains from equity securities and variations in the periods are associated with market conditions, which enable a greater/lower opportunity of obtaining gains; and
- "Securities/Other", a R$187 million increase in the quarter-on-quarter comparison and a R$92 million increase, referring to Treasury/Securities gains, in the year-on-year comparison.

# Insurance, Pension Plans and Capitalization Bonds

Analysis of the statement of financial position and income statement of Grupo Bradesco Seguros e Previdência:

## Consolidated Statement of Financial Position

| | | | R$ million |
|---|---|---|---|
| | Jun12 | Mar12 | Jun11 |
| **Assets** | | | |
| **Current and Long-Term Assets** | **137,008** | **129,800** | **113,190** |
| Securities [1] | 128,526 | 122,147 | 106,202 |
| Insurance Premiums Receivable | 2,009 | 1,759 | 1,522 |
| Other Loans | 6,473 | 5,894 | 5,466 |
| **Permanent Assets** | **3,312** | **3,235** | **2,515** |
| **Total** | **140,320** | **133,035** | **115,705** |
| **Liabilities** | | | |
| **Current and Long-Term Liabilities** | **122,494** | **114,752** | **101,289** |
| Tax, Civil and Labor Contingencies | 2,179 | 2,134 | 1,878 |
| Payables on Insurance, Pension Plan and Capitalization Bond Operations | 362 | 318 | 344 |
| Other Liabilities [1] | 8,163 | 5,347 | 5,129 |
| Insurance Technical Reserves | 8,705 | 8,429 | 7,851 |
| Life and Pension Plan Technical Reserves | 98,199 | 93,861 | 81,991 |
| Capitalization Bond Technical Reserves | 4,886 | 4,663 | 4,096 |
| **Non-controlling Interest** | **624** | **663** | **628** |
| **Shareholders' Equity [1]** | **17,202** | **17,620** | **13,788** |
| **Total** | **140,320** | **133,035** | **115,705** |

(1) Note: As of December 2010, held-to-maturity securities were reclassified to available-for-sale category for adoption of CPCs 38 and 40.

## Consolidated Income Statement

| | | | | R$ million |
|---|---|---|---|---|
| | 1H12 | 1H11 | 2Q12 | 1Q12 |
| Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income | 20,988 | 17,473 | 11,570 | 9,418 |
| Premiums Earned from Insurance, Pension Plan Contribution and Capitalization Bond | 10,625 | 9,107 | 5,413 | 5,212 |
| Financial Result from the Operation | 1,695 | 1,772 | 722 | 973 |
| Sundry Operating Income | 612 | 498 | 356 | 256 |
| Retained Claims | (6,188) | (5,442) | (3,108) | (3,080) |
| Capitalization Bond Draw ing and Redemptions | (1,509) | (1,191) | (800) | (709) |
| Selling Expenses | (1,098) | (902) | (552) | (546) |
| General and Administrative Expenses | (971) | (1,015) | (498) | (473) |
| Other Operating Income/Expenses | (147) | (151) | (47) | (100) |
| Tax Expenses | (238) | (225) | (123) | (115) |
| **Operating Result** | **2,781** | **2,451** | **1,363** | **1,418** |
| Equity Result | 186 | 117 | 90 | 96 |
| Non-Operating Income | (19) | (18) | (10) | (9) |
| **Income before Taxes and Profit Sharing** | **2,948** | **2,550** | **1,443** | **1,505** |
| Income Tax and Contributions | (1,086) | (858) | (525) | (561) |
| Profit Sharing | (39) | (29) | (19) | (20) |
| Non-controlling Interest | (37) | (102) | (18) | (19) |
| **Net Income** | **1,786** | **1,561** | **881** | **905** |

# Insurance, Pension Plans and Capitalization Bonds

## Income Distribution of Grupo Bradesco Seguros e Previdência

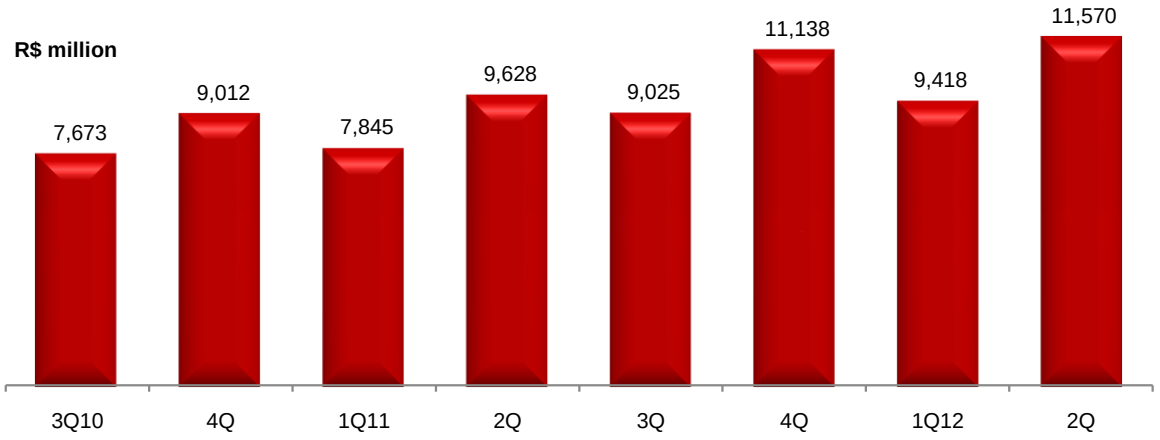
| | | | | | | | | R$ million |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Life and Pension Plans | 494 | 493 | 535 | 486 | 470 | 442 | 485 | 450 |
| Health | 148 | 151 | 181 | 132 | 200 | 201 | 177 | 131 |
| Capitalization Bonds | 91 | 104 | 87 | 86 | 79 | 86 | 63 | 50 |
| Basic Lines and Other | 148 | 157 | 57 | 76 | 51 | 32 | 54 | 90 |
| **Total** | **881** | **905** | **860** | **780** | **800** | **761** | **779** | **721** |

## Performance Ratios

| | | | | | | | | % |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Claims Ratio [1] | 71.3 | 71.9 | 68.6 | 71.5 | 72.2 | 72.0 | 71.1 | 72.4 |
| Expense Ratio [2] | 11.1 | 11.1 | 11.1 | 10.5 | 10.8 | 10.0 | 10.8 | 10.7 |
| Administrative Expenses Ratio [3] | 4.3 | 5.0 | 4.5 | 5.8 | 5.4 | 6.1 | 5.8 | 6.3 |
| Combined Ratio [4] [5] | 85.0 | 85.6 | 83.6 | 86.2 | 85.8 | 86.1 | 85.1 | 85.3 |

(1) Retained Claims/Earned Premiums;
(2) Selling Expenses/Earned Premiums;
(3) Administrative Expenses/Net Written Premiums;
(4) (Retained Claims + Selling Expenses + Other Operating Income and Expenses) / Earned Premiums + (Administrative Expenses + Taxes) / Net Written Premiums; and
(5) Excluding additional reserves.

## Written Premiums, Pension Plan Contributions and Capitalization Bond Income



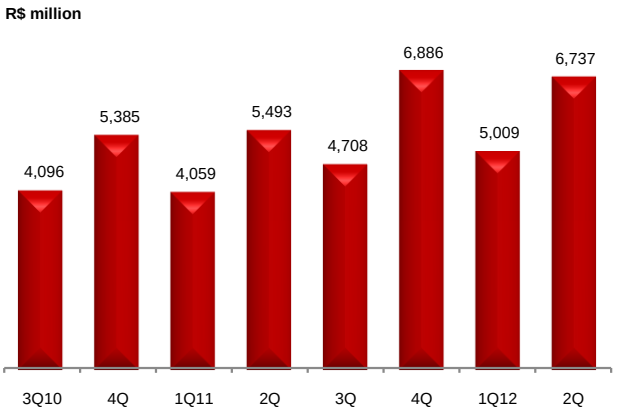

In the second quarter of 2012, the total revenue was up by 22.8% in relation to the previous quarter, stimulated by the performance of "Life and Pension Plan" and "Capitalization Bond" products, which posted gains of 34.5% and 17.9%, respectively.

The production in the first half of 2012 posted a 20.1% increase comparing to the same period in the previous year. Such growth was due to the performance of all segments, which had more than a two-digit growth over above the two digits.

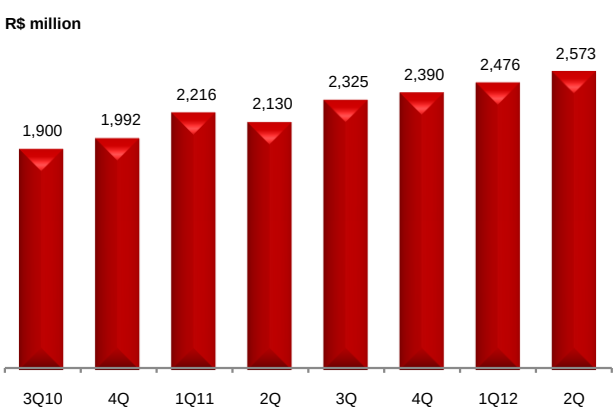
# Insurance, Pension Plans and Capitalization Bonds

## Written Premiums, Pension Plan Contributions and Capitalization Bond Income

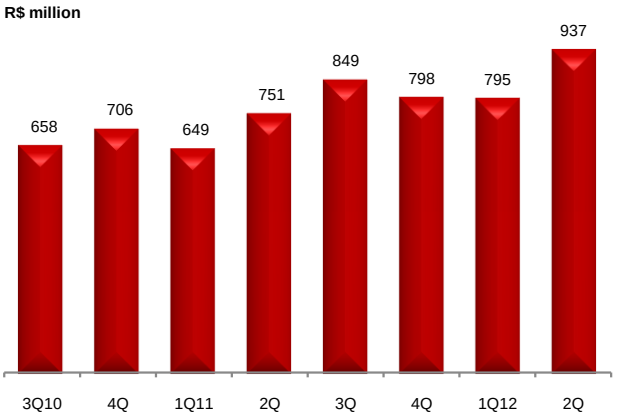
**Life/AP/VGBL/PGBL/Basic Lines**



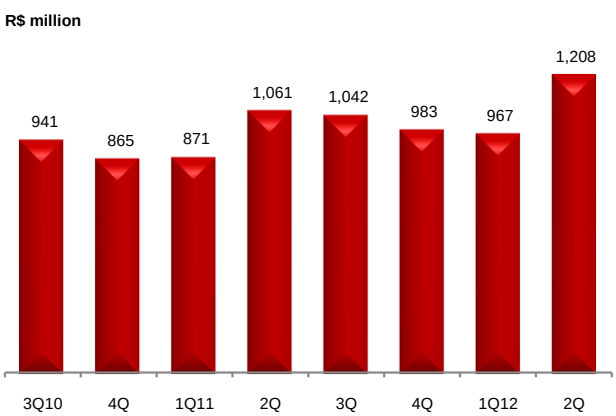

**Health**



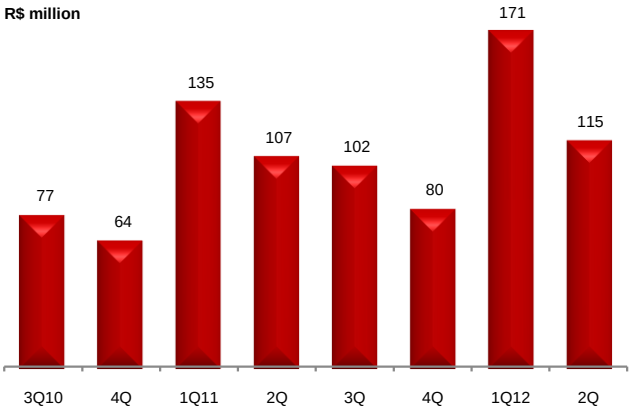

**Capitalization Bonds**




**Auto/RE**

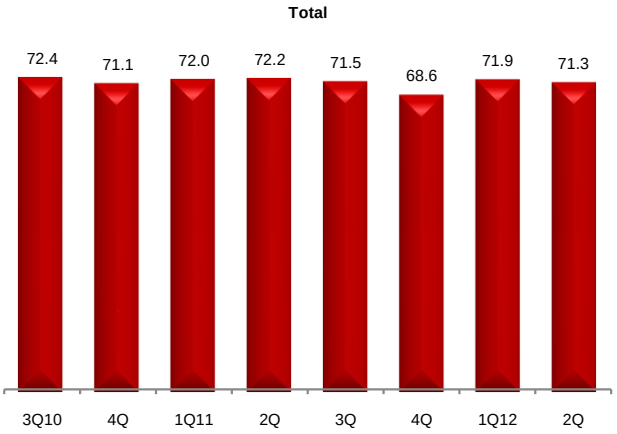


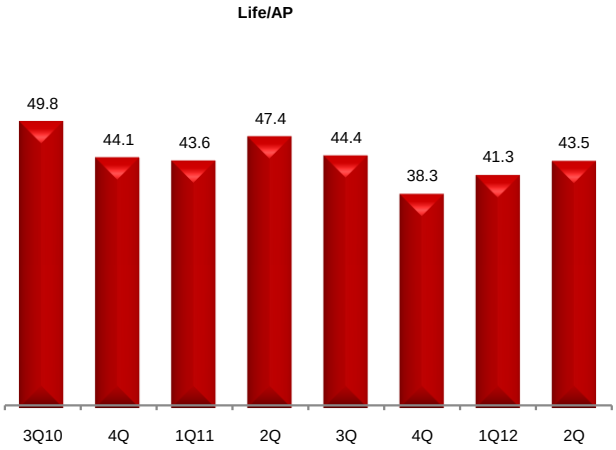

**Other Lines**

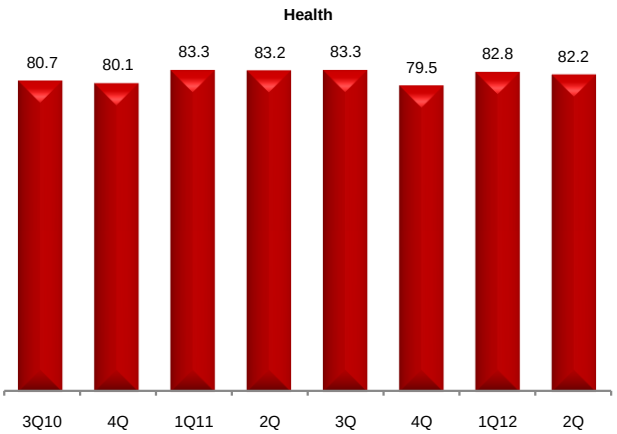


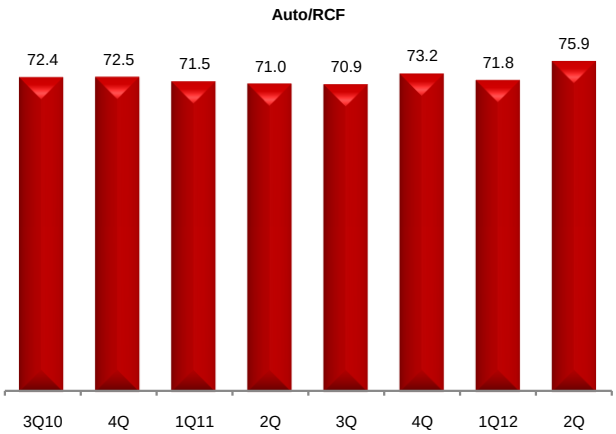
# Insurance, Pension Plan and Capitalization Bonds

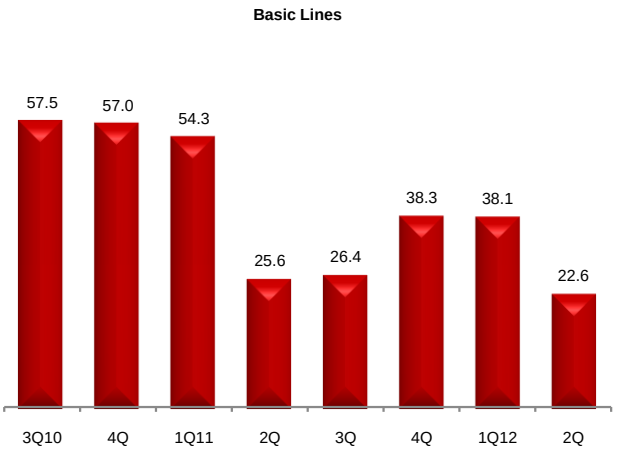
## Retained Claims by Insurance Line

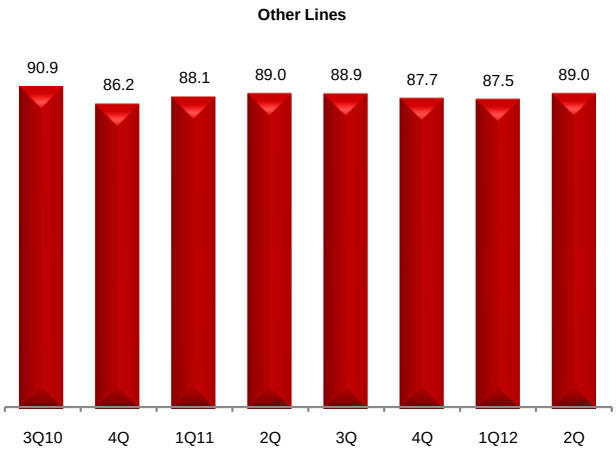


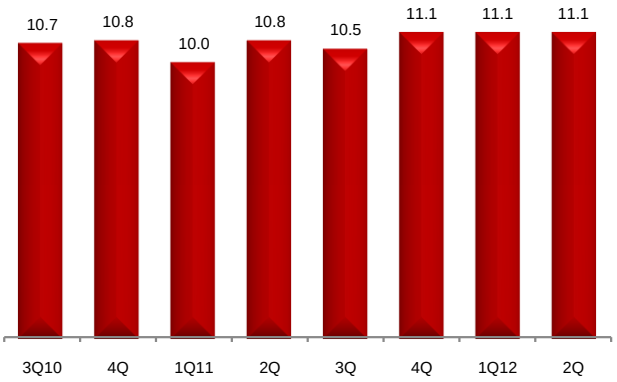



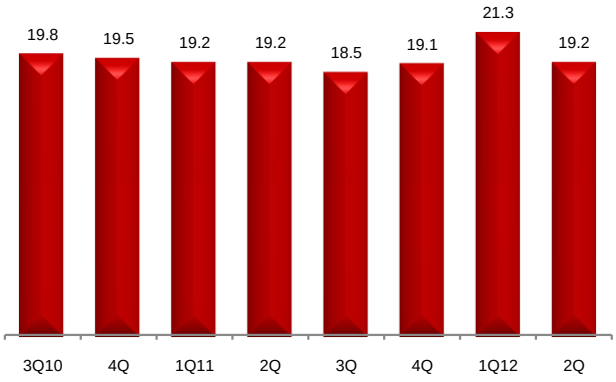
# Insurance, Pension Plan and Capitalization Bonds

## Insurance Expense Ratio by Insurance Line

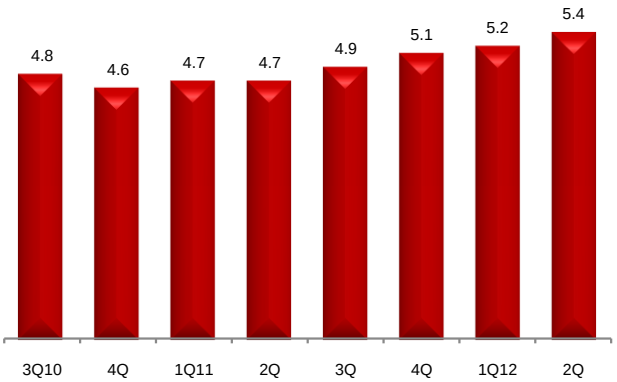
**Total**



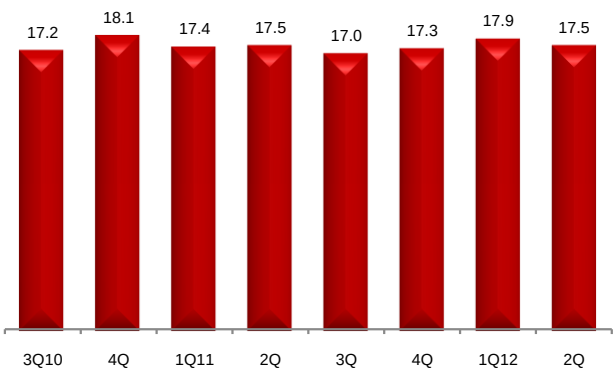

**Life/AP**



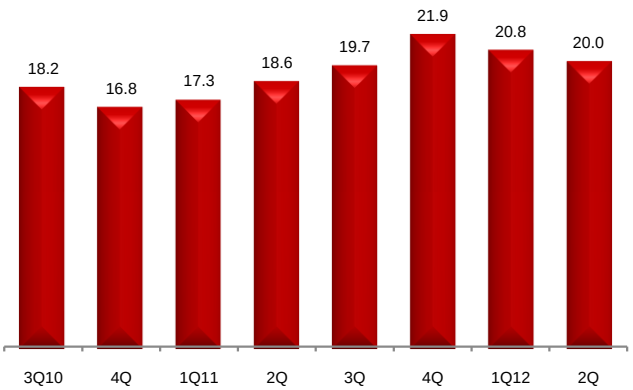

**Health**




**Auto/RCF**

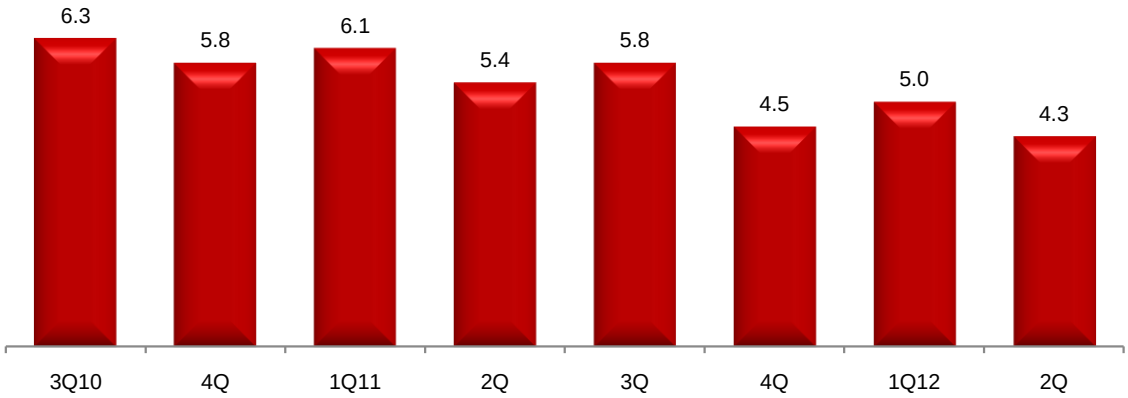



**Basic Lines**



# Insurance, Pension Plans and Capitalization Bonds

## Efficiency Ratio



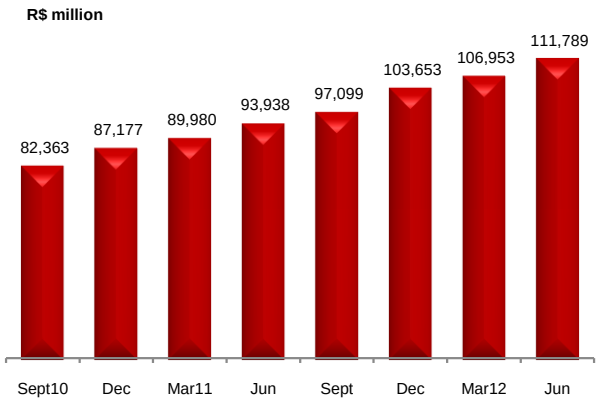

General and Administrative Expenses/Revenue

Year on year, the efficiency ratio decreased 1.1 p.p. due to: (i) the 20.2% increase in revenue for the period; and (ii) the 4.8% decrease in general and administrative expenses, even accounting for the collective bargaining agreement in January 2012.

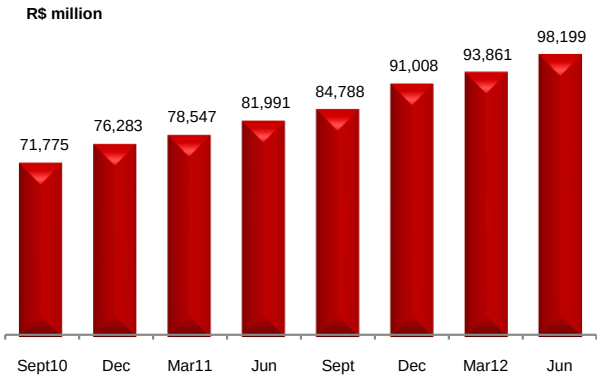
# Insurance, Pension Plans and Capitalization Bonds

## Insurance Technical Reserves

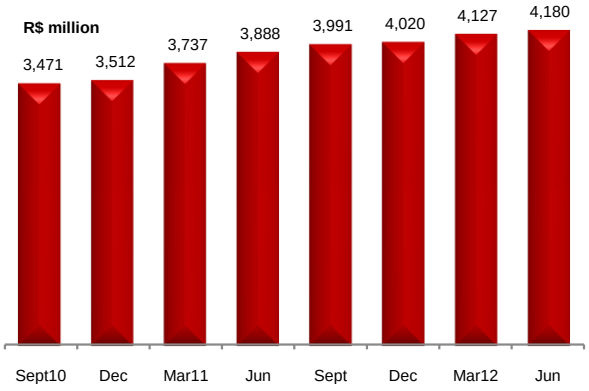
**Total Reserves**



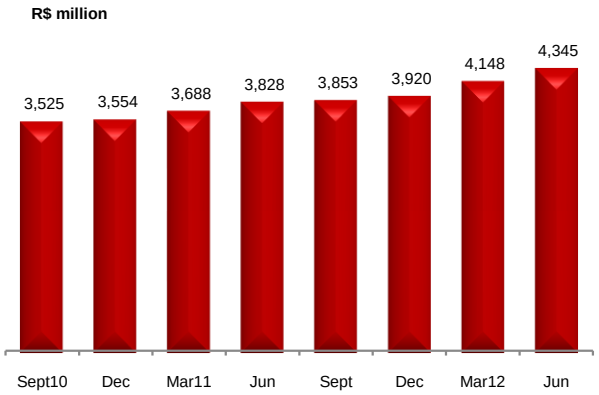

**Pension Plans and Life / VGBL**




**Health**




**Auto/RE**




**Capitalization Bonds**



## Bradesco Vida e Previdência

| | R$ million (unless otherwise stated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Net Income | 494 | 493 | 535 | 486 | 470 | 442 | 485 | 450 |
| Premium and Contribution Income (1) | 6,737 | 5,009 | 6,886 | 4,708 | 5,493 | 4,059 | 5,385 | 4,096 |
| - Income from Pension Plans and VGBL | 5,816 | 4,090 | 5,926 | 3,829 | 4,713 | 3,317 | 4,617 | 3,403 |
| - Income from Life/Personal Accidents Insurance Premiums | 921 | 919 | 960 | 879 | 780 | 742 | 768 | 693 |
| Technical Reserves | 98,199 | 93,861 | 91,008 | 84,788 | 81,991 | 78,547 | 76,283 | 71,775 |
| Investment Portfolio | 106,102 | 100,366 | 96,047 | 91,806 | 88,255 | 85,182 | 82,786 | 75,974 |
| Claims Ratio | 43.5 | 41.3 | 38.3 | 44.4 | 47.4 | 43.6 | 44.1 | 49.8 |
| Expense Ratio | 19.2 | 21.3 | 19.1 | 18.5 | 19.2 | 19.2 | 19.5 | 19.8 |
| Combined Ratio | 68.4 | 70.8 | 66.1 | 71.3 | 75.4 | 71.9 | 74.7 | 79.9 |
| Participants / Policyholders (in thousands) | 25,257 | 24,534 | 24,582 | 24,051 | 23,109 | 22,698 | 22,186 | 21,346 |
| Premium and Contribution Income Market Share (%) (2) | 29.3 | 27.5 | 33.1 | 31.6 | 32.0 | 28.1 | 31.2 | 31.5 |
| Life/AP Market Share - Insurance Premiums (%) (2) | 17.3 | 17.3 | 17.6 | 16.9 | 16.3 | 16.0 | 17.3 | 17.0 |

(1) Life/VGBL/PGBL/Traditional; and
(2) 2Q12 includes the latest data released by Susep (May 2012).

Due to its solid structure, a policy of product innovation and customer trust, Bradesco Vida e Previdência's market share totaled 29.3% in terms of pension plan and VGBL (Susep) income in the period.

Net income for the second quarter of 2012 remained stable when comparing to the previous quarter, influenced by: (i) the 34.5% increase in revenue; (ii) improvement in the management efficiency ratio; and partially offset by: (iii) a 2.2 p.p. increase in "Life" product claims ratio and (iv) a decrease in the financial result.

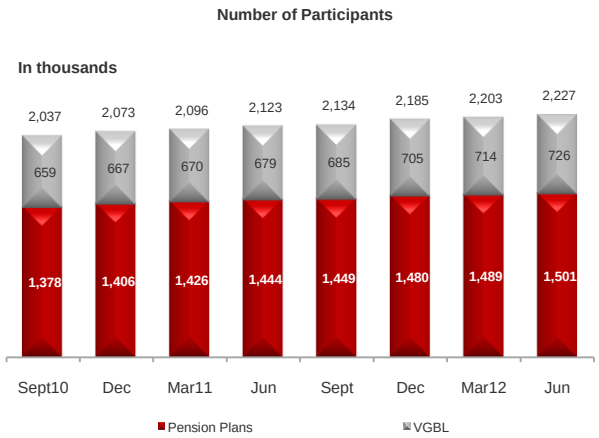
Net income for the first half of 2012 was up 8.2% from that of the same period in 2011, mainly resulting from: (i) the 23.0% increase in revenue; (ii) a 3.2 p.p. decrease in "Life" product claims ratio; (iii) the decrease in general and administrative expenses, even when accounting for the collective bargaining agreement in January 2012; and partially offset by: (iv) a decrease in the financial result.

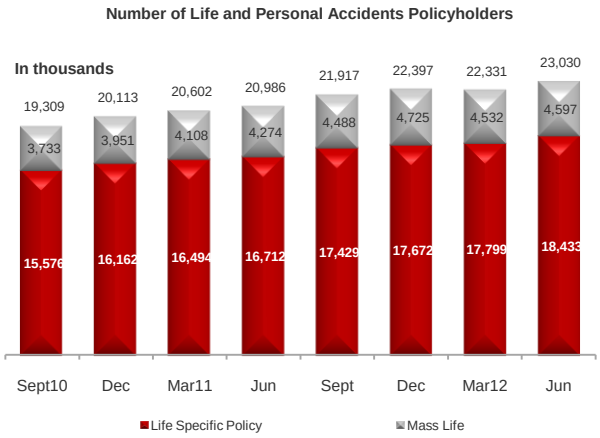
# Bradesco Vida e Previdência

Bradesco Vida e Previdência's technical reserves stood at R$98.2 billion in June 2012, made up of R$93.9 billion from the “Pension Plans” and VGBL product and R$4.3 billion from “Life”, “Personal Accidents” and “Other Lines” products, up 19.8% over June 2011.

The Pension Plan and VGBL Investment Portfolio totaled R$96.5 billion in May 2012, equal to 32.9% of all market funds (Fenaprevi).

## Growth of Participants and Life and Personal Accident Policyholders




In June 2012, the number of Bradesco Vida e Previdência customers grew by 9.3% compared to June 2011, surpassing a total of 2.2 million pension plan and VGBL plan participants and 23.0 million personal accident participants, reaching 25.2 million customers. This impressive growth was fueled by the strength of the Bradesco brand and the improvement of selling and management policies of products.

## Bradesco Saúde and Mediservice

| | R$ million (unless otherwise stated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Net Income | 148 | 151 | 181 | 132 | 200 | 201 | 177 | 131 |
| Net Written Premiums | 2,338 | 2,251 | 2,170 | 2,114 | 2,016 | 1,940 | 1,808 | 1,755 |
| Technical Reserves | 4,128 | 4,072 | 3,984 | 3,942 | 3,848 | 3,708 | 3,481 | 3,455 |
| Claims Ratio | 86.1 | 86.4 | 83.4 | 87.3 | 87.7 | 87.6 | 84.0 | 84.2 |
| Expense Ratio | 4.9 | 4.8 | 4.7 | 4.4 | 4.3 | 4.2 | 4.2 | 4.3 |
| Combined Ratio | 96.9 | 97.9 | 96.1 | 98.9 | 99.6 | 100.0 | 100.2 | 93.4 |
| Policyholders (in thousands) | 3,707 | 3,627 | 3,458 | 3,384 | 3,244 | 3,144 | 3,100 | 2,993 |
| Written Premiums Market Share (%) (1) | 47.0 | 46.7 | 47.9 | 47.5 | 47.4 | 49.4 | 49.5 | 49.0 |

(1) 2Q12 considers the latest data released by ANS (May 2012).

Net income for the second quarter of 2012 remained stable quarter-on-quarter, mainly due to: (i) the 3.9% increase in revenue; (ii) the maintenance of claims and sales ratios; and partially offset by: (iii) the decrease in the financial result.

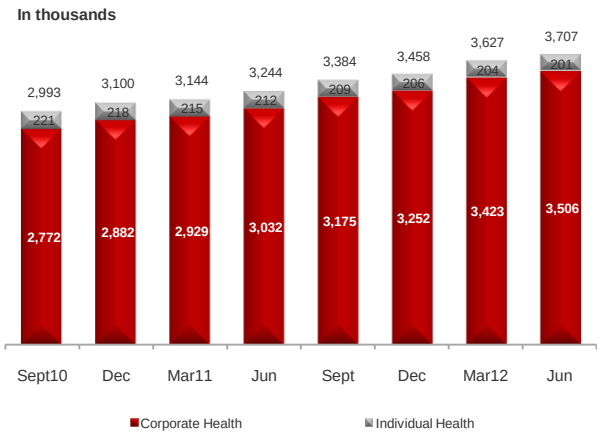
Net income for the first half of 2012 was down 25.4% over the same period of the previous year, due to: (i) the decrease in financial result, driven by the payment of dividends amounting to R$900 million in December 2011; (ii) the decrease in equity income, partially offset by: (iii) the 16.0% increase in revenue; (iv) the 1.3 p.p. decrease in the claims ratio, due to the continuity of cost control actions and the portfolio technical adjustments; and (v) lower general and administrative expenses.

In June 2012, Bradesco Saúde and Mediservice maintained strong market position in the corporate segment (source: ANS).

Approximately 47 thousand companies in Brazil have Bradesco Saúde insurance and Mediservice plans. Of the 100 largest companies in Brazil in terms of revenue, 48 are Bradesco Saúde and Mediservice customers (source: *Exame* magazine's Best and Major Companies (*Melhores e Maiores*) ranking, July 2012).

### Number of Policyholders at Bradesco Saúde and Mediservice

Together, the two companies have over 3.7 million customers. The high share of corporate policies in the overall portfolio (94.6% in June 2012) shows the companies' high level of specialization and customization in the corporate segment, a major advantage in today's supplementary health insurance market.



## Bradesco Capitalização

| | R$ million (unless otherwise stated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Net Income | 91 | 104 | 87 | 86 | 79 | 86 | 63 | 50 |
| Capitalization Bond Income | 937 | 795 | 798 | 849 | 751 | 649 | 706 | 658 |
| Technical Reserves | 4,886 | 4,663 | 4,571 | 4,329 | 4,096 | 3,891 | 3,724 | 3,483 |
| Customers (in thousands) | 3,358 | 3,228 | 3,097 | 3,024 | 2,888 | 2,794 | 2,691 | 2,610 |
| Premium and Contribution Income Market Share (%) (1) | 22.2 | 21.2 | 21.6 | 21.4 | 21.3 | 21.2 | 21.1 | 20.4 |

(1) 2Q12 considers the latest data released by Susep (May 2012).

Revenue for the second quarter of 2012 grew by 17.9% when compared to the previous quarter, and the management efficiency ratio remained stable. In relation to net income, the result in the quarter has not surpassed the number posted in the previous quarter, mainly due to: (i) the decrease in the financial result; and (ii) greater reserves, due to the sale of single-payment products which concentrate the recording of drawing reserve and other technical reserves at the beginning of the plan.

Net income for the first half of 2012 grew by 18.2% when compared to the same period of the previous year, mainly due to: (i) the 23.7% increase in revenues from capitalization bonds; (ii) an improved management efficiency ratio, partially offset by: (iii) the decrease in the financial result, driven by the payment of dividends amounting to R$300 million in December 2011.

## Bradesco Capitalização

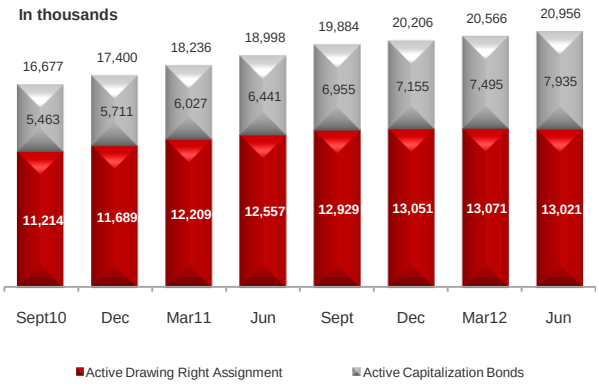
Bradesco Capitalização ended the second quarter of 2012 leading the private capitalization bond companies ranking, due to its policy of transparency and of adjusting its products based on potential consumer demand.

In order to offer the capitalization bond that best fits the profile and budget of each customer, Bradesco Capitalização has developed several products that vary in accordance with payment method (lump-sum or monthly), contribution term, frequency of drawings and premium amounts. This phase was mainly marked by a closer relationship with the public by consolidating *Pé Quente Bradesco* products.

Among these, we can point out the performance of our social and environmental products, from which a part of the profit is allocated to socially responsible projects, while also allowing the customer to create a financial reserve. Bradesco Capitalização currently has partnerships with the following social and environmental institutions: (i) Fundação SOS Mata Atlântica (contributes to the conservation of biological and cultural diversity of the Atlantic Forest, stimulating social and environmental citizenship); (ii) Instituto Ayrton Senna (contributes to education and human development, reducing illiteracy rates, school failure and drop-out rates); (iii) Fundação Amazonas Sustentável (contributes to the sustainable development, environmental preservation and improvement to the quality of life of communities that benefit from the preservation centers in the state of Amazonas); (iv) the Brazilian Cancer Control Institute (contributes to the development of projects for the prevention, early diagnosis and treatment of breast cancer in Brazil); and (v) Projeto Tamar (created to save sea turtles).

Bradesco Capitalização S.A. is the first and only capitalization bond company in Brazil to receive the ISO. In 2009, it was certified with the ISO 9001:2008 for Management of Bradesco Capitalization Bonds. This certification, granted by Fundação Vanzolini, attests to the quality of its internal processes and confirms the principle that underpins Bradesco Capitalization Bonds: good products, services and continuous growth.

The portfolio is composed of 21.0 million active bonds, of which: 37.9% are Traditional Bonds sold in the branch network and at Bradesco *Dia & Noite* service channels, up 23.2% over June 2011; and 62.1% are incentive bonds (assignment of drawing rights), such as partnerships with Bradesco Vida e Previdência and Bradesco Auto/RE, which were up 3.7% over June 2011. Given that the purpose of this type of capitalization bond is to add value to the associated company or even encourage the performance of its customers, bonds have reduced maturity and grace terms and a lower sale price.



## Bradesco Auto/RE

| | R$ million (unless otherwise stated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 | 4Q10 | 3Q10 |
| Net Income | 26 | 49 | 33 | 50 | 44 | 39 | 58 | 28 |
| Net Written Premiums | 1,208 | 967 | 983 | 1,042 | 1,061 | 871 | 865 | 941 |
| Technical Reserves | 4,345 | 4,148 | 3,920 | 3,853 | 3,828 | 3,688 | 3,554 | 3,525 |
| Claims Ratio | 64.2 | 64.7 | 65.9 | 61.3 | 61.0 | 68.1 | 69.3 | 69.7 |
| Expense Ratio | 18.8 | 18.4 | 18.2 | 17.4 | 17.6 | 17.2 | 17.6 | 17.3 |
| Combined Ratio | 104.1 | 107.4 | 108.2 | 104.1 | 97.9 | 110.2 | 106.9 | 105.2 |
| Policyholders (in thousands) | 3,826 | 3,801 | 3,694 | 3,632 | 3,567 | 3,330 | 3,337 | 3,208 |
| Premium and Contribution Income Market Share (%) (1) | 10.3 | 9.8 | 10.1 | 10.4 | 10.5 | 9.7 | 10.6 | 11.2 |

(1) 2Q12 considers the latest data released by Susep (May 2012).

Net income for the second quarter of 2012 was down by 46.9% from the previous quarter, mainly due to: (i) the decrease in financial and equity result; partially offset by: (ii) a slight decrease of 0.5 p.p. in the claims ratio and (iii) an improved management efficiency ratio.

Net income for the first half of 2012 was 9.6% lower than that posted in the same period of 2011, due to: (i) a decrease in the financial result; and partially offset by (ii) the maintenance of claims and sales ratio.

In the Property Insurance segment, Bradesco Auto/RE has renewed insurance programs with its main customers through partnerships with brokers that specialize in the segment and a close relationship with the Bradesco Corporate and Bradesco *Empresas* (Middle Market) segments. The excellent performance of the Oil industry and recovery of the Civil Construction industry have also contributed to Bradesco Auto/RE's growth in the segment.

In Aviation and Maritime Hull insurance, the increased exchange with Bradesco Corporate and Bradesco *Empresas* has been drawn on extensively, taking full advantage of the stronger sales of new aircraft and those of the maritime segment.

The transportation segment is still the primary focus, with essential investments made to leverage new business, especially in the renewal of reinsurance agreements, which gives insurers the power to assess and cover risk, and consequently increase competitiveness in more profitable businesses such as international transportation insurance for shipping companies involved in international trade.

Despite strong competition in the Auto/RCF line, the insurer has increased its customer base, mainly due to improvements to current products and the creation of products for a specific target-public. Among them, it is worth noting the launch of the First Vehicular Protection of Bradesco Seguro (*Bradesco Seguro Primeira Proteção Veicular*), an exclusive product to Bradesco's account holders, which helps, through the Day and Night Support services, vehicles from 3 to 10 years of use.

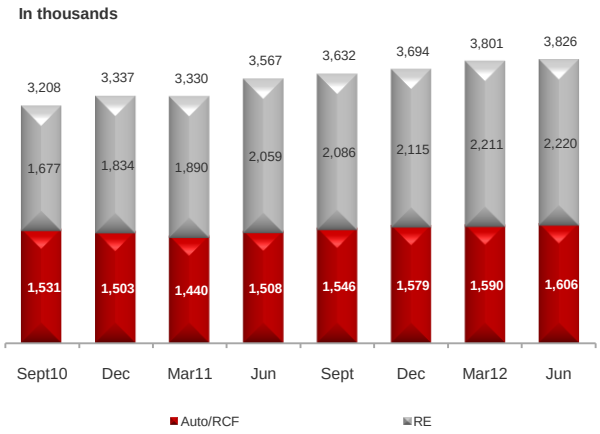
For better service, Bradesco Auto/RE currently has 19 Bradesco Auto Centers (BAC), which offer policyholders the greatest variety of services in a single place, including: auto claims services, reserve rental cars, installation of anti-theft equipment, preventative maintenance checks, glass repairs or replacement and environmental vehicle inspections.

# Bradesco Auto/RE

## Number of Policyholders at Auto/RE

Mass insurance targets individuals, self-employed professionals and SMEs. The launch of new products combined with the continuous improvement to methods and systems has contributed to growth in the customer base, which increased by 7.3% in the last 12 months, to a total of 3.8 million customers.

It is worth pointing out that we continued with a strong strategy for the Residential Insurance segment, with a 19.2% growth in premiums year on year (higher than the market growth), totaling more than 1.9 million insured homes.



## Fee and Commission Income

A breakdown of the variation in Fee and Commission Income for the respective periods is presented below:

| Fee and Commission Income | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
| | | | | | Half | Quarter |
| Card Income | 2,845 | 2,391 | 1,456 | 1,389 | 454 | 67 |
| Checking Account | 1,553 | 1,330 | 805 | 748 | 223 | 57 |
| Fund Management | 1,061 | 945 | 535 | 526 | 116 | 9 |
| Loan Operations | 1,025 | 951 | 524 | 501 | 74 | 23 |
| Collection | 636 | 575 | 322 | 313 | 61 | 9 |
| Consortium Management | 293 | 250 | 150 | 144 | 43 | 6 |
| Custody and Brokerage Services | 236 | 210 | 119 | 117 | 26 | 2 |
| Underwriting / Financial Advisory Services | 224 | 152 | 115 | 109 | 72 | 6 |
| Payments | 158 | 153 | 80 | 78 | 5 | 2 |
| Other | 368 | 304 | 175 | 193 | 64 | (18) |
| **Total** | **8,399** | **7,261** | **4,281** | **4,118** | **1,138** | **163** |

Explanations of the main items that influenced the variation in Fee and Commission Income between periods can be found below.

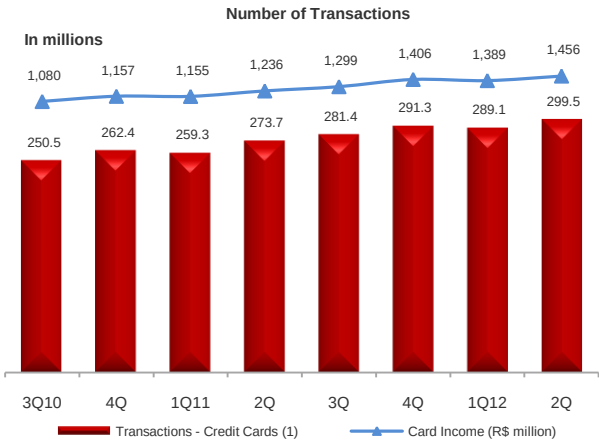
# Fee and Commission Income

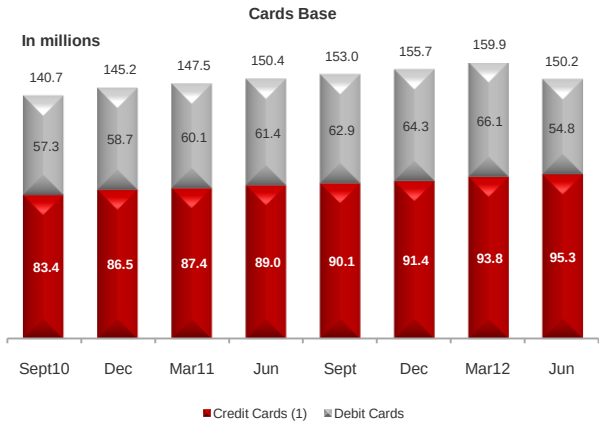
## Card Income

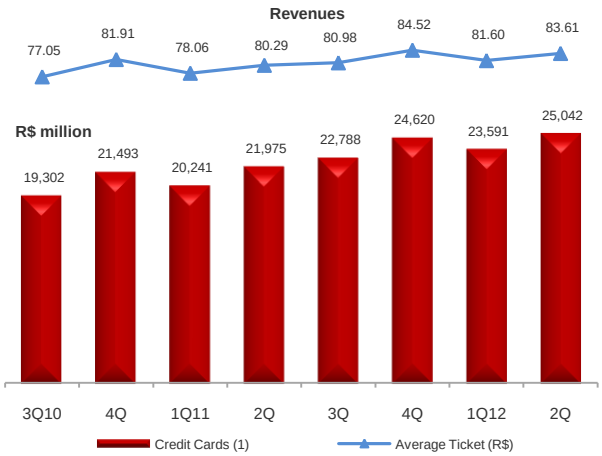
Card income stood at R$1,456 million in the second quarter of 2012, up 4.8% from the previous quarter, mainly due to the increase in the number of transactions in the period and increase of average ticket, with consequent growth of revenue.

In comparison with the same period a year earlier, card services revenues stood at R$2,845 million, up 19.0% or R$454 million in relation to the same period last year, mainly due to an increase in revenue from purchases and services, resulting from the increase in credit card revenue, base and amount of transactions in the period.

In addition, the debit card base decreased in the quarter due to the exclusion of idle cards.



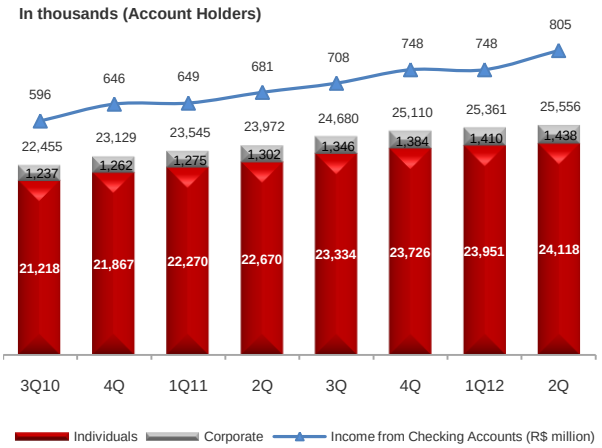

(1) Including prepaid, Private Label and Ibi México cards as of the fourth quarter of 2010.

# Fee and Commission Income

## Checking Account

In the second quarter of 2012, fee and commission income from checking accounts increased 7.6% in comparison with the previous quarter, mainly due to: (i) the net increase of 195 thousand new checking accounts (167 thousand individual accounts and 28 thousand corporate customer accounts); (ii) the expansion of the portfolio of services provided to our clients; and (iii) the adjustment of some fees.

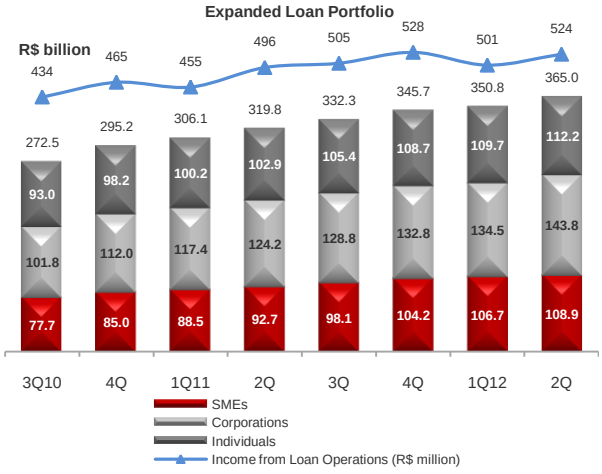
In comparison with the same period a year earlier, revenue grew by R$223 million, or 16.8%, in the first half of 2012, mainly due to expansion of the checking account customer base, which posted a net increase of 1,584 thousand current accounts (1,448 thousand individual customers and 136 thousand corporate customers).

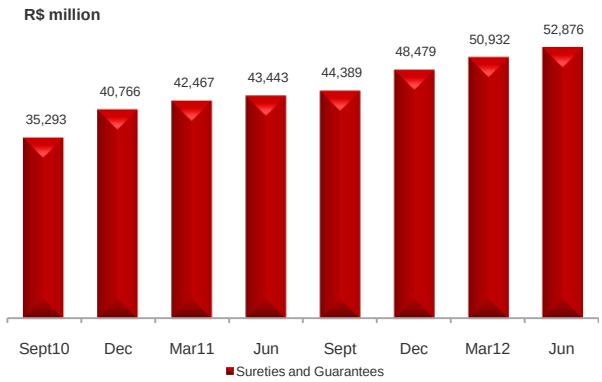



## Loan Operations

In the second quarter of 2012, income from loan operations amounted to R$524 million, up 4.6% in comparison with the previous quarter, mainly due to the greater volume of loan operations in the period, mainly “Sureties and Guarantees” operations, up 3.8% on the first quarter of 2012.

In comparison with the same period a year earlier, the 7.8% increase in the first half of the year was mainly the result of: (i) greater income from collateral, up 16.4%, mainly deriving from the 21.7% growth in the volume of Sureties and Guarantees; and (ii) an increase in volume of other operations in 2012.



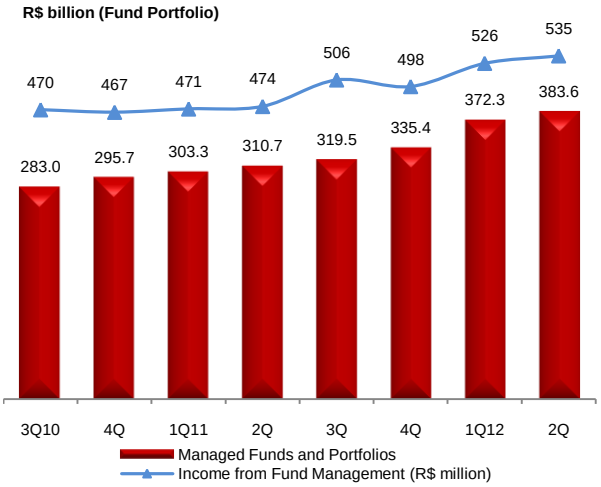
# Fee and Commission Income

## Fund Management

In the second quarter of 2012, revenue from fund management stood at R$535 million, up R$9 million from the previous quarter, mainly due to a 3.0% growth in the volume of funds and portfolios raised and managed.

Year on year, the R$116 million or 12.3% increase was mainly due to: (i) increases in funds raised and portfolios managed by Bradesco, which grew by 23.5%; partially offset by: (ii) the 12.9% drop in the Ibovespa index in the period, impacting revenue from managed funds and portfolios pegged to equities.

The highlight was the investments in fixed-income funds, which grew by 28.1% in the period, followed by equities, up 8.0%.




| Shareholders' Equity | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Investment Funds | 358,881 | 346,241 | 284,117 | 3.7 | 26.3 |
| Managed Portfolios | 17,691 | 18,169 | 18,533 | (2.6) | (4.5) |
| Third-Party Fund Quotas | 7,017 | 7,856 | 8,032 | (10.7) | (12.6) |
| **Total** | **383,589** | **372,266** | **310,682** | **3.0** | **23.5** |

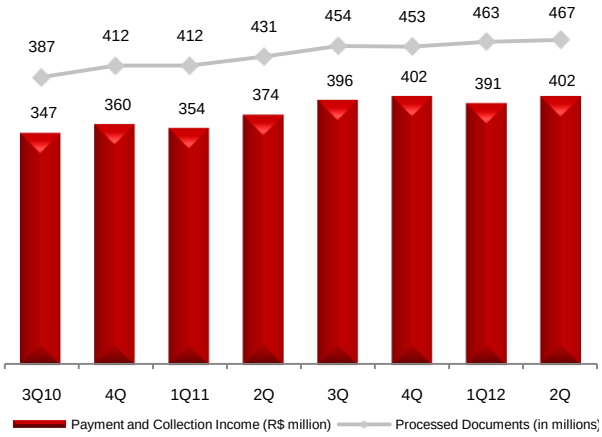
| Asset Distribution | R$ million | | | Variation % | |
|---|---|---|---|---|---|
| | Jun12 | Mar12 | Jun11 | Quarter | 12M |
| Investment Funds – Fixed Income | 331,421 | 317,626 | 258,686 | 4.3 | 28.1 |
| Investment Funds – Equities | 27,460 | 28,615 | 25,431 | (4.0) | 8.0 |
| Investment Funds – Third-Party Funds | 5,739 | 6,665 | 6,895 | (13.9) | (16.8) |
| **Total - Investment Funds** | **364,620** | **352,906** | **291,012** | **3.3** | **25.3** |
| | | | | | |
| Managed Portfolios - Fixed Income | 10,228 | 10,183 | 10,698 | 0.4 | (4.4) |
| Managed Portfolios – Equities | 7,463 | 7,986 | 7,835 | (6.5) | (4.7) |
| Managed Portfolios - Third-Party Funds | 1,278 | 1,191 | 1,137 | 7.3 | 12.4 |
| **Total - Managed Funds** | **18,969** | **19,360** | **19,670** | **(2.0)** | **(3.6)** |
| | | | | | |
| Total Fixed Income | 341,649 | 327,809 | 269,384 | 4.2 | 26.8 |
| Total Equities | 34,923 | 36,601 | 33,266 | (4.6) | 5.0 |
| Total Third-Party Funds | 7,017 | 7,856 | 8,032 | (10.7) | (12.6) |
| **Overall Total** | **383,589** | **372,266** | **310,682** | **3.0** | **23.5** |

# Fee and Commission Income

## Cash Management Solutions (Payments and Collection)

In the second quarter of 2012, revenue from payments and collection was up 2.8% from the previous quarter, mainly due new businesses and increase in the number of processed documents in the period.

In comparison with the same period a year earlier, the 8.9% or R$65 million increase in revenue from payments and collection in the first half of 2012 was mainly the result of the greater volume of processed documents, up from 843 million in the first half of 2011 to a total of 930 million in the first half 2012.



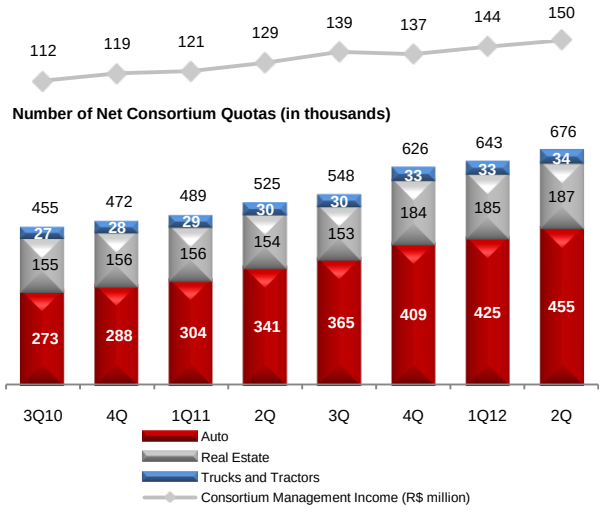

## Consortium Management

In the second quarter of 2012, income from consortium management increased by 4.2% over the previous quarter, mainly due to the segment expansion. On June 30, 2012, Bradesco had 676 thousand active quotas (643 thousand active quotas on March 31, 2012), ensuring a leading position in all the segments it operates (real estate, auto, trucks/tractors).

Year on year, there was a 17.2% increase in income, resulting from: (i) the growth in the volume of bids and advances; and (ii) the increase in sales of new quotas, from 525 thousand net quotas sold on June 30, 2011 to 676 thousand active quotas on June 30, 2012, an increase of 151 thousand net quotas.

Bradesco's purpose is to offer the most complete portfolio of products and services to its customers. Therefore, the Organization provides consortium plans for all income groups, covering the different market demands, in real estate and automobile segments. To sell the consortium plans, Bradesco has the strength and expertise of several managers, who operate together with customers in all Brazilian cities.

Bradesco remains being leader in the three segments due to planning and synergy with the Branch Network, together with stability and security of the Bradesco brand.

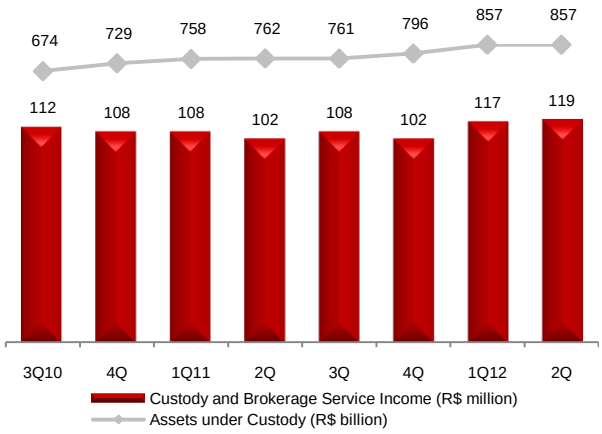


# Fee and Commission Income

## Custody and Brokerage Services

In the second quarter of 2012, total custody and brokerage service income increased by R$2 million, remaining virtually stable in relation to the previous quarter.

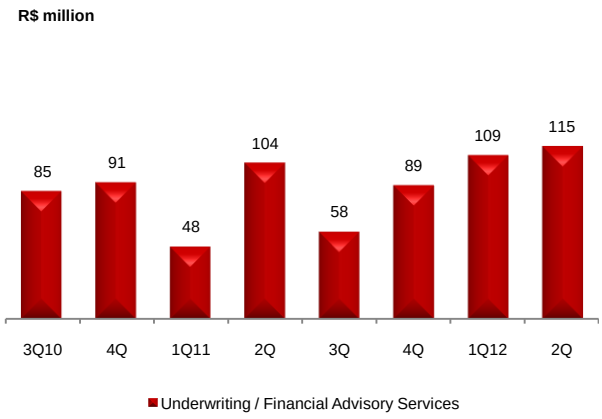
In comparison with the same period a year earlier, the 12.4% increase in revenue in the first half of 2012 was mainly due to the increase in custody services, with a R$95 billion gain in assets under custody.




## Underwriting / Financial Advisory Services

The R$6 million increase in the quarter-on-quarter comparison mainly refers to increased revenue with capital market operations in the second quarter of 2012, particularly underwriting operations. Furthermore, changes in this income are often the result of volatile performance of capital markets.

From the first half of 2011 to the same period in 2012, there was an increase of R$72 million, mainly as a result of a higher business volume in the first quarter of the year in financial advisory operations.



## Personnel and Administrative Expenses

| Personnel and Administrative Expenses | 1H12 | 1H11 | 2Q12 | 1Q12 | Variation | |
|---|---|---|---|---|---|---|
| | | | | | Half | Quarter |
| **Personnel Expenses** | | | | | | |
| **Structural** | **4,786** | **4,097** | **2,436** | **2,351** | **689** | **85** |
| Payroll/Social Charges | 3,592 | 3,101 | 1,824 | 1,769 | 491 | 55 |
| Benefits | 1,194 | 996 | 612 | 582 | 198 | 30 |
| **Non-Structural** | **1,139** | **944** | **611** | **527** | **195** | **84** |
| Management and Employee Profit Sharing | 666 | 500 | 341 | 324 | 166 | 17 |
| Provision for Labor Claims | 331 | 319 | 188 | 143 | 12 | 45 |
| Training | 63 | 58 | 41 | 22 | 5 | 19 |
| Termination Costs | 79 | 67 | 41 | 38 | 12 | 3 |
| **Total** | **5,925** | **5,041** | **3,047** | **2,878** | **884** | **169** |
| | | | | | | |
| **Administrative Expenses** | | | | | | |
| Outsourced Services | 1,664 | 1,713 | 832 | 832 | (49) | - |
| Communication | 825 | 769 | 415 | 410 | 56 | 5 |
| Depreciation and Amortization | 609 | 538 | 308 | 301 | 71 | 7 |
| Data Processing | 530 | 444 | 268 | 262 | 86 | 6 |
| Transportation | 427 | 358 | 215 | 212 | 69 | 3 |
| Rental | 379 | 320 | 196 | 183 | 59 | 13 |
| Financial System Services | 326 | 235 | 163 | 163 | 91 | - |
| Advertising and Marketing | 315 | 396 | 162 | 153 | (81) | 9 |
| Asset Maintenance | 291 | 261 | 145 | 146 | 30 | (1) |
| Security and Surveillance | 205 | 156 | 105 | 100 | 49 | 5 |
| Leased Assets | 196 | 171 | 96 | 100 | 25 | (4) |
| Materials | 169 | 176 | 77 | 92 | (7) | (15) |
| Water, Electricity and Gas | 130 | 115 | 65 | 65 | 15 | - |
| Trips | 66 | 71 | 33 | 33 | (5) | - |
| Other | 710 | 596 | 361 | 349 | 114 | 12 |
| **Total** | **6,842** | **6,319** | **3,441** | **3,401** | **523** | **40** |
| | | | | | | |
| **Total Personnel and Administrative Expenses** | **12,767** | **11,360** | **6,488** | **6,279** | **1,407** | **209** |
| **Employees** | **104,531** | **98,317** | **104,531** | **105,102** | **6,214** | **(571)** |
| **Service Points** | **65,370** | **53,256** | **65,370** | **62,759** | **12,114** | **2,611** |

R$ million

In the second quarter of 2012, total Personnel and Administrative Expenses came to R$6,488 million, up 3.3% in comparison with the previous quarter.

### Personnel Expenses

In the second quarter of 2012, personnel expenses came to R$3,047 million, a 5.9% variation, or R$169 million, from the previous quarter.

The R$85 million increase in the structural portion was mainly the result of: (i) the lower concentration of holidays in the second quarter of 2012, in the amount of R$59 million.

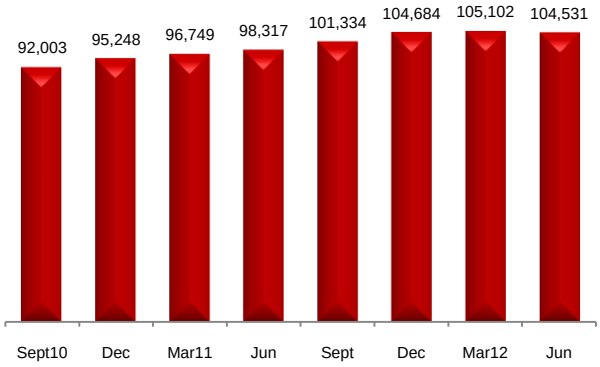
The R$84 million increase in the non-structural portion was mainly due to higher expenses with: (i) provision for labor claims, amounting to R$45 million; (ii) management and employee profit sharing, in the amount of R$17 million; and (iii) trainings, in the amount of R$19 million.

# Personnel and Administrative Expenses

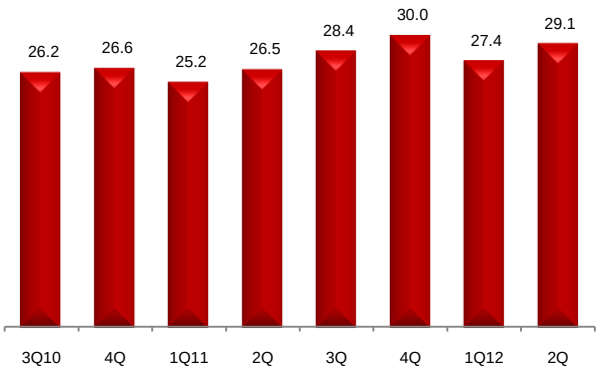
## Personnel Expenses

In comparison with the same period a year earlier, the R$884 million increase in the first half of 2012 reflects: (i) the structural expenses of R$689 million related to: (a) the increase in expenses with payroll, social charges and benefits, impacted by salary increases (2011 collective bargaining agreement); and (b) the net increase in staff, hiring 6,214 employees in the period, driven by investments to expand service points and improve business segmentation; and (ii) the R$195 million gain in the non-structural expenses mainly due to higher expenses with: (a) management and employee profit sharing, totaling R$166 million; and (b) the provision for labor claims, totaling R$12 million.

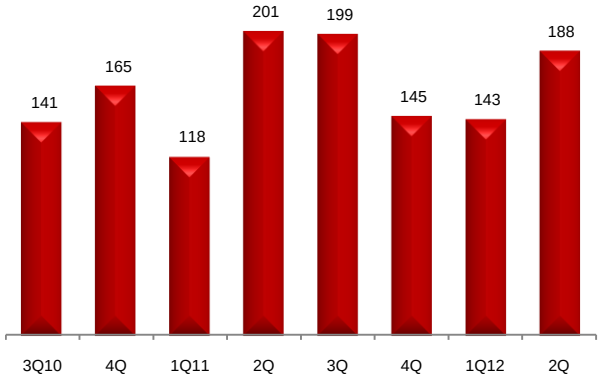
**Increase in the Number of Employees**



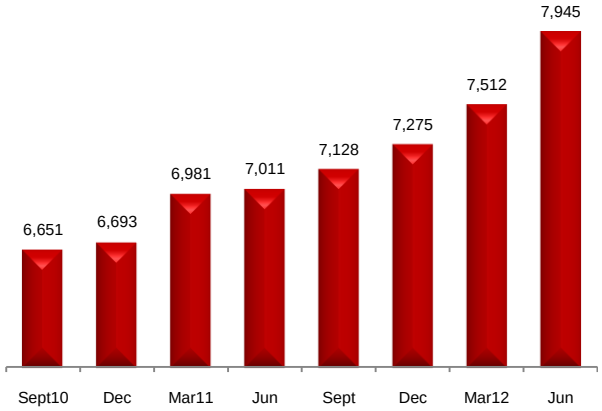

**Personnel Expenses per Employee - R$ thousand**



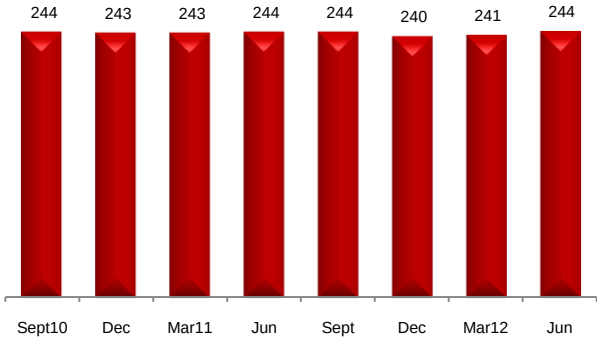

**Evolution of Expenses with the Provision for Labor Claims - R$ million**




**Total Assets per Employee - R$ thousand**

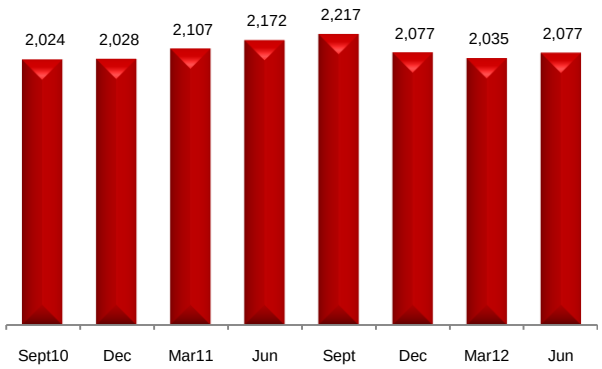



**Checking Account Customers per Employee (unit)**

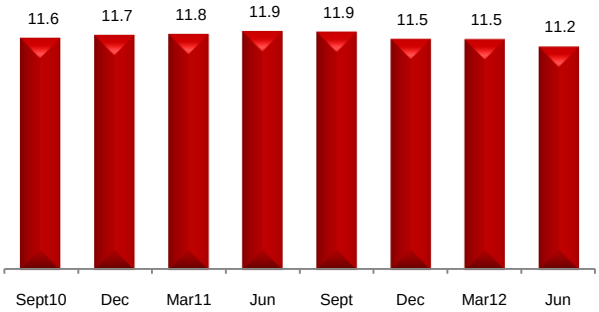


# Personnel and Administrative Expenses

**Total Deposits per Employee - R$ thousand**




**Employees by Branches, PAs and PAEs (unit)**

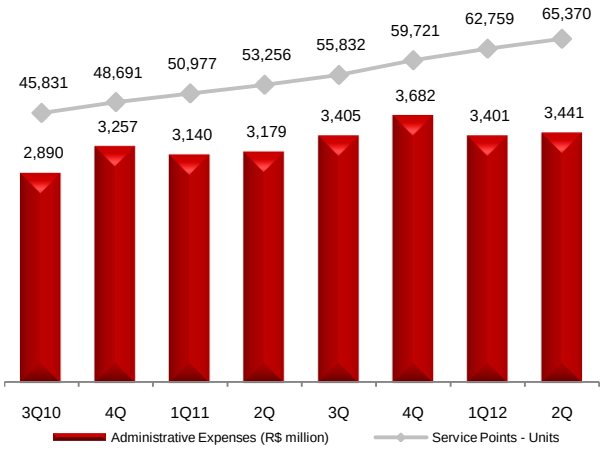



## Administrative Expenses

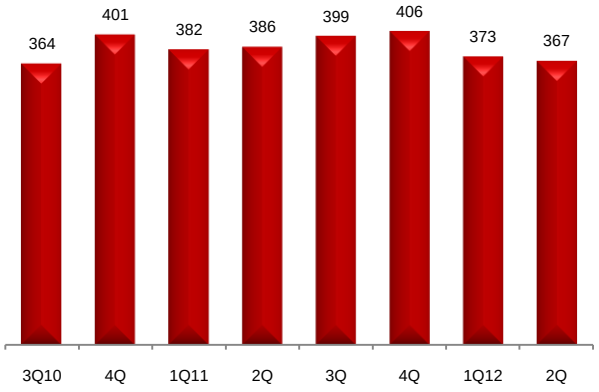
In the second quarter of 2012, administrative expenses came to R$3,441 million, up 1.2%, or R$40 million from the previous quarter, mainly due to higher expenses with: (i) rentals, in the amount of R$13 million; (ii) marketing and advertising, in the amount of R$9 million; (iii) communication, in the amount of R$5 million; (iv) data processing, in the amount of R$6 million; and (v) depreciation and amortization in the amount of R$7 million.

In comparison with the same period a year earlier, the R$523 million, or 8.3% increase in the first half of 2012 was mainly due to increased expenses with: (i) contractual adjustments; (ii) increase in the volume of businesses and services; (iii) accelerated organic growth, leading to an increase of 12,114 service points, mainly the increase of 974 Branches and 11,213 Bradesco Expresso points, totaling 65,370 service points on June 30, 2012; partially offset by lower expenses with: (iv) outsourcing, in the amount of R$49 million, mainly related to the end of the partnership with Empresa Brasileira de Correios e Telégrafos – ECT in December 2011 (Postal Bank); and (v) marketing and advertising, amounting to R$81 million.

**Administrative Expenses and Service Points**

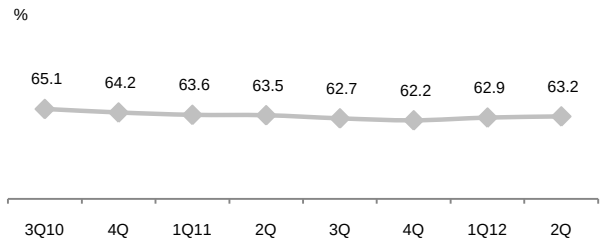



**Administrative Expenses by Branches, PAs and PAEs - R$ thousand**



## Operating Coverage Ratio (1)

In the quarter, the coverage ratio in the last 12 months maintained its improvement, mainly due to an increase in fee and commission income, partially affected by an increase in personnel and administrative expenses.

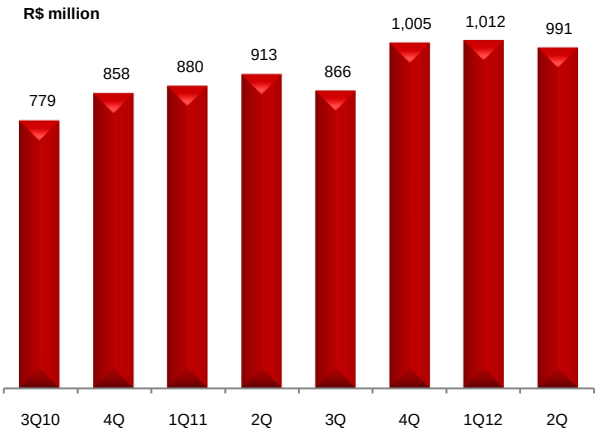



(1) Fee and Commission Income / Administrative and Personnel Expenses (over the last 12 months).

## Tax Expenses

The R$21 million drop in tax expenses, in comparison with the previous quarter, was mainly due to the decrease in expenses with: (i) PIS/Cofins; and (ii) IPTU, due to the prepayment made in the first quarter of 2012.

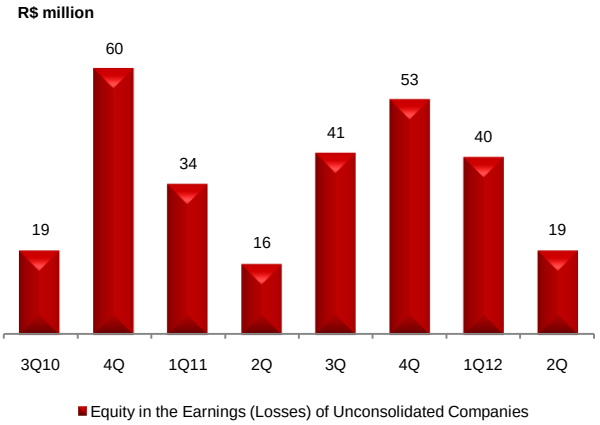
In comparison with the same period a year earlier, the R$210 million increase in the first half of 2012 was mainly the result of the growth of expenses with ISS/PIS/Cofins taxes reflecting the increase in taxable income, especially financial margin and fee and commission income.



## Equity in the Earnings (Losses) of Unconsolidated Companies

In the second quarter of 2012, equity in the earnings (losses) of unconsolidated companies stood at R$19 million. The R$21 million decrease from the previous quarter was mainly due to lower results from unconsolidated company Integritas.

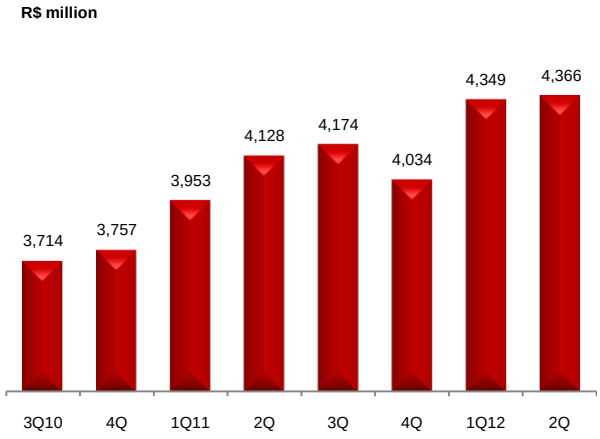
Year on year, the R$9 million increase recorded in the first quarter of 2012 was mainly due to greater results from unconsolidated company "IRB – Brasil Resseguros," partially affected by lower results with unconsolidated company Integritas.




## Operating Income

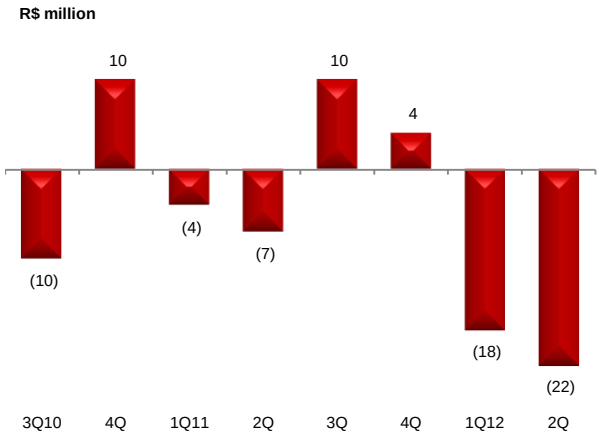
Operating income in the second quarter of 2012 was R$4,366 million, up R$17 million, from the previous quarter, mainly impacted by the increase in: (i) the financial margin, amounting to R$339 million; (ii) a R$163 million in fee and commission income; (iii) the operating income from Insurance, Pension Plans and Capitalization Bonds in the amount of R$76 million; offset by: (iv) an increase in the allowance for loan loss expenses, in the amount of R$313 million; (v) the R$209 million increase in personnel and administrative expenses; and (vi) the growth in other operating expenses (net of other revenues), in the amount of R$39 million.

In comparison with the same period a year earlier, the R$634 million, or 7.8%, increase in the first half of 2012 is basically a result of: (i) the R$2,896 million increase in financial margin; (ii) the R$1,138 million increase in fee and commission income; (iii) the R$257 million increase in operating income from Insurance, Pension Plans and Capitalization Bonds, partially offset by: (iv) a R$1,704 million increase in allowance for loan loss expenses; (v) a R$1,407 million increase in administrative and personnel expenses; (vi) a R$345 million increase in other operating expenses (net of other revenues); and (vii) a R$210 million increase in tax expenses.



## Non-Operating Income

In the second quarter of 2012, non-operating income posted a loss of R$22 million, up R$4 million from the previous quarter and R$29 million from the same period in 2011, due to greater non-operating expenses in the period.



# *Return to Shareholders*

# 3



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

ISO 9001 2008

## Sustainability

### Bradesco at Rio+20

Guaranteeing businessmen's commitment to sustainability, Bradesco took part in the Rio+20 – United Nations Conference on Sustainable Development, from June 13 to June 22, 2012, in Rio de Janeiro.

The Organization carried out a panel discussion during the Rio+20 Corporate Sustainability Forum: Innovation & Collaboration for the Future We Want, an event on Financial Inclusion idealized by the Global Compact. This panel, in which representatives of FEBRABAN and Fundação Amazonas Sustentável also participated, had discussions on Economics, Finances and Sustainable Development, Financial Education, and Products and Services targeting low income population, in addition to a case study of actions conducted in the Amazon region.

In Rio+20, Bradesco also signed the "Commitment Letter," a business contribution to foster green and inclusive economy, an initiative of the Brazilian Committee of UN's Global Compact to bring private sector contributions and commitments to Sustainable Development and Poverty Eradication. This Letter was signed by more than 220 CEOs of companies signatories to the Global Compact.

Other sustainability-related initiatives of the period are included in the Supplementary Information Report, available at the Investor Relations website: www.bradescori.com.br > Reports and Spreadsheets > Quarterly Reports.

## Investor Relations Area – IR

In the first half of 2012, Bradesco hosted five APIMEC meetings in the cities of Curitiba, Florianópolis, Campinas, Juiz de Fora and Ribeirão Preto, broadcast live via internet with simultaneous translation into English. With a public of more than 1,000 internet users and 900 attendees, among investors, shareholders and market analysts, the Organization presented its results, business strategy for the coming months and audience's and internet users' questions were answered at the end of the event. It is also worth noting lectures on the economic scenario, given by economists of Bradesco. We will have a total of 18 APIMEC meetings in the year, reaching all regions in Brazil.

Bradesco was also present in four ExpoMoney editions, Latin America's largest financial education fair, in the cities of Curitiba, Salvador, Recife and Florianópolis. Bradesco's Investor Relations area made presentations on the topic "First steps to invest in shares". The Bank's Department of Economic Researches and Studies designated a professional to give a lecture on general macroeconomics information.

Also in the first half, Bradesco hosted the 3rd Bradesco Open Day at Cidade de Deus. The event had the participation of more than 90 Brazilian and foreign analysts, who had the opportunity to attend the presentation of some of the main business areas of the Organization and ask questions to the Bank's executive officers. The Bank's CEO, Mr. Luiz Carlos Trabuco Cappi concluded the event.

We held 241 events with domestic and foreign investors, including conferences in Miami, Cancun, London, New York and Hong Kong, and road shows in Asia, in the United Stated and England.

According to the IR Magazine Awards Brazil 2012, Bradesco's Investor Relations area was elected the Best Investor Relations of the Financial Segment.

Moreover, this area frequently provides information to shareholders, investors and analysts through telephone, email or by visiting their head offices.

## Corporate Governance

Bradesco ranked AA+ (Excellent Corporate Governance Practices) by Austin Rating.

Bradesco's Management is made up of the Board of Directors, which is composed of nine members (seven external members, one internal member and one independent member), and the Board of Executive Officers. Members of the Board of Directors are elected on an annual basis by the Annual Shareholders' Meeting and, in turn, elect members of the Board of Executive Officers.

Within the Corporate Governance structure, Bradesco's Board of Directors is supported by five Statutory Committees (Ethical Conduct, Audit, Internal Controls and Compliance, Compensation and Integrated Risk Management and Capital Allocation), in addition to 43 Executive Committees that assist the Board of Executive Officers in performing its duties.

Shareholders are entitled to 100% tag-along rights for common shares, 80% for preferred shares and to a minimum mandatory dividend of 30% of adjusted net income.

Preferred shares are also entitled to dividends 10% greater than those paid to common shares.

In 2001, Bradesco voluntarily adhered to Level 1 Corporate Governance of BM&FBOVESPA S.A. – Securities, Commodities and Futures Exchange.

In 2011, it also voluntarily adhered to the Code of Self-Regulation and Best Practices for Publicly-Held Companies, issued by the Brazilian Association of Publicly Held Companies (ABRASCA) based on the best corporate governance practices adopted in Brazil and abroad.

On March 9, 2012, all of the matters proposed to the Shareholders' Meetings were approved.

For more information, visit www.bradescori.com.br - Corporate Governance.

## Bradesco Shares

### Number of Shares – Common and Preferred Shares (1)

| | | | In thousands |
|---|---|---|---|
| | Jun12 | Mar12 | Jun11 |
| Common Shares | 1,909,839 | 1,909,839 | 1,909,911 |
| Preferred Shares | 1,907,931 | 1,907,931 | 1,912,397 |
| **Subtotal – Outstanding Shares** | **3,817,770** | **3,817,770** | **3,822,308** |
| Treasury Shares | 7,025 | 7,025 | 2,487 |
| **Total** | **3,824,795** | **3,824,795** | **3,824,795** |

(1) Stock bonus and splits during the periods were not included.

On June 30, 2012, Bradesco's capital stock stood at R$30.1 billion, composed of 3,824,795 thousand no-par, book-entry shares, of which 1,912,398 thousand were common shares and 1,912,397 thousand were preferred shares. The largest shareholder is the holding company Cidade de Deus Cia. Comercial de Participações, which directly holds 48.7% of voting capital and 24.4% of total capital.

Cidade de Deus Cia. Comercial de Participações is controlled by the Aguiar Family, Fundação Bradesco and another holding company, Nova Cidade de Deus Participações S.A., which is in turn controlled by Fundação Bradesco and BBD Participações S.A., whose majority of shareholders are members of Bradesco's Board of Directors, Statutory Board of Executive Officers and management-level employees.

# Bradesco Shares

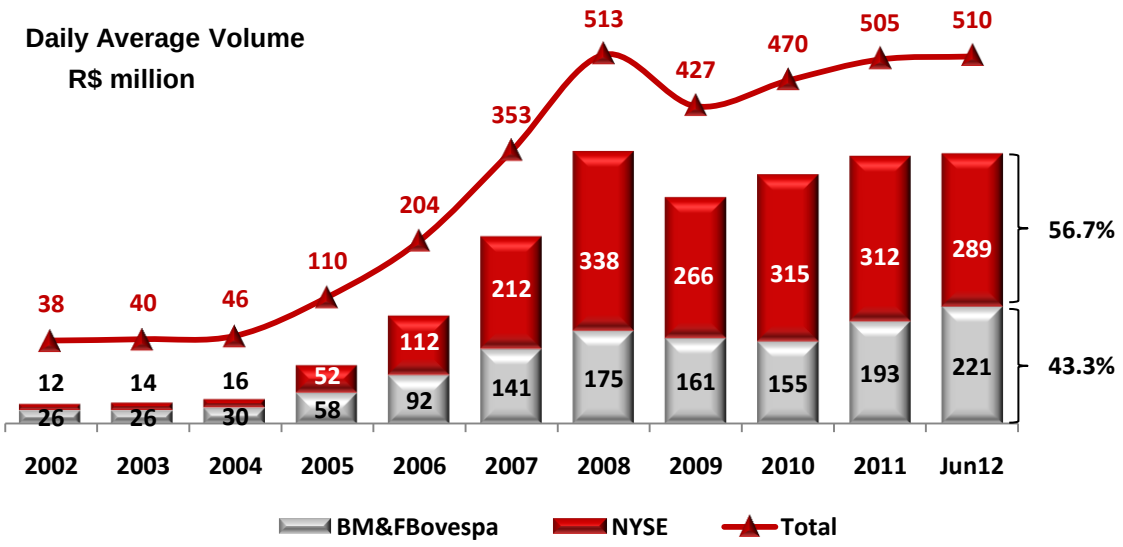
## Number of Shareholders – Domiciled in Brazil and Abroad

| | Jun12 | % | Ownership of Capital (%) | Jun11 | % | Ownership of Capital (%) |
|---|---|---|---|---|---|---|
| Individuals | 332,632 | 89.85 | 23.04 | 338,851 | 89.90 | 20.86 |
| Companies | 36,656 | 9.90 | 47.42 | 37,232 | 9.88 | 50.03 |
| **Subtotal Domiciled in Brazil** | **369,288** | **99.75** | **70.46** | **376,083** | **99.78** | **70.89** |
| Domiciled Abroad | 919 | 0.25 | 29.54 | 847 | 0.22 | 29.11 |
| **Total** | **370,207** | **100.00** | **100.00** | **376,930** | **100.00** | **100.00** |

On June 30, 2012, there were 369,288 shareholders domiciled in Brazil, accounting for 99.75% of total shareholders and holding 70.46% of all shares, while a total of 919 shareholders are domiciled abroad, accounting for 0.25% of shareholders and holding 29.54% of shares.

## Average Daily Trading Volume of Shares [1]

Bradesco shares are traded on BM&FBovespa and NYSE - New York Stock Exchange. Since November 21, 2001, Bradesco trades its ADRs backed by preferred shares on NYSE. As of March 13, 2012, it has also traded ADRs backed by common shares. In the first half of 2012, the average daily trading volume of ADRs was R$289 million, representing 56.7% of the total average daily trading volume of Bradesco shares. In the same period, the average daily trading volume of common and preferred shares on BM&FBovespa reached R$221 million, representing 43.3% of the total average daily trading volume of Bradesco shares.

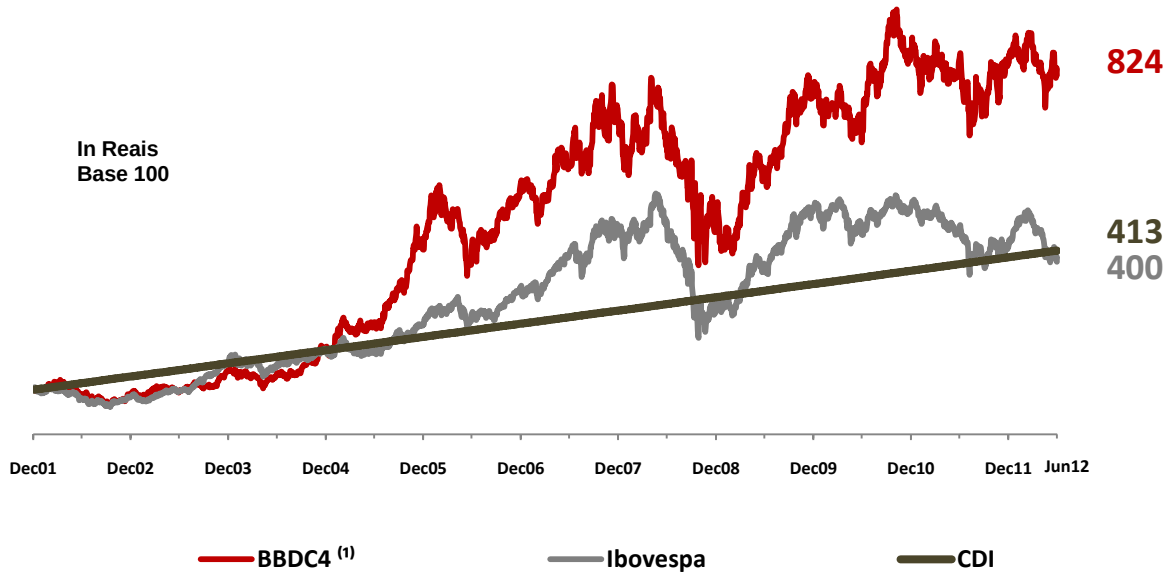



(1) Average daily trading volume of shares listed on BM&FBovespa (BBDC3-ON and BBDC4-PN) and NYSE (BBD-ADR PN and BBDO-ADR ON).

# Bradesco Shares

## Appreciation of Preferred Shares - BBDC4 (1)

The graph shows the change in preferred shares due to Bradesco's dividend reinvestment, compared to the Ibovespa and the CDI - Interbank Deposit Rate. If R$100 were invested in December 2001, Bradesco shares would be worth R$824 at the end of June 2012, an appreciation above Ibovespa and CDI rates in the same period.




(1) Dividend reinvestment is considered.

## Share and ADR Performance (1)

| | In R$ (unless otherwise stated) | | | | | |
|---|---|---|---|---|---|---|
| | 2Q12 | 1Q12 | Variation % | 1H12 | 1H11 | Variation % |
| Adjusted Net Income per Share | 0.75 | 0.75 | - | 1.50 | 1.46 | 2.7 |
| Dividends/Interest on Shareholders' Equity – Common Share (after Income Tax) | 0.212 | 0.208 | 1.9 | 0.420 | 0.410 | 2.4 |
| Dividends/Interest on Shareholders' Equity – Preferred Share (after Income Tax) | 0.233 | 0.229 | 1.7 | 0.462 | 0.450 | 2.7 |

| | In R$ (unless otherwise stated) | | | | | |
|---|---|---|---|---|---|---|
| | Jun12 | Mar12 | Variation % | Jun12 | Jun11 | Variation % |
| Book Value per Common and Preferred Share | 16.74 | 15.21 | 10.1 | 16.74 | 13.82 | 21.1 |
| Last Trading Day Price – Common Shares | 25.00 | 27.32 | (8.5) | 25.00 | 26.78 | (6.6) |
| Last Trading Day Price – Preferred Shares | 29.94 | 31.89 | (6.1) | 29.94 | 31.70 | (5.6) |
| Last Trading Day Price – ADR ON (US$) (2) | 12.31 | 14.92 | (17.5) | 12.31 | - | - |
| Last Trading Day Price – ADR PN (US$) | 14.87 | 17.50 | (15.0) | 14.87 | 20.49 | (27.4) |
| Market Capitalization (R$ million) (3) | 104,869 | 113,021 | (7.2) | 104,869 | 111,770 | (6.2) |
| Market Capitalization (R$ million) - Most Traded Share (4) | 114,304 | 121,751 | (6.1) | 114,304 | 121,167 | (5.7) |

(1) Adjusted for corporate events in the periods;
(2) In March 2012, Bradesco launched a program of Level II ADRS backed by common shares;
(3) Number of shares (excluding treasury shares) x closing price for common and preferred shares on the last trading day of the period; and
(4) Number of shares (excluding treasury shares) x closing price for deferred shares on the last trading day of the period.

# Bradesco Shares

## Recommendation of Market Analysts – Target Price

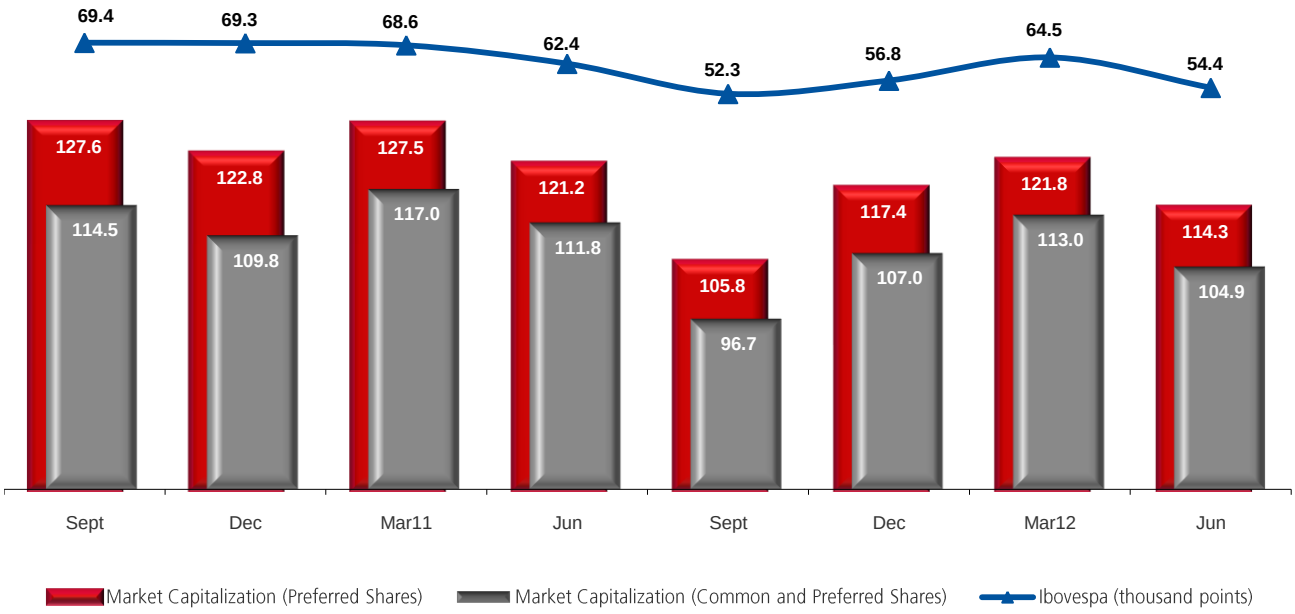
Market analysts issue periodical recommendations on Bradesco preferred shares (BBDC4). We had access to 18 reports prepared by these analysts on July 18, 2012. Below are recommendations and a consensus on the target price:

| Recommendations % | | Target Price for Dec/12 (R$) | |
|---|---|---|---|
| Buy | 61.1 | Average | 36.18 |
| Keep | 38.9 | Standard Deviation | 3.52 |
| Sell | - | Higher | 43.30 |
| Under Analysis | - | Lower | 29.00 |

For more information on target price and recommendation of each market analyst that monitors the performance of Bradesco shares, visit the IR section at www.bradescori.com.br > Information to Shareholders > Analysts' Consensus.

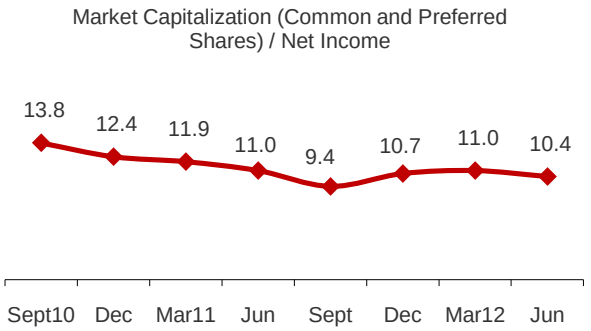
# Market Capitalization

On June 30, 2012, Bradesco's market capitalization, considering the closing prices of common and preferred shares, was R$104.9 billion, down 7.2% compared to the previous quarter. Considering the closing price for preferred shares (most traded share), on the same date, Bradesco's market capitalization was R$114.3 billion, a 6.1% decrease when compared to the previous quarter. It is worth noting that Ibovespa went down by 15.7% in the quarter-on-quarter comparison.



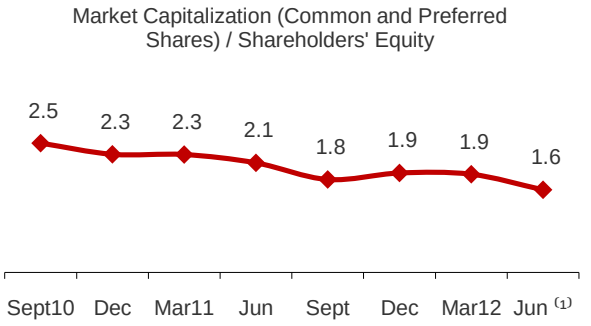
## Main Indicators

**Market Capitalization (Common and Preferred Shares) / Net Income [(1)]:** indicates a possible number of years that the investor would recover the capital invested, based on the closing prices of common and preferred shares.



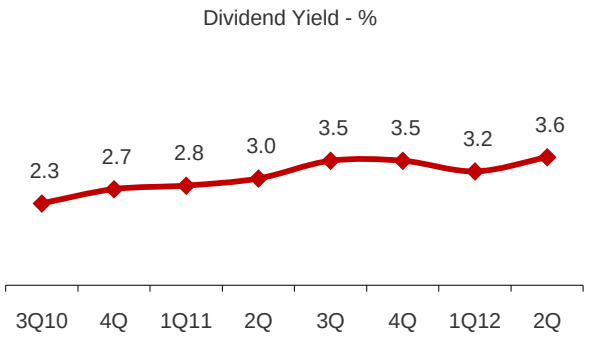

(1) In the last 12 months.

**Market Capitalization (Common and Preferred Shares) / Shareholders' Equity:** indicates the multiple by which Bradesco's market capitalization exceeds its book shareholders' equity.



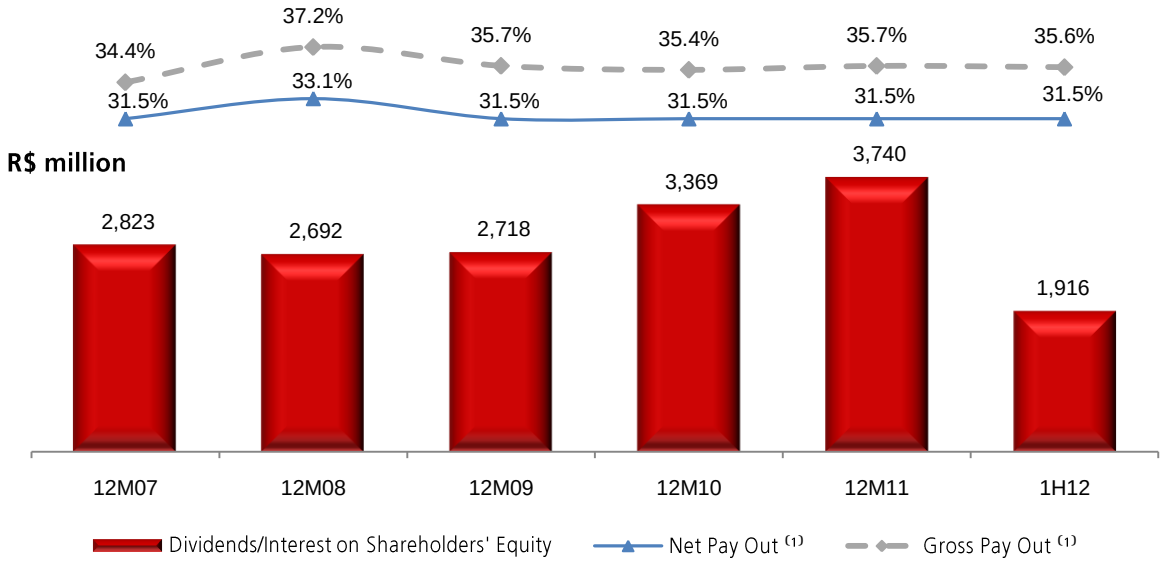

(1) Note the increase of R$4,105 million in shareholders' equity from the surplus value of some securities reclassified from "Held to Maturity" to "Available for Sale", due to the adoption of CPCs 38 and 40 by the Insurance Group.

**Dividend Yield:** the ratio between share price and dividends and/or interest on shareholders' equity paid to shareholders in the last 12 months, which indicates the return on investment represented by the allocation of net income.



## Dividends/Interest on Shareholders' Equity

In the first half of 2012, a total of R$1,916 million was allocated to shareholders as Dividends and Interest on Shareholders' Equity. In the last 12 months, total Dividends and Interest on Shareholders' Equity allocated to shareholders corresponded to 35.6% of book net income in the period, considering withholding income tax of 31.5% thereof.




(1) In the last 12 months.

## Weight on Main Stock Indexes

Bradesco shares comprises Brazil's main stock indexes, including IBrX-50 (index that measures the total return of a theoretical portfolio comprising 50 shares selected among the most traded shares on BM&FBOVESPA), ISE (Corporate Sustainability Index), ITAG (Special Tag-Along Stock Index), IGC (Special Corporate Governance Stock Index), IFNC (Financial Index which comprises banks, insurance and financial companies), and ICO2 (index comprising shares of the companies that are part of the IBrX-50 index and that accepted to take part in this initiative by adopting transparent greenhouse gas emission practices).

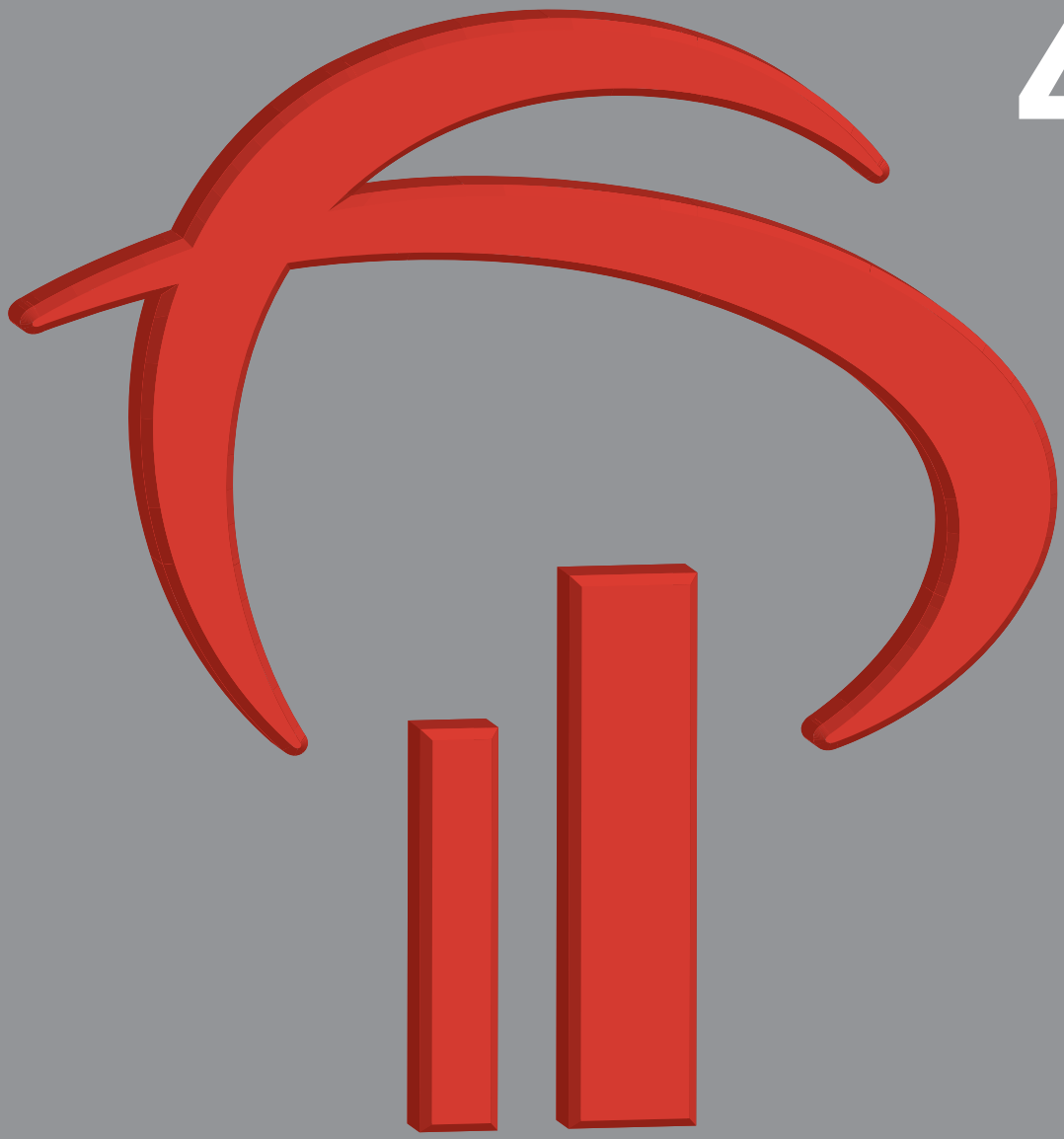
Abroad, Bradesco shares are listed on NYSE's Dow Jones Sustainability World Index and the FTSE Latibex Brasil Index of Madrid Stock Exchange.

| Jun12 | In % (1) |
|---|---|
| Ibovespa | 3.9 |
| IBrX-50 | 7.4 |
| IBrX | 7.4 |
| IFNC | 20.7 |
| ISE | 5.2 |
| IGC | 5.9 |
| ITAG | 11.4 |
| ICO2 | 10.6 |

(1) Represents Bradesco's weight on the portfolio of main Brazilian stock market indexes.

# *Additional Information*

# 4



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

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## Market Share of Products and Services

Market shares held by the Organization in the Banking and Insurance industries and in the Customer Service Network are presented below.

| | Jun12 | Mar12 | Jun11 | Mar11 |
|---|---|---|---|---|
| **Banks – Source : Brazilian Central Bank (Bacen)** | | | | |
| Demand Deposits | N/A | 16.5 | 17.6 | 17.4 |
| Savings Deposits | N/A | 13.9 | 14.1 | 14.2 |
| Time Deposits | N/A | 12.9 | 14.3 | 14.0 |
| Loan Operations | 11.8 (1) (2) | 11.9 (1) | 12.6 | 12.6 |
| Loan Operations - Vehicles Individuals (CDC + Leasing) | 16.1 (1) (2) | 16.2 (1) | 16.8 | 17.2 |
| Payroll-Deductible Loans | 11.0 (1) (2) | 11.1 (1) | 11.3 | 11.3 |
| Bradesco Collection (Balance) | N/A | 25.3 | 26.7 | 26.8 |
| Number of Branches | 21,9 | 22.0 | 18.7 | 18.7 |
| **Banks - Source: Federal Revenue Service/ Brazilian Data Processing Service (Serpro)** | | | | |
| Federal Revenue Collection Document (DARF) | N/A | 21.7 | 21.8 | 23.0 |
| Brazilian Unified Tax Collection System Document (DAS) | N/A | 16.2 | 17.2 | 17.2 |
| **Banks – Source : Social Security National Institute (INSS)/Dataprev** | | | | |
| Social Pension Plan Voucher (GPS) | N/A | 14.2 | 14.2 | 14.6 |
| Benefit Payment to Retirees and Pensioners | 24,1 | 23.9 | 22.9 | 22.4 |
| **Banks – Source : Anbima** | | | | |
| Investment Funds + Portfolios | 18,0 | 17.6 | 16.6 | 16.5 |
| **Insurance, Pension Plans and Capitalization Bonds – Source: Insurance Superintendence (Susep) and National Agency for Supplementary Healthcare (ANS)** | | | | |
| Insurance, Pension Plan and Capitalization Bond Premiums | 24.5 (2) | 23,4 | 25.0 | 23.2 |
| Insurance Premiums (including Long-Term Life Insurance - VGBL) | 24.4 (2) | 23,2 | 25.0 | 23.0 |
| Life Insurance and Personal Accident Premiums | 17.3 (2) | 17,3 | 16.3 | 16.0 |
| Auto/Basic Lines (RE) Insurance Premiums | 10.3 (2) | 9,8 | 10.5 | 9.7 |
| Auto/Optional Third-Party Liability (RCF) Insurance Premiums | 13.7 (2) | 12,8 | 14.0 | 12.8 |
| Health Insurance Premiums | 47.0 (2) | 46,7 | 47.4 | 49.4 |
| Income from Pension Plan Contributions (excluding VGBL) | 29.5 (2) | 29,8 | 28.8 | 27.0 |
| Capitalization Bond Income | 22.2 (2) | 21,2 | 21.3 | 21.2 |
| Technical Reserves for Insurance, Pension Plans and Capitalization Bonds | 29.6 (2) | 29,7 | 30.2 | 30.2 |
| **Insurance and Pension Plans – Source: National Federation of Life and Pension Plans (Fenaprevi)** | | | | |
| Income from VGBL Premiums | 29.2 (2) | 27,0 | 32.8 | 28.5 |
| Income from Unrestricted Benefits Generating Plans (PGBL) Contributions | 25.3 (2) | 25,3 | 24.8 | 21.6 |
| Pension Plan Investment Portfolios (including VGBL) | 32.9 (2) | 33,1 | 34.2 | 34.4 |
| **Leasing – Source: Brazilian Association of Leasing Companies (ABEL)** | | | | |
| Lending Operations | 19.2 (2) | 18,8 | 18.5 | 19.0 |
| **Consortia – Source: Bacen** | | | | |
| Real Estate | 29.1 (2) | 29,3 | 26.9 | 27.0 |
| Auto | 25.7 (2) | 25.4 | 25.4 | 23.8 |
| Trucks, Tractors and Agricultural Implements | 17.6 (2) | 17.7 | 16.9 | 16.8 |
| **International Area – Source: Bacen** | | | | |
| Export Market | 19.4 (1) | 19.8 | 22.1 | 23.2 |
| Import Market | 17.7 (1) | 18.3 | 17.9 | 19.1 |

(1) Bacen data for March 2012, May 2012 and June 2012 are preliminary; and
(2) Reference date: May 2012.
N/A – Not available.

## Market Share of Products and Services

Bradesco provides its customers with all the ease, speed and modernity available in consulting and conducting financial transactions and acquiring products and services through technological Digital Channels (Internet banking, Bradesco *Celular*, ATMs and *Fone Fácil* Bradesco).

In addition to telephone services, via *Fone Fácil*, social networks have become an important point of contact between customers and Digital Channels, where presence and efficient service are fundamental in relations with the public. Bradesco *Dia & Noite* counts on trained professionals that work 24/7 with the public, mainly through Twitter and Facebook.

Reaffirming its commitment to social responsibility, disabled people and those with reduced mobility can rely on a number of tools using Bradesco *Dia & Noite*'s Digital Channels, including:

- Accessibility to the ATM Network for the visually-impaired and wheelchair users;
- Internet Banking utility for the visually impaired;
- Visual Mouse for those with motor disabilities;
- Personalized assistance for the hearing impaired, through digital language in *Fone Fácil*; and
- Bradesco *Celular* for the visually impaired.

### Branch Network

| Region | Jun12 | | Market | Jun11 | | Market |
|---|---|---|---|---|---|---|
| | Bradesco | Market | Share | Bradesco | Market | Share |
| North | 279 | 1,003 | 27.8% | 181 | 840 | 21.5% |
| Northeast | 838 | 3,278 | 25.6% | 549 | 2,819 | 19.5% |
| Midwest | 346 | 1,619 | 21.4% | 304 | 1,500 | 20.3% |
| Southeast | 2,409 | 11,236 | 21.4% | 2,079 | 10,698 | 19.4% |
| South | 778 | 4,086 | 19.0% | 563 | 3,751 | 15.0% |
| **Total** | **4,650** | **21,222** | **21.9%** | **3,676** | **19,608** | **18.7%** |

## Compulsory Deposits/Liabilities

| % | Jun12 | Mar12 | Dec11 | Sept11 | Jun11 | Mar11 | Dec10 | Sept10 |
|---|---|---|---|---|---|---|---|---|
| **Demand Deposits** | | | | | | | | |
| Rate [2] [6] | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Additional [3] | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 8 |
| Liabilities [1] | 28 | 28 | 28 | 28 | 29 | 29 | 29 | 29 |
| Liabilities (Microfinance) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Free | 15 | 15 | 15 | 15 | 14 | 14 | 14 | 18 |
| **Savings Deposits** | | | | | | | | |
| Rate [4] | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Additional [3] | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Liabilities | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| Free | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Time Deposits** | | | | | | | | |
| Rate [3] [5] | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 15 |
| Additional [3] | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 8 |
| Free | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 77 |

(1) Liabilities are applied to Rural Loans;
(2) Collected in cash and not remunerated;
(3) Collected in cash with the Special Clearance and Custody System (Selic) rate;
(4) Collected in cash with the Reference Interest rate (TR) + interest of 6.17% p.a. for deposits made until May 3, 2012. For deposits made as from May 4, 2012, the Bank will collect (i) TR + interest of 6.17% p.a., if the Selic rate is higher than 8.5% p.a., or (ii) TR + 70% of the Selic rate, when the Selic rate is equal to or lower than 8.5% p.a.;
(5) As of the calculation period from March 29, 2010 to April 1, 2010, with compliance on April 9, 2010, liabilities are now exclusively in cash, and may be paid with credits acquired as provided for by legislation in force; and
(6) FGC was prepaid 60 times in August 2008, as of the calculation period from October 20, 2008 to October 31, 2008, with compliance as of October 29, 2008.

## Investments in Infrastructure, Information Technology and Telecommunication

Bradesco has invested heavily in innovative products and services, which have enabled for new service strategies. Information Technology is the main channel that has made it possible to increase ease, comfort and safety for customer in all initiatives and at all service points and electronic channels.

Among the technological innovations in the quarter, Bradesco entered into a partnership with Google, providing its individual entrepreneuring and SMEs customers with free access to several solutions that allow the disclosure of its products and services through the internet. *Conecte seu Negócio* (Connect your Business) is a program that makes available an electronic address (www domain), website development and implementation and free hosting services. Users also have access to a package of Bradesco solutions and services with exclusive conditions and benefits.

We launched the contactless Visa debit card, which allows customers to pay their purchases by placing the card close to the store's terminal – the card does not need to be inserted nor the magnetic stripe needs to be read. The card is available to *Prime* customers and will be accepted in the accredited stores of Cielo network, providing faster and safer transactions for customers and establishments.

We have also launched the *Bradesco Europa* website, aimed at high income customers. The portal offers information on the areas of operation and activities, such as the Private Banking, in which customers are served by specialized professionals and a complete portfolio of products and services aimed at the Corporate Banking and Trade Finance segments, which includes information on working capital, Brazilian imports, export prepayment, among others, in addition to information on interbank and asset management transactions.

*Alô Bradesco* is now available on Facebook. An application allows customers to have access to a list of the main Q&A on several banking subjects. Customers can also send direct and restrict messages to the Bank. In this case, users can interact with the Bank and their posts will not be shown on their walls. As the application saves the contact history, users can keep track of the answers.

We also highlight that the implementation of the system architecture has provided significant gains, for better quality of services provided to customers, productivity gain, agility and safety.

We have an up-to-date technological environment, duly controlled and prepared to meet the demands of the growing volume of our customers' business transactions. In the first half of 2012, Bradesco's processing capacity increased by 4%, in view of the daily volume of 256 million transactions. Data storage capacity increased by 16%, allowing the Bank to offer more services and information to its customers.

As a prerequisite for its continuous expansion in the first half of 2012, Bradesco invested R$1,986 million in Infrastructure, Information Technology and Telecommunications.

The total amount invested in recent years, including infrastructure (facilities, restorations, improvements, furniture and fixtures), can be found below:

| | | | | | R$ million |
|---|---|---|---|---|---|
| | **1H12** | **2011** | **2010** | **2009** | **2008** |
| Infrastructure | 273 | 1,087 | 716 | 630 | 667 |
| Information Technology and Telecommunication | 1,713 | 3,241 | 3,204 | 2,827 | 2,003 |
| **Total** | **1,986** | **4,328** | **3,920** | **3,457** | **2,670** |

## Risk Management

Risk management is a highly strategic activity due to the increasing complexity of products and services offered and the globalization of the Organization's business. Therefore, Bradesco is constantly enhancing its process.

The Organization's decisions are based on factors that combine return on previously identified, measured and assessed risks, providing the conditions required to meet strategic goals while working to strengthen the Organization.

The Organization exercises the corporate control of risks in an integrated and independent manner, unifying policies, processes, criteria and methodology for risk control through a statutory body, the Integrated Risk Management and Capital Allocation Committee, which is supported by specific committees and risk management policies approved by the Board of Directors.

Detailed information on the risk management process, reference shareholders' equity and required reference shareholders' equity, as well as the Organization's risk exposure, can be found in the Risk Management Report on the Investor Relations website, at www.bradescori.com.br.

## Capital Adequacy Ratio

In June 2012, Bradesco's Reference Shareholders' Equity amounted to R$90,201 million, versus a Required Reference Shareholders' Equity of R$58,506 million, resulting in an R$31,695 million capital margin. This figure was mostly impacted by the credit risk portion (PEPR), representing 89.0% of the risk-weighted assets.

The Capital Adequacy Ratio increased by 2.0 p.p., from 15.0% in March 2012 to 17.0% in June 2012, mainly due to: (i) the increase in mark-to-market adjustments, a result of the R$4,105 million increase from surplus value of some securities reclassified from "Held to Maturity" to "Available for Sale", due to the adoption of CPCs 38 and 40 by the Insurance Group; and (ii) the eligibility of R$7,878 million in Subordinated Financial Bills, authorized by the Brazilian Central Bank, to be included under Tier II Capital.

R$ million

| Calculation Basis | Jun12 | Mar12 | Dec11 | Sept11 | Jun11 | Mar11 | Dec10 | Sept10 |
|---|---|---|---|---|---|---|---|---|
| **Reference Shareholders' Equity** | **90,201** | **75,705** | **71,476** | **68,806** | **62,524** | **59,923** | **56,147** | **55,920** |
| **Tier I** | **62,418** | **60,580** | **58,714** | **56,876** | **55,110** | **53,240** | **49,897** | **48,081** |
| Shareholders' Equity | 63,920 | 58,059 | 55,582 | 53,742 | 52,843 | 51,297 | 48,043 | 46,114 |
| Mark-to-Market Adjustments | (1,865) | 2,126 | 2,765 | 2,781 | 1,947 | 1,660 | 1,678 | 1,590 |
| Reduction of Deferred Assets | (224) | (235) | (248) | (260) | (279) | (291) | (296) | (306) |
| Non-controlling Interest/Other | 587 | 630 | 615 | 613 | 599 | 574 | 472 | 683 |
| **Tier II** | **27,890** | **15,231** | **12,865** | **12,063** | **7,544** | **6,809** | **6,373** | **8,079** |
| Mark-to-Market Adjustments | 1,865 | (2,126) | (2,765) | (2,781) | (1,947) | (1,660) | (1,678) | (1,590) |
| Subordinated Debt | 26,025 | 17,357 | 15,630 | 14,844 | 9,491 | 8,469 | 8,051 | 9,669 |
| **Deduction of Funding Instruments** | **(107)** | **(107)** | **(103)** | **(134)** | **(130)** | **(126)** | **(123)** | **(240)** |
| **Risk-weighted Assets** | **531,871** | **505,934** | **474,173** | **467,206** | **426,007** | **398,443** | **380,844** | **356,103** |
| **Required Reference Shareholders' Equity** | **58,506** | **55,653** | **52,159** | **51,393** | **46,861** | **43,829** | **41,892** | **39,171** |
| Credit Risk | 52,050 | 48,718 | 47,422 | 47,183 | 43,324 | 40,775 | 38,938 | 36,426 |
| Operating Risk | 3,313 | 3,313 | 2,810 | 2,810 | 2,690 | 2,690 | 2,574 | 2,574 |
| Market Risk | 3,143 | 3,622 | 1,927 | 1,400 | 847 | 364 | 380 | 171 |
| **Margin (Excess/ Reference Shareholders' Equity Insufficiency)** | **31,695** | **20,052** | **19,317** | **17,413** | **15,663** | **16,094** | **14,255** | **16,749** |
| **Leverage Margin** | **288,136** | **182,293** | **175,609** | **158,303** | **142,393** | **146,309** | **129,591** | **152,264** |
| **Capital Adequacy Ratio** | **17.0%** | **15.0%** | **15.1%** | **14.7%** | **14.7%** | **15.0%** | **14.7%** | **15.7%** |

# Disclosure to the Market

## 20-F Form

Since we have preferred and common ADR programs on NYSE, we prepare and disclose the 20-F Form on an annual basis. On April 30, 2012, we filed this document at the U.S. Securities and Exchange Commission (SEC) for the year ended December 31, 2011 and, for the first time, it includes the financial statements under IFRS. Previously, the financial statements accompanying the 20-F Form were prepared according to the North-American accounting principles (U.S. GAAP).

This document is available on the Investor Relations website: www.bradescori.com.br > Reports and Spreadsheets > SEC Fillings > 20-F Fillings.

## Reference Form

In order to comply with CVM Instruction 480/09, on May 31, 2012, we filed the Reference Form at the Brazilian Securities and Exchange Commission (CVM). This document is prepared on an annual basis and restated in case of changes, as described in Article 24 thereof. In addition to the financial statements, the document presents the Organization's risk factors, a description of its operations, information on controlling shareholders, Management's comments on the Organization's results and equity, among other significant matters.

The document is available on the Investor Relations website: www.bradescori.com.br > Reports and Spreadsheets > CVM Fillings.

# *Independent Auditors' Report*

5



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

ISO 9001 2008

## Reasonable assurance report from independent auditors on the supplementary financial information

To the Board of Directors
Banco Bradesco S.A.
Osasco – SP

### Introduction

We have been engaged for the purpose of applying reasonable assurance procedures on the supplementary accounting information included in the Economic and Financial Analysis Report of Banco Bradesco S.A. ("Bradesco") for the semester ended June 30, 2012, which is prepared under the Bradesco's Management responsibility. Our responsibility is to issue a Reasonable Assurance Report on this supplementary accounting information.

### Scope, procedures applied and limitations

The reasonable assurance procedures were performed in accordance with the Brazilian Accounting Standard (NBC) TO 3000 – Assurance Engagement Other than Audit and Review, issued by the Brazilian Federal Accounting Council (CFC), and with the International Standard on Assurance Engagements (ISAE) 3000 - issued by the International Auditing and Assurance Standards Board (IASB), both for assurance engagements other than audits or reviews of historical financial information.

The reasonable assurance procedures comprised: (a) the planning of the work, considering the relevance of the supplementary financial information and the internal control systems that served as a basis for the preparation of the Economic and Financial Analysis Report of Bradesco, (b) the understanding of the calculation methodology and the consolidation of indicators by means of interviews with the managers responsible for the preparation of the supplementary accounting information, and (c) the comparison of the financial and accounting indicators with the interim information disclosed as of this date and / or accounting records.

The procedures that were applied do not constitute an audit or review in accordance with Brazilian and international auditing and review standards. Additionally, our report does not provide reasonable assurance on the scope of future information (such as goals, expectations and future plans) and descriptive information which is subject to subjective evaluation.

### Criteria for preparation of the supplementary accounting information

The supplementary accounting information disclosed in the Economic and Financial Analysis Report for the semester ended June 30, 2012 was prepared by the Bradesco's Management, based on the consolidated financial information included in the financial statements and the criteria described in the Economic and Financial Analysis Report, aiming at enabling further analysis, but without being part of the financial statements disclosed on that date.

## Reasonable assurance report from independent auditors on the supplementary financial information

### Conclusion

Based on the procedures applied, the supplementary accounting information included in the Economic and Financial Analysis Report for the semester ended June 30, 2012 are fairly presented, in all material aspects, in relation to the information referred to in the paragraph "Criteria for preparation of the supplementary accounting information".

Osasco, July 20, 2012

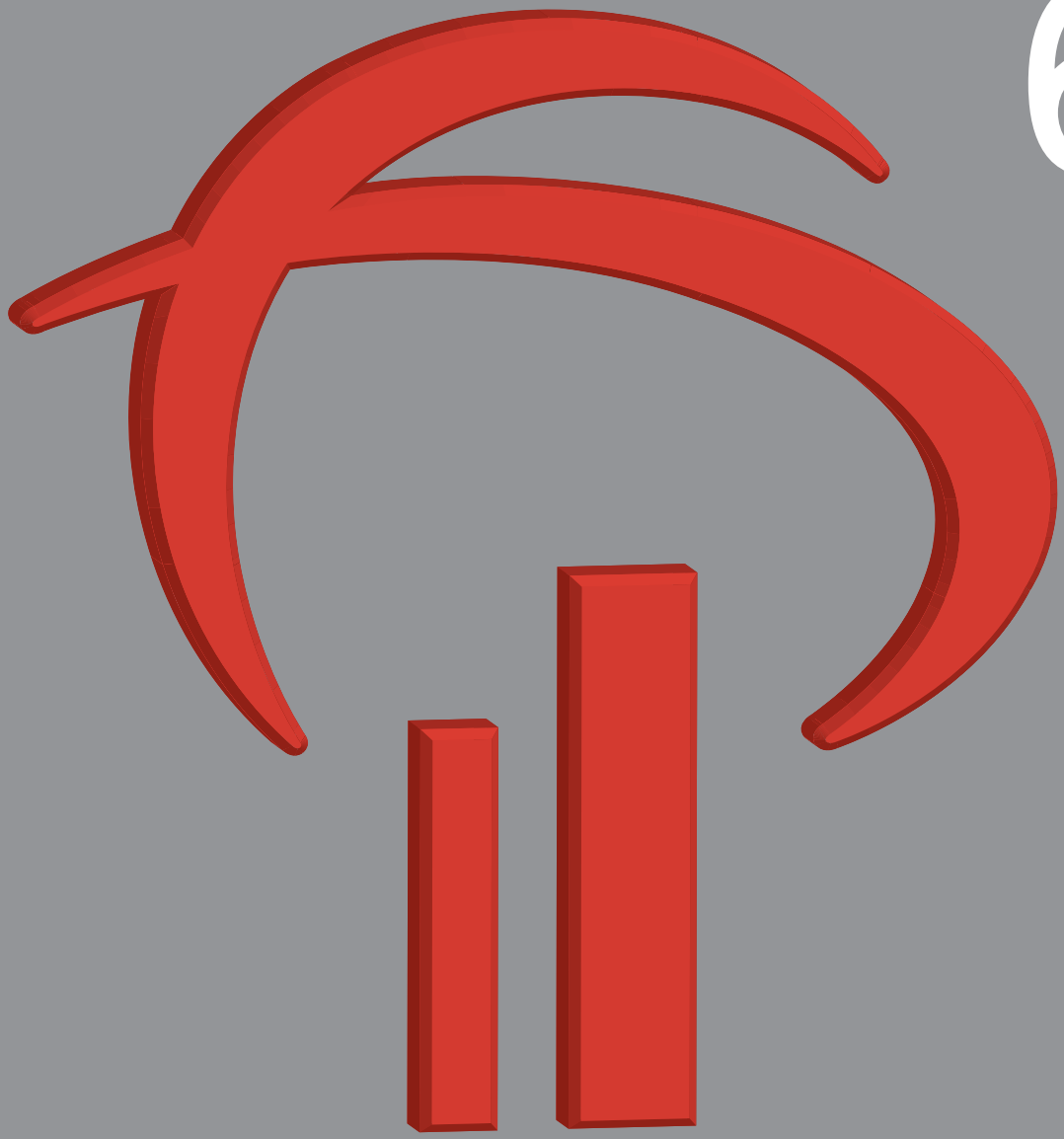
KPMG

Original report in Portuguese signed by
KPMG Auditores Independentes
CRC 2SP 014428/O-6

Cláudio Rogélio Sertório
Accountant CRC 1SP 212059/O-0

# *Financial Statements, Independent Auditors' Report, Summary of the Audit Committee´s Report and Fiscal Council´s Report*

6



Management, Preparation and Disclosure of the Report on Economic and Financial Analysis and the Consolidated Financial Statements of Bradesco Organization

ISO 9001 2008

# *Management Report*

Dear Shareholders,

We hereby present the consolidated financial statements of Banco Bradesco S.A. for the first half of 2012, pursuant to the accounting practices adopted in Brazil and applicable to institutions authorized to operate by the Brazilian Central Bank.

The concerns with Europe have remained the center of attention in recent months, a period in which the global scenario was marked by a slowdown in economic activity, together with increased volatility and risk aversion. Although Brazil is by no means immune to the international situation, its prospects are certainly healthier than those of many other countries. In response to the various monetary and fiscal stimuli adopted, domestic growth in the second half should be higher than hitherto, thanks to the resumption of investments and the continuing expansion of household consumption.

The Bradesco Organization's first-half highlights are listed below:

- **on March 5, the subsidiary Bradesco Securities Hong Kong Limited began operations in Hong Kong, China,** with the aim of prospecting opportunities and distributing fixed-income and equity products. Thus Bradesco is expanding its international distribution channels and strengthening contacts with global investors, as well as allowing access to a new base of institutional investors;

- **on March 7 the Bank announced a 10% increase in monthly dividends per share paid to shareholders as of May 2012,** in compliance with the Monthly Remuneration System, from R$0.014541175 to R$0.015995293 for common shares, and from R$0.015995293 to R$0.017594822 for preferred shares. **On June 20, the Board of Directors approved a Board of Executive Officers proposal for the payment of monthly interest on shareholders' equity, replacing monthly dividends,** as of August 2012; and

- **on March 13, the Company's ADRs (American Depositary Receipts, backed by common shares) began trading on the New York Stock Exchange**. The program is designed to meet demand from institutional investors and foreign investment funds. As a result, Bradesco's common and preferred shares are now traded in the United States.

## 1. Net Income for the Period

In the first half of 2012, Bradesco posted Net Income of R$5.626 billion, corresponding to earnings per share of R$1.47 and a return on average Shareholders' Equity(*) of 20.28%. The annualized return on average Total Assets stood at 1.42%, versus 1.65% in the same period last year.

Taxes and contributions, including social security contributions, paid or provisioned, totaled R$11.483 billion, of which R$4.945 billion corresponded to taxes withheld and collected from third parties, and R$6.538 billion to taxes levied on the activities of the Bradesco Organization, equivalent to 116.21% of Net Income.

A total of R$1.916 billion was allocated to shareholders as Dividends and Interest on Shareholders' Equity, of which R$1.122 billion was paid as monthly and interim dividends and R$794 million was provisioned. Interim Interest on Shareholders' Equity, paid on July 18, 2012, represent 10 times the amount of monthly paid dividends.

## 2. Paid-in Capital and Reserves

At the end of the first half, paid-in Capital Stock totaled R$30.100 billion. Together with Equity Reserves of R$33.820 billion, Shareholders' Equity came to R$63.920 billion, 20.96% up on the same period last year and equivalent to a book value of R$16.74 per share.

Bradesco's Market Capitalization, calculated based on its stock price, came to R$104.869 billion on June 30, 2012, equivalent to 1.64 times booked Shareholders' Equity.

Managed Shareholders' Equity was equivalent to 7.77% of consolidated Assets, which totaled R$830.520 billion, 20.49% more than in June 2011. Thus the Capital Adequacy Ratio came to 16.83% in the consolidated financial result and 16.96% in the consolidated economic and financial result, considerably higher than the 11% minimum established by National Monetary Council Resolution 2099/94, in compliance with the Basel Committee. At the end of the half, the fixed asset ratio in relation to Consolidated Reference Assets, was 43.49% in the consolidated financial result and 18.19% in the consolidated economic and financial result, well within the 50% limit.

In compliance with Article 8 of Brazilian Central Bank Circular Letter 3068/01, Bradesco declares that it has the financial capacity and the intention of holding to

## *Management Report*

maturity those securities classified under "held-to-maturity securities". Bradesco further declares that the operations of Banco Bradescard S.A., the current name of Banco Ibi S.A., its subsidiary, are sufficient to cover the strategic goals defined in the business plan, in compliance with Article 8, Paragraph 3 of the Regulations attached to National Monetary Council Resolution 3040/02.

### 3. Funding and Assets under Management

On June 30, 2012, total funding and assets under management came to R$1.131 trillion, up 21.04% in the same period in 2011, broken down as follows:

R$443.044 billion in demand deposits, time deposits, interbank deposits, other deposits, open market and savings accounts, up by 17.28%;

R$383.589 billion in assets under management, comprising investment funds, managed portfolios and third-party fund quotas, a 23.47% improvement;

R$171.015 billion in the exchange portfolio, borrowings and onlendings, working capital, payment and collection of taxes and related charges, funds from security and subordinated debt issues in Brazil and other funding operations, a 23% increase;

R$111.789 billion in technical provisions for insurance, supplementary pension plans and capitalization bonds, a 19% expansion; and

R$21.067 billion in foreign funding, through public and private issues, subordinated debt and the securitization of future financial flows, representing US$10.423 billion.

### 4. Loan Operations

At the end of the first half, consolidated loan operations stood at R$364.963 billion, 14.12% higher than in the same period in 2011, broken down as follows:

R$7.078 billion in advances on exchange contracts, giving a total export financing portfolio of US$14.830 billion;

US$3.141 billion in import financing in foreign currency;

R$9.588 billion in leasing operations;

R$15.624 billion in rural lending;

R$84.841 billion in consumer financing, including R$11.392 billion in credit card receivables;

R$52.876 billion in sureties and guarantees; and

R$30.747 billion in operations involving the onlending of foreign and domestic funds, mainly from the Brazilian Development Bank (BNDES), operating as one of the country's main onlending agents.

In the real estate financing segment, Bradesco allocated R$7.212 billion to the construction and acquisition of homes, corresponding to 41,268 properties.

The consolidated allowance for loan losses stood at R$20.682 billion, equivalent to 7.41% of total loan operations, exceeding the minimum provisions required by the Brazilian Central Bank by R$4.010 billion.

### 5. Bradesco Service Network

The Organization's customer service network is present nationwide and in several locations abroad, offering high-quality and efficient products, services and solutions. At the close of the first half, this network comprised 53,840 service points, as well as 35,226 terminals in the Bradesco *Dia & Noite* Network, 34,727 of which also operating on weekends and holidays, in addition to 12,258 terminals in the Banco24Horas network, through which customers can make withdrawals, transfers and payments, obtain statements, check balances and solicit loans. In the payroll-deductible loans segment, the network had 1,061 Bradesco Promotora correspondent branches and, in the vehicles segment, 16,231 Bradesco Financiamento points of sale:

7,893 Branches and PAs (Service Branches) in Brazil (Branches: Bradesco 4,626, Banco Bradesco Financiamentos 19, Banco Bankpar 2, Banco Bradesco BBI 1, Banco Bradesco Cartões 1 and Banco Alvorada 1; and PAs: 3,243);

3 Overseas Branches, 1 in New York, and 2 in Grand Cayman;

10 Overseas Subsidiaries (Banco Bradesco Argentina S.A. in Buenos Aires, Banco Bradesco Europa S.A. in Luxembourg,

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Bradesco North America LLC and Bradesco Securities Inc. in New York, Bradesco Securities UK Limited in London, Bradesco Securities Hong Kong Limited and Bradesco Trade Services Limited in Hong Kong, Bradesco Services Co. Ltd. in Tokyo, Cidade Capital Markets Ltd., in Grand Cayman, and Bradescard México, Sociedad de Responsabilidad Limitada in Mexico);

40,476 Bradesco Expresso service points;

1,476 PAEs – in-company electronic service branches; and

3,992 External terminals in the Bradesco *Dia & Noite* ATM network and 10,459 ATMs in the *Banco24Horas* network, with 2,059 terminals shared by both networks.

**6. Banco Bradesco BBI**

Bradesco BBI, the Organization's investment bank, advises customers on share issues, mergers and acquisitions and the structuring and distribution of debt instruments, including debentures, promissory notes, CRIs, mortgage-backed investment funds, receivables-backed investment funds (FIDCs) and bonds in Brazil and abroad, in addition to structured financing operations for companies and project finance. In the first half, Bradesco BBI executed operations worth over R$80.184 billion.

**7. Grupo Bradesco Seguros e Previdência**

On June 30, 2012, Grupo Bradesco de Seguros e Previdência, one of the leaders in the insurance, capitalization bond and private pension plan segments, posted Net Income of R$1.786 billion and Shareholders' Equity of R$17.202 billion. Net written insurance premiums, pension contributions and capitalization bond revenue totaled R$20.988 billion, 20.12% up on the same period in 2011.

**8. Corporate Governance**

Bradesco's presence in the Brazilian capital market dates from 1946, when its shares began trading on the Stock Exchange, slightly more than three years after its foundation. In 2001, its Level II ADRs (American Depositary Receipts, backed by preferred shares) were also listed on the NYSE and the Latibex (Madrid Stock Exchange). In the same year, it adhered voluntarily to Corporate Governance Level 1 of the BM&FBOVESPA – Securities, Commodities and Futures Exchange. In March 2012, its Level II ADRs (backed by common shares) were launched in the United States.

Bradesco's Management comprises the Board of Directors and Board of Executive Officers Members of the Board of Directors are elected on an annual basis by the Annual Shareholders' Meeting and are responsible for electing the members of the Board of Executive Officers.

The Fiscal Council, a non-permanent body, has been installed every year since 2002. The Annual Shareholders' Meeting of March 9, 2012, resolved on its maintenance and its members' term of office will last until the next ASM in 2013.

In addition to 100% tag-along rights for common shares and 80% for preferred shares, Bradesco maintains an attractive dividend policy for its shareholders, guaranteeing minimum mandatory dividends equivalent to 30% of adjusted net income. Preferred shares are entitled to dividends 10% greater than those paid to common shares.

In July 2005, Bradesco was awarded an AA rating (Excellent Corporate Governance Practices), by Austin Rating, which was upgraded to AA+ in December 2011, thanks to the improvement of several of the Bank's corporate governance practices.

Also in 2011, Bradesco voluntarily adhered to the Code of Self-Regulation and Best Practices for Publicly-Held Companies, issued by the Brazilian Association of Publicly-Held Companies (ABRASCA), adopting the "apply or explain" principle, in line with its determination to do everything possible to improve its governance.

In accordance with CVM Rule 381/03, in the first half, the Bradesco Organization did not contract nor was provided services by KPMG Auditores Independentes that were not related to the external audit exceeding 5% of the total external auditing fees. The additional services provided by the external auditors comprised previously agreed upon procedures for revising financial and control information and providing support for complying with fiscal requirements.

The Bank's policy is in line with the principles of preserving the auditors' independence, which are based on generally accepted international criteria, i.e. the auditors should not audit their own work, perform managerial duties for their clients or promote their clients' interests.

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Summary of the Independent Auditor's report: in the understanding of our Independent Auditors, the provision of the services described above does not affect either the independence or the objectivity needed to undertake external auditing services for Bradesco, its parent company and subsidiaries/associated companies, pursuant to the prevailing regulations and the above-mentioned policy.

### 8.1. Internal Controls and Compliance

The effectiveness of the Organization's internal controls is sustained on a tripartite basis by its people, processes and technology. We therefore employ skilled professionals exclusively dedicated to this purpose, supported by previously defined and established processes and appropriate technology for the needs of the business.

The internal controls and compliance policy and the corporate methodology are duly formalized, in accordance with the main control frameworks, including the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for Information and Related Technology (COBIT), which encompass business and technology aspects, respectively, National Monetary Council Resolution 2554/98, the Public Company Accounting Oversight Board (PCAOB) and Section 404 of the U.S. Sarbanes-Oxley Act.

Pursuant to Section 404 of the Sarbanes-Oxley Act, the 20-F, a report that certifies the adequacy of internal controls, and the financial statements in IFRS for the fiscal year ended December 31, 2011, were filed with the Securities and Exchange Commission (SEC) in April 2012.

Internal controls are developed jointly with the areas responsible for the Organization's various products, services and processes, whose adherence tests are applied with the required frequency, and the results reported to Bradesco's Audit and Internal Controls and Compliance Committees, as well as the Board of Directors. In cases of non-compliance, corrective measures are implemented and monitored.

All of these procedures improve the quality of operational processes and propagate the importance of a culture of control, ratifying the improvement of best practices.

**Prevention of Money Laundering and Terrorism Financing**

Bradesco maintains specific policies, processes and systems to prevent and/or detect the utilization of its structure and products and/or services for money laundering purposes and the financing of terrorism.
The Organization invests substantially in improving its employees' capacity to prevent these practices by offering training programs in various formats, including informative brochures, videos, video-classes, e-learning courses and on-site lectures.

Atypical cases are assessed by a commission made up of representatives from several areas and departments in order to decide on their submission to the proper authorities.

The effectiveness of the preventive actions is assured by the Executive Committee to Prevent Money Laundering and the Financing of Terrorism, which holds quarterly meetings to evaluate the work and the need to adopt certain measures in line with the rules issued by the regulatory agencies and best national and international practices.

**Independent Authentication of Models**

Internal business support models, whether created from statistical data or based on expert knowledge, facilitate the handling of critical issues, the improvement of processes and the standardization and streamlining of decisions in the context in which they are inserted. Internal models are submitted to an ongoing process of critical analysis, ensuring their high quality and ability to respond appropriately to their objectives.

This process is handled by a specialized area which is independent from the areas that actually create or use the models. It reports to managers, the internal auditors and the Integrated Risk Management and Capital Allocation Committee, in compliance with the best practices and guidelines of the New Capital Accord – Basel II and the requirements of the Brazilian Central Bank.

**Information Security**

At the Bradesco Organization, Information Security comprises a set of controls, procedures, processes, organizational structures, policies and rules to protect data with respect to confidentiality, integrity and availability. The bases for the protection of information

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assets are described in Bradesco's Information Security Policy and Rules.

Based on best international standards and practices, the corporate awareness and training programs, as well as the above-mentioned policy and rules, are focused on protecting customers' data and the Organization's strategic information.

The Corporate Security Executive Committee meets on a quarterly basis to examine and approve directives, measures and guidelines to support the Organization's information security processes and procedures.

### 8.2. Information Disclosure and Transparency Policies

Regarding relations with investors and the market in general, Bradesco held 84 internal and external meetings with Brazilian and foreign investors in the first half, as well as 120 conference calls, 13 events in Brazil and 15 abroad, of which 5 were presentations to the Association of Analysts and Capital Market Professionals (APIMEC), and the 3rd Bradesco Open Day, aimed at investors from all over the world. It also published the Report on Economic and Financial Analysis, a highly detailed document containing readers' most requested information. In addition, it held 2 video chats with Bradesco's Investor Relations Officer, geared towards individual investors, and participated in the Expomoney Fair in Curitiba (PR), Florianópolis (SC), Recife (PE) and Salvador (BA).

In the first half, 5 events were broadcast live on the internet, with simultaneous interpretation into English, democratizing access to information.

All information regarding the Bradesco Organization, such as its profile, history, shareholding structure, management reports, financial results, latest acquisitions and Apimec meetings, as well as general financial market information are available on Bradesco's Investor Relations website at www.bradesco.com.br/ri.

The Bank also distributes the following booklets on a quarterly basis: *Cliente Sempre em Dia*, with a total circulation of 300 thousand copies, *PrimeLine*, with 200 thousand copies; and *Revista Bradesco*, with 1,200 copies. It also publishes its Fact Sheet on request, which contains the period financial highlights. All of these publications are targeted at the general public. The Bank's Annual Report and Sustainability Report are published annually.

## 9. Integrated Risk Control

### 9.1. Risk Management

Risk management is a highly strategic activity due to the growing complexity of services and products and the globalization of the Organization's business. Market dynamism obliges us to continually improve this activity.

The Organization maintains corporate control over risks in an integrated and independent manner, preserving and valuing collegiate decisions, developing and implementing methods, models, and measurement and control tools, supported by a framework of statutory committees, including the Audit Committee, and executive committees. It also keeps employees at all levels, from the business areas to the Board of Directors, fully informed of any changes.

The management process allows risks to be proactively identified, measured, mitigated, monitored and reported, which is absolutely essential given the complexity of the Organization's financial products and activities.

### 9.2. Credit Risk

Credit risk management is a continuous and evolutionary process of mapping, measuring and diagnosing through the use of models, instruments and procedures which requires a high degree of discipline and control when analyzing operations and preserves the integrity and independence of processes. It covers all aspects related to the granting of loans, including characteristics of the borrower and credit concentration, guarantees and terms, from which the quality of the portfolio is derived.

The Organization continuously maps all activities that could generate exposure to credit risk, classifying them by probability and magnitude, and determines their managers, as well as measurement and mitigation plans. Control is exercised on a centralized and standardized corporate basis.

### 9.3. Market risk

Market risk is carefully identified, mapped, measured, mitigated and managed. The Organization's market risk exposure profile is conservative in nature and guidelines and limits are monitored independently on a daily basis.

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Control over activities exposed to market risk is exercised by all of the Organization's companies in a corporate and centralized manner.

### 9.4. Liquidity Risk

The Organization's Market and Liquidity Risk Management Policy, together with the resulting rules and procedures, defines not only the minimum levels to be observed, including considerations of stress scenarios, but also the type of financial instruments in which funds should be invested and the operating strategy to be adopted if needed.

The liquidity risk management process involves the daily monitoring of the composition of available funds, compliance with minimum liquidity levels and contingency plans for stress situations. Positions are controlled and monitored in a centralized manner.

### 9.5. Operational Risk

Operational risk management is essential for the generation of added value. Risk control is conducted in a centralized, consolidated manner through identification and measurement, and the application of mitigation and monitoring plans, by each of the Organization's companies.

One of the most important operational risk management procedures is business continuity management, which consists of a set of plans to be implemented during crisis situations in order to ensure the recovery and continuity of business and prevent financial losses.

### 10. Human Resources

Bradesco's Human Resources Management Policy is based on recognizing its employees' performance and their potential for achievement. The Organization invests heavily in training programs in order to foster professional development. The outcome of these polices is reflected in the increasing quality and efficiency of our services. In the first half of 2012, 1,675 courses were administered to 1,137,945 employees. Benefits aimed at promoting the quality of life, well-being and security of its staff and their dependents covered 206,409 employees at the end of the period.

### 11. Sustainability

Social and environmental issues and their impact on the country's economic development are crucial for Bradesco's strategic planning. Since it began operations, its activities have been underpinned by such issues as education, individual development, banking inclusion and the promotion of citizenship. Initiatives in this area are grouped into three major pillars:

- **Sustainable Finances -** aimed at fostering sustainable development through products that comply with social and environmental criteria. The concept of sustainable development is based on banking inclusion and the democratization of credit and is applied when approving and monitoring loans, and is also present in the products offered, such as lines of credit, investments, cards, insurance policies, private pension plans and capitalization bonds.

- **Responsible Management** – consists of initiatives based on our Sustainability Policy, designed to value and develop the potential of employees and other members of the value chain, and on our commitment to the Global Compact, the Millennium Goals and the Equator Principles. As a result of these initiatives, Bradesco has been included in various sustainability indexes, including the NYSE's Dow Jones Sustainability Index and the BM&BOVESPA's Corporate Sustainability Index (ISE) and Carbon Efficient Index (ICO2), and has received a number of certifications and awards;

- **Social and Environmental Investments –** through private sector investments, sponsorships and donations, the Organization contributes to environmental preservation, social inclusion and the development of its surrounding communities through educational, cultural and environmental projects and events. In this context, it is particularly worth mentioning Fundação Bradesco, the Bradesco Sports and Education Program, Fundação SOS Mata Atlântica and Fundação Amazonas Sustentável.

To learn more about Bradesco's initiatives in this aspect, go to www.bancodoplaneta.com.br.

**Fundação Bradesco**

Fundação Bradesco, the Organization's main social investment vehicle, has developed an extensive social and educational program in 40 schools located in all Brazilian states and the Federal District, with a special emphasis on socially and economically underprivileged regions.

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This year, the budget of R$385.473 million will provide free, high-quality education to: a) 111,170 students enrolled in the following levels: basic education (kindergarten to high school), vocational training - high-school, youth and adult education, and preliminary and continuing vocational training, which focuses on creating jobs and income; b) around 300 thousand students who will conclude at least one of the various distance-learning courses (EaD) available on the e-learning portal; and c) 83 thousand beneficiaries in partnership projects and initiatives, including the Digital Inclusion Centers (CIDs), the *Educa+Ação* Program and technology courses (*Educar e Aprender*). The more than 50 thousand basic education students receive meals, medical and dental assistance, school supplies and uniforms free of charge.

The 10th edition of National Volunteer Day united 26,386 volunteers in 86 different locations across Brazil, including the 40 Fundação Bradesco schools and service points close to the schools' facilities. All in all, more than 431 thousand initiatives were implemented in the educational, leisure, sports and environment areas, exemplifying solidarity and social awareness.

**Bradesco Sports and Education Program**

The Bradesco Sports and Education Program targets, for more than 25 years, the social inclusion and citizenship of children and teenagers through sports, education, health and well-being projects.

The Program is based in Osasco (SP), where it maintains 17 Training and Specialist Centers for teaching women's volleyball and basketball in its Sports Development Center, Fundação Bradesco schools, sports centers, schools in the city's public school system and private schools. Currently around 2 thousand girls, aged between 8 and 18, are taking part in the program, reinforcing Bradesco's commitment to defending a country that is giving increasing value to recognizing talent, effort and the full exercise of citizenship.

**12. Recognitions**

**Rankings –** Bradesco received the following honors in the first half:

- One of the ten most valuable brands in the global financial segment, according to a survey by *Brand Finance* consulting services in partnership with the British magazine *The Banker*, of the Financial Times group. Bradesco was ranked first among the Latin America Banks;

- Elected Brazil's most valuable private brand, according to a study by the specialized consulting firm, *BrandAnalytics/Millward Brown* published by *IstoÉ Dinheiro* magazine. In the overall rankings, which included state-owned companies, it was placed second among the 480 brands surveyed in 32 categories. The same firm voted Bradesco Latin America's most valuable financial institution brand;

- Elected one of the most solid banks in the world by a survey conducted by Bloomberg News, one of the most important international business and financial news agencies. Bradesco was placed 13th among 20 global institutions, and was the only truly Brazilian bank in the rankings;

- Ranked first among the 200 Largest Groups and 50 Largest Banks operating in Brazil by *Exame* magazine's *Melhores e Maiores* yearbook. It was also the leading private financial institution in terms of demand deposits and rural credit, with the largest number of account holders and active credit cards. Grupo Bradesco Seguros e Previdência occupied three of the top six positions in the insurance segment rankings through Bradesco Saúde (first), Bradesco Vida e Previdência and Bradesco Auto/RE;

- Placed among the leaders in the 2012 Top Management ranking in a survey conducted by Standard & Poor's, which listed the top fund managers in 2012, published in *ValorInveste* magazine, a *Valor Econômico* publication;

- Elected the Best Company to Launch a Career With in the Young Talent Retention category, by *Você S/A* magazine in a partnership with Fundação Instituto de Administração – FIA;

- Elected the Best Bank in Latin America and Best Bank in Brazil in *Euromoney* magazine's 2012 Awards for Excellence;

- Granted the 2012 *Consumidor Moderno* Award for Excellence in Customer Service by *Consumidor Moderno* magazine (*Grupo Padrão*) in the Premium Bank and Credit Card categories;

- Bradesco BBI headed the 2011 fixed income rankings, according to the Brazilian Association of Financial Market and Capital Entities - Anbima and was elected Brazil's best investment bank by

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*Global Finance* magazine, a publication specializing in international finance;

- Bradesco Corretora was ranked first in the Top 10 General and Top 10 Basic categories in *Agência Estado's AE Projeções* rankings.

**Ratings** – National and international ratings agencies gave Bradesco the highest ratings attributed to Brazilian Banks in the first half, including:

- Fitch Ratings discontinued its individual ratings worldwide, replacing them with viability ratings. Bradesco received an "a-" viability rating. All of our other ratings were maintained;

- Moody's Investors Service credit risk rating agency maintained Bradesco's long-term deposit rating in foreign currency at 'Baa2', with a positive outlook; its short-term deposit rating in foreign currency at 'Prime-2'; and its long-term senior note rating in foreign currency at 'Baa1', with a positive outlook; and

- Standard & Poor's upgraded its short-term ratings in foreign and domestic currency from 'A3' to 'A2'.

### 13. Acknowledgments

Bradesco's growth strategy, always based on the principles of quality and efficiency, underlines its vocation for exceeding expectations, enabling it to achieve its first-half objectives. These advances were made possible thanks to the support and confidence of our shareholders and customers, the dedicated efforts of our employees and other personnel. We are grateful to all of you.

Cidade de Deus, July 20, 2012
**Board of Directors and**
**Board of Executive Officers**

(*) Excludes the mark-to-market effect of available-for-sale securities recorded under shareholders' equity.

## *Consolidated Statement of Financial Position – R$ thousand*

| Assets | 2012 | | 2011 |
|---|---|---|---|
| | June | March | June |
| **Current assets** | **600,200,821** | **553,655,600** | **495,155,119** |
| **Cash and due from banks (Note 6)** | **13,997,224** | **25,068,657** | **7,714,874** |
| **Interbank investments (Notes 3d and 7)** | **90,879,341** | **82,612,073** | **84,575,252** |
| Investments in federal funds purchased and securities sold under agreements to repurchase | 82,255,293 | 74,469,240 | 78,135,490 |
| Interbank deposits | 8,624,548 | 8,143,328 | 6,446,925 |
| Allowance for loan losses | (500) | (495) | (7,163) |
| **Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)** | **254,725,288** | **218,767,488** | **179,004,354** |
| Own portfolio | 177,386,354 | 151,034,030 | 116,844,984 |
| Subject to repurchase agreements | 69,663,742 | 59,833,355 | 55,976,522 |
| Derivative financial instruments (Notes 3f, 8e II and 32b) | 2,790,138 | 2,083,061 | 2,132,589 |
| Subject to the Brazilian Central Bank | - | 1,002,782 | 1,301,564 |
| Underlying guarantee provided | 3,310,813 | 3,151,456 | 1,681,830 |
| Securities subject to unrestricted repurchase agreements | 1,574,241 | 1,662,804 | 1,066,865 |
| **Interbank accounts** | **61,081,583** | **60,381,672** | **66,167,257** |
| Unsettled payments and receipts | 643,934 | 951,274 | 942,100 |
| Restricted credits (Note 9): | | | |
| - Compulsory deposits - Brazilian Central Bank | 60,369,358 | 59,378,951 | 65,162,438 |
| - National treasury - rural loans | 578 | 578 | 578 |
| - National Housing System (SFH) | 4,738 | 4,183 | 3,768 |
| Correspondent banks | 62,975 | 46,686 | 58,373 |
| **Interdepartmental accounts** | **886,060** | **657,894** | **351,747** |
| Internal transfer of funds | 886,060 | 657,894 | 351,747 |
| **Loan operations (Notes 3g, 10 and 32b)** | **119,765,169** | **113,165,127** | **105,362,190** |
| Loan operations: | | | |
| - Public sector | 321,422 | 366,853 | 652,559 |
| - Private sector | 131,898,333 | 125,191,712 | 114,789,148 |
| Allowance for loan losses (Notes 3g, 10f, 10g and 10h) | (12,454,586) | (12,393,438) | (10,079,517) |
| **Leasing operations (Notes 2, 3g, 10 and 32b)** | **4,771,440** | **5,152,273** | **6,286,286** |
| Leasing receivables: | | | |
| - Public sector | 1,379 | 2,799 | 7,915 |
| - Private sector | 9,223,613 | 9,935,988 | 11,990,230 |
| Unearned income from leasing | (3,941,539) | (4,232,441) | (5,052,005) |
| Allowance for leasing losses (Notes 3g, 10f, 10g and 10h) | (512,013) | (554,073) | (659,854) |
| **Other receivables** | **51,277,939** | **45,633,903** | **44,134,183** |
| Receivables on sureties and guarantees honored (Note 10a-3) | 8,553 | 12,717 | 2,221 |
| Foreign exchange portfolio (Note 11a) | 14,026,353 | 12,606,365 | 13,929,604 |
| Receivables | 645,354 | 678,862 | 577,556 |
| Securities trading | 4,003,933 | 2,302,357 | 775,579 |
| Specific loans | 2,429 | 2,521 | 2,241 |
| Insurance premiums receivable | 2,766,572 | 2,490,520 | 2,288,886 |
| Sundry (Note 11b) | 30,535,432 | 28,211,077 | 27,206,452 |
| Allowance for other loan losses (Notes 3g, 10f, 10g and 10h) | (710,687) | (670,516) | (648,356) |
| **Other assets (Note 12)** | **2,816,777** | **2,216,513** | **1,558,976** |
| Other assets | 1,162,736 | 1,069,481 | 651,886 |
| Provision for losses | (580,793) | (526,964) | (226,188) |
| Prepaid expenses (Notes 3i and 12b) | 2,234,834 | 1,673,996 | 1,133,278 |
| **Long-term receivables** | **214,862,040** | **220,239,481** | **182,415,829** |
| **Interbank investments (Notes 3d and 7)** | **1,978,788** | **2,078,310** | **1,571,961** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Consolidated Statement of Financial Position – R$ thousand*

| Assets | 2012 | | 2011 |
|---|---|---|---|
| | June | March | June |
| Interbank investments | 1,978,788 | 2,078,310 | 1,571,961 |
| **Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)** | **67,781,988** | **76,191,967** | **52,420,217** |
| Own portfolio | 38,744,376 | 44,002,632 | 31,487,514 |
| Subject to repurchase agreements | 27,790,998 | 31,447,348 | 20,213,275 |
| Derivative financial instruments (Notes 3f, 8e II and 32b) | 361,803 | 182,324 | 126,483 |
| Privatization currencies | 77,905 | 79,040 | 84,482 |
| Underlying guarantees provided | 641,690 | 323,526 | 508,463 |
| Securities subject to unrestricted repurchase agreements | 165,216 | 157,097 | - |
| **Interbank accounts** | **542,574** | **535,932** | **513,597** |
| Restricted credits (Note 9): | | | |
| - SFH | 542,574 | 535,932 | 513,597 |
| **Loan operations (Notes 3g, 10 and 32b)** | **109,806,071** | **108,044,297** | **97,325,583** |
| Loan operations: | | | |
| - Public sector | 161,514 | 387,833 | 421,086 |
| - Private sector | 116,272,505 | 113,740,780 | 102,279,805 |
| Allowance for loan losses (Notes 3g, 10f, 10g and 10h) | (6,627,948) | (6,084,316) | (5,375,308) |
| **Leasing operations (Notes 2, 3g, 10 and 32b)** | **3,933,203** | **4,395,335** | **6,173,084** |
| Leasing receivables: | | | |
| - Public sector | - | - | 1,213 |
| - Private sector | 8,644,461 | 9,529,358 | 12,699,616 |
| Unearned income from leasing | (4,339,656) | (4,721,642) | (5,927,391) |
| Allowance for leasing losses (Notes 3g, 10f, 10g and 10h) | (371,602) | (412,381) | (600,354) |
| **Other receivables** | **29,588,675** | **27,850,647** | **23,875,332** |
| Foreign Exchange Portfolio (Note 11a) | 323 | - | - |
| Receivables | 40,177 | 24,912 | 27,492 |
| Securities trading | 227,419 | 381,520 | 331,265 |
| Sundry (Note 11b) | 29,325,945 | 27,446,930 | 23,517,811 |
| Allowance for loan losses (Notes 3g, 10f, 10g and 10h) | (5,189) | (2,715) | (1,236) |
| **Other assets (Note 12)** | **1,230,741** | **1,142,993** | **536,055** |
| Other assets | 392 | 417 | 565 |
| Prepaid expenses (Notes 3i and 12b) | 1,230,349 | 1,142,576 | 535,490 |
| **Permanent assets** | **15,457,567** | **15,654,443** | **11,736,065** |
| **Investments (Notes 3j, 13 and 32b)** | **1,889,084** | **2,076,240** | **1,698,969** |
| Interest in unconsolidated companies - In Brazil | 1,392,154 | 1,404,157 | 1,165,547 |
| Other investments | 771,421 | 935,070 | 796,546 |
| Allowance for losses | (274,491) | (262,987) | (263,124) |
| **Premises and equipment (Notes 3k and 14)** | **4,523,337** | **4,551,473** | **3,656,011** |
| Premises | 1,268,346 | 1,248,935 | 1,136,336 |
| Other assets | 9,061,663 | 8,887,808 | 7,800,510 |
| Accumulated depreciation | (5,806,672) | (5,585,270) | (5,280,835) |
| **Leased assets (Note 14)** | **-** | **55** | **1,857** |
| Leased assets | - | 6,218 | 11,783 |
| Accumulated depreciation | - | (6,163) | (9,926) |
| **Intangible assets (Notes 3l and 15)** | **9,045,146** | **9,026,675** | **6,379,228** |
| Intangible assets | 15,275,328 | 15,020,711 | 11,433,948 |
| Accumulated amortization | (6,230,182) | (5,994,036) | (5,054,720) |
| **Total** | **830,520,428** | **789,549,524** | **689,307,013** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Consolidated Statement of Financial Position – R$ thousand*

| Liabilities | 2012 | | 2011 |
|---|---|---|---|
| | June | March | June |
| **Current liabilities** | **535,059,752** | **494,029,926** | **417,659,158** |
| **Deposits (Notes 3n and 16a)** | **139,504,779** | **131,568,893** | **134,653,507** |
| Demand deposits | 32,529,401 | 31,954,632 | 33,007,178 |
| Savings deposits | 62,308,096 | 59,924,012 | 54,810,856 |
| Interbank deposits | 412,796 | 482,386 | 324,862 |
| Time deposits (Notes 16a and 32b) | 44,254,486 | 39,207,863 | 46,481,304 |
| Other deposits | - | - | 29,307 |
| **Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)** | **200,285,905** | **181,624,768** | **131,111,286** |
| Own portfolio | 126,572,857 | 113,312,597 | 89,572,204 |
| Third-party portfolio | 65,861,245 | 61,894,820 | 34,995,792 |
| Unrestricted portfolio | 7,851,803 | 6,417,351 | 6,543,290 |
| **Funds from issuance of securities (Notes 16c and 32b)** | **25,103,651** | **19,429,843** | **8,396,679** |
| Mortgage and real estate notes, letters of credit and others | 21,651,406 | 18,589,426 | 7,998,513 |
| Securities issued abroad | 3,452,245 | 840,417 | 398,166 |
| **Interbank accounts** | **699,350** | **771,696** | **370,193** |
| Correspondent banks | 699,350 | 771,696 | 370,193 |
| **Interdepartmental accounts** | **2,919,179** | **2,458,454** | **2,666,561** |
| Third-party funds in transit | 2,919,179 | 2,458,454 | 2,666,561 |
| **Borrowing (Notes 17a and 32b)** | **11,312,452** | **10,292,348** | **10,385,661** |
| Borrowing abroad | 11,312,452 | 10,292,348 | 10,385,661 |
| **Onlending in Brazil - official institutions (Notes 17b and 32b)** | **12,983,528** | **11,240,822** | **10,406,049** |
| National treasury | 117,484 | 39,279 | 17,087 |
| Brazilian Development Bank (BNDES) | 6,019,023 | 4,379,583 | 4,115,691 |
| Caixa Econômica Federal – Federal savings bank (CEF) | 19,156 | 18,582 | 16,917 |
| Fund for financing the acquisition of industrial machinery and equipment (Finame) | 6,826,614 | 6,802,127 | 6,256,354 |
| Other institutions | 1,251 | 1,251 | - |
| **Onlending abroad (Notes 17b and 32b)** | **131,540** | **97,006** | **28,194** |
| Onlending abroad | 131,540 | 97,006 | 28,194 |
| **Derivative financial instruments (Notes 3f, 8e II and 32b)** | **2,928,294** | **2,427,689** | **1,056,517** |
| Derivative financial instruments | 2,928,294 | 2,427,689 | 1,056,517 |
| **Technical reserves for insurance, pension plans and capitalization bonds (Notes 3o and 21)** | **89,472,808** | **85,215,151** | **73,089,533** |
| **Other liabilities** | **49,718,266** | **48,903,256** | **45,494,978** |
| Collection of taxes and other contributions | 3,155,094 | 5,539,185 | 3,147,130 |
| Foreign exchange portfolio (Note 11a) | 6,733,556 | 5,953,095 | 7,907,699 |
| Social and statutory | 1,727,091 | 940,268 | 1,706,462 |
| Tax and social security (Note 20a) | 5,536,874 | 4,504,313 | 5,582,901 |
| Securities trading | 4,231,607 | 2,684,708 | 1,055,059 |
| Financial and development funds | 1,671 | 1,227 | 314 |
| Subordinated debts (Notes 19 and 32b) | 3,961,648 | 5,984,383 | 5,561,632 |
| Sundry (Note 20b) | 24,370,725 | 23,296,077 | 20,533,781 |
| **Long-term liabilities** | **230,338,330** | **236,184,169** | **217,700,996** |
| **Deposits (Notes 3n and 16a)** | **77,565,155** | **82,307,656** | **78,907,404** |
| Interbank deposits | 58,765 | 30,665 | 3,645 |
| Time deposits (Notes 16a and 32b) | 77,506,390 | 82,276,991 | 78,903,759 |
| **Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)** | **25,688,347** | **32,305,271** | **33,093,209** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Consolidated Statement of Financial Position – R$ thousand*

| Liabilities | 2012 | | 2011 |
|---|---|---|---|
| | June | March | June |
| Own portfolio | 25,683,210 | 32,305,271 | 33,077,199 |
| Unrestricted portfolio | 5,137 | - | 16,010 |
| **Funds from issuance of securities (Notes 16c and 32b)** | **26,054,278** | **29,052,505** | **20,646,883** |
| Mortgage and real estate notes, letters of credit and others | 17,122,483 | 20,411,717 | 14,107,106 |
| Securities issued abroad | 8,931,795 | 8,640,788 | 6,539,777 |
| **Borrowing (Notes 17a and 32b)** | **1,072,206** | **1,060,699** | **894,805** |
| Borrowing abroad | 1,072,206 | 1,060,699 | 894,805 |
| **Onlending in Brazil - official institutions (Notes 17b and 32b)** | **22,394,552** | **24,421,368** | **23,492,920** |
| BNDES | 6,665,410 | 8,513,856 | 8,794,621 |
| CEF | 44,381 | 47,675 | 55,845 |
| FINAME | 15,684,180 | 15,859,230 | 14,641,827 |
| Other institutions | 581 | 607 | 627 |
| **Derivative financial instruments (Notes 3f, 8e II and 32b)** | **639,791** | **275,090** | **164,815** |
| Derivative financial instruments | 639,791 | 275,090 | 164,815 |
| **Technical reserves for insurance, pension plans and capitalization bonds (Notes 3o and 21)** | **22,316,296** | **21,737,981** | **20,848,770** |
| **Other liabilities** | **54,607,705** | **45,023,599** | **39,652,190** |
| Tax and social security (Note 20a) | 19,302,197 | 15,846,927 | 16,822,804 |
| Subordinated debts (Notes 19 and 32b) | 30,129,473 | 24,137,868 | 19,002,079 |
| Sundry (Note 20b) | 5,176,035 | 5,038,804 | 3,827,307 |
| **Deferred income** | **615,363** | **646,106** | **505,228** |
| Deferred income | 615,363 | 646,106 | 505,228 |
| **Non-controlling interests in subsidiaries (Note 22)** | **586,895** | **630,264** | **598,863** |
| **Shareholders' equity (Note 23)** | **63,920,088** | **58,059,059** | **52,842,768** |
| Capital: | | | |
| - Domiciled in Brazil | 29,721,761 | 29,687,681 | 29,696,713 |
| - Domiciled abroad | 378,239 | 412,319 | 403,287 |
| Capital reserves | 11,441 | 11,441 | 11,441 |
| Profit reserves | 30,442,327 | 28,572,787 | 23,055,876 |
| Asset valuation adjustments | 3,551,255 | (440,234) | (261,458) |
| Treasury shares (Notes 23d and 32b) | (184,935) | (184,935) | (63,091) |
| **Shareholders' equity managed by the Parent Company** | **64,506,983** | **58,689,323** | **53,441,631** |
| **Total** | **830,520,428** | **789,549,524** | **689,307,013** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Consolidated Statement of Income* – *R$ thousand*

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Revenues from financial intermediation** | **23,807,426** | **24,146,627** | **47,954,053** | **42,130,438** |
| Loan operations (Note 10j) | 12,803,365 | 12,171,218 | 24,974,583 | 21,794,656 |
| Leasing operations (Note 10j) | 294,714 | 362,312 | 657,026 | 888,027 |
| Operations with securities (Note 8h) | 8,192,519 | 7,529,676 | 15,722,195 | 11,128,731 |
| Financial income from insurance, pension plans and capitalization bonds (Note 8h) | 2,202,039 | 3,151,543 | 5,353,582 | 4,960,069 |
| Derivative financial instruments (Note 8h) | (1,239,251) | (611,325) | (1,850,576) | 172,037 |
| Foreign exchange operations (Note 11a) | 513,472 | 269,915 | 783,387 | 271,421 |
| Compulsory deposits (Note 9b) | 1,021,987 | 1,254,521 | 2,276,508 | 2,871,647 |
| Sale or transfer of financial assets | 18,581 | 18,767 | 37,348 | 43,850 |
| | | | | |
| **Financial intermediation expenses** | **17,153,234** | **15,671,016** | **32,824,250** | **26,644,353** |
| Federal funds purchased and securities sold under agreements to repurchase (Note 16e) | 9,221,738 | 9,720,643 | 18,942,381 | 18,779,117 |
| Adjustment for inflation and interest on technical reserves for insurance, pension plans and capitalization bonds (Note 16e) | 1,496,462 | 2,197,321 | 3,693,783 | 3,085,279 |
| Borrowing and onlending (Note 17c) | 2,784,628 | 454,628 | 3,239,256 | (441,349) |
| Leasing operations (Note 10j) | - | 150 | 150 | 2,125 |
| Allowance for loan losses (Notes 3g, 10g and 10h) | 3,650,406 | 3,298,274 | 6,948,680 | 5,219,181 |
| | | | | |
| **Gross income from financial intermediation** | **6,654,192** | **8,475,611** | **15,129,803** | **15,486,085** |
| | | | | |
| **Other operating income (expenses)** | **(3,656,379)** | **(3,866,337)** | **(7,522,716)** | **(6,752,498)** |
| Fee and commission income (Note 24) | 4,174,080 | 3,995,289 | 8,169,369 | 7,043,422 |
| - Other fee and commission income | 3,205,187 | 3,088,372 | 6,293,559 | 5,487,536 |
| - Revenues from banking fees | 968,893 | 906,917 | 1,875,810 | 1,555,886 |
| Insurance, pension plan and capitalization bond retained premiums (Notes 3o and 21d) | 11,492,157 | 9,348,734 | 20,840,891 | 17,352,002 |
| - Net premiums written | 11,570,205 | 9,417,553 | 20,987,758 | 17,472,664 |
| - Reinsurance premiums | (78,048) | (68,819) | (146,867) | (120,662) |
| Variation in technical reserves for insurance, pension plans and capitalization bonds (Note 3o) | (6,078,714) | (4,136,867) | (10,215,581) | (8,245,408) |
| Retained claims (Note 3o) | (3,109,635) | (3,080,226) | (6,189,861) | (5,442,389) |
| Capitalization bonds drawings and redemptions (Note 3o) | (799,815) | (708,690) | (1,508,505) | (1,190,916) |
| Insurance, pension plan and capitalization bond selling expenses (Note 3o) | (551,293) | (545,884) | (1,097,177) | (901,100) |
| Personnel expenses (Note 25) | (3,047,277) | (2,878,257) | (5,925,534) | (5,040,556) |
| Other administrative expenses (Note 26) | (3,321,881) | (3,290,486) | (6,612,367) | (6,129,579) |
| Tax expenses (Note 27) | (813,295) | (1,122,377) | (1,935,672) | (1,923,341) |
| Equity in the earnings of unconsolidated companies (Note 13b) | 18,610 | 40,167 | 58,777 | 50,065 |
| Other operating income (Note 28) | 767,200 | 885,756 | 1,652,956 | 4,359,442 |
| Other operating expenses (Note 29) | (2,386,516) | (2,373,496) | (4,760,012) | (6,684,140) |
| **Operating income** | **2,997,813** | **4,609,274** | **7,607,087** | **8,733,587** |
| **Non-operating income (Note 30)** | **(99,600)** | **(12,636)** | **(112,236)** | **(129,542)** |
| **Income before income taxes and social contribution and non-controlling interests** | **2,898,213** | **4,596,638** | **7,494,851** | **8,604,045** |
| **Income taxes and social contribution (Notes 34a and 34b)** | **(49,196)** | **(1,786,384)** | **(1,835,580)** | **(3,018,917)** |
| **Non-controlling interests in subsidiaries** | **(16,049)** | **(17,718)** | **(33,767)** | **(97,700)** |
| **Net income** | **2,832,968** | **2,792,536** | **5,625,504** | **5,487,428** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Statement of Changes in Shareholders' Equity* – *R$ thousand*

| Events | Capital | | Capital reserves | | Profit reserves | | Asset valuation adjustments | | Treasury shares | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Unrealized capital | Share premium | Other | Legal | Statutory | Bradesco | Subsidiaries | | | |
| **Balances on December 31, 2010** | **30,000,000** | **(1,500,000)** | **56,465** | **6,149** | **2,755,385** | **16,726,601** | **172,294** | **(163,995)** | **(10,049)** | **-** | **48,042,850** |
| Capital increase with reserves | 100,000 | - | (56,465) | (6,149) | (37,386) | - | - | - | - | - | - |
| Capital increase through share subscription | - | 1,500,000 | - | - | - | - | - | - | - | - | 1,500,000 |
| Share premium | - | - | - | - | - | - | - | - | (53,042) | - | (53,042) |
| Acquisition of treasury shares | - | - | 11,441 | - | - | - | - | - | - | - | 11,441 |
| Asset valuation adjustments | - | - | - | - | - | - | (24,396) | (245,361) | - | - | (269,757) |
| Net income | - | - | - | - | - | - | - | - | - | 5,487,428 | 5,487,428 |
| Allocations: - Reserves | - | - | - | - | 274,371 | 3,336,905 | - | - | - | (3,611,276) | - |
| - Interest on shareholders' equity paid | - | - | - | - | - | - | - | - | - | (1,560,353) | (1,560,353) |
| - Dividends paid | - | - | - | - | - | - | - | - | - | (315,799) | (315,799) |
| **Balances on June 30, 2011** | **30,100,000** | **-** | **11,441** | **-** | **2,992,370** | **20,063,506** | **147,898** | **(409,356)** | **(63,091)** | **-** | **52,842,768** |
| | | | | | | | | | | | |
| **Balances on December 31, 2011** | **30,100,000** | **-** | **11,441** | **-** | **3,269,412** | **23,463,119** | **(328,343)** | **(750,856)** | **(183,109)** | **-** | **55,581,664** |
| Acquisition of treasury shares | - | - | - | - | - | - | - | - | (1,826) | - | (1,826) |
| Asset valuation adjustments | - | - | - | - | - | - | 323,981 | 314,984 | - | - | 638,965 |
| Net income | - | - | - | - | - | - | - | - | - | 2,792,536 | 2,792,536 |
| Allocations: - Reserves | - | - | - | - | 139,627 | 1,700,629 | - | - | - | (1,840,256) | - |
| - Interest on supplementary shareholders' equity provisioned | - | - | - | - | - | - | - | - | - | (777,420) | (777,420) |
| - Dividends paid | - | - | - | - | - | - | - | - | - | (174,860) | (174,860) |
| **Balances on March 31, 2012** | **30,100,000** | **-** | **11,441** | **-** | **3,409,039** | **25,163,748** | **(4,362)** | **(435,872)** | **(184,935)** | **-** | **58,059,059** |
| Asset valuation adjustments | - | - | - | - | - | - | 244,836 | 3,746,653 | - | - | 3,991,489 |
| Net income | - | - | - | - | - | - | - | - | - | 2,832,968 | 2,832,968 |
| Allocations: - Reserves | - | - | - | - | 141,648 | 1,727,892 | - | - | - | (1,869,540) | - |
| - Interest on shareholders' equity paid and/or provisioned | - | - | - | - | - | - | - | - | - | (771,080) | (771,080) |
| - Dividends paid | - | - | - | - | - | - | - | - | - | (192,348) | (192,348) |
| **Balances on June 30, 2012** | **30,100,000** | **-** | **11,441** | **-** | **3,550,687** | **26,891,640** | **240,474** | **3,310,781** | **(184,935)** | **-** | **63,920,088** |
| | | | | | | | | | | | |
| **Balances on December 31, 2011** | **30,100,000** | **-** | **11,441** | **-** | **3,269,412** | **23,463,119** | **(328,343)** | **(750,856)** | **(183,109)** | **-** | **55,581,664** |
| Acquisition of treasury shares | - | - | - | - | - | - | - | - | (1,826) | - | (1,826) |
| Asset valuation adjustments | - | - | - | - | - | - | 568,817 | 4,061,637 | - | - | 4,630,454 |
| Net income | - | - | - | - | - | - | - | - | - | 5,625,504 | 5,625,504 |
| Allocations: - Reserves | - | - | - | - | 281,275 | 3,428,521 | - | - | - | (3,709,796) | - |
| - Interest on shareholders' equity provisioned and/or provisioned | - | - | - | - | - | - | - | - | - | (1,548,500) | (1,548,500) |
| - Dividends paid | - | - | - | - | - | - | - | - | - | (367,208) | (367,208) |
| **Balances on June 30, 2012** | **30,100,000** | **-** | **11,441** | **-** | **3,550,687** | **26,891,640** | **240,474** | **3,310,781** | **(184,935)** | **-** | **63,920,088** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Value Added Statement – R$ thousand*

| Description | 2012 | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|
| | 2nd Quarter | % | 1st Quarter | % | 1st Half | % | 1st Half | % |
| **1) Income** | **23,836,763** | **342.6** | **24,476,555** | **278.7** | **48,313,318** | **307.0** | **43,541,615** | **274.0** |
| **1.1) Financial intermediation** | **23,807,426** | **342.2** | **24,146,627** | **275.0** | **47,954,053** | **304.7** | **42,130,438** | **265.1** |
| **1.2) Fee and commission** | **4,174,080** | **60.0** | **3,995,289** | **45.5** | **8,169,369** | **51.9** | **7,043,422** | **44.3** |
| **1.3) Allowance for loan losses** | **(3,650,406)** | **(52.5)** | **(3,298,274)** | **(37.6)** | **(6,948,680)** | **(44.1)** | **(5,219,181)** | **(32.8)** |
| **1.4) Other** | **(494,337)** | **(7.1)** | **(367,087)** | **(4.2)** | **(861,424)** | **(5.5)** | **(413,064)** | **(2.6)** |
| **2) Financial intermediation expenses** | **(13,502,828)** | **(194.1)** | **(12,372,742)** | **(140.9)** | **(25,875,570)** | **(164.4)** | **(21,425,172)** | **(134.8)** |
| **3) Inputs acquired from third-parties** | **(2,721,217)** | **(39.1)** | **(2,707,119)** | **(30.8)** | **(5,428,336)** | **(34.6)** | **(5,102,485)** | **(32.1)** |
| Materials, water, electricity and gas | (141,518) | (2.0) | (157,351) | (1.8) | (298,869) | (1.9) | (291,103) | (1.8) |
| Outsourced services | (832,281) | (12.0) | (832,417) | (9.5) | (1,664,698) | (10.6) | (1,713,146) | (10.8) |
| Communication | (415,221) | (6.0) | (409,514) | (4.7) | (824,735) | (5.2) | (768,613) | (4.8) |
| Financial system services | (162,944) | (2.3) | (163,397) | (1.9) | (326,341) | (2.1) | (229,825) | (1.4) |
| Advertising and marketing | (162,191) | (2.3) | (152,510) | (1.7) | (314,701) | (2.0) | (395,887) | (2.5) |
| Transportation | (214,702) | (3.1) | (212,324) | (2.4) | (427,026) | (2.7) | (358,904) | (2.3) |
| Data processing | (267,944) | (3.9) | (262,204) | (3.0) | (530,148) | (3.4) | (444,380) | (2.8) |
| Maintenance and repairs | (145,141) | (2.1) | (145,616) | (1.7) | (290,757) | (1.8) | (261,425) | (1.6) |
| Security and surveillance | (104,772) | (1.5) | (100,240) | (1.1) | (205,012) | (1.3) | (155,935) | (1.0) |
| Travel | (33,566) | (0.5) | (32,926) | (0.4) | (66,492) | (0.4) | (70,881) | (0.4) |
| Other | (240,937) | (3.4) | (238,620) | (2.6) | (479,557) | (3.2) | (412,386) | (2.7) |
| **4) Gross value added (1-2-3)** | **7,612,718** | **109.4** | **9,396,694** | **107.0** | **17,009,412** | **108.0** | **17,013,958** | **107.1** |
| **5) Depreciation and amortization** | **(673,855)** | **(9.7)** | **(654,696)** | **(7.5)** | **(1,328,551)** | **(8.4)** | **(1,170,985)** | **(7.4)** |
| **6) Net value added produced by the entity (4-5)** | **6,938,863** | **99.7** | **8,741,998** | **99.5** | **15,680,861** | **99.6** | **15,842,973** | **99.7** |
| **7) Value added received through transfer** | **18,610** | **0.3** | **40,167** | **0.5** | **58,777** | **0.4** | **50,065** | **0.3** |
| Equity in the earnings (losses) of unconsolidated companies | 18,610 | 0.3 | 40,167 | 0.5 | 58,777 | 0.4 | 50,065 | 0.3 |
| **8) Value added to distribute (6+7)** | **6,957,473** | **100.0** | **8,782,165** | **100.0** | **15,739,638** | **100.0** | **15,893,038** | **100.0** |
| **9) Value added distributed** | **6,957,473** | **100.0** | **8,782,165** | **100.0** | **15,739,638** | **100.0** | **15,893,038** | **100.0** |
| **9.1) Personnel** | **2,641,467** | **38.0** | **2,490,642** | **28.3** | **5,132,109** | **32.7** | **4,371,681** | **27.6** |
| Salaries | 1,401,945 | 20.2 | 1,353,564 | 15.4 | 2,755,509 | 17.5 | 2,341,764 | 14.7 |
| Benefits | 616,593 | 8.9 | 585,851 | 6.7 | 1,202,444 | 7.6 | 1,005,968 | 6.3 |
| Government Severance Indemnity Fund for Employees (FGTS) | 129,744 | 1.9 | 121,295 | 1.4 | 251,039 | 1.6 | 216,633 | 1.4 |
| Other | 493,185 | 7.0 | 429,932 | 4.8 | 923,117 | 6.0 | 807,316 | 5.2 |
| **9.2) Taxes, Fees and Contributions** | **1,268,301** | **18.2** | **3,296,376** | **37.5** | **4,564,677** | **29.0** | **5,611,133** | **35.3** |
| Federal | 1,132,576 | 16.3 | 3,156,858 | 35.9 | 4,289,434 | 27.3 | 5,384,172 | 33.9 |
| State | 1,947 | - | 1,645 | - | 3,592 | - | 2,109 | - |
| Municipal | 133,778 | 1.9 | 137,873 | 1.6 | 271,651 | 1.7 | 224,852 | 1.4 |
| **9.3) Value distributed to providers of capital** | **198,688** | **2.8** | **184,893** | **2.1** | **383,581** | **2.4** | **325,096** | **2.0** |
| Rentals | 195,702 | 2.8 | 182,515 | 2.1 | 378,217 | 2.4 | 319,370 | 2.0 |
| Asset leasing | 2,986 | - | 2,378 | - | 5,364 | - | 5,726 | - |
| **9.4) Value distributed to shareholders** | **2,849,017** | **41.0** | **2,810,254** | **32.1** | **5,659,271** | **35.9** | **5,585,128** | **35.1** |
| Interest on shareholders' equity | 771,080 | 11.1 | 777,420 | 8.9 | 1,548,500 | 9.8 | 1,560,353 | 9.8 |
| Dividends | 192,348 | 2.8 | 174,860 | 2.0 | 367,208 | 2.3 | 315,799 | 2.0 |
| Retained earnings | 1,869,540 | 26.9 | 1,840,256 | 21.0 | 3,709,796 | 23.6 | 3,611,276 | 22.7 |
| Non-controlling interests in retained earnings | 16,049 | 0.2 | 17,718 | 0.2 | 33,767 | 0.2 | 97,700 | 0.6 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Consolidated Statement of Cash Flows – R$ thousand*

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Cash flow from operating activities:** | | | | |
| **Net Income before income tax and social contribution** | **2,898,213** | **4,596,638** | **7,494,851** | **8,604,045** |
| **Adjustments to Net Income before income tax and social contribution** | **6,823,546** | **7,212,042** | **14,035,588** | **14,581,750** |
| Allowance for loan losses | 3,650,406 | 3,298,274 | 6,948,680 | 5,219,181 |
| Depreciation and amortization | 673,855 | 654,696 | 1,328,551 | 1,170,985 |
| Losses from/provisions for asset impairment | - | - | - | 5,967 |
| (Reversal)/expenses with civil, labor and tax provisions | 878,092 | 1,051,791 | 1,929,883 | 4,905,664 |
| Expenses with adjustment for inflation and interest on technical reserves for insurance, pension plans and capitalization bonds | 1,496,462 | 2,197,321 | 3,693,783 | 3,085,279 |
| Equity in the earnings (losses) of unconsolidated companies | (18,610) | (40,167) | (58,777) | (50,065) |
| (Gain)/loss on sale of investments | (5,361) | (29,205) | (34,566) | - |
| (Gain)/loss on sale of fixed assets | 1,892 | 4,646 | 6,538 | 2,784 |
| (Gain)/loss on sale of foreclosed assets | 45,114 | 50,355 | 95,469 | 127,687 |
| Other | 101,696 | 24,331 | 126,027 | 114,268 |
| **Adjusted net income before taxes** | **9,721,759** | **11,808,680** | **21,530,439** | **23,185,795** |
| Decrease in interbank investments | 10,146,122 | 16,799,797 | 26,945,919 | 1,141,492 |
| (Increase)/decrease in securities and derivative financial instruments | (12,613,127) | 25,598,473 | 12,985,346 | (10,013,598) |
| (Increase)/decrease in interbank and interdepartmental accounts | 444,067 | (1,885,745) | (1,441,678) | (1,493,745) |
| (Increase) in loan and leasing operations | (11,121,829) | (4,203,682) | (15,325,511) | (22,497,236) |
| (Increase) in insurance premiums receivable | (273,531) | (167,925) | (441,456) | (371,824) |
| Increase in technical reserves for insurance, pension plans and capitalization bonds | 3,339,510 | 1,102,819 | 4,442,329 | 3,675,933 |
| Increase/(decrease) in deferred income | (30,743) | (25,223) | (55,966) | 144,873 |
| (Increase) in other receivables and other assets | (6,209,857) | (3,253,062) | (9,462,919) | (8,553,849) |
| (Increase)/decrease in compulsory deposits in the Brazilian Central Bank | (990,407) | 11,831,805 | 10,841,398 | 34,581 |
| Increase/(decrease) in deposits | 3,193,384 | (3,547,677) | (354,293) | 20,360,312 |
| Increase/(decrease) in federal funds purchased and securities sold under agreements to repurchase | 12,044,214 | 16,481,811 | 28,526,025 | (7,292,665) |
| Increase in funds from issuance of securities | 2,675,581 | 6,960,186 | 9,635,767 | 11,369,611 |
| Increase/(decrease) in borrowings and onlending | 782,034 | (6,134,694) | (5,352,660) | 7,011,404 |
| Increase in other liabilities | 3,949,169 | 6,254,535 | 10,203,704 | 4,364,515 |
| Income tax and social contribution paid | (746,093) | (3,681,591) | (4,427,684) | (3,466,796) |
| **Net cash provided by/(used in) operating activities** | **14,310,253** | **73,938,507** | **88,248,760** | **17,598,803** |
| **Cash flow from investing activities:** | | | | |
| (Purchases)/proceeds from available-for-sale securities | (9,379,757) | (52,283,516) | (61,663,273) | (6,782,363) |
| (Purchases)/proceeds from held-to-maturity securities | (666,064) | 47,590 | (618,474) | (888,679) |
| Proceeds from sale of foreclosed assets | 6,061 | 51,158 | 57,219 | 104,863 |
| Sale of investments | 83,120 | 33,096 | 116,216 | 2,594 |
| Proceeds from the sale of premises and equipment and operating leased assets | 96,629 | 167,983 | 264,612 | 8,398 |
| Acquisition of foreclosed assets | (211,634) | (150,389) | (362,023) | (289,465) |
| Acquisition of investments | (824) | (1,409) | (2,233) | (130,249) |
| Acquisition of premises and equipment and operating leased assets | (348,391) | (546,919) | (895,310) | (439,797) |
| Acquisition of intangible assets | (414,618) | (427,942) | (842,560) | (630,921) |
| Dividends and interest on shareholders' equity received | 44,732 | 9,600 | 54,332 | 49,765 |
| **Net cash provided by/(used in) investing activities** | **(10,790,746)** | **(53,100,748)** | **(63,891,494)** | **(8,995,854)** |
| **Cash flow from financing activities:** | | | | |
| Increase/(decrease) in subordinated debts | 3,968,869 | 3,212,160 | 7,181,029 | (1,751,235) |
| Capital increase | - | - | - | 1,511,441 |
| Dividends and interest on shareholders' equity paid | (186,518) | (2,364,275) | (2,550,793) | (2,300,298) |
| Decrease/Increase in non-controlling interests | (59,418) | (2,712) | (62,130) | 29,627 |
| Acquisition of own shares | - | (1,826) | (1,826) | (53,042) |
| **Net cash provided by/(used in) financing activities** | **3,722,933** | **843,347** | **4,566,280** | **(2,563,507)** |
| **Net increase/(decrease) in cash and cash equivalents** | **7,242,440** | **21,681,106** | **28,923,546** | **6,039,442** |
| Cash and cash equivalents – at the beginning of the period | 58,541,258 | 36,860,152 | 36,860,152 | 36,240,382 |
| Cash and cash equivalents – at the end of the period | 65,783,698 | 58,541,258 | 65,783,698 | 42,279,824 |
| **Net increase/(decrease) in cash and cash equivalents** | **7,242,440** | **21,681,106** | **28,923,546** | **6,039,442** |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## *Table of Contents of the Notes to the Consolidated Financial Statements*

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## *Notes to the Consolidated Financial Statements*

### 1) OPERATIONS

Banco Bradesco S.A. (Bradesco) is a private-sector publicly traded company that offers multiple services by carrying out all types of authorized banking activities through its commercial, foreign exchange, consumer financing and housing loan portfolios. The Bank operates in a number of other activities through its direct and indirect subsidiaries, particularly in leasing, investment banking, brokerage, consortium management, credit cards, real estate projects, insurance, pension plans and capitalization bonds. Operations are conducted within the context of the Bradesco Organization's companies, working in an integrated manner in the market.

### 2) PRESENTATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Bradesco include the financial statements of Banco Bradesco, its foreign branches, subsidiaries and jointly-controlled entities, in Brazil and abroad, including SPEs (Special Purpose Entities). They were prepared based on accounting practices determined by Laws 4,595/64 (Brazilian Financial System Law) and 6,404/76 (Brazilian Corporation Law), with the amendments introduced by Laws 11,638/07 and 11,941/09 related to the accounting of operations, as well as the rules and instructions of the National Monetary Council (CMN) and the Brazilian Central Bank (Bacen), Brazilian Securities and Exchange Commission (CVM), when applicable, National Private Insurance Council (CNSP), Insurance Superintendence (Susep) and National Supplementary Healthcare Agency (ANS), and consider the financial statements of leasing companies based on the finance lease accounting method, whereby leased fixed assets are reclassified to the leasing operations account, less the residual value paid in advance.

In the preparation of our consolidated financial statements, intercompany transactions, including investments, asset and liability account balances, revenue, expenses and unrealized profit were eliminated and net income and shareholders' equity due to non-controlling interests were accounted for in a separate line item. In the case of investments which are jointly controlled with other shareholders, asset, liability and income and loss components were proportionally consolidated in the consolidated financial statements in proportion to the interest in the capital stock of each investee. Goodwill determined on acquisition of investments in subsidiaries/affiliates and jointly-controlled entities is included in investments and intangible assets (Note 15a). The exchange variation arising from transactions of foreign branches and subsidiaries is presented in the income statement accounts together with changes in the value of derivative financial instruments and borrowing and onlending operations, in order to eliminate the effect of these investment hedge instruments.

The financial statements include estimates and assumptions, such as: the calculation of estimated losses from loan operations; estimates of the fair value of certain financial instruments; civil, tax and labor provisions; losses from impairment of securities classified as available-for-sale and held-to-maturity and non-financial assets; other provisions; the calculation of technical reserves for insurance, pension plans and capitalization bonds; and the determination of the useful life of specific assets. Actual results may differ from those established by these estimates and assumptions.

Bradesco's consolidated financial statements were approved by the Board of Directors on July 20, 2012.

## *Notes to the Consolidated Financial Statements*

We present below the main direct and indirect investees included in the Consolidated Financial Statements:

| | Activity | Total ownership interest | | |
|---|---|---|---|---|
| | | 2012 | | 2011 |
| | | June 30 | March 31 | June 30 |
| **Financial Area – Brazil** | | | | |
| Alvorada Cartões, Crédito, Financiamento e Investimento S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Alvorada S.A. | Banking | 99.95% | 99.95% | 99.95% |
| Banco Bradesco Financiamentos S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bankpar S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco BBI S.A. | Investment bank | 98.35% | 98.35% | 98.35% |
| Banco Boavista Interatlântico S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Bankpar Leasing Mercantil S.A. | Leasing | 100.00% | 100.00% | 100.00% |
| Banco Bradesco Cartões S.A. | Cards | 100.00% | 100.00% | 100.00% |
| Bradesco Administradora de Consórcios Ltda. | Consortium management | 100.00% | 100.00% | 100.00% |
| Banco BERJ S.A. (1) (2) | Banking | 100.00% | 96.23% | - |
| Bradesco Leasing S.A. Leasing Mercantil | Leasing | 100.00% | 100.00% | 100.00% |
| Bradesco S.A. Corretora de Títulos e Valores Mobiliários | Brokerage | 100.00% | 100.00% | 100.00% |
| BRAM - Bradesco Asset Management S.A. DTVM | Asset management | 100.00% | 100.00% | 100.00% |
| Ágora Corretora de Títulos e Valores Mobiliários S.A. | Brokerage | 100.00% | 100.00% | 100.00% |
| Banco Bradescard S.A. (3) | Cards | 100.00% | 100.00% | 100.00% |
| Cielo S.A. (4) | Services | 28.65% | 28.65% | 28.65% |
| Cia. Brasileira de Soluções e Serviços - Alelo (4) | Services | 50.01% | 50.01% | 50.01% |
| Tempo Serviços Ltda. | Services | 100.00% | 100.00% | 100.00% |
| **Financial Area – Abroad** | | | | |
| Banco Bradesco Argentina S.A. | Banking | 99.99% | 99.99% | 99.99% |
| Banco Bradesco Europa S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco S.A. Grand Cayman Branch (5) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco New York Branch | Banking | 100.00% | 100.00% | 100.00% |
| Bradesco Securities, Inc. | Brokerage | 100.00% | 100.00% | 100.00% |
| Bradesco Securities, UK. | Brokerage | 100.00% | 100.00% | 100.00% |
| **Insurance, Pension Plan and Capitalization Bond Area** | | | | |
| Atlântica Capitalização S.A. | Capitalization bonds | 100.00% | 100.00% | 100.00% |
| Bradesco Argentina de Seguros S.A. | Insurance | 99.90% | 99.90% | 99.90% |
| Bradesco Auto/RE Companhia de Seguros | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Capitalização S.A. | Capitalization bonds | 100.00% | 100.00% | 100.00% |
| Bradesco Saúde S.A. | Insurance/health | 100.00% | 100.00% | 100.00% |
| Odontoprev S.A. | Dental health | 43.50% | 43.50% | 43.50% |
| Bradesco Seguros S.A. | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Vida e Previdência S.A. | Pension plan/insurance | 100.00% | 100.00% | 100.00% |
| Atlântica Companhia de Seguros | Insurance | 100.00% | 100.00% | 100.00% |
| **Other Activities** | | | | |
| Andorra Holdings S.A. | Holding | 100.00% | 100.00% | 100.00% |
| Bradseg Participações S.A. | Holding | 100.00% | 100.00% | 100.00% |
| Bradescor Corretora de Seguros Ltda. | Insurance brokerage | 100.00% | 100.00% | 100.00% |
| Bradesplan Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |
| BSP Empreendimentos Imobiliários S.A. (6) | Real estate | 100.00% | 100.00% | - |
| Cia. Securitizadora de Créditos Financeiros Rubi | Credit acquisition | 100.00% | 100.00% | 100.00% |
| Columbus Holdings S.A. | Holding | 100.00% | 100.00% | 100.00% |
| Nova Paiol Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |
| Scopus Tecnologia Ltda. | Information technology | 100.00% | 100.00% | 100.00% |

## *Notes to the Consolidated Financial Statements*

| | Activity | Total ownership interest | | |
|---|---|---|---|---|
| | | 2012 | | 2011 |
| | | June 30 | March 31 | June 30 |
| União Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |

(1) Company acquired at an auction held by the Rio de Janeiro State Government in May 2011, consolidated as of November 2011, after approval by Bacen;
(2) Increase in ownership interest due to acquisition of shares at an auction held in May 2012 and redemption of shares from non-controlling shareholders in June 2012;
(3) Current name of Banco Ibi S.A;
(4) Company proportionally consolidated, pursuant to CMN Resolution 2,723/00 and CVM Rule 247/96;
(5) The special purpose entity International Diversified Payment Rights Company is being consolidated. The company takes part in the securitization operation of future flow of payment orders received from overseas (Note 16d); and
(6) Company incorporated in October 2011.

### 3) SIGNIFICANT ACCOUNTING POLICIES

#### a) Functional and Presentation Currencies

Consolidated financial statements are presented in reais, which is Bradesco's functional currency. Operations of foreign branches and subsidiaries are mainly a continuation of activities in Brazil, and therefore, assets, liabilities and income or loss are adjusted to comply with accounting practices adopted in Brazil and translated into reais using the exchange rate of the applicable currency. Gains and losses arising from this translation process are allocated in the period's income statement to items "Derivative Financial Instruments" and "Borrowing and Onlending Operations".

#### b) Determination of net income

Net income is determined on the accrual basis of accounting, which establishes that income and expenses should be included in the determination of net income in the period to which they relate, simultaneously when correlated, regardless of receipt or payment.

Transactions with fixed rates are recorded at their redemption value and income and expenses related to future periods are recorded as a deduction from the corresponding assets and liabilities. Financial income and expenses are prorated daily and calculated based on the exponential method, except when relating to discounted notes or to foreign transactions which are calculated based on the straight-line method.

Floating rate or foreign-currency-indexed transactions are updated to the reporting date.

Insurance and coinsurance premiums, net of premiums assigned in coinsurance and reinsurance and corresponding commissions, are recognized in income after issuance of corresponding insurance policies and invoices, and recognized on a straight-line basis during the policies' effective period through accrual and reversal of unearned premiums reserve and deferred selling expenses (deferred acquisition costs). Revenues from premiums and the corresponding selling expenses (deferred acquisition costs), relating to risks in effect but not issued, are recorded in the income statement at the beginning of the risk coverage, based on estimated figures.

Revenues and expenses arising from DPVAT insurance operations are recorded based on information provided by the Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

Accepted coinsurance and retrocession operations are recorded based on the information received from other companies and IRB - Brasil Resseguros S.A., respectively. Reinsurance operations with IRB Brasil Resseguros S.A. are recorded based on operating and financial transactions sent by IRB whereas operations with other reinsurance companies are recorded based on accounting subject to their analysis. The deferral of reinsurance premiums granted is solidly conducted with the corresponding reinsurance premium and/or reinsurance contract.

The brokerage and obtainment of new insurance operations are deferred and recorded in the income statement within a 12-month period on a straight-line basis.

## *Notes to the Consolidated Financial Statements*

Pension plan contributions and life insurance premiums with a survival clause are recognized in the income statement as they are received.

Income from capitalization bonds are accounted as of its effective receipt. As of 2011, the Company began recognizing expired securities. Revenues from expired capitalization plans are recorded after the statute of limitation, as per Article 206 of the Brazilian Civil Code. The expenses for placement of capitalization bonds, classified as "Acquisition Costs," are recognized as they are incurred. Payments of redemptions through drawings are recorded as expenses within the month they are made.

Expenses with technical reserves for pension plans and capitalization bonds are recorded when their corresponding revenues are recognized.

**c) Cash and cash equivalents**

Cash and cash equivalents are represented by: cash in domestic and foreign currency, investments in gold, investments in federal funds purchases and securities sold under agreements to repurchase and interest-earning deposits in other banks, with maturity at inception of 90 days or less and present an insignificant risk of change in fair value, used by Bradesco to manage its short-term commitments.

The breakdown of cash and cash equivalents and investments recorded in cash and cash equivalents is presented in Note 6.

**d) Interbank investments**

Unrestricted purchase and sale commitments are recorded at fair value. Other investments are recorded at acquisition cost, plus income earned up to the reporting date, net of loss accrual, when applicable.

The breakdown, terms and proceeds relating to interbank investments is presented in Note 7.

**e) Securities – Classification**

- Trading securities – securities acquired for the purpose of being actively and frequently traded. They are recorded at the acquisition cost, plus income earned and adjusted to market value in the income statement for the period;

- Available-for-sale securities – securities that are not specifically intended for trading purposes or to be held to maturity. They are recorded at their acquisition cost, plus income earned, which is recorded in profit or loss in the period and adjusted to market value within shareholders' equity, net of tax effects, which will be recognized in profit or loss only when effectively realized; and

- Held-to-maturity securities – securities for which there is intention and financial capacity to hold in the portfolio up to maturity. They are recorded at acquisition cost, plus earnings recognized in profit or loss for the period.

Securities classified in the trading and available-for-sale categories, as well as derivative financial instruments, are stated at their estimated fair value in the consolidated statement of financial position. The fair value is generally based on market prices or quotations for assets or liabilities with similar characteristics. If market prices are not available, fair values are based on traders' quotations, pricing models, discounted cash flows or similar techniques for which the determination of fair value may require judgment or significant estimates by Management.

The classification, breakdown and segmentation of securities are presented in Note 8 (a to d).

## *Notes to the Consolidated Financial Statements*

**f) Derivative financial instruments (assets and liabilities)**

Classified based on Management's intended use thereof on the date of entering into the operation and whether it was carried out for hedging purposes or not.

Operations involving derivative financial instruments are designed to meet the Bank's own needs in order to manage overall exposure, as well as to meet customers' requests for the management of their positions. Gains and losses are recorded in income or expenses accounts of the respective financial instruments.

Derivative financial instruments used to mitigate risks deriving from exposure to variations in the market value of financial assets and liabilities are designated as hedges and are classified according to their nature as a:

- Market risk hedge: for financial instruments classified in this category as well as the hedge-related financial assets and liabilities, gains and losses, realized or not, are recorded in the income statement; and

- Cash flow hedge: the effective portion of valuation or devaluation of financial instruments classified in this category is recorded, net of tax effects, in a specific account in shareholders' equity. The ineffective portion of the respective hedge is directly recognized in the income statement.

The breakdown of amounts included in derivative financial instruments, in equity and memorandum accounts, is disclosed in Note 8 (e to h).

**g) Loan and leasing operations, advances on foreign exchange contracts, other receivables with credit characteristics and allowance for loan losses**

Loan and leasing operations, advances on foreign exchange contracts and other receivables with credit characteristics are classified according to their corresponding risk levels in compliance with: (i) the parameters established by CMN Resolution 2,682/99, at nine levels of risk from "AA" (minimum risk) to "H" (maximum risk); and (ii) Management's assessment risk. 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. Moreover, the length of the delay in payment defined in CMN Resolution 2,682/99 is also taken into account for customer risk rating purposes as follows:

| Past-due period (1) | Customer rating |
|---|---|
| ● from 15 to 30 days | B |
| ● from 31 to 60 days | C |
| ● from 61 to 90 days | D |
| ● from 91 to 120 days | E |
| ● from 121 to 150 days | F |
| ● from 151 to 180 days | G |
| ● more than 180 days | H |

(1) For operations with unexpired terms more than 36 months, the past-due periods are doubled, as allowed by CMN Resolution 2,682/99.

Interest and adjustment for inflation on past-due operations are recognized only up to the 59$^{th}$ day they are past due. From the 60$^{th}$ day, they are recognized in deferred income.

H-rated past-due operations remain at this level for six months, after which they are written-off against the existing allowance and controlled in memorandum accounts for at least five years.

Renegotiated operations are maintained, at least, at the same classification as their prior rating. Renegotiations already charged-off against the allowance and that were recorded in memorandum accounts are rated as "H" level and any possible gains derived from their renegotiation are recognized

## *Notes to the Consolidated Financial Statements*

only when they are effectively received. When there is a significant payment on the operation or when new material facts justify a change in risk level, the operation may be reclassified to a lower risk category.

The estimated allowance for loan losses is calculated at an amount sufficient to cover probable losses and takes into consideration CMN and Bacen rules and instructions, together with assessments carried out by the Management, in the determination of credit risk.

Types, figures, terms, risk levels, concentration, economic activity sector, renegotiation and income from loan operations, as well as the breakdown of expenses and equity accounts of allowance for loan losses are presented in Note 10.

**h) Income tax and social contribution (assets and liabilities)**

Income tax and social contribution credits, calculated on income tax and social contribution losses and temporary additions are recorded in "Other Receivables - Sundry" and the provisions for deferred tax liabilities on tax differences in leasing depreciation and mark-to-market adjustments of securities are recorded in "Other Liabilities – Tax and Social Security". Only the income tax rate applies to the tax difference in leasing depreciation.

Tax credits on temporary additions will be realized upon use and/or reversal of the corresponding provisions to which they refer. Tax credits on tax losses and negative basis of social contribution will be realized as taxable income is generated, considering the 30% limit of the taxable profit of the reference period. Such tax credits are recorded based on current expectations for realization, taking into account the technical studies and analyses carried out by Management.

The provision for income tax is recorded at a rate of 15% of taxable income, plus a 10% surcharge. Social contribution on net income is calculated at a 15% rate for financial institutions and insurance companies and at 9% for other companies.

Provisions were recorded for other income and social contribution taxes in accordance with specific applicable legislation.

Pursuant to Law 11,941/09, changes in the determination criteria for income, costs and expenses included in the net income for the period, enacted by Law 11,638/07 and by Articles 37 and 38 of Law 11,941/09, shall not have an effect on taxable income, and, for tax purposes, accounting methods and criteria in force on December 31, 2007 are considered. For accounting purposes, the tax effects of adopting the aforementioned laws are recorded in the corresponding deferred tax assets and liabilities.

The breakdown of income tax and social contribution, the statement of their calculation, origin and expectation of realization of tax credits, as well as unrecorded tax credits, are presented in Note 34.

**i) Prepaid expenses**

Prepaid expenses are represented by payments for future benefits or services, which are recognized in the income statement according to the accrual method of accounting.

Incurred costs related to corresponding assets that will generate revenues in subsequent periods are recorded in the income statement according to terms and amounts of benefits expected and written-off directly in the income statement, when corresponding assets and rights are no longer part of the institution's assets or future expected benefits may no longer be realized.

The breakdown of prepaid expenses is presented in Note 12b.

**j) Investments**

Investments in subsidiaries, jointly-controlled entities and unconsolidated companies, with significant influence over the investee or ownership of 20% or more in voting capital, are evaluated by the equity method of accounting.

## *Notes to the Consolidated Financial Statements*

Tax incentives and other investments are assessed at acquisition cost, net of the provision for impairment, when applicable.

Subsidiaries' and jointly-controlled entities' accounts were included in the consolidated financial statements, and their breakdown is detailed in Note 2. The breakdown of unconsolidated companies, as well as of other investments, is presented in Note 13.

**k) Premises and equipment**

Relate to tangible assets used in the Bank's activities or acquired for this purpose, including those from operations which transfer risks, benefits and controls of the assets.

Fixed assets are stated at acquisition cost, net of the respective accumulated depreciations, calculated using the straight-line method according to the estimated economic useful life of assets, as follows: premises – 4% p.a.; furniture and fixtures, machinery and equipment – 10% p.a.; transport systems – 20% p.a.; and data processing systems – 20% to 50% p.a., and reduced by impairment provisions, when applicable.

The breakdown of asset costs and corresponding depreciation, including those arising from operating leases, as well as the unrecorded surplus value for real estate and fixed asset ratios, is presented in Note 14.

**l) Intangible assets**

Intangible assets are intangible rights acquired for business activities or used with that purpose.

Intangible assets comprise:

- Future profitability/customer portfolio acquired and acquisition of the right to provide banking services: this is recorded and amortized, when applicable, over the period in which the asset will directly and indirectly contribute to future cash flows and reduced by impairment provisions, when applicable; and

- Software: recorded at cost less amortization calculated using the straight-line method during the estimated useful life (20% to 50% p.a.), which is estimated as of the date it is available for use and reduced by impairment provisions, when applicable. Internal software development costs are recognized as assets when it is possible to demonstrate the intention and ability to complete such development, as well as reliably measuring costs directly attributable to the software, which will be amortized during its estimated useful life, considering the future economic benefits generated.

The breakdown of goodwill and other intangible assets, including transactions of these rights by class, is presented in Note 15.

**m) Asset impairment**

Securities classified as available-for-sale and held-to-maturity, as well as non-financial assets, except other assets and tax credits, are tested, at least annually, for impairment. If an impairment loss is recognized, it must be recognized in the income statement for the period when the book value of an asset exceeds its recoverable value calculated by: (i) the potential sale value or realization value less the respective expenses or (ii) the value in use calculated by the cash generating unit, whichever is highest.

A cash generating unit is the smallest identifiable group of assets that generates cash flows substantially independent from other assets and groups.

Impairment losses, when applicable, are presented in Note 15 (b and c).

## *Notes to the Consolidated Financial Statements*

**n) Deposits and federal funds purchased and securities sold under agreements to repurchase**

These are recorded at the amount of the liabilities and include, when applicable, related charges up to the reporting date, on a daily prorated basis.

The breakdown of securities recorded in deposits and federal funds purchased and securities sold under agreements to repurchase, as well as its terms and amounts recognized in the statement of financial position and income statement, is presented in Note 16.

**o) Technical reserves related to insurance, pension plan and capitalization bond activities**

- Damage, health and group insurance lines, except individual life:

  - The unearned premiums reserve (PPNG) daily calculated on a *pro-rata* basis, using premiums net of coinsurance assignment, but including reinsurance transfer operations, is comprised of the portion corresponding to risk periods not arising from insurance policies, and includes the estimate for risks in effect but not issued (RVNE);

  - The complementary reserve for premium (PCP) is recorded on a monthly basis to complement the PPNG and includes estimates for the risks in effect but not issued (RVNE);

  - The premium deficiency reserve is recorded when there is insufficiency of the unearned premium reserve to cover incurred claims, considering expected indemnities and related expenses, throughout periods to be incurred related to risks in effect on the reference date of calculation. For individual life insurance, the reserve is recorded to cover differences between the expected present value of indemnities and related future expenses and the expected present value from future premiums;

  - The mathematical reserve for unvested benefits (PMBaC) is calculated using the difference between the current amount of future benefits and the current amount of future contributions, corresponding to liabilities assumed;

  - The reserve for vested benefits from the individual health plan portfolio refers to a 5-year coverage for dependents if the policyholder is deceased, adopting a formula included in the actuarial technical note approved by ANS;

  - The reserve for vested benefits from the individual health plan portfolio comprises liabilities arising from payment release contractual clauses referring to health plan coverage, and its recognition complies with Normative Resolution 75/04 of ANS, and premiums for the payment release of "Bradesco Saúde policyholders - Plano GBS";

  - The reserve for redemptions and other amounts to rectify (PROVR) comprises all amounts relating to redemptions to rectify and refund of premiums not yet transferred to the recipient entity;

  - The reserve for claims incurred but not reported (IBNR) is calculated based on the estimate of claims that have already incurred but have not been reported to the insurance company yet; and

  - The reserve for unsettled claims (PSL) considers all notices of loss received up to the reporting date and related costs, such as expenses with rectification of claims, fees of loss of suits, among others. The reserve is monetarily restated and includes all claims in litigation;

  Other reserves are recorded, in the individual health portfolio, to cover the differences between the expected present indemnity amount and future related expenses and the present value of future premiums. Regarding damage insurance, other technical reserves refer to premiums of extended warranty for products whose manufacturer's guarantee has not ended.

## *Notes to the Consolidated Financial Statements*

- Individual life insurance, excluding equity contribution insurance with survival coverage:

  - The unexpired risks reserve (PRNE) is calculated on a daily *pro-rata* basis, using premiums net of coinsurance assignment, yet including reinsurance transfer operations, is comprised of the portion corresponding to periods of risks not arising from insurance policies, and includes the estimate for risks in effect but not issued (RVNE);

  - The supplementary premium reserve (PCP) is monthly recorded to complement the PRNE and considers the estimate to risks in effect but not issued (RVNE);

  - The mathematical reserve for unvested benefits (PMBaC) is calculated by the difference between the current amount of future benefits and the current amount of future contributions, corresponding to liabilities;

  - The reserve for redemption and other amounts to rectify (PROVR) comprises figures related to redemptions to rectify, refund of premiums and portability requested and not yet transferred to the recipient entity;

  - The reserve for benefits incurred but not reported (IBNR) is calculated based on the estimate of claims that have already incurred but have not been reported to the insurance company yet;

  - The reserve for benefits to rectify (PBR) considers all notices of claims received up to the reporting date and related costs, such as expenses with rectification of claims, fees of loss of suits, among others. The reserve is monetarily restated and includes all claims in litigation;

  - The reserve for risk fluctuation (POR) is recorded to cover possible statistical deviation between expected and observed events; and

  - The financial fluctuation reserve (POF) is recorded up to a limit of 15% of the mathematical reserve for benefits to be granted related to pension plans in the category of variable contribution with a guarantee of earnings to cover possible financial fluctuations. The real interest rate of 4% p.a. is used to calculate this provision.

- Pension plans and life insurance covering survival:

  - The unearned premiums reserve (PRNE) is calculated on a daily *pro-rata* basis, using premiums net of coinsurance assignment, but including reinsurance transfer operations, and is comprised of the portion corresponding to periods of risks not arising from insurance policies, and includes the estimate for risks in effect but not issued (RVNE);

  - The mathematical reserve for unvested benefits (PMBaC) refers to participants whose benefits have yet to begin. In defined benefit pension plans, the reserve represents the difference between the current value of future benefits and the current value of future contributions, corresponding to obligations assumed under retirement, disability, pension and regular income plans. The reserve is calculated using methodologies and assumptions set forth in the actuarial technical notes;

  - Mathematical reserves for unvested benefits pegged to life insurance and unrestricted benefit generating pension plans (VGBL and PGBL), in addition to defined contribution plans, represent the amount of contributions made by participants, net of costs and other contractual charges, plus financial earnings generated by investments in fund quotas in Exclusive Investment Funds (FIEs);

  - The reserve for redemption and other amounts to rectify (PROVR) comprises figures related to redemptions to rectify, refund of premiums and portability requested and not yet transferred to the recipient entity;

  - The mathematical reserve for vested benefits (PMBaC) granted refers to participants already using the benefits and corresponds to the present value of future obligations related to the payment of ongoing benefits;

## *Notes to the Consolidated Financial Statements*

- The contribution deficiency (PIC) is recorded for a possible unfavorable fluctuation in technical risks taken in the mathematical reserve for benefits to be granted, considering that the participants are likely to have a higher survival rate. In plans covering survival, the reserve is calculated on an actuarial basis and takes into consideration the actuarial tables AT-2000 Male (normalized) for males and AT-2000 Female (normalized) for females, with an improvement rate of 1.5% p.a. and actual interest rate of 4% p.a. In disability plans covering survival risks, the provision takes into consideration the biometric AT-49 Male table and real interest rate of 4% p.a. The improvement rate is calculated using a technique that automatically updates the survival table, considering the expected increase in future survival rates;

- The reserve for administrative expenses (PDA) is recorded to cover future administrative expenses of defined benefit, defined contribution and variable contribution plans;

- The reserve for financial surplus (PEF) corresponds to the portion of financial revenue from the investment of provisions that exceeds the minimum returns from pension plans that have a financial excess participation clause;

- The reserve for technical surplus (PET) corresponds to the difference between the expected and the observed amount of events incurred in the period for pension plans with interest clause in technical surplus;

- The reserve for events incurred but not reported (IBNR), related to pension plan operations, is recorded in compliance with Susep Circular Letter 288/05;

- The reserve for benefits to rectify (PBR) considers all notices of loss received up to the reporting date and related costs, such as expenses with rectification of claims, fees of loss of suits, among others. The reserve is monetarily restated and includes all claims in litigation;

- The reserve for risk fluctuation (POR) is recorded to cover statistical deviation between expected and observed events; and

- The financial fluctuation reserve (POF) is recorded up to a limit of 15% of the mathematical reserve for benefits to be granted related to pension plans in the category of variable contribution with a guarantee of earnings to cover possible financial fluctuations. The real interest rate of 4% p.a. is used to calculate this provision.

- Capitalization bonds:

  - The mathematical reserve for redemptions is recorded for each active or suspended capitalization bond during the estimated term set forth in the general conditions of the plan, and it is calculated according to the methodology set forth in the actuarial technical notes;

  - The reserves for redemptions are established for the expired capitalization bonds and unexpired plans where early redemption has been required by the customer. The reserves are adjusted for inflation based on the indexes determined in each plan;

  - The reserves for unrealized and payable drawings are recorded to cover prizes in future drawings (unrealized) and also for prizes in drawings where customers have already been selected (payable);

  - The reserve for contingencies is recorded to cover possible insufficiencies related to payments of redemptions required and/or premiums from drawings; and

## *Notes to the Consolidated Financial Statements*

- The reserve for administrative expenses is recorded to cover the plan's disclosure and selling expenses, brokerage and other expenses. The reserve complies with the methodology set forth in an actuarial technical note.

Technical reserves by account, product and segment, as well as amounts and breakdown of plan assets covering these technical reserves, are presented in Note 21.

**p) Provisions, contingent assets and liabilities and legal liabilities – tax and social security**

The provisions, contingent assets and liabilities, and legal liabilities are recognized, measured and disclosed in accordance with the criteria defined by CPC 25, approved by CMN Resolution 3,823/09 and CVM Resolution 594/09:

- Contingent assets: are not recognized in the financial statements, except when Management has control over the situation or when there are real guarantees or favorable judicial decisions, to which no further appeals are applicable, characterizing the gain as practically certain and confirmed expectations of receipt or compensation with another liability. Contingent assets with probable chances of success are disclosed in the notes to the financial statements;

- Provisions: these are recorded taking into consideration the opinion of legal advisors, the nature of the lawsuits, similarity with previous processes, complexity and positioning of the courts, whenever the loss is assessed as probable, which would cause a probable outflow of funds for the settlement of liabilities and when the amounts involved are measurable with sufficient reliability;

- Contingent liabilities: according to CPC 25, the term "contingent" refers to liabilities that will not be recorded as their existence will only be confirmed by the occurrence of one or more future and uncertain events beyond Management's control. Contingent liabilities with possible losses are not recognized in the consolidated financial statements and are disclosed in the note when relevant. Liabilities classified as remote are not recorded as provision nor disclosed; and

- Legal obligations - provision for tax risks: results from judicial proceedings, being contested on the grounds of legality or constitutionality, which, regardless of the assessment of the probability of success, are fully recognized in the financial statements.

Details on lawsuits, as well as segregation and changes in amounts recorded, by type, are presented in Note 18.

**q) Funding expenses**

Expenses related to funding transactions involving the issuance of securities are recognized in the income statement over the term of the transaction and are presented as reduction of the corresponding liability, and presented in Notes 16c and 19.

**r) Other assets and liabilities**

Assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations (on a daily prorated basis), and less provision for losses, when deemed appropriate. Liabilities comprise known or measurable amounts, including related charges and monetary and exchange variations (on a daily prorated basis).

## *Notes to the Consolidated Financial Statements*

### s) Subsequent events

These refer to events occurring between the reporting date of financial statements and the date their issuance is authorized.

They comprise the following:

- Events resulting in adjustments: events relating to conditions already existing on the reporting date of the financial statements; and

- Events not resulting in adjustments: events relating to conditions not existing on the reporting date of the financial statements.

There was no subsequent event for the consolidated financial statements as of June 30, 2012.

## 4) INFORMATION FOR COMPARISON PURPOSES

### Reclassifications

No reclassifications or other material information were recorded in current or previous periods that may affect the comparability with the financial statements for the period ended June 30, 2012.

## *Notes to the Consolidated Financial Statements*

### 5) STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ADJUSTED BY OPERATING SEGMENT

#### a) Statement of financial position

R$ thousand

| | Financial (1) (2) | | Insurance group (2) (3) | | Other activities (2) | Eliminations (4) | Total consolidated |
|---|---|---|---|---|---|---|---|
| | Brazil | Abroad | Brazil | Abroad | | | |
| **Assets** | | | | | | | |
| **Current and long-term assets** | **640,612,927** | **79,267,926** | **136,999,486** | **6,295** | **877,301** | **(42,701,074)** | **815,062,861** |
| Cash and due from banks | 9,646,082 | 4,288,832 | 233,160 | 385 | 6,662 | (177,897) | 13,997,224 |
| Interbank investments | 90,754,900 | 2,103,229 | - | - | - | - | 92,858,129 |
| Securities and derivative financial instruments | 184,138,061 | 10,438,626 | 128,286,206 | 3,849 | 435,169 | (794,635) | 322,507,276 |
| Interbank and interdepartmental accounts | 62,510,217 | - | - | - | - | - | 62,510,217 |
| Loan and leasing operations | 214,348,388 | 61,685,258 | - | - | - | (37,757,763) | 238,275,883 |
| Other receivables and other assets | 79,215,279 | 751,981 | 8,480,120 | 2,061 | 435,470 | (3,970,779) | 84,914,132 |
| **Permanent assets** | **51,888,976** | **64,062** | **3,310,866** | **170** | **312,125** | **(40,118,632)** | **15,457,567** |
| Investments | 40,107,790 | 19,227 | 1,712,799 | 152 | 167,748 | (40,118,632) | 1,889,084 |
| Premises and equipment and leased assets | 3,738,007 | 17,284 | 726,689 | 18 | 41,339 | - | 4,523,337 |
| Intangible assets | 8,043,179 | 27,551 | 871,378 | - | 103,038 | - | 9,045,146 |
| **Total on June 30, 2012** | **692,501,903** | **79,331,988** | **140,310,352** | **6,465** | **1,189,426** | **(82,819,706)** | **830,520,428** |
| **Total on March 31, 2012** | **658,837,379** | **71,945,717** | **127,933,827** | **5,942** | **1,159,187** | **(70,332,528)** | **789,549,524** |
| **Total on June 30, 2011** | **577,735,402** | **56,717,476** | **113,341,903** | **8,636** | **1,342,110** | **(59,838,514)** | **689,307,013** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| **Current and long-term liabilities** | **627,833,398** | **57,338,800** | **122,512,435** | **1,817** | **412,706** | **(42,701,074)** | **765,398,082** |
| Deposits | 190,244,668 | 27,208,443 | - | - | - | (383,177) | 217,069,934 |
| Federal funds purchased and securities sold under agreements to repurchase | 224,802,655 | 1,175,955 | - | - | - | (4,358) | 225,974,252 |
| Funds from issuance of securities | 39,784,888 | 12,384,041 | - | - | - | (1,011,000) | 51,157,929 |
| Interbank and interdepartmental accounts | 3,617,758 | 771 | - | - | - | - | 3,618,529 |
| Borrowing and onlending | 78,064,940 | 7,364,221 | - | - | - | (37,534,883) | 47,894,278 |
| Derivative financial instruments | 3,440,440 | 127,645 | - | - | - | - | 3,568,085 |
| Technical reserves from insurance, pension plans and capitalization bonds | - | - | 111,788,019 | 1,085 | - | - | 111,789,104 |
| Other liabilities: | | | | | | | |
| - Subordinated debts | 25,407,968 | 8,683,153 | - | - | - | - | 34,091,121 |
| - Other | 62,470,081 | 394,571 | 10,724,416 | 732 | 412,706 | (3,767,656) | 70,234,850 |
| **Deferred income** | **610,342** | **-** | **-** | **-** | **5,021** | **-** | **615,363** |
| **Non-controlling interests in subsidiaries** | **138,075** | **21,993,188** | **17,797,917** | **4,648** | **771,699** | **(40,118,632)** | **586,895** |
| **Shareholders' equity** | **63,920,088** | **-** | **-** | **-** | **-** | **-** | **63,920,088** |
| **Total on June 30, 2012** | **692,501,903** | **79,331,988** | **140,310,352** | **6,465** | **1,189,426** | **(82,819,706)** | **830,520,428** |
| **Total on March 31, 2012** | **658,837,379** | **71,945,717** | **127,933,827** | **5,942** | **1,159,187** | **(70,332,528)** | **789,549,524** |
| **Total on June 30, 2011** | **577,735,402** | **56,717,476** | **113,341,903** | **8,636** | **1,342,110** | **(59,838,514)** | **689,307,013** |

# *Notes to the Consolidated Financial Statements*

## b) Income statement

R$ thousand

| | Financial (1) (2) | | Insurance group (2) (3) | | Other activities (2) | Eliminations (4) | Total consolidated |
|---|---|---|---|---|---|---|---|
| | Brazil | Abroad | Brazil | Abroad | | | |
| Revenues from financial intermediation | 42,034,585 | 769,289 | 5,353,153 | - | 20,163 | (223,137) | 47,954,053 |
| Expenses from financial intermediation | 28,607,292 | 746,535 | 3,693,783 | - | - | (223,360) | 32,824,250 |
| **Gross income from financial intermediation** | **13,427,293** | **22,754** | **1,659,370** | **-** | **20,163** | **223** | **15,129,803** |
| Other operating income/expenses | (8,852,855) | 25,189 | 1,270,866 | (95) | 34,402 | (223) | (7,522,716) |
| **Operating income** | **4,574,438** | **47,943** | **2,930,236** | **(95)** | **54,565** | **-** | **7,607,087** |
| Non-operating income | (96,024) | 3,645 | (19,432) | - | (425) | - | (112,236) |
| **Income before taxes and non-controlling interests** | **4,478,414** | **51,588** | **2,910,804** | **(95)** | **54,140** | **-** | **7,494,851** |
| Income tax and social contribution | (724,526) | (934) | (1,096,031) | (119) | (13,970) | - | (1,835,580) |
| Non-controlling interests in subsidiaries | (4,693) | - | (28,901) | - | (173) | - | (33,767) |
| **Net income for the 1st half of 2012** | **3,749,195** | **50,654** | **1,785,872** | **(214)** | **39,997** | **-** | **5,625,504** |
| **Net income for the 1st half of 2011** | **3,982,352** | **(113,746)** | **1,561,313** | **(53)** | **57,562** | **-** | **5,487,428** |
| **Net income for the 2nd quarter of 2012** | **1,838,769** | **89,957** | **881,006** | **(83)** | **23,319** | **-** | **2,832,968** |
| **Net income for the 1st quarter of 2012** | **1,910,426** | **(39,303)** | **904,866** | **(131)** | **16,678** | **-** | **2,792,536** |

(1) The "Financial" segment comprises: financial institutions; holding companies (which are mainly responsible for managing financial resources); as well as credit card, consortium and asset management companies;
(2) The asset, liability, income and expense balances among companies from the same segment are being eliminated;
(3) The "Insurance Group" segment comprises insurance, pension plan and capitalization bond companies; and
(4) Related to amounts eliminated among companies from different segments, as well as among operations carried out in Brazil and abroad.

## 6) CASH AND CASH EQUIVALENTS

R$ thousand

| | 2012 | | 2011 |
|---|---|---|---|
| | June 30 | March 31 | June 30 |
| Funds available in domestic currency | 9,320,776 | 17,254,340 | 5,483,512 |
| Funds available in foreign currency | 4,676,339 | 7,814,216 | 2,231,279 |
| Investments in gold | 109 | 101 | 83 |
| **Total cash and due from banks** | **13,997,224** | **25,068,657** | **7,714,874** |
| Short-term interbank investments (1) | 51,786,474 | 33,472,601 | 34,564,950 |
| **Total cash and cash equivalents** | **65,783,698** | **58,541,258** | **42,279,824** |

(1) Refer to operations with maturity dates at inception of 90 days or less and with insignificant risk of change in fair value.

# *Notes to the Consolidated Financial Statements*

## 7) INTERBANK INVESTMENTS

### a) Breakdown and maturities

| | R$ thousand | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | 2011 |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| **Investments in federal funds purchased and securities sold under agreements to repurchase:** | | | | | | | |
| **Own portfolio position** | **8,511,808** | **2,048,091** | **-** | **-** | **10,559,899** | **8,568,602** | **37,622,054** |
| ● National treasury notes | 5,083,840 | 1,563,343 | - | - | 6,647,183 | 1,042,171 | 30,557,728 |
| ● National treasury bills | 3,427,040 | 484,748 | - | - | 3,911,788 | 7,046,560 | 230,380 |
| ● Financial treasury bills | - | - | - | - | - | 479,253 | 6,833,946 |
| ● Other | 928 | - | - | - | 928 | 618 | - |
| **Funded position** | **55,620,083** | **10,060,593** | **-** | **-** | **65,680,676** | **61,368,978** | **35,014,307** |
| ● Financial treasury bills | 128,443 | - | - | - | 128,443 | 5,059,896 | 17,276,150 |
| ● National treasury notes | 41,291,683 | 3,260,451 | - | - | 44,552,134 | 47,364,191 | 12,168,998 |
| ● National treasury bills | 14,199,957 | 6,800,142 | - | - | 21,000,099 | 8,944,891 | 5,569,159 |
| **Short position** | **4,017,624** | **1,997,094** | **-** | **-** | **6,014,718** | **4,531,660** | **5,499,129** |
| ● National treasury bills | 4,017,624 | 1,997,094 | - | - | 6,014,718 | 4,531,660 | 5,499,129 |
| **Subtotal** | **68,149,515** | **14,105,778** | **-** | **-** | **82,255,293** | **74,469,240** | **78,135,490** |
| **Interest-earning deposits in other banks:** | | | | | | | |
| ● Interest-earning deposits in other banks | 4,960,513 | 1,712,920 | 1,951,115 | 1,978,788 | 10,603,336 | 10,221,638 | 8,018,886 |
| ● Provisions for losses | (131) | (139) | (230) | - | (500) | (495) | (7,163) |
| **Subtotal** | **4,960,382** | **1,712,781** | **1,950,885** | **1,978,788** | **10,602,836** | **10,221,143** | **8,011,723** |
| **Total on June 30, 2012** | **73,109,897** | **15,818,559** | **1,950,885** | **1,978,788** | **92,858,129** | | |
| **%** | **78.8** | **17.0** | **2.1** | **2.1** | **100.0** | | |
| **Total on March 31, 2012** | **48,511,108** | **31,925,079** | **2,175,886** | **2,078,310** | | **84,690,383** | |
| **%** | **57.2** | **37.7** | **2.6** | **2.5** | | **100.0** | |
| **Total on June 30, 2011** | **38,549,398** | **43,962,316** | **2,063,538** | **1,571,961** | | | **86,147,213** |
| **%** | **44.8** | **51.0** | **2.4** | **1.8** | | | **100.0** |

### b) Income from interbank investments

Classified in the income statement as income on securities transactions.

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Income from investments in purchase and sale commitments:** | | | | |
| • Own portfolio position | 329,993 | 455,172 | 785,165 | 1,704,746 |
| • Funded position | 1,371,859 | 1,508,993 | 2,880,852 | 2,362,127 |
| • Short position | 280,696 | 163,669 | 444,365 | 503,373 |
| **Subtotal** | **1,982,548** | **2,127,834** | **4,110,382** | **4,570,246** |
| **Income from interest-earning deposits in other banks** | **193,205** | **248,445** | **441,650** | **310,424** |
| **Total (Note 8h)** | **2,175,753** | **2,376,279** | **4,552,032** | **4,880,670** |

## *Notes to the Consolidated Financial Statements*

### 8) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Information on securities and derivative financial instruments is as follows:

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

R$ thousand

| | 2012 | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial | Insurance/ capitalization bonds | Pension plans | Other activities | June 30 | % | March 31 | % | June 30 | % |
| **Trading securities** | **115,241,271** | **3,360,876** | **42,235,781** | **319,917** | **161,157,845** | **57.6** | **148,322,028** | **58.5** | **104,928,880** | **56.1** |
| - Government securities | 76,706,503 | 1,118,163 | 18,200 | 242,650 | 78,085,516 | 27.9 | 71,892,738 | 28.3 | 49,319,589 | 26.3 |
| - Corporate securities | 35,382,827 | 2,242,713 | 577,512 | 77,267 | 38,280,319 | 13.7 | 37,018,709 | 14.7 | 27,973,245 | 14.9 |
| - Derivative financial instruments (1) | 3,151,941 | - | - | - | 3,151,941 | 1.1 | 2,265,385 | 0.9 | 2,259,072 | 1.2 |
| - PGBL / VGBL restricted bonds | - | - | 41,640,069 | - | 41,640,069 | 14.9 | 37,145,196 | 14.6 | 25,376,974 | 13.7 |
| **Available-for-sale securities** | **76,351,495** | **11,686,873** | **26,782,855** | **58,123** | **114,879,346** | **41.0** | **73,585,205** | **29.0** | **51,891,791** | **27.7** |
| - Government securities | 59,724,673 | 10,102,672 | 24,862,483 | - | 94,689,828 | 33.8 | 56,601,663 | 22.3 | 36,807,495 | 19.6 |
| - Corporate securities | 16,626,822 | 1,584,201 | 1,920,372 | 58,123 | 20,189,518 | 7.2 | 16,983,542 | 6.7 | 15,084,296 | 8.1 |
| **Held-to-maturity securities (4)** | **323,880** | **-** | **3,616,541** | **-** | **3,940,421** | **1.4** | **31,744,269** | **12.5** | **30,380,677** | **16.2** |
| - Government securities | 323,880 | - | 3,616,541 | - | 3,940,421 | 1.4 | 31,294,478 | 12.3 | 29,918,615 | 16.0 |
| - Corporate securities | - | - | - | - | - | - | 449,791 | 0.2 | 462,062 | 0.2 |
| **Subtotal** | **191,916,646** | **15,047,749** | **72,635,177** | **378,040** | **279,977,612** | **100.0** | **253,651,502** | **100.0** | **187,201,348** | **100.0** |
| Purchase and sale commitments (2) | 1,984,099 | 7,045,542 | 33,433,999 | 66,024 | 42,529,664 | | 41,307,953 | | 44,223,223 | |
| **Overall total** | **193,900,745** | **22,093,291** | **106,069,176** | **444,064** | **322,507,276** | | **294,959,455** | | **231,424,571** | |
| - Government securities | 136,755,056 | 11,220,835 | 28,497,224 | 242,650 | 176,715,765 | 63.1 | 159,788,879 | 63.0 | 116,045,699 | 61.8 |
| - Corporate securities | 55,161,590 | 3,826,914 | 2,497,884 | 135,390 | 61,621,778 | 22.0 | 56,717,427 | 22.4 | 45,778,675 | 24.5 |
| - PGBL / VGBL restricted bonds | - | - | 41,640,069 | - | 41,640,069 | 14.9 | 37,145,196 | 14.6 | 25,376,974 | 13.7 |
| **Subtotal** | **191,916,646** | **15,047,749** | **72,635,177** | **378,040** | **279,977,612** | **100.0** | **253,651,502** | **100.0** | **187,201,348** | **100.0** |
| Purchase and sale commitments (2) | 1,984,099 | 7,045,542 | 33,433,999 | 66,024 | 42,529,664 | | 41,307,953 | | 44,223,223 | |
| **Overall total** | **193,900,745** | **22,093,291** | **106,069,176** | **444,064** | **322,507,276** | | **294,959,455** | | **231,424,571** | |

## *Notes to the Consolidated Financial Statements*

### b) Breakdown of consolidated portfolio by issuer

R$ thousand

| Securities (3) | 2012 | | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | | | | | March 31 | | June 30 | |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Fair/book value (5) (6) (7) | Restated cost | Mark-to-market | Fair/book value (5) (6) (7) | Mark-to-market | Fair/book value (5) (6) (7) | Mark-to-market |
| **Government securities** | **37,605,700** | **1,736,951** | **22,992,947** | **114,380,167** | **176,715,765** | **167,665,110** | **9,050,655** | **159,788,879** | **1,582,174** | **116,045,699** | **(356,636)** |
| Financial treasury bills | 265,942 | 148,939 | 830,229 | 6,681,685 | 7,926,795 | 7,923,387 | 3,408 | 7,708,980 | 2,829 | 7,265,149 | (43,707) |
| National treasury bills | 29,187,402 | 959,548 | 13,634,613 | 45,892,921 | 89,674,484 | 88,259,078 | 1,415,406 | 66,035,689 | 790,288 | 35,967,004 | (149,641) |
| National treasury notes | 8,126,165 | 539,270 | 8,027,584 | 61,050,282 | 77,743,301 | 70,268,678 | 7,474,623 | 84,404,243 | 658,398 | 71,177,880 | (251,488) |
| Brazilian foreign debt notes | 19,218 | 18,474 | 496,629 | 675,571 | 1,209,892 | 1,066,251 | 143,641 | 1,443,689 | 120,275 | 1,460,687 | 75,063 |
| Privatization currencies | - | - | - | 77,905 | 77,905 | 65,007 | 12,898 | 79,040 | 10,417 | 84,482 | 13,309 |
| Foreign government securities | - | 67,259 | - | 58 | 67,317 | 67,307 | 10 | 103,726 | - | 75,868 | 30 |
| Other | 6,973 | 3,461 | 3,892 | 1,745 | 16,071 | 15,402 | 669 | 13,512 | (33) | 14,629 | (202) |
| **Corporate securities** | **15,121,346** | **4,299,414** | **2,038,927** | **40,162,091** | **61,621,778** | **62,456,143** | **(834,365)** | **56,717,427** | **(540,157)** | **45,778,675** | **(658,858)** |
| Bank deposit certificates | 332,973 | 1,360,511 | 54,695 | 1,244,929 | 2,993,108 | 2,993,108 | - | 2,487,518 | - | 1,884,451 | - |
| Shares | 5,100,498 | - | - | - | 5,100,498 | 6,841,694 | (1,741,196) | 4,320,027 | (1,129,026) | 4,083,407 | (845,303) |
| Debentures | 14,159 | 1,061,206 | 1,548,088 | 24,625,828 | 27,249,281 | 27,306,285 | (57,004) | 25,072,384 | (67,393) | 21,714,062 | (16,430) |
| Promissory notes | 129,425 | 1,053,058 | 6,158 | - | 1,188,641 | 1,193,135 | (4,494) | 807,765 | (2,497) | 191,312 | (2,289) |
| Foreign corporate securities | 132,945 | - | 21,234 | 7,136,679 | 7,290,858 | 7,019,956 | 270,902 | 5,070,851 | 317,218 | 3,631,192 | 141,537 |
| Derivative financial instruments (1) | 2,146,149 | 344,524 | 299,466 | 361,802 | 3,151,941 | 2,906,357 | 245,584 | 2,265,385 | 92,876 | 2,259,072 | 65,267 |
| Other | 7,265,197 | 480,115 | 109,286 | 6,792,853 | 14,647,451 | 14,195,608 | 451,843 | 16,693,497 | 248,665 | 12,015,179 | (1,640) |
| **PGBL / VGBL restricted bonds** | **9,334,581** | **3,432,623** | **2,769,195** | **26,103,670** | **41,640,069** | **41,640,069** | **-** | **37,145,196** | **-** | **25,376,974** | **-** |
| **Subtotal** | **62,061,627** | **9,468,988** | **27,801,069** | **180,645,928** | **279,977,612** | **271,761,322** | **8,216,290** | **253,651,502** | **1,042,017** | **187,201,348** | **(1,015,494)** |
| Purchase and sale commitments (2) | 39,941,728 | 2,554,159 | 225 | 33,552 | 42,529,664 | 42,529,664 | - | 41,307,953 | - | 44,223,223 | - |
| Hedge – cash flow (Note 8g) | - | - | - | - | - | - | (948,962) | - | (998,291) | - | 418,395 |
| **Overall total** | **102,003,355** | **12,023,147** | **27,801,294** | **180,679,480** | **322,507,276** | **314,290,986** | **7,267,328** | **294,959,455** | **43,726** | **231,424,571** | **(597,099)** |

# *Notes to the Consolidated Financial Statements*

## c) Consolidated classification by category, maturity and operating segment

### I) Trading securities

| Securities (3) | 2012 | | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | | | | | March 31 | | June 30 | |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Fair/ book value (5) (6) (7) | Restated cost | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market |
| **- Financial** | **35,258,782** | **3,216,375** | **5,445,724** | **71,320,390** | **115,241,271** | **113,894,354** | **1,346,917** | **105,124,230** | **809,396** | **75,571,460** | **(171,329)** |
| National treasury bills | 18,149,767 | 27,071 | 1,190,084 | 34,932,450 | 54,299,372 | 53,363,689 | 935,683 | 32,610,606 | 547,956 | 24,874,629 | (69,993) |
| Financial treasury bills | 238,123 | 59,357 | 664,989 | 5,181,227 | 6,143,696 | 6,141,047 | 2,649 | 6,429,571 | 2,220 | 5,931,111 | (38,477) |
| Bank deposit certificates | 305,518 | 456,253 | 44,359 | 272,584 | 1,078,714 | 1,078,714 | - | 877,221 | - | 378,259 | - |
| Derivative financial instruments (1) | 2,146,149 | 344,524 | 299,466 | 361,802 | 3,151,941 | 2,906,357 | 245,584 | 2,265,385 | 92,876 | 2,259,072 | 65,267 |
| Debentures | 5,951 | 526,509 | 1,548,088 | 23,665,269 | 25,745,817 | 25,826,045 | (80,228) | 23,617,964 | (74,708) | 20,239,214 | (18,321) |
| Promissory notes | 123,851 | 1,019,455 | - | - | 1,143,306 | 1,147,800 | (4,494) | 722,185 | (2,497) | 147,325 | (2,284) |
| National treasury notes | 8,122,015 | 409,574 | 1,670,467 | 5,986,558 | 16,188,614 | 15,931,969 | 256,645 | 29,198,292 | 245,453 | 16,842,384 | (109,529) |
| Foreign corporate securities | 444 | - | 17,412 | 43,143 | 60,999 | 61,173 | (174) | 50,403 | 794 | 55,519 | 1,008 |
| Foreign government securities | - | 67,259 | - | 58 | 67,317 | 67,307 | 10 | 103,726 | - | 75,868 | 30 |
| Shares | 843,424 | - | - | - | 843,424 | 851,774 | (8,350) | 183,500 | (1,684) | 64,349 | (16) |
| Other | 5,323,540 | 306,373 | 10,859 | 877,299 | 6,518,071 | 6,518,479 | (408) | 9,065,377 | (1,014) | 4,703,730 | 986 |
| **- Insurance companies and capitalization bonds** | **1,317,575** | **254,562** | **130,223** | **1,658,516** | **3,360,876** | **3,360,876** | **-** | **4,948,539** | **-** | **2,867,662** | **-** |
| Financial treasury bills | - | 50,424 | 115,131 | 875,937 | 1,041,492 | 1,041,492 | - | 551,106 | - | 583,919 | - |
| National treasury bills | 25,002 | - | - | 10,566 | 35,568 | 35,568 | - | 34,397 | - | 27,407 | - |
| Bank deposit certificates | 629 | 171,702 | 7,529 | 487,764 | 667,624 | 667,624 | - | 412,360 | - | 472,086 | - |
| National treasury notes | - | - | 1,405 | 39,698 | 41,103 | 41,103 | - | 2,665,666 | - | 576,020 | - |
| Other | 1,291,944 | 32,436 | 6,158 | 244,551 | 1,575,089 | 1,575, 089 | - | 1,285,010 | - | 1,208,230 | - |
| **- Pension plans** | **9,836,483** | **3,433,148** | **2,769,195** | **26,196,955** | **42,235,781** | **42,234,605** | **1,176** | **37,942,701** | **825** | **26,156,252** | **(8)** |
| Financial treasury bills | - | 525 | - | 5,279 | 5,804 | 5,804 | - | 15,365 | - | 6,973 | - |
| National treasury notes | - | - | - | 12,394 | 12,394 | 11,218 | 1,176 | 11,887 | 825 | 57,667 | (8) |
| PGBL / VGBL restricted bonds | 9,334,581 | 3,432,623 | 2,769,195 | 26,103,670 | 41,640,069 | 41,640,069 | - | 37,145,196 | - | 25,376,974 | - |
| Other | 501,902 | - | - | 75,612 | 577,514 | 577, 514 | - | 770,253 | - | 714,638 | - |

R$ thousand

## *Notes to the Consolidated Financial Statements*

R$ thousand

| Securities (3) | 2012 | | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | | | | | March 31 | | June 30 | |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Fair/ book value (5) (6) (7) | Restated cost | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market |
| **- Other activities** | **26,353** | **34,530** | **43,822** | **215,212** | **319,917** | **319,917** | **-** | **306,558** | **-** | **333,506** | - |
| Financial treasury bills | 9,260 | 4,213 | 40,501 | 164,500 | 218,474 | 218,474 | - | 212,994 | - | 251,040 | - |
| Bank deposit certificates | - | 8,863 | 2,808 | 16,379 | 28,050 | 28,050 | - | 16,843 | - | 9,114 | - |
| National treasury bills | 10,679 | 800 | - | 8,498 | 19,977 | 19,977 | - | 22,354 | - | 11,294 | - |
| Debentures | - | 657 | - | 4,678 | 5,335 | 5,335 | - | 5,230 | - | 7,931 | - |
| National treasury notes | 4,150 | 49 | - | - | 4,199 | 4,199 | - | 10,053 | - | 24,378 | - |
| Other | 2,264 | 19,948 | 513 | 21,157 | 43,882 | 43,882 | - | 39,084 | - | 29,749 | - |
| **Subtotal** | **46,439,193** | **6,938,615** | **8,388,964** | **99,391,073** | **161,157,845** | **159,809,752** | **1,348,093** | **148,322,028** | **810,221** | **104,928,880** | **(171,337)** |
| **Purchase and sale commitments (2)** | **39,363,093** | **2,554,159** | **225** | **33,099** | **41,950,576** | **41,950,576** | **-** | **41,307,953** | - | **44,223,223** | - |
| Financial/other | 2,017,536 | 32,362 | 225 | - | 2,050,123 | 2,050,123 | - | 2,189,926 | - | 2,394,009 | - |
| Insurance companies and capitalization bonds | 6,448,810 | 60,879 | - | - | 6,509,689 | 6,509,689 | - | 5,353,369 | - | 5,120,601 | - |
| Pension plans | **30,896,747** | **2,460,918** | **-** | **33,099** | **33,390,764** | **33,390,764** | **-** | **33,764,658** | - | **36,708,613** | - |
| - PGBL/VGBL | 30,218,215 | 2,460,918 | - | 33,099 | 32,712,232 | 32,712,232 | - | 33,469,510 | - | 34,734,077 | - |
| - Funds | 678,532 | - | - | - | 678,532 | 678,532 | - | 295,148 | - | 1,974,536 | - |
| **Overall total** | **85,802,286** | **9,492,774** | **8,389,189** | **99,424,172** | **203,108,421** | **201,760,328** | **1,348,093** | **189,629,981** | **810,221** | **149,152,103** | **(171,337)** |
| **Derivative financial instruments (liabilities)** | **(2,521,888)** | **(206,344)** | **(200,062)** | **(639,791)** | **(3,568,085)** | **(2,984,499)** | **(583,586)** | **(2,702,779)** | **(339,191)** | **(1,221,332)** | **37,301** |

## *Notes to the Consolidated Financial Statements*

### II) Available-for-sale securities

R$ thousand

| Securities (3) (8) | 2012 | | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | | | | | March 31 | | June 30 | |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Fair/ book value (5) (6) (7) | Restated cost | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market |
| **- Financial** | **12,818,012** | **1,875,749** | **19,130,144** | **42,527,590** | **76,351,495** | **75,052,310** | **1,299,185** | **70,225,201** | **1,028,240** | **48,460,056** | **(130,320)** |
| National treasury bills | 11,001,954 | 931,677 | 12,444,528 | 10,941,408 | 35,319,567 | 34,839,844 | 479,723 | 33,368,330 | 242,331 | 11,026,933 | (79,656) |
| Brazilian foreign debt securities | 16,141 | 18,474 | 223,226 | 628,171 | 886,012 | 742,371 | 143,641 | 1,128,269 | 120,479 | 680,975 | 73,875 |
| Foreign corporate securities | 126,599 | - | 3,822 | 7,093,536 | 7,223,957 | 6,952,881 | 271,076 | 5,020,449 | 316,425 | 3,570,673 | 140,530 |
| National treasury notes | - | 9 | 6,355,713 | 16,644,401 | 23,000,123 | 22,614,954 | 385,169 | 21,521,219 | 412,119 | 24,520,456 | (141,951) |
| Financial treasury bills | 18,559 | 34,420 | 1,051 | 378,470 | 432,500 | 431,954 | 546 | 409,954 | 400 | 398,488 | (5,357) |
| Bank deposit certificates | 24,776 | 723,694 | - | 468,202 | 1,216,672 | 1,216,672 | - | 1,163,284 | - | 984,358 | - |
| Debentures | - | 8,269 | - | 713,271 | 721,540 | 721,472 | 68 | 705,097 | 103 | 727,874 | 142 |
| Shares | 1,552,806 | - | - | - | 1,552,806 | 2,031,449 | (478,643) | 1,241,078 | (353,249) | 1,220,760 | (157,138) |
| Privatization currencies | - | - | - | 77,905 | 77,905 | 65,007 | 12,898 | 79,040 | 10,417 | 84,482 | 13,309 |
| Other | 77,177 | 159,206 | 101,804 | 5,582,226 | 5,920,413 | 5,435,706 | 484,707 | 5,588,481 | 279,215 | 5,245,057 | 25,926 |
| **- Insurance companies and capitalization bonds** | **1,345,665** | **141,961** | **74** | **10,199,173** | **11,686,873** | **10,422,231** | **1,264,642** | **1,633,445** | **(305,527)** | **1,566,017** | **(286,918)** |
| Financial treasury bills | - | - | 74 | 16,757 | 16,831 | 16,810 | 21 | 17,742 | 21 | 18,939 | - |
| National treasury notes | - | - | - | 10,085,842 | 10,085,842 | 8,307,771 | 1,778,071 | - | - | - | - |
| Shares | 1,316,485 | - | - | - | 1,316,485 | 1,813,104 | (496,619) | 1,391,166 | (286,143) | 1,323,472 | (262,141) |
| Debentures | 8,197 | 141,961 | - | 90,935 | 241,093 | 229,858 | 11,235 | 198,581 | 7,084 | 192,163 | 1,542 |
| Other | 20,983 | - | - | 5,639 | 26,622 | 54,688 | (28,066) | 25,956 | (26,489) | 31,443 | (26,319) |
| **- Pension plans** | **1,397,557** | **383,025** | **8,484** | **24,993,789** | **26,782,855** | **22,478,485** | **4,304,370** | **1,671,570** | **(490,917)** | **1,660,889** | **(426,919)** |
| Shares | 1,382,815 | - | - | - | 1,382,815 | 2,140,398 | (757,583) | 1,502,048 | (487,951) | 1,462,144 | (426,008) |
| Financial treasury bills | - | - | 8,484 | 59,513 | 67,997 | 67,804 | 193 | 72,248 | 196 | 72,825 | 130 |
| National treasury notes | - | - | - | 24,794,485 | 24,794,485 | 19,740,907 | 5,053,578 | - | - | - | - |
| Debentures | 11 | 383,025 | - | 139,791 | 522,827 | 510,907 | 11,920 | 81,904 | 129 | 75,692 | 206 |
| Other | 14,731 | - | - | - | 14,731 | 18,469 | (3,738) | 15,370 | (3,291) | 50,228 | (1,247) |

## *Notes to the Consolidated Financial Statements*

R$ thousand

| Securities (3) (8) | 2012 | | | | | | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | | | | | March 31 | | June 30 | |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Fair/ book value (5) (6) (7) | Restated cost | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market | Fair/ book value (5) (6) (7) | Mark-to-market |
| **- Other activities** | **58,123** | **-** | **-** | **-** | **58,123** | **58,123** | **-** | **54,989** | **-** | **204,829** | - |
| Bank deposit certificates | 2,050 | - | - | - | 2,050 | 2,050 | - | 4,864 | - | 3,785 | - |
| Other | 56,073 | - | - | - | 56,073 | 56,073 | - | 50,125 | - | 201,044 | - |
| **Subtotal** | **15,619,357** | **2,400,735** | **19,138,702** | **77,720,552** | **114,879,346** | **108,011,149** | **6,868,197** | **73,585,205** | **231,796** | **51,891,791** | **(844,157)** |
| **Purchase and sale commitments (2)** | **578,635** | **-** | **-** | **453** | **579,088** | **579,088** | **-** | **-** | **-** | **-** | **-** |
| Insurance companies and capitalization bonds | **535,853** | **-** | **-** | **-** | **535,853** | **535,853** | **-** | - | - | - | - |
| Pension plans | 42,782 | - | - | 453 | 43,235 | 43,235 | - | - | - | - | - |
| - Funds | 42,782 | - | - | 453 | 43,235 | 43,235 | - | - | - | - | - |
| **Subtotal** | **16,197,992** | **2,400,735** | **19,138,702** | **77,721,005** | **115,458,434** | **108,590,237** | **6,868,197** | **73,585,205** | **231,796** | **51,891,791** | **(844,157)** |
| Hedge – cash flow (Note 8g) | - | - | - | - | - | - | (948,962) | - | (998,291) | - | 418,395 |
| **Overall total (8)** | **16,197,992** | **2,400,735** | **19,138,702** | **77,721,005** | **115,458,434** | **108,590,237** | **5,919,235** | **73,585,205** | **(766,495)** | **51,891,791** | **(425,762)** |

# *Notes to the Consolidated Financial Statements*

### III) Held-to-maturity securities

R$ thousand

| Securities (3) | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | June 30 | | | | | March 31 | June 30 |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Restated cost (5) (6) | Restated cost (5) (6) | Restated cost (5) (6) |
| **Financial** | **3,077** | **-** | **273,403** | **47,400** | **323,880** | **297,353** | **761,640** |
| Brazilian foreign debt notes | 3,077 | - | 273,403 | 47,400 | 323,880 | 297,353 | 761,640 |
| **Insurance companies and capitalization bonds** | **-** | **-** | **-** | **-** | **-** | **8,214,450** | **7,919,659** |
| Debentures | - | - | - | - | - | 28,921 | 29,321 |
| National treasury notes | - | - | - | - | - | 8,185,529 | 7,890,338 |
| **Pension plans** | **-** | **129,638** | **-** | **3,486,903** | **3,616,541** | **23,232,466** | **21,699,378** |
| Debentures | - | - | - | - | - | 420,870 | 432,741 |
| National treasury notes | - | 129,638 | - | 3,486,903 | 3,616,541 | 22,811,596 | 21,266,637 |
| **Overall total (4)** | **3,077** | **129,638** | **273,403** | **3,534,303** | **3,940,421** | **31,744,269** | **30,380,677** |

## *Notes to the Consolidated Financial Statements*

### d) Breakdown of the portfolios by financial statement classification

R$ thousand

| Securities | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Total on June 30 (3) (5) (6) (7) | Total on March 31 (3) (5) (6) (7) | Total on June 30 (3) (5) (6) (7) |
| **Own portfolio** | **90,928,206** | **10,273,755** | **6,118,080** | **108,810,689** | **216,130,730** | **195,036,662** | **148,332,498** |
| **Fixed income securities** | **85,827,708** | **10,273,755** | **6,118,080** | **108,810,689** | **211,030,232** | **190,716,635** | **144,249,091** |
| ● Financial treasury bills | 265,942 | 109,228 | 773,069 | 4,405,483 | 5,553,722 | 5,531,802 | 4,792,260 |
| ● Purchase and sale commitments (2) | 39,941,728 | 2,554,159 | 225 | 33,552 | 42,529,664 | 41,307,953 | 44,223,223 |
| ● National treasury notes | 8,126,165 | 129,861 | 233,046 | 38,427,377 | 46,916,449 | 56,194,530 | 29,962,605 |
| ● Brazilian foreign debt securities | 13,901 | 18,474 | 252,717 | 456,563 | 741,655 | 482,888 | 254,295 |
| ● Bank deposit certificates | 332,973 | 1,360,511 | 54,695 | 1,244,929 | 2,993,108 | 2,487,518 | 1,884,451 |
| ● National treasury bills | 20,271,497 | 3,800 | 346,475 | 207,132 | 20,828,904 | 1,059,458 | 2,311,375 |
| ● Foreign corporate securities | 125,167 | - | 21,234 | 6,511,499 | 6,657,900 | 3,816,406 | 1,432,858 |
| ● Debentures | 14,159 | 1,061,206 | 1,548,088 | 24,625,828 | 27,249,281 | 25,072,384 | 21,714,062 |
| ● Promissory notes | 129,425 | 1,053,058 | 6,158 | - | 1,188,641 | 807,765 | 191,312 |
| ● Foreign government securities | - | 67,259 | - | 58 | 67,317 | 103,726 | 75,868 |
| ● PGBL/VGBL restricted bonds | 9,334,581 | 3,432,623 | 2,769,195 | 26,103,670 | 41,640,069 | 37,145,196 | 25,376,974 |
| ● Other | 7,272,170 | 483,576 | 113,178 | 6,794,598 | 14,663,522 | 16,707,009 | 12,029,808 |
| **Equity securities** | **5,100,498** | **-** | **-** | **-** | **5,100,498** | **4,320,027** | **4,083,407** |
| ● Shares of listed companies (technical provision) | 1,531,810 | - | - | - | 1,531,810 | 1,811,145 | 1,728,161 |
| ● Shares of listed companies (other) | 3,568,688 | - | - | - | 3,568,688 | 2,508,882 | 2,355,246 |
| **Restricted securities** | **8,929,000** | **1,404,868** | **20,659,529** | **70,491,751** | **101,485,148** | **95,837,507** | **79,766,136** |
| **Repurchase agreements** | **8,929,000** | **1,367,658** | **20,356,810** | **66,801,272** | **97,454,740** | **91,280,703** | **76,189,797** |
| ● National treasury bills | 8,915,905 | 955,748 | 12,419,055 | 43,018,157 | 65,308,865 | 60,570,888 | 31,275,361 |
| ● Brazilian foreign debt securities | 5,317 | - | 243,912 | 219,008 | 468,237 | 960,801 | 1,206,392 |
| ● Financial treasury bills | - | 2,501 | 4,521 | 521,553 | 528,575 | 284,856 | 294,435 |
| ● National treasury notes | - | 409,409 | 7,689,322 | 22,417,374 | 30,516,105 | 28,209,713 | 41,215,275 |
| ● Foreign corporate securities | 7,778 | - | - | 625,180 | 632,958 | 1,254,445 | 2,198,334 |
| **Brazilian Central Bank** | **-** | **-** | **-** | **-** | **-** | **1,002,782** | **1,301,564** |
| ● National treasury bills | - | - | - | - | - | 1,002,782 | 1,301,564 |

## *Notes to the Consolidated Financial Statements*

| Securities | R$ thousand | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | 2011 |
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Total on June 30 (3) (5) (6) (7) | Total on March 31 (3) (5) (6) (7) | Total on June 30 (3) (5) (6) (7) |
| **Privatization currencies** | **-** | **-** | **-** | **77,905** | **77,905** | **79,040** | **84,482** |
| **Guarantees provided** | **-** | **37,210** | **302,719** | **3,612,574** | **3,952,503** | **3,474,982** | **2,190,293** |
| ● National treasury bills | - | - | 144,864 | 1,670,254 | 1,815,118 | 1,600,145 | 71,241 |
| ● Financial treasury bills | - | 37,210 | 52,639 | 1,736,789 | 1,826,638 | 1,874,837 | 2,119,052 |
| ● National treasury notes | - | - | 105,216 | 205,531 | 310,747 | - | - |
| **Derivative financial instruments (1)** | **2,146,149** | **344,524** | **299,466** | **361,802** | **3,151,941** | **2,265,385** | **2,259,072** |
| **Securities subject to unrestricted repurchase agreements** | **-** | **-** | **724,219** | **1,015,238** | **1,739,457** | **1,819,901** | **1,066,865** |
| ● National treasury bills | - | - | 724,219 | 997,378 | 1,721,597 | 1,802,416 | 1,007,463 |
| ● Financial treasury bills | - | - | - | 17,860 | 17,860 | 17,485 | 59,402 |
| **Overall total** | **102,003,355** | **12,023,147** | **27,801,294** | **180,679,480** | **322,507,276** | **294,959,455** | **231,424,571** |
| **%** | **31.6** | **3.7** | **8.6** | **56.1** | **100.0** | **100.0** | **100.0** |

(1) Consistent with the criterion adopted by Bacen Circular Letter 3,068/01 and due to the characteristics of the securities, we are considering the derivative financial instruments, except those considered as cash flow hedges under the category "Trading Securities";
(2) These refer to investment fund resources and managed portfolios applied on purchase and sale commitments with Bradesco, whose owners are consolidated subsidiaries, included in the consolidated financial statements;
(3) The investment fund quotas were distributed according to the instruments composing their portfolios and preserving the category classification of the funds;
(4) In compliance with the provisions of Article 8 of Bacen Circular Letter 3,068/01, Bradesco declares that it has both the financial capacity and the intention to hold to maturity the securities classified as 'held-to-maturity.' This financial capacity is evidenced in Note 32a, which presents the maturities of asset and liability operations. As at June 30, 2012, R$28,501,990 thousand was transferred from "Held to Maturity" to "Available-for-Sale" due to reclassification made by the Insurance Group after adoption of CPCs 38 and 40;
(5) The number of days to maturity was based on the maturity of the securities, regardless of their accounting classification;
(6) This column reflects book value subsequent to mark-to-market according to item (7), except for held-to-maturity securities, whose market value is higher than the restated cost in the amount of R$2,221,338 thousand (R$6,477,950 thousand on March 31, 2012 and R$3,457,591 thousand on June 30, 2011);
(7) The market value of securities is determined based on the market price available on the reporting date. Should there be no market prices available, amounts are estimated based on the prices quoted by dealers, on pricing models, quotation models or price quotations for instruments with similar characteristics; in case of investment funds, the restated cost reflects the market value of the respective quotas; and
(8) In the first half of 2012, other than temporary impairments were not realized for the securities classified as "available for sale."

## *Notes to the Consolidated Financial Statements*

### e) Derivative financial instruments

Bradesco carries out transactions involving derivative financial instruments, which are recorded in the statement of financial position or in memorandum accounts, to meet its own needs in managing its global exposure, as well as to meet its customer's requests, in order to manage their exposures. These operations involve a series of derivatives, including interest rate swaps, currency swaps, futures and options. Bradesco's risk management policy is based on the utilization of derivative financial instruments mainly in order to mitigating the risks of operations carried out by the Bank and its subsidiaries.

Securities classified in the trading and available-for-sale categories, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their estimated fair value. Fair value is generally based on market prices or quotations for assets or liabilities with similar characteristics. Should market prices not be available, fair values are based on dealer quotations, pricing models, discounted cash flows or similar techniques for which the determination of fair value may require judgment or significant estimates by the Management.

Market price quotations are used to determine the fair value of derivative financial instruments. The fair value of swaps is determined by using discounted cash flow modeling techniques that use yield curves, reflecting adequate risk factors. The information to build yield curves is mainly obtained from the Securities, Commodities and Futures Exchange (BM&FBOVESPA) and the domestic and international secondary market. These yield curves are used to determine the fair value of currency swaps, interest rate and other risk factors swaps. The fair value of forward and futures contracts is also determined based on market price quotations for derivatives traded at the stock exchange or using methodologies similar to those outlined for swaps. The fair values of loan derivative instruments are determined based on market price quotation or from specialized entities. The fair value of options is determined based on mathematical models, such as Black & Scholes, using yield curves, implied volatilities and the fair value of corresponding assets. Current market prices are used to calculate volatility.

Derivative financial instruments in Brazil mainly refer to swap and futures operations and are registered at the OTC Clearing House (CETIP) and BM&FBOVESPA.

Operations involving forward contracts of indexes and currencies are contracted by Management to hedge Bradesco's overall exposures and to meet customer needs.

Derivative financial instruments abroad refer to swap, forward, options, credit and futures operations and are mainly carried out at the stock exchanges of Chicago and New York, as well as the over-the-counter markets.

## *Notes to the Consolidated Financial Statements*

### I) Amount of derivative financial instruments recorded in equity and memorandum accounts

R$ thousand

| | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|
| | June 30 | | March 31 | | June 30 | |
| | Overall amount | Net amount | Overall amount | Net amount | Overall amount | Net amount |
| **Futures contracts** | | | | | | |
| **Purchase commitments:** | **51,433,234** | | **54,071,485** | | **31,497,162** | |
| - Interbank market | 40,918,242 | - | 39,672,495 | - | 24,939,155 | - |
| - Foreign currency | 10,504,659 | - | 14,395,228 | - | 6,558,007 | - |
| - Other | 10,333 | - | 3,762 | - | - | - |
| **Sale commitments:** | **234,555,190** | | **132,247,294** | | **144,442,898** | |
| - Interbank market (1) | 199,271,376 | 158,353,134 | 107,452,629 | 67,780,134 | 127,332,061 | 102,392,906 |
| - Foreign currency (2) | 34,158,916 | 23,654,257 | 23,697,830 | 9,302,602 | 15,859,337 | 9,301,330 |
| - Other | 1,124,898 | 1,114,565 | 1,096,835 | 1,093,073 | 1,251,500 | 1,251,500 |
| | | | | | | |
| **Option contracts** | | | | | | |
| **Purchase commitments:** | **52,988,139** | | **38,210,564** | | **20,296,581** | |
| - Interbank market | 51,627,400 | - | 37,016,660 | 14,407,160 | 19,383,650 | - |
| - Foreign currency | 617,196 | - | 720,132 | - | 229,232 | - |
| - Other | 743,543 | - | 473,772 | - | 683,699 | - |
| **Sale commitments:** | **67,411,635** | | **24,772,525** | | **22,606,874** | |
| - Interbank market | 65,521,650 | 13,894,250 | 22,609,500 | - | 20,218,600 | 834,950 |
| - Foreign currency | 823,684 | 206,488 | 1,189,137 | 469,005 | 1,572,330 | 1,343,098 |
| - Other | 1,066,301 | 322,758 | 973,888 | 500,116 | 815,944 | 132,245 |
| | | | | | | |
| **Forward contracts** | | | | | | |
| **Purchase commitments:** | **24,897,454** | | **26,149,894** | | **4,728,829** | |
| - Foreign currency | 23,924,878 | 9,216,756 | 26,033,837 | 9,753,316 | 4,661,005 | - |
| - Other | 972,576 | - | 116,057 | - | 67,824 | - |
| **Sale commitments:** | **15,967,216** | | **17,710,880** | | **6,324,938** | |
| - Foreign currency | 14,708,122 | - | 16,280,521 | - | 5,915,486 | 1,254,481 |
| - Other | 1,259,094 | 286,518 | 1,430,359 | 1,314,302 | 409,452 | 341,628 |
| | | | | | | |
| **Swap contracts** | | | | | | |
| **Assets (long position):** | **36,744,376** | | **28,916,794** | | **19,456,619** | |
| - Interbank market | 7,380,073 | - | 6,394,832 | - | 2,886,823 | - |
| - Fixed rate | 2,035,035 | - | 2,182,916 | - | 623,232 | - |
| - Foreign currency (3) | 23,241,531 | - | 16,670,411 | - | 13,144,704 | 4,373,384 |
| - Reference Interest Rate (TR) | 15,000 | - | 15,000 | - | 15,034 | - |
| - Special Clearance and Custody System Rate (Selic) | 21,273 | 21,012 | 21,436 | 18,633 | 32,345 | 5,991 |
| - General Price Index –Market (IGP-M) | 2,102,500 | 1,300,776 | 2,030,873 | 1,348,450 | 1,723,951 | 1,448,753 |
| - Other | 1,948,964 | 968,518 | 1,601,326 | 703,267 | 1,030,530 | 587,263 |
| **Liabilities (short position):** | **37,042,035** | | **29,258,076** | | **18,233,208** | |
| - Interbank market | 7,676,179 | 296,106 | 6,891,256 | 496,424 | 6,806,431 | 3,919,608 |
| - Fixed rate | 3,128,402 | 1,093,367 | 2,676,811 | 493,895 | 660,915 | 37,683 |
| - Foreign currency (3) | 23,343,946 | 102,415 | 16,887,979 | 217,568 | 8,771,320 | - |
| - TR | 1,111,077 | 1,096,077 | 1,218,745 | 1,203,745 | 1,249,723 | 1,234,689 |
| - Selic | 261 | - | 2,803 | - | 26,354 | - |
| - IGP-M | 801,724 | - | 682,423 | - | 275,198 | - |
| - Other | 980,446 | - | 898,059 | - | 443,267 | - |

Derivatives include operations maturing in D+1.

(1) Includes cash flow hedges to protect CDI-related funding, in the amount of R$43,208,629 thousand (R$50,521,744 thousand on March 31, 2012 and R$57,502,527 thousand on June 30, 2011) (Note 8g);
(2) Includes specific hedges to protect investments abroad that totaled R$22,039,753 thousand (R$19,852,177 thousand on March 31, 2012 and R$16,617,177 thousand on June 30, 2011); and
(3) Includes credit derivative operations (Note 8f).

For the purpose of obtaining an increased liquidation guarantee in operations with financial institutions and customers, Bradesco set forth agreements for compensation and liquidation of obligations within the National Financial System, in accordance with CMN Resolution 3,263/05.

## *Notes to the Consolidated Financial Statements*

### II) Breakdown of derivative financial instruments (assets and liabilities) stated at restated cost and market value

R$ thousand

| | 2012 | | | | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30 | | | March 31 | | | June 30 | | |
| | Restated cost | Mark-to-market adjustment | Market value | Restated cost | Mark-to-market adjustment | Market value | Restated cost | Mark-to-market adjustment | Market value |
| Adjustment receivables – swaps | 522,409 | 174,587 | 696,996 | 488,839 | 87,427 | 576,266 | 1,532,971 | 83,973 | 1,616,944 |
| Receivable forward purchases | 1,393,852 | - | 1,393,852 | 316,476 | - | 316,476 | 62,982 | - | 62,982 |
| Receivable forward sales | 927,406 | - | 927,406 | 1,347,775 | - | 1,347,775 | 568,798 | - | 568,798 |
| Premiums on exercisable options | 62,690 | 70,997 | 133,687 | 19,419 | 5,449 | 24,868 | 29,054 | (18,706) | 10,348 |
| **Total assets** | **2,906,357** | **245,584** | **3,151,941** | **2,172,509** | **92,876** | **2,265,385** | **2,193,805** | **65,267** | **2,259,072** |
| Adjustment payables – swaps | (458,288) | (536,367) | (994,655) | (568,300) | (349,249) | (917,549) | (413,402) | 19,869 | (393,533) |
| Payable forward purchases | (1,044,245) | - | (1,044,245) | (171,988) | - | (171,988) | (367,969) | - | (367,969) |
| Payable forward sales | (1,389,447) | - | (1,389,447) | (1,562,415) | - | (1,562,415) | (397,475) | - | (397,475) |
| Premiums on written options | (92,519) | (47,219) | (139,738) | (60,885) | 10,058 | (50,827) | (79,787) | 17,432 | (62,355) |
| **Total liabilities** | **(2,984,499)** | **(583,586)** | **(3,568,085)** | **(2,363,588)** | **(339,191)** | **(2,702,779)** | **(1,258,633)** | **37,301** | **(1,221,332)** |

### III) Futures, option, forward and swap contracts – (Notional)

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 90 days | 91 to 180 days | 181 to 360 days | More than 360 days | Total on June 30 | Total on March 31 | Total on June 30 |
| Futures contracts | 70,458,929 | 5,152,022 | 79,430,212 | 130,947,261 | 285,988,424 | 186,318,779 | 175,940,060 |
| Option contracts | 16,386,441 | 510,009 | 103,294,015 | 209,309 | 120,399,774 | 62,983,089 | 42,903,455 |
| Forward contracts | 30,355,141 | 2,553,277 | 3,261,190 | 4,695,062 | 40,864,670 | 43,860,774 | 11,053,767 |
| Swap contracts | 12,264,083 | 12,678,480 | 3,410,103 | 7,694,714 | 36,047,380 | 28,340,528 | 17,839,675 |
| **Total on June 30, 2012** | **129,464,594** | **20,893,788** | **189,395,520** | **143,546,346** | **483,300,248** | | |
| **Total on March 31, 2012** | **124,721,996** | **43,190,624** | **78,875,600** | **74,714,950** | | **321,503,170** | |
| **Total on June 30, 2011** | **68,816,700** | **56,951,753** | **56,009,641** | **65,958,863** | | | **247,736,957** |

## *Notes to the Consolidated Financial Statements*

### IV) Types of guarantee margin for derivative financial instruments, mainly futures contracts

| | | | R$ thousand |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| **Government securities** | | | |
| National treasury notes | 3,001,541 | 143,225 | 1,501,123 |
| Financial treasury bills | 34,700 | 34,038 | 31,315 |
| National treasury bills | 3,553,173 | 3,986,464 | 1,293,865 |
| **Total** | **6,589,414** | **4,163,727** | **2,826,303** |

### V) Revenues and expenses, net

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Swap contracts | (444,133) | (100,135) | (544,268) | 493,853 |
| Forward contracts | 218,510 | (141,389) | 77,121 | (280,480) |
| Option contracts | 34,797 | 26,743 | 61,540 | (350) |
| Futures contracts | (1,428,884) | (298,591) | (1,727,475) | 945,547 |
| Foreign exchange variation of investments abroad | 380,459 | (97,953) | 282,506 | (986,533) |
| **Total** | **(1,239,251)** | **(611,325)** | **(1,850,576)** | **172,037** |

### VI) Overall amounts of derivative financial instruments, broken down by trading place and counter parties

| | | | R$ thousand |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| CETIP (over-the-counter) | 161,548,368 | 31,858,785 | 20,335,016 |
| BM&FBOVESPA (stock exchange) | 280,309,953 | 246,035,902 | 214,278,318 |
| Abroad (over-the-counter) (1) | 35,763,455 | 42,410,154 | 10,208,708 |
| Abroad (stock exchange) (1) | 5,678,472 | 1,198,329 | 2,914,915 |
| **Total** | **483,300,248** | **321,503,170** | **247,736,957** |

(1) Comprise operations carried out on the Chicago and New York Stock Exchanges and over-the-counter markets.

On June 30, 2012, counterparties are distributed among corporate entities with 91%, financial institutions with 8% and individuals/others with 1%.

## *Notes to the Consolidated Financial Statements*

### f) Credit Default Swaps (CDS)

In general, these represent bilateral agreements in which one of the parties purchases protection against the credit risk of a certain financial instrument (the risk is transferred). The selling counterparty receives remuneration that is usually paid in a linear manner during the term of the agreement.

In the case of a default, the purchasing counterparty will receive a payment to offset the loss incurred on the financial instrument. In this case, the selling counterparty usually receives the underlying asset of the agreement in exchange for the payment.

R$ thousand

| | Credit risk amount | | | Effect on the calculation of the required shareholders' equity | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | 2012 | | 2011 |
| | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 |
| Sold protection | | | | | | |
| Credit swaps whose underlying assets are: | | | | | | |
| ● Securities – Brazilian public debt | (323,408) | (528,409) | (452,719) | - | - | - |
| ● Derivatives with companies | (4,043) | (3,644) | (3,122) | (222) | (200) | (172) |
| Purchased protection | | | | | | |
| Credit swaps whose underlying assets are: | | | | | | |
| ● Securities – Brazilian public debt | 656,922 | 628,625 | 476,136 | - | - | - |
| ● Derivatives with companies | 26,277 | 23,687 | 4,683 | 2,890 | 2,606 | 515 |
| **Total** | **355,748** | **120,259** | **24,978** | **2,668** | **2,406** | **343** |
| Deposited margin | 5,053 | 4,555 | 6,357 | | | |

Bradesco carries out operations involving credit derivatives in order to better manage its risk exposure and assets. Contracts related to the credit derivatives operations described above have several maturities up to 2013. The mark-to-market of protection rates that remunerate the counterparty selling protection amounts to R$505 thousand (R$(993) thousand on March 31, 2012 and R$654 thousand on June 30, 2011). There was no credit event related to triggering events as defined in the contracts in the period.

## *Notes to the Consolidated Financial Statements*

### g) Cash flow hedge

Bradesco uses cash flow hedges to protect its cash flows from payment of interest rates on funds indexed to Bank Deposit Certificates (CDB), related to variable interest rate risk of Interbank Deposit Rate (DI Cetip), thus registering fixed cash flows.

Bradesco trades DI Future contracts at BM&FBOVESPA since 2009, using them as cash flow hedges for funding linked to DI. The following table presents the DI Future position, where:

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| DI Future with maturity between 2012 and 2017 | 43,208,629 | 50,521,744 | 57,502,527 |
| Funding indexed to CDI | 41,691,552 | 49,100,823 | 57,473,929 |
| Mark-to-market adjustment recorded in shareholders' equity (1) | (948,962) | (998,291) | 418,395 |
| Ineffective market value recorded in the income statement | (56) | (453) | 17 |

(1) The adjustment in shareholders' equity is R$(569,377) thousand, net of tax effects (R$(598,975) thousand on March 31, 2012 and R$251,037 thousand on June 30, 2011).

The effectiveness of the hedge portfolio was assessed in conformity with Bacen Circular Letter 3,082/02.

### h) Income from securities, insurance, pension plans and capitalization bonds financial activities and derivative financial instruments

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Fixed income securities | 6,016,083 | 5,138,381 | 11,154,464 | 6,239,210 |
| Interbank investments (Note 7b) | 2,175,753 | 2,376,279 | 4,552,032 | 4,880,670 |
| Equity securities | 683 | 15,016 | 15,699 | 8,851 |
| **Subtotal** | **8,192,519** | **7,529,676** | **15,722,195** | **11,128,731** |
| Financial result of insurance, pension plans and capitalization bonds | 2,202,039 | 3,151,543 | 5,353,582 | 4,960,069 |
| Income from derivative financial instruments (Note 8e V) | (1,239,251) | (611,325) | (1,850,576) | 172,037 |
| **Total** | **9,155,307** | **10,069,894** | **19,225,201** | **16,260,837** |

# *Notes to the Consolidated Financial Statements*

## 9) INTERBANK ACCOUNTS – COMPULSORY DEPOSITS

### a) Compulsory reserve

R$ thousand

| | Remuneration | 2012 | | 2011 |
|---|---|---|---|---|
| | | June 30 | March 31 | June 30 |
| Reserve requirements – demand deposits | not remunerated | 8,524,372 | 8,717,465 | 7,981,845 |
| Reserve requirements – savings deposits | savings index | 12,348,150 | 11,959,479 | 10,907,864 |
| Time reserve requirements (1) | Selic rate | 15,059,103 | 14,918,473 | 19,538,124 |
| Collection of funds from rural loan (2) | not remunerated | - | - | 39,722 |
| Additional reserve requirements | Selic rate | 24,437,733 | 23,783,534 | 26,694,883 |
| • Savings deposits | | 6,173,067 | 5,978,759 | 5,453,932 |
| • Demand deposits | | 4,092,235 | 3,899,553 | 3,912,803 |
| • Time deposits (1) | | 14,172,431 | 13,905,222 | 17,328,148 |
| Restricted deposits – National Housing System (SFH) | TR + interest rate | 547,312 | 540,115 | 517,365 |
| Funds from rural loan | not remunerated | 578 | 578 | 578 |
| **Total** | | **60,917,248** | **59,919,644** | **65,680,381** |

(1) For more information on new rules on compulsory time deposit funds, see Note 35c; and
(2) In August 2011, funds from rural loan, collected to Bacen, were refunded, pursuant to Circular Letter 3,460/09.

### b) Revenue from compulsory deposits

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Compulsory deposits - Bacen (reserves requirement) | 1,015,338 | 1,247,263 | 2,262,601 | 2,857,252 |
| Restricted deposits - SFH | 6,649 | 7,258 | 13,907 | 14,395 |
| **Total** | **1,021,987** | **1,254,521** | **2,276,508** | **2,871,647** |

## *Notes to the Consolidated Financial Statements*

### 10) LOAN OPERATIONS

Information related to loan operations, including advances on foreign exchange contracts, leasing operations and other receivables with credit characteristics, can be found below are as follows:

#### a) By type and maturity

R$ thousand

| | Performing loans | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2012 | | | | 2011 | |
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | 181 to 360 days | More than 360 days | Total on June 30 (A) | % (6) | Total on March 31 (A) | % (6) | Total on June 30 (A) | % (6) |
| Discounted trade receivables and loans (1) | 17,438,282 | 13,898,343 | 8,784,187 | 15,098,959 | 18,576,101 | 47,494,693 | 121,290,565 | 38.7 | 116,730,904 | 38.5 | 109,921,931 | 39.1 |
| Financing | 3,887,270 | 4,075,410 | 3,256,876 | 8,347,354 | 15,482,327 | 56,062,746 | 91,111,983 | 29.0 | 87,860,803 | 28.9 | 77,838,160 | 27.8 |
| Agricultural and agribusiness financing | 996,924 | 1,037,773 | 953,538 | 2,767,294 | 3,021,865 | 6,525,997 | 15,303,391 | 4.9 | 15,326,288 | 5.0 | 14,422,611 | 5.1 |
| **Subtotal** | **22,322,476** | **19,011,526** | **12,994,601** | **26,213,607** | **37,080,293** | **110,083,436** | **227,705,939** | **72.6** | **219,917,995** | **72.4** | **202,182,702** | **72.0** |
| Leasing operations | 519,729 | 415,038 | 403,242 | 1,148,324 | 1,945,549 | 3,862,360 | 8,294,242 | 2.6 | 9,065,214 | 3.0 | 11,700,196 | 4.2 |
| Advances on foreign exchange contracts (2) | 972,847 | 978,328 | 1,330,308 | 2,347,310 | 1,438,441 | 3,063 | 7,070,297 | 2.2 | 6,662,093 | 2.2 | 6,768,910 | 2.4 |
| **Subtotal** | **23,815,052** | **20,404,892** | **14,728,151** | **29,709,241** | **40,464,283** | **113,948,859** | **243,070,478** | **77.4** | **235,645,302** | **77.6** | **220,651,808** | **78.6** |
| Other receivables (3) | 4,826,244 | 3,080,610 | 1,390,832 | 2,443,653 | 1,533,837 | 505,678 | 13,780,854 | 4.4 | 12,813,396 | 4.2 | 12,067,268 | 4.3 |
| **Total loan operations** | **28,641,296** | **23,485,502** | **16,118,983** | **32,152,894** | **41,998,120** | **114,454,537** | **256,851,332** | **81.8** | **248,458,698** | **81.8** | **232,719,076** | **82.9** |
| Sureties and guarantees (4) | 1,691,250 | 690,317 | 1,410,271 | 3,059,392 | 4,410,366 | 41,614,554 | 52,876,150 | 16.8 | 50,932,177 | 16.7 | 43,443,374 | 15.5 |
| Loan assignment (5) | 27,482 | 25,944 | 24,558 | 66,516 | 103,481 | 92,450 | 340,431 | 0.1 | 421,561 | 0.1 | 442,156 | 0.2 |
| Loan assignment – real estate receivables certificate | 17,094 | 17,093 | 17,092 | 49,191 | 73,413 | 246,821 | 420,704 | 0.1 | 477,906 | 0.2 | 551,965 | 0.2 |
| Co-obligation in rural loan assignment (4) | - | - | - | - | - | 130,734 | 130,734 | - | 130,616 | - | 140,963 | 0.1 |
| Loans available for import (4) | 70,368 | 114,312 | 49,071 | 265,642 | 665,109 | 525,258 | 1,689,760 | 0.5 | 1,486,594 | 0.5 | 1,588,510 | 0.6 |
| Confirmed export credits (4) | 18,821 | 10,859 | 5,576 | 29,587 | 10,212 | 14,373 | 89,428 | - | 69,182 | - | 41,321 | - |
| Acquisition of credit card receivables | 588,077 | 262,270 | 186,822 | 486,108 | 550,429 | 133,087 | 2,206,793 | 0.7 | 2,161,280 | 0.7 | 1,286,227 | 0.5 |
| **Overall total on June 30, 2012** | **31,054,388** | **24,606,297** | **17,812,373** | **36,109,330** | **47,811,130** | **157,211,814** | **314,605,332** | **100.0** | | | | |
| **Overall total on March 31, 2012** | **29,394,686** | **23,803,712** | **17,990,937** | **34,354,418** | **44,056,313** | **154,537,948** | | | **304,138,014** | **100.0** | | |
| **Overall total on June 30, 2011** | **30,241,497** | **20,063,656** | **16,194,233** | **33,024,232** | **41,241,955** | **139,448,019** | | | | | **280,213,592** | **100.0** |

## *Notes to the Consolidated Financial Statements*

R$ thousand

| | Non-performing loans | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Installments past due | | | | | | | | | | |
| | | | | | | 2012 | | | | 2011 | |
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | 181 to 540 days | Total on June 30 (B) | % (6) | Total on March 31 (B) | % (6) | Total on June 30 (B) | % (6) |
| Discounted trade receivables and loans (1) | 1,040,426 | 988,355 | 904,857 | 1,867,235 | 2,409,823 | 7,210,696 | 84.0 | 7,056,338 | 84.3 | 6,219,141 | 82.7 |
| Financing | 238,815 | 188,480 | 112,439 | 210,211 | 205,188 | 955,133 | 11.1 | 884,025 | 10.6 | 683,263 | 9.1 |
| Agricultural and agribusiness financing | 21,956 | 30,333 | 8,174 | 18,670 | 19,369 | 98,502 | 1.1 | 87,714 | 1.0 | 86,883 | 1.2 |
| **Subtotal** | **1,301,197** | **1,207,168** | **1,025,470** | **2,096,116** | **2,634,380** | **8,264,331** | **96.2** | **8,028,077** | **95.9** | **6,989,287** | **93.0** |
| Leasing operations | 68,853 | 53,003 | 32,470 | 58,008 | 46,192 | 258,526 | 3.0 | 278,699 | 3.3 | 391,866 | 5.2 |
| Advances on foreign exchange contracts (2) | 3,964 | 2,632 | 845 | - | - | 7,441 | 0.1 | 9,209 | 0.1 | 19,170 | 0.3 |
| **Subtotal** | **1,374,014** | **1,262,803** | **1,058,785** | **2,154,124** | **2,680,572** | **8,530,298** | **99.3** | **8,315,985** | **99.3** | **7,400,323** | **98.5** |
| Other receivables (3) | 2,140 | 2,867 | 2,775 | 3,832 | 52,730 | 64,344 | 0.7 | 61,300 | 0.7 | 113,611 | 1.5 |
| **Overall total on June 30, 2012** | **1,376,154** | **1,265,670** | **1,061,560** | **2,157,956** | **2,733,302** | **8,594,642** | **100.0** | | | | |
| **Overall total on March 31, 2012** | **1,316,989** | **1,200,657** | **1,090,000** | **2,007,449** | **2,762,190** | | | **8,377,285** | **100.0** | | |
| **Overall total on June 30, 2011** | **1,239,759** | **1,043,036** | **956,317** | **1,866,095** | **2,408,727** | | | | | **7,513,934** | **100.0** |

## *Notes to the Consolidated Financial Statements*

R$ thousand

| | Non-performing loans | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outstanding Installments | | | | | | | | | | | |
| | | | | | | | 2012 | | | | 2011 | |
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | 181 to 360 days | More than 360 days | Total on June 30 (C) | % (6) | Total on March 31 (C) | % (6) | Total on June 30 (C) | % (6) |
| Discounted trade receivables and loans (1) | 649,397 | 530,977 | 431,409 | 1,021,000 | 1,459,390 | 3,280,061 | 7,372,234 | 53.8 | 6,800,179 | 52.6 | 5,000,939 | 47.1 |
| Financing | 220,091 | 205,793 | 201,339 | 575,284 | 986,447 | 2,899,873 | 5,088,827 | 37.1 | 4,746,396 | 36.8 | 3,656,389 | 34.5 |
| Agricultural and agribusiness financing | 5,462 | 4,788 | 4,829 | 5,557 | 31,158 | 170,649 | 222,443 | 1.6 | 194,531 | 1.5 | 313,281 | 3.0 |
| **Subtotal** | **874,950** | **741,558** | **637,577** | **1,601,841** | **2,476,995** | **6,350,583** | **12,683,504** | **92.5** | **11,741,106** | **90.9** | **8,970,609** | **84.6** |
| Leasing operations | 62,280 | 55,134 | 53,783 | 156,330 | 265,518 | 442,445 | 1,035,490 | 7.5 | 1,170,149 | 9.1 | 1,627,516 | 15.4 |
| **Subtotal** | **937,230** | **796,692** | **691,360** | **1,758,171** | **2,742,513** | **6,793,028** | **13,718,994** | **100.0** | **12,911,255** | **100.0** | **10,598,125** | **100.0** |
| Other receivables (3) | 96 | 92 | 91 | 229 | 327 | 565 | 1,400 | - | 1,285 | - | 3,281 | - |
| **Overall total on June 30, 2012** | **937,326** | **796,784** | **691,451** | **1,758,400** | **2,742,840** | **6,793,593** | **13,720,394** | **100.0** | | | | |
| **Overall total on March 31, 2012** | **817,922** | **788,472** | **648,625** | **1,655,059** | **2,619,249** | **6,383,213** | | | **12,912,540** | **100.0** | | |
| **Overall total on June 30, 2011** | **700,557** | **638,899** | **564,841** | **1,395,284** | **2,151,791** | **5,150,034** | | | | | **10,601,406** | **100.0** |

## *Notes to the Consolidated Financial Statements*

R$ thousand

| | Overall total | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | |
| | Total on June 30 (A+B+C) | % (6) | Total on March 31 (A+B+C) | % (6) | Total on June 30 (A+B+C) | % (6) |
| Discounted trade receivables and loans (1) | 135,873,495 | 40.4 | 130,587,421 | 40.1 | 121,142,011 | 40.7 |
| Financing | 97,155,943 | 28.9 | 93,491,224 | 28.7 | 82,177,812 | 27.5 |
| Agricultural and agribusiness financing | 15,624,336 | 4.6 | 15,608,533 | 4.8 | 14,822,775 | 5.0 |
| **Subtotal** | **248,653,774** | **73.9** | **239,687,178** | **73.6** | **218,142,598** | **73.2** |
| Leasing operations | 9,588,258 | 2.8 | 10,514,062 | 3.2 | 13,719,578 | 4.6 |
| Advances on foreign exchange contracts (2) - Note 11a | 7,077,738 | 2.1 | 6,671,302 | 2.1 | 6,788,080 | 2.3 |
| **Subtotal** | **265,319,770** | **78.8** | **256,872,542** | **78.9** | **238,650,256** | **80.1** |
| Other receivables (3) | 13,846,598 | 4.1 | 12,875,981 | 4.0 | 12,184,160 | 4.1 |
| **Total loan operations** | **279,166,368** | **82.9** | **269,748,523** | **82.9** | **250,834,416** | **84.2** |
| Sureties and guarantees (4) | 52,876,150 | 15.7 | 50,932,177 | 15.7 | 43,443,374 | 14.6 |
| Loan assignment (5) | 340,431 | 0.1 | 421,561 | 0.1 | 442,156 | 0.1 |
| Loan assignment – real estate receivables certificate | 420,704 | 0.1 | 477,906 | 0.1 | 551,965 | 0.2 |
| Co-obligation in rural loan assignment (4) | 130,734 | - | 130,616 | - | 140,963 | - |
| Loans available for imports (4) | 1,689,760 | 0.5 | 1,486,594 | 0.5 | 1,588,510 | 0.5 |
| Confirmed exports loans (4) | 89,428 | - | 69,182 | - | 41,321 | - |
| Acquisition of credit card receivables | 2,206,793 | 0.7 | 2,161,280 | 0.7 | 1,286,227 | 0.4 |
| **Overall total on June 30, 2012** | **336,920,368** | **100.0** | | | | |
| **Overall total on March 31, 2012** | | | **325,427,839** | **100.0** | | |
| **Overall total on June 30, 2011** | | | | | **298,328,932** | **100.0** |

(1) Including loans of credit card operations and operations for advances of credit card receivables in the amount of R$18,141,175 thousand (R$17,558,714 thousand on March 31, 2012 and R$16,713,840 thousand on June 30, 2011);
(2) Advances on foreign exchange contracts are classified as a deduction from "Other Liabilities";
(3) Item "Other Receivables" comprises receivables on sureties and guarantees honored, receivables on sale of assets, trade and credit receivables, income from foreign exchange contracts and export contracts receivables and credit card receivables (cash and installment purchases at merchants) in the amount of R$12,582,104 thousand (R$12,098,763 thousand on March 31, 2012 and R$11,210,660 thousand on June 30, 2011);
(4) Recorded in memorandum accounts;
(5) Restated amount of loan assignment up to June 30, 2012, March 31, 2012 and June 30, 2011, respectively, net of installments received; and
(6) Ratio between each type and the total loan portfolio, including sureties and guarantee, loan assignment and acquisition of receivables.

## *Notes to the Consolidated Financial Statements*

### b) By type and risk level

R$ thousand

| | Risk levels | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AA | A | B | C | D | E | F | G | H | 2012 | | | | 2011 | |
| | | | | | | | | | | Total on June 30 | % (1) | Total on March 31 | % (1) | Total on June 30 | % (1) |
| Discounted trade receivables and loans | 28,866,666 | 55,794,661 | 8,883,335 | 25,087,749 | 4,095,355 | 2,516,998 | 1,509,816 | 1,378,589 | 7,740,326 | 135,873,495 | 48.7 | 130,587,421 | 48.3 | 121,142,011 | 48.3 |
| Financings | 18,053,098 | 39,277,390 | 22,667,103 | 13,086,903 | 1,303,164 | 492,351 | 411,419 | 320,522 | 1,543,993 | 97,155,943 | 34.8 | 93,491,224 | 34.7 | 82,177,812 | 32.8 |
| Agricultural and agribusiness financings | 2,081,792 | 3,445,637 | 4,303,879 | 5,117,592 | 336,046 | 84,717 | 174,312 | 28,477 | 51,884 | 15,624,336 | 5.6 | 15,608,533 | 5.8 | 14,822,775 | 5.9 |
| **Subtotal** | **49,001,556** | **98,517,688** | **35,854,317** | **43,292,244** | **5,734,565** | **3,094,066** | **2,095,547** | **1,727,588** | **9,336,203** | **248,653,774** | **89.1** | **239,687,178** | **88.8** | **218,142,598** | **87.0** |
| Leasing operations | 86,332 | 2,303,277 | 1,588,823 | 4,345,602 | 439,581 | 139,656 | 108,888 | 87,430 | 488,669 | 9,588,258 | 3.4 | 10,514,062 | 3.9 | 13,719,578 | 5.4 |
| Advances on foreign exchange contracts (2) | 3,786,193 | 1,317,026 | 1,239,407 | 654,352 | 57,695 | 4,232 | 2,283 | 1,580 | 14,970 | 7,077,738 | 2.5 | 6,671,302 | 2.5 | 6,788,080 | 2.7 |
| **Subtotal** | **52,874,081** | **102,137,991** | **38,682,547** | **48,292,198** | **6,231,841** | **3,237,954** | **2,206,718** | **1,816,598** | **9,839,842** | **265,319,770** | **95.0** | **256,872,542** | **95.2** | **238,650,256** | **95.1** |
| Other receivables | 238,282 | 10,103,503 | 429,816 | 2,532,135 | 124,479 | 35,361 | 28,824 | 21,419 | 332,779 | 13,846,598 | 5.0 | 12,875,981 | 4.8 | 12,184,160 | 4.9 |
| **Overall total on June 30, 2012** | **53,112,363** | **112,241,494** | **39,112,363** | **50,824,333** | **6,356,320** | **3,273,315** | **2,235,542** | **1,838,017** | **10,172,621** | **279,166,368** | **100.0** | | | | |
| **%** | **19.1** | **40.2** | **14.0** | **18.2** | **2.3** | **1.2** | **0.8** | **0.7** | **3.5** | **100.0** | | | | | |
| **Overall total on March 31, 2012** | **49,781,909** | **109,389,949** | **39,099,419** | **48,482,781** | **6,806,510** | **2,304,914** | **2,041,722** | **1,736,052** | **10,105,267** | | | **269,748,523** | **100.0** | | |
| **%** | **18,5** | **40,6** | **14,5** | **18,0** | **2,5** | **0,9** | **0,8** | **0,6** | **3,6** | | | **100,0** | | | |
| **Overall total on June 30, 2011** | **45,497,161** | **104,800,675** | **23,871,069** | **57,317,338** | **5,094,994** | **2,063,477** | **1,983,743** | **1,491,055** | **8,714,904** | | | | | **250,834,416** | **100.0** |
| **%** | **18.1** | **41.8** | **9.5** | **22.9** | **2.0** | **0.8** | **0.8** | **0.6** | **3.5** | | | | | **100,0** | |

(1) Ratio between each type and the total loan portfolio, excluding sureties and guarantee, loan assignment, acquisition of receivables and co-obligation in rural loan assignment; and
(2) See Note 11a.

## *Notes to the Consolidated Financial Statements*

### c) Maturity ranges and risk level

R$ thousand

| | Risk levels | | | | | | | | | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-performing loan operations | | | | | | | | | | | | | | |
| | AA | A | B | C | D | E | F | G | H | Total on June 30 | % (1) | Total on March 31 | % (1) | Total on June 30 | % (1) |
| **Outstanding installments** | **-** | **-** | **1,841,133** | **2,995,258** | **2,083,718** | **1,414,862** | **983,062** | **837,881** | **3,564,480** | **13,720,394** | **100.0** | **12,912,540** | **100.0** | **10,601,406** | **100.0** |
| 1 to 30 | - | - | 144,710 | 258,490 | 109,695 | 69,000 | 51,722 | 58,485 | 245,224 | 937,326 | 6.8 | 817,922 | 6.3 | 700,557 | 6.6 |
| 31 to 60 | - | - | 133,735 | 201,910 | 104,012 | 67,227 | 50,710 | 41,192 | 197,998 | 796,784 | 5.8 | 788,472 | 6.1 | 638,899 | 6.0 |
| 61 to 90 | - | - | 111,554 | 165,604 | 92,766 | 61,381 | 45,389 | 37,220 | 177,537 | 691,451 | 5.0 | 648,625 | 5.0 | 564,841 | 5.3 |
| 91 to 180 | - | - | 236,718 | 390,230 | 246,819 | 167,867 | 124,193 | 103,556 | 489,017 | 1,758,400 | 12.8 | 1,655,059 | 12.8 | 1,395,284 | 13.2 |
| 181 to 360 | - | - | 369,874 | 595,668 | 391,437 | 273,807 | 191,887 | 163,591 | 756,576 | 2,742,840 | 20.0 | 2,619,249 | 20.3 | 2,151,791 | 20.3 |
| More than 360 | - | - | 844,542 | 1,383,356 | 1,138,989 | 775,580 | 519,161 | 433,837 | 1,698,128 | 6,793,593 | 49.6 | 6,383,213 | 49.5 | 5,150,034 | 48.6 |
| **Past due installments (2)** | **-** | **-** | **428,031** | **945,212** | **855,693** | **703,602** | **719,210** | **687,387** | **4,255,507** | **8,594,642** | **100.0** | **8,377,285** | **100.0** | **7,513,934** | **100.0** |
| 1 to 14 | - | - | 60,641 | 131,072 | 65,983 | 38,613 | 24,420 | 20,390 | 96,797 | 437,916 | 5.1 | 322,188 | 3.8 | 325,138 | 4.3 |
| 15 to 30 | - | - | 339,676 | 256,386 | 115,711 | 46,600 | 32,906 | 23,721 | 123,238 | 938,238 | 10.9 | 994,801 | 11.9 | 914,621 | 12.2 |
| 31 to 60 | - | - | 27,514 | 532,251 | 242,629 | 120,445 | 76,199 | 49,129 | 217,503 | 1,265,670 | 14.7 | 1,200,657 | 14.3 | 1,043,036 | 13.9 |
| 61 to 90 | - | - | 200 | 18,843 | 396,529 | 159,280 | 104,747 | 66,916 | 315,045 | 1,061,560 | 12.4 | 1,090,000 | 13.0 | 956,317 | 12.7 |
| 91 to 180 | - | - | - | 6,660 | 34,841 | 326,843 | 457,653 | 480,559 | 851,400 | 2,157,956 | 25.1 | 2,007,449 | 24.0 | 1,866,095 | 24.8 |
| 181 to 360 | - | - | - | - | - | 11,821 | 23,285 | 46,672 | 2,555,263 | 2,637,041 | 30.7 | 2,662,898 | 31.8 | 2,231,665 | 29.7 |
| More than 360 | - | - | - | - | - | - | - | - | 96,261 | 96,261 | 1.1 | 99,292 | 1.2 | 177,062 | 2.4 |
| **Subtotal** | **-** | **-** | **2,269,164** | **3,940,470** | **2,939,411** | **2,118,464** | **1,702,272** | **1,525,268** | **7,819,987** | **22,315,036** | | **21,289,825** | | **18,115,340** | |
| Specific provision | - | - | 22,691 | 118,214 | 293,941 | 635,540 | 851,136 | 1,067,687 | 7,819,987 | 10,809,196 | | 10,575,790 | | 8,668,946 | |

(1) Ratio between maturities and type of installments; and
(2) Operations maturing after 36 months have their past-due periods multiplied by two, as allowed by CMN Resolution 2,682/99.

## *Notes to the Consolidated Financial Statements*

R$ thousand

| | Risk levels | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing loan operations | | | | | | | | | | | | | | |
| | | | | | | | | | | 2012 | | | | 2011 | |
| | AA | A | B | C | D | E | F | G | H | Total on June 30 | % (1) | Total on March 31 | % (1) | Total on June 30 | % (1) |
| **Outstanding installments** | **53,112,363** | **112,241,494** | **36,843,199** | **46,883,863** | **3,416,909** | **1,154,851** | **533,270** | **312,749** | **2,352,634** | **256,851,332** | **100.0** | **248,458,698** | **100.0** | **232,719,076** | **100.0** |
| 1 to 30 | 4,607,329 | 15,369,272 | 2,365,022 | 5,452,727 | 326,634 | 87,654 | 54,390 | 39,372 | 338,896 | 28,641,296 | 11.2 | 27,024,715 | 10.8 | 27,971,802 | 12.0 |
| 31 to 60 | 4,535,578 | 11,722,868 | 1,793,983 | 4,757,101 | 269,005 | 57,488 | 36,897 | 29,102 | 283,480 | 23,485,502 | 9.1 | 22,745,463 | 9.2 | 19,119,138 | 8.2 |
| 61 to 90 | 2,992,754 | 7,538,528 | 1,669,963 | 3,519,139 | 161,807 | 64,022 | 21,822 | 16,766 | 134,182 | 16,118,983 | 6.3 | 16,150,987 | 6.5 | 14,950,809 | 6.4 |
| 91 to 180 | 6,293,901 | 14,160,515 | 4,021,624 | 6,832,880 | 364,410 | 114,727 | 49,724 | 38,497 | 276,616 | 32,152,894 | 12.5 | 30,544,840 | 12.3 | 30,009,656 | 12.9 |
| 181 to 360 | 9,560,389 | 18,517,661 | 5,360,174 | 7,342,376 | 505,107 | 168,399 | 62,901 | 50,071 | 430,391 | 41,997,469 | 16.4 | 39,268,822 | 15.8 | 36,101,737 | 15.5 |
| More than 360 | 25,122,412 | 44,932,650 | 21,632,433 | 18,979,640 | 1,789,946 | 662,561 | 307,536 | 138,941 | 889,069 | 114,455,188 | 44.5 | 112,723,871 | 45.4 | 104,565,934 | 45.0 |
| Generic provision | - | 561,209 | 368,432 | 1,406,516 | 341,692 | 346,455 | 266,635 | 218,925 | 2,352,634 | 5,862,498 | | 5,530,127 | | 5,692,340 | |
| **Overall total on June 30, 2012 (2)** | **53,112,363** | **112,241,494** | **39,112,363** | **50,824,333** | **6,356,320** | **3,273,315** | **2,235,542** | **1,838,017** | **10,172,621** | **279,166,368** | | | | | |
| Existing provision | - | 563,235 | 396,919 | 2,900,057 | 1,737,991 | 1,601,637 | 1,512,240 | 1,797,325 | 10,172,621 | 20,682,025 | | | | | |
| Minimum required provision | - | 561,209 | 391,123 | 1,524,730 | 635,633 | 981,995 | 1,117,771 | 1,286,612 | 10,172,621 | 16,671,694 | | | | | |
| Excess provision | - | 2,026 | 5,796 | 1,375,327 | 1,102,358 | 619,642 | 394,469 | 510,713 | - | 4,010,331 | | | | | |
| **Overall total on March 31, 2012 (2)** | **49,781,909** | **109,389,949** | **39,099,419** | **48,482,781** | **6,806,510** | **2,304,914** | **2,041,722** | **1,736,052** | **10,105,267** | | | **269,748,523** | | | |
| Existing provision | - | 549,220 | 396,237 | 2,995,916 | 1,870,726 | 1,121,954 | 1,373,601 | 1,704,518 | 10,105,267 | | | 20,117,439 | | | |
| Minimum required provision | - | 546,950 | 390,994 | 1,454,483 | 680,651 | 691,475 | 1,020,861 | 1,215,236 | 10,105,267 | | | 16,105,917 | | | |
| Excess provision | - | 2,270 | 5,243 | 1,541,433 | 1,190,075 | 430,479 | 352,740 | 489,282 | - | | | 4,011,522 | | | |
| **Overall total on June 30, 2011 (2)** | **45,497,161** | **104,800,675** | **23,871,069** | **57,317,338** | **5,094,994** | **2,063,477** | **1,983,743** | **1,491,055** | **8,714,904** | | | | | **250,834,416** | |
| Existing provision | - | 525,550 | 243,668 | 2,707,230 | 1,379,030 | 996,566 | 1,335,842 | 1,461,835 | 8,714,904 | | | | | 17,364,625 | |
| Minimum required provision | - | 524,002 | 238,711 | 1,719,518 | 509,499 | 619,043 | 991,871 | 1,043,738 | 8,714,904 | | | | | 14,361,286 | |
| Excess provision | - | 1,548 | 4,957 | 987,712 | 869,531 | 377,523 | 343,971 | 418,097 | - | | | | | 3,003,339 | |

(1) Ratio between maturities and types; and

(2) The overall total includes performing loan operations in the amount of R$256,851,332 thousand (R$248,458,698 thousand on March 31, 2012 and R$232,719,076 thousand on June 30, 2011) and non-performing loan operations of R$22,315,036 thousand (R$21,289,825 thousand on March 31, 2012 and R$18,115,340 thousand on June 30, 2011).

# *Notes to the Consolidated Financial Statements*

### d) Concentration of loan operations

R$ thousand

| | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|
| | June 30 | % (1) | March 31 | % (1) | June 30 | % (1) |
| Largest borrower | 2,695,001 | 1.0 | 2,459,030 | 0.9 | 2,242,730 | 0.9 |
| 10 largest borrowers | 15,034,781 | 5.4 | 13,390,420 | 5.0 | 14,636,948 | 5.8 |
| 20 largest borrowers | 23,849,797 | 8.5 | 22,003,023 | 8.2 | 22,979,451 | 9.2 |
| 50 largest borrowers | 37,099,425 | 13.3 | 35,259,087 | 13.1 | 36,274,219 | 14.5 |
| 100 largest borrowers | 48,492,619 | 17.4 | 46,021,948 | 17.1 | 45,964,280 | 18.3 |

(1) In relation to total of Bacen portfolio.

### e) By economic activity sector

R$ thousand

| | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|
| | June 30 | % | March 31 | % | June 30 | % |
| **Public sector** | **484,315** | **0.2** | **757,485** | **0.3** | **1,082,773** | **0.4** |
| **Federal Government** | **264,059** | **0.1** | **473,514** | **0.2** | **748,742** | **0.3** |
| Petrochemical | 262,680 | 0.1 | 470,715 | 0.2 | 739,614 | 0.3 |
| Financial intermediaries | 1,379 | - | 2,799 | - | 9,128 | - |
| **State Government** | **220,256** | **0.1** | **283,971** | **0.1** | **334,031** | **0.1** |
| Production and distribution of electricity | 220,256 | 0.1 | 283,971 | 0.1 | 334,031 | 0.1 |
| **Private sector** | **278,682,053** | **99.8** | **268,991,038** | **99.7** | **249,751,643** | **99.6** |
| **Manufacturing** | **53,708,416** | **19.2** | **51,039,199** | **18.9** | **49,380,260** | **19.7** |
| Food products and beverages | 13,031,279 | 4.6 | 12,875,597 | 4.8 | 12,532,737 | 5.0 |
| Steel, metallurgy and mechanics | 8,437,376 | 3.0 | 8,074,260 | 3.0 | 8,179,044 | 3.3 |
| Pulp and paper | 4,182,487 | 1.5 | 3,962,803 | 1.5 | 3,295,455 | 1.3 |
| Chemical | 3,867,776 | 1.4 | 3,363,267 | 1.2 | 4,027,414 | 1.6 |
| Oil refining and production of alcohol | 3,614,232 | 1.3 | 3,227,648 | 1.2 | 2,894,091 | 1.2 |
| Textiles and apparel | 3,109,838 | 1.1 | 3,130,527 | 1.2 | 3,051,636 | 1.2 |
| Light and heavy vehicles | 2,722,629 | 1.0 | 2,750,041 | 1.0 | 2,435,224 | 1.0 |
| Rubber and plastic articles | 2,604,477 | 0.9 | 2,481,607 | 0.9 | 2,427,940 | 1.0 |
| Electric and electronic products | 2,156,191 | 0.8 | 2,129,878 | 0.8 | 2,072,428 | 0.8 |
| Furniture and wood products | 1,962,424 | 0.7 | 1,962,029 | 0.7 | 1,726,563 | 0.7 |
| Extraction of metallic and non-metallic ores | 1,910,812 | 0.7 | 1,716,717 | 0.6 | 1,960,527 | 0.8 |
| Non-metallic materials | 1,755,485 | 0.6 | 1,699,927 | 0.6 | 1,448,775 | 0.6 |
| Automotive parts and accessories | 1,191,660 | 0.4 | 1,118,923 | 0.4 | 972,488 | 0.4 |
| Leather articles | 775,091 | 0.3 | 728,941 | 0.3 | 630,635 | 0.2 |
| Publishing, printing and reproduction | 721,043 | 0.3 | 720,375 | 0.3 | 614,404 | 0.2 |
| Other industries | 1,665,616 | 0.6 | 1,096,659 | 0.4 | 1,110,899 | 0.4 |
| **Commerce** | **43,517,495** | **15.6** | **42,535,683** | **15.8** | **39,648,959** | **15.8** |
| Merchandise in specialty stores | 11,973,098 | 4.3 | 11,691,879 | 4.3 | 10,410,376 | 4.2 |
| Food products, beverages and tobacco | 5,143,131 | 1.8 | 4,861,639 | 1.8 | 4,579,454 | 1.8 |
| Non-specialized retailer | 4,272,247 | 1.5 | 4,023,795 | 1.5 | 3,818,923 | 1.5 |
| Automobile | 3,124,580 | 1.1 | 3,577,564 | 1.3 | 3,296,244 | 1.3 |
| Clothing and footwear | 3,347,543 | 1.2 | 3,232,515 | 1.2 | 3,496,046 | 1.4 |
| Motor vehicle repairs, parts and accessories | 3,107,987 | 1.1 | 3,035,501 | 1.1 | 2,724,484 | 1.1 |
| Grooming and household articles | 2,496,040 | 0.9 | 2,403,840 | 0.9 | 2,592,479 | 1.0 |

## *Notes to the Consolidated Financial Statements*

R$ thousand

| | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|
| | **June 30** | **%** | **March 31** | **%** | **June 30** | **%** |
| Waste and scrap | 2,094,463 | 0.8 | 2,027,118 | 0.8 | 1,753,392 | 0.7 |
| Fuel | 1,840,109 | 0.7 | 1,863,808 | 0.7 | 1,756,401 | 0.7 |
| Trade intermediary | 1,587,697 | 0.6 | 1,619,103 | 0.6 | 1,550,546 | 0.6 |
| Wholesale of goods in general | 1,556,220 | 0.6 | 1,418,423 | 0.5 | 1,334,514 | 0.5 |
| Agricultural products | 1,472,555 | 0.5 | 1,367,345 | 0.5 | 1,089,642 | 0.5 |
| Other commerce | 1,501,825 | 0.5 | 1,413,153 | 0.6 | 1,246,458 | 0.5 |
| **Financial intermediaries** | **1,364,037** | **0.5** | **729,003** | **0.3** | **821,461** | **0.3** |
| **Services** | **65,475,800** | **23.5** | **63,031,680** | **23.3** | **54,858,275** | **21.9** |
| Civil construction | 16,522,200 | 5.8 | 15,519,003 | 5.8 | 13,383,208 | 5.3 |
| Transportation and storage | 15,408,340 | 5.5 | 15,225,315 | 5.6 | 14,392,237 | 5.7 |
| Real estate activities, rentals and corporate services | 11,115,340 | 4.0 | 10,845,090 | 4.0 | 9,806,687 | 3.9 |
| Production and distribution of electric power, gas and water | 5,016,796 | 1.8 | 4,998,440 | 1.9 | 4,768,529 | 1.9 |
| Holding companies, legal, accounting and business advisory services | 3,028,824 | 1.1 | 2,978,407 | 1.1 | 1,925,993 | 0.8 |
| Hotels and catering | 2,460,979 | 0.9 | 2,384,461 | 0.9 | 2,037,894 | 0.8 |
| Social services, education, health, defense and social security | 2,120,646 | 0.8 | 2,168,343 | 0.8 | 1,934,529 | 0.8 |
| Clubs, leisure, cultural and sport activities | 2,196,741 | 0.8 | 1,848,067 | 0.7 | 1,496,658 | 0.6 |
| Telecommunications | 459,474 | 0.2 | 513,688 | 0.2 | 448,868 | 0.2 |
| Other services | 7,146,460 | 2.6 | 6,550,866 | 2.3 | 4,663,672 | 1.9 |
| **Agriculture, cattle raising, fishing, forestry and timber industry** | **3,664,469** | **1.3** | **3,334,169** | **1.2** | **3,580,621** | **1.4** |
| **Individuals** | **110,951,836** | **39.7** | **108,321,304** | **40.2** | **101,462,067** | **40.5** |
| **Total** | **279,166,368** | **100.0** | **269,748,523** | **100.0** | **250,834,416** | **100.0** |

## *Notes to the Consolidated Financial Statements*

### f) Breakdown of loan operations and allowance for loan losses

R$ thousand

| Risk level | Portfolio balance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-performing loans | | | Performing loans | Total | % (1) | 2012 | | 2011 |
| | Past due | Outstanding | Total – non-performing loans | | | | % June 30 YTD (2) | % March 31 YTD (2) | % June 30 YTD (2) |
| AA | - | - | - | 53,112,363 | 53,112,363 | 19.1 | 19.1 | 18.5 | 18.1 |
| A | - | - | - | 112,241,494 | 112,241,494 | 40.2 | 59.3 | 59.1 | 59.9 |
| B | 428,031 | 1,841,133 | 2,269,164 | 36,843,199 | 39,112,363 | 14.0 | 73.3 | 73.6 | 69.4 |
| C | 945,212 | 2,995,258 | 3,940,470 | 46,883,863 | 50,824,333 | 18.2 | 91.5 | 91.6 | 92.3 |
| **Subtotal** | **1,373,243** | **4,836,391** | **6,209,634** | **249,080,919** | **255,290,553** | **91.5** | | | |
| D | 855,693 | 2,083,718 | 2,939,411 | 3,416,909 | 6,356,320 | 2.3 | 93.8 | 94.1 | 94.3 |
| E | 703,602 | 1,414,862 | 2,118,464 | 1,154,851 | 3,273,315 | 1.2 | 95.0 | 95.0 | 95.1 |
| F | 719,210 | 983,062 | 1,702,272 | 533,270 | 2,235,542 | 0.8 | 95.8 | 95.8 | 95.9 |
| G | 687,387 | 837,881 | 1,525,268 | 312,749 | 1,838,017 | 0.7 | 96.5 | 96.4 | 96.5 |
| H | 4,255,507 | 3,564,480 | 7,819,987 | 2,352,634 | 10,172,621 | 3.5 | **100.0** | **100.0** | **100.0** |
| **Subtotal** | **7,221,399** | **8,884,003** | **16,105,402** | **7,770,413** | **23,875,815** | **8.5** | | | |
| **Overall total on June 30, 2012** | **8,594,642** | **13,720,394** | **22,315,036** | **256,851,332** | **279,166,368** | **100.0** | | | |
| **%** | **3.1** | **4.9** | **8.0** | **92.0** | **100.0** | | | | |
| **Overall total on March 31, 2012** | **8,377,285** | **12,912,540** | **21,289,825** | **248,458,698** | **269,748,523** | | | | |
| **%** | **3.1** | **4.8** | **7.9** | **92.1** | **100.0** | | | | |
| **Overall total on June 30, 2011** | **7,513,934** | **10,601,406** | **18,115,340** | **232,719,076** | **250,834,416** | | | | |
| **%** | **3.0** | **4.2** | **7.2** | **92.8** | **100.0** | | | | |

(1) Ratio between risk level and total portfolio; and
(2) Accumulated ratio between risk level and total portfolio.

## *Notes to the Consolidated Financial Statements*

R$ thousand

| Risk level | Allowance | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Minimum required | | | | | Additional | Existing | 2012 | | 2011 |
| | Minimum required provision | Specific | | | Generic | Total | | | % June 30 YTD (1) | % March 31 YTD (1) | % June 30 YTD (1) |
| | | Past due | Outstanding | Total specific | | | | | | | |
| AA | - | - | - | - | - | - | - | - | - | - | - |
| A | 0.5 | - | - | - | 561,209 | 561,209 | 2,026 | 563,235 | 0.5 | 0.5 | 0.5 |
| B | 1.0 | 4,280 | 18,411 | 22,691 | 368,432 | 391,123 | 5,796 | 396,919 | 1.0 | 1.0 | 1.0 |
| C | 3.0 | 28,356 | 89,858 | 118,214 | 1,406,516 | 1,524,730 | 1,375,327 | 2,900,057 | 5.7 | 6.2 | 4.7 |
| **Subtotal** | | **32,636** | **108,269** | **140,905** | **2,336,157** | **2,477,062** | **1,383,149** | **3,860,211** | **1.5** | **1.6** | **1.5** |
| D | 10.0 | 85,569 | 208,372 | 293,941 | 341,692 | 635,633 | 1,102,358 | 1,737,991 | 27.3 | 27.5 | 27.1 |
| E | 30.0 | 211,081 | 424,459 | 635,540 | 346,455 | 981,995 | 619,642 | 1,601,637 | 48.9 | 48.7 | 48.3 |
| F | 50.0 | 359,605 | 491,531 | 851,136 | 266,635 | 1,117,771 | 394,469 | 1,512,240 | 67.6 | 67.3 | 67.3 |
| G | 70.0 | 481,171 | 586,516 | 1,067,687 | 218,925 | 1,286,612 | 510,713 | 1,797,325 | 97.8 | 98.2 | 98.0 |
| H | 100.0 | 4,255,507 | 3,564,480 | 7,819,987 | 2,352,634 | 10,172,621 | - | 10,172,621 | 100.0 | 100.0 | 100.0 |
| **Subtotal** | | **5,392,933** | **5,275,358** | **10,668,291** | **3,526,341** | **14,194,632** | **2,627,182** | **16,821,814** | **70.5** | **70.3** | **71.8** |
| **Overall total on June 30, 2012** | | **5,425,569** | **5,383,627** | **10,809,196** | **5,862,498** | **16,671,694** | **4,010,331** | **20,682,025** | **7.4** | | |
| **%** | | **26.2** | **26.1** | **52.3** | **28.3** | **80.6** | **19.4** | **100.0** | | | |
| **Overall total on March 31, 2012** | | **5,399,306** | **5,176,484** | **10,575,790** | **5,530,127** | **16,105,917** | **4,011,522** | **20,117,439** | | **7.5** | |
| **%** | | **26.9** | **25.7** | **52.6** | **27.5** | **80.1** | **19.9** | **100.0** | | | |
| **Overall total on June 30, 2011** | | **4,729,782** | **3,939,164** | **8,668,946** | **5,692,340** | **14,361,286** | **3,003,339** | **17,364,625** | | | **6.9** |
| **%** | | **27.2** | **22.7** | **49.9** | **32.8** | **82.7** | **17.3** | **100.0** | | | |

(1) Ratio between existing allowance and total portfolio by risk level.

## *Notes to the Consolidated Financial Statements*

### g) Changes in allowance for loan losses

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Opening balance** | **20,117,439** | **19,540,448** | **19,540,448** | **16,289,671** |
| - Specific provision (1) | 10,575,790 | 9,875,415 | 9,875,415 | 7,898,327 |
| - Generic provision (2) | 5,530,127 | 5,654,244 | 5,654,244 | 5,389,925 |
| - Excess provision (3) | 4,011,522 | 4,010,789 | 4,010,789 | 3,001,419 |
| **Additions** | **3,650,406** | **3,298,274** | **6,948,680** | **5,219,181** |
| **Reductions** | **(3,085,820)** | **(2,721,283)** | **(5,807,103)** | **(4,144,227)** |
| **Closing balance** | **20,682,025** | **20,117,439** | **20,682,025** | **17,364,625** |
| - Specific provision (1) | 10,809,196 | 10,575,790 | 10,809,196 | 8,668,946 |
| - Generic provision (2) | 5,862,498 | 5,530,127 | 5,862,498 | 5,692,340 |
| - Excess provision (3) | 4,010,331 | 4,011,522 | 4,010,331 | 3,003,339 |

(1) For operations with installments overdue for more than 14 days;
(2) Recorded based on the customer/transaction classification and, accordingly, not included in the preceding item; and
(3) The additional provision is recorded based on Management's experience and expected realization of the loan portfolio, to determine the total provision deemed sufficient to cover specific and general credit risks, together with the provision calculated based on risk level ratings and the corresponding minimum percentage of provision established by CMN Resolution 2,682/99. The excess provision per customer was classified according to the corresponding risk levels (Note 10f).

### h) Allowance for loan losses (ALL) expenses net of amounts recovered

Expenses with the allowance for loan losses, net of recoveries of written-off credits, are as follows.

| | | | | **R$ thousand** |
|---|---|---|---|---|
| | **2012** | | | **2011** |
| | **2nd Quarter** | **1st Quarter** | **1st Half** | **1st Half** |
| Amount recorded | 3,650,406 | 3,298,274 | 6,948,680 | 5,219,181 |
| Amount recovered (1) | (784,939) | (653,185) | (1,438,124) | (1,317,571) |
| **ALL expense net of amounts recovered** | **2,865,467** | **2,645,089** | **5,510,556** | **3,901,610** |

(1) Classified in income from loan operations (Note 10j).

## *Notes to the Consolidated Financial Statements*

### i) Changes in renegotiated portfolio

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Opening balance** | **8,888,112** | **8,658,167** | **8,658,167** | **6,911,604** |
| Amount renegotiated | 2,180,440 | 1,898,102 | 4,078,542 | 3,772,143 |
| Amount received | (1,034,493) | (970,951) | (2,005,444) | (1,670,474) |
| Write-offs | (895,042) | (697,206) | (1,592,248) | (1,208,949) |
| **Closing balance** | **9,139,017** | **8,888,112** | **9,139,017** | **7,804,324** |
| Allowance for loan losses | 5,816,314 | 5,696,825 | 5,816,314 | 4,851,715 |
| Percentage on renegotiated portfolio | 63.6% | 64.1% | 63.6% | 62.2% |

### j) Income on loan and leasing operations

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Discounted trade receivables and loans | 8,483,685 | 8,187,899 | 16,671,584 | 14,902,486 |
| Financings | 3,248,724 | 3,088,048 | 6,336,772 | 5,052,923 |
| Agricultural and agribusiness loans | 286,017 | 242,086 | 528,103 | 521,676 |
| **Subtotal** | **12,018,426** | **11,518,033** | **23,536,459** | **20,477,085** |
| Recovery of credits charged-off as loss | 784,939 | 653,185 | 1,438,124 | 1,317,571 |
| **Subtotal** | **12,803,365** | **12,171,218** | **24,974,583** | **21,794,656** |
| Leasing, net of expenses | 294,714 | 362,162 | 656,876 | 885,902 |
| **Total** | **13,098,079** | **12,533,380** | **25,631,459** | **22,680,558** |

# *Notes to the Consolidated Financial Statements*

## 11) OTHER RECEIVABLES

### a) Foreign exchange portfolio

#### Balance sheet accounts

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| **Assets – other receivables** | | | |
| Exchange purchases pending settlement | 10,976,235 | 9,635,831 | 11,235,550 |
| Exchange sale receivables | 3,430,285 | 3,303,953 | 3,183,493 |
| (-) Advances in local currency received | (485,561) | (423,606) | (539,566) |
| Income receivable on advances granted | 105,717 | 90,187 | 50,127 |
| **Total** | **14,026,676** | **12,606,365** | **13,929,604** |
| **Liabilities – other liabilities** | | | |
| Exchange sales pending settlement | 3,419,671 | 3,297,709 | 3,162,492 |
| Exchange purchase payables | 10,384,938 | 9,322,575 | 11,528,464 |
| (-) Advances on foreign exchange contracts | (7,077,738) | (6,671,302) | (6,788,080) |
| Other | 6,685 | 4,113 | 4,823 |
| **Total** | **6,733,556** | **5,953,095** | **7,907,699** |
| **Net foreign exchange portfolio** | **7,293,120** | **6,653,270** | **6,021,905** |
| **Memorandum accounts:** | | | |
| - Loans available for imports | 1,689,760 | 1,486,594 | 1,588,510 |
| - Confirmed exports loans | 89,428 | 69,182 | 41,321 |

#### Foreign exchange results in profit or loss

#### Breakdown of foreign exchange transaction results adjusted to facilitate presentation

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Foreign exchange operations in profit or loss** | **513,472** | **269,915** | **783,387** | **271,421** |
| **Adjustments:** | | | | |
| - Income on foreign currency financing (1) | 53,092 | 39,304 | 92,396 | 10,416 |
| - Income on export financing (1) | 200,863 | 124,427 | 325,290 | 234,271 |
| - Income on foreign investments (2) | 22,297 | 43,402 | 65,699 | 530 |
| - Expenses of liabilities with foreign bankers (3) (Note 17c) | (646,786) | (322,765) | (969,551) | 8,309 |
| - Funding expenses (4) | (85,456) | (79,729) | (165,185) | (142,199) |
| - Other | 159,426 | 74,943 | 234,369 | (109,302) |
| **Total adjustments** | **(296,564)** | **(120,418)** | **(416,982)** | **2,025** |
| **Adjusted foreign exchange operations result** | **216,908** | **149,497** | **366,405** | **273,446** |

(1) Recognized in "Income from loan operations;"
(2) Recognized in "Income on securities transactions;"
(3) Related to funds for financing of advances on foreign exchange contracts and import financing, recognized in "Borrowing and onlending expenses;" and
(4) Refer to funding expenses of investments on foreign exchange transactions.

# *Notes to the Consolidated Financial Statements*

### b) Sundry

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Tax credits (Note 34c) | 23,105,852 | 21,153,537 | 19,979,224 |
| Credit card operations | 15,077,147 | 14,260,043 | 12,496,887 |
| Borrowers by escrow deposits | 10,332,319 | 9,803,380 | 8,251,539 |
| Prepaid taxes | 5,626,396 | 5,110,981 | 4,635,965 |
| Sundry borrowers | 2,788,909 | 2,765,255 | 2,671,777 |
| Trade and credit receivables (1) | 1,715,668 | 1,500,485 | 1,353,959 |
| Advances to Deposit Guarantee Fund (FGC) | 258,770 | 304,435 | 441,431 |
| Payments to be reimbursed | 494,626 | 509,825 | 455,950 |
| Receivables from sale of assets | 59,285 | 63,464 | 66,910 |
| Other | 402,405 | 186,602 | 370,621 |
| **Total** | **59,861,377** | **55,658,007** | **50,724,263** |

(1) Include receivables from the acquisition of financial assets from loan operations without substantial transfer of risks and benefits.

## 12) OTHER ASSETS

### a) Foreclosed assets/other

| | R$ thousand | | | | |
|---|---|---|---|---|---|
| | Cost | Provision for losses | Carrying amount | | |
| | | | 2012 | | 2011 |
| | | | June 30 | March 31 | June 30 |
| Real estate | 576,434 | (333,653) | 242,781 | 196,442 | 113,212 |
| Goods subject to special conditions | 45,524 | (45,524) | - | - | - |
| Vehicles and similar | 406,387 | (176,399) | 229,988 | 240,313 | 261,190 |
| Inventories/warehouse | 97,180 | - | 97,180 | 94,442 | 41,399 |
| Machinery and equipment | 17,982 | (6,653) | 11,329 | 10,668 | 9,362 |
| Other | 19,621 | (18,564) | 1,057 | 1,069 | 1,100 |
| **Total on June 30, 2012** | **1,163,128** | **(580,793)** | **582,335** | | |
| **Total on March 31, 2012** | **1,069,898** | **(526,964)** | | **542,934** | |
| **Total on June 30, 2011** | **652,451** | **(226,188)** | | | **426,263** |

### b) Prepaid expenses

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Commission on the placement of loans and financing (1) | 1,715,706 | 1,549,871 | 854,569 |
| Deferred insurance acquisition costs (2) | 1,153,224 | 683,643 | 523,900 |
| Advertising and marketing expenses (3) | 126,060 | 112,513 | 87,999 |
| Other (4) | 470,193 | 470,545 | 202,300 |
| **Total** | **3,465,183** | **2,816,572** | **1,668,768** |

(1) Commissions paid to storeowners, car dealers and correspondent banks – payroll-deductible loan;
(2) Commissions paid to brokers and representatives on sale of insurance, pension plan and capitalization bond products;
(3) Prepaid expenses of future advertising and marketing campaigns on media; and
(4) Mainly related to card issue costs.

# *Notes to the Consolidated Financial Statements*

## 13) INVESTMENTS

### a) Changes in investments in the consolidated financial statements

| Affiliates | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| - IRB-Brasil Resseguros S.A. | 487,030 | 508,157 | 448,234 |
| - Integritas Participações S.A. | 505,494 | 534,060 | 452,446 |
| - BES Investimento do Brasil S.A. | 107,052 | 106,634 | 97,282 |
| - Other | 292,578 | 255,306 | 167,585 |
| **Total in affiliates – in Brazil** | **1,392,154** | **1,404,157** | **1,165,547** |
| - Tax incentives | 239,542 | 239,542 | 239,760 |
| - Other investments | 531,879 | 695,528 | 556,786 |
| Provision for: | | | |
| - Tax incentives | (211,555) | (211,555) | (212,912) |
| - Other investments | (62,936) | (51,432) | (50,212) |
| **Overall total of investments** | **1,889,084** | **2,076,240** | **1,698,969** |

## *Notes to the Consolidated Financial Statements*

b) The adjustments resulting from the valuation using the equity method of investments were recorded in the income statement, under "Equity in the Earnings (Losses) of Unconsolidated Companies" and R$58,777 thousand in the first half of 2012 (R$50,065 thousand in the first half of 2011) and R$18,610 thousand in the second quarter of 2012 (R$40,167 thousand in the first quarter of 2012).

| Companies | R$ thousand | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Adjusted shareholders' equity | Number of shares/quotas held (thousands) | | Consolidated ownership on capital stock | Adjusted net income | Equity accounting adjustments (1) | | | |
| | | | | | | | 2012 | | | 2011 |
| | | | Common | Preferred | | | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| IRB-Brasil Resseguros S.A. (2) | 1,350,000 | 2,292,985 | - | 212 | 21.24% | 275,405 | 24,035 | 34,461 | 58,496 | 32,343 |
| BES Investimento do Brasil S.A. – Banco de Investimento | 320,000 | 535,260 | 10,745 | 10,745 | 20.00% | 37,570 | 2,218 | 5,296 | 7,514 | 5,249 |
| Integritas Participações S.A. (2) | 57,406 | 891,313 | 22,581 | - | 22.32% | (124,530) | (27,678) | (117) | (27,795) | 1,997 |
| Other (2) | | | | | | | 20,035 | 527 | 20,562 | 10,476 |
| **Equity in the earnings (losses) of unconsolidated companies** | | | | | | | **18,610** | **40,167** | **58,777** | **50,065** |

(1) Comprise participation in the income statement recorded periodically by the companies and include equity variations in the investees not derived from income statement, as well as adjustments arising from the aligning of accounting practices, when applicable; and

(2) Based on financial information from prior months.

## *Notes to the Consolidated Financial Statements*

### 14) PREMISES AND EQUIPMENT AND LEASED ASSETS

R$ thousand

| | Annual rate of depreciation | Cost | Depreciation | Carrying Amount | | |
|---|---|---|---|---|---|---|
| | | | | 2012 | | 2011 |
| | | | | June 30 | March 31 | June 30 |
| Property and equipment: | | | | | | |
| - Buildings | 4% | 865,119 | (367,348) | 497,771 | 486,807 | 424,928 |
| - Land | - | 403,227 | - | 403,227 | 397,832 | 351,197 |
| Facilities, furniture and equipment in use | 10% | 4,614,485 | (2,385,336) | 2,229,149 | 2,281,834 | 1,623,213 |
| Security and communication systems | 10% | 247,815 | (142,228) | 105,587 | 95,264 | 83,833 |
| Data processing systems | 20 to 50% | 4,143,895 | (2,883,363) | 1,260,532 | 1,262,026 | 1,161,161 |
| Transportation systems | 20% | 55,468 | (28,397) | 27,071 | 27,710 | 11,679 |
| **Subtotal** | | **10,330,009** | **(5,806,672)** | **4,523,337** | **4,551,473** | **3,656,011** |
| Leased assets | | - | - | - | 55 | 1,857 |
| **Total on June 30, 2012** | | **10,330,009** | **(5,806,672)** | **4,523,337** | | |
| **Total on March 31, 2012** | | **10,142,961** | **(5,591,433)** | | **4,551,528** | |
| **Total on June 30, 2011** | | **8,948,629** | **(5,290,761)** | | | **3,657,868** |

## *Notes to the Consolidated Financial Statements*

Bradesco Organization's premises and equipment present an unrecorded surplus value of R$3,029,696 thousand (R$2,974,569 thousand on March 31, 2012 and R$2,889,995 thousand on June 30, 2011), which is due to the increase in their market price, based on appraisal reports prepared by independent experts in 2012, 2011 and 2010.

The premises and equipment to reference shareholders' equity ratio in the "economic-financial consolidated," which includes all entities of the Group, is 18.19% (19.94% on March 31, 2012 and 17.33% on June 30, 2011), and in the "financial consolidated," which includes only the financial institutions of the Group (ex.: bank, securities, etc.), is 43.49% (47.72% on March 31, 2012 and 47.13% on June 30, 2011), whereas the maximum limit is 50%.

The difference between the premises and equipment to shareholders' equity ratio in the "economic-financial consolidated" and in the "financial consolidated" is due to non-financial subsidiaries which have high liquidity and low fixed assets to shareholders' equity ratio, with the consequent increase in the fixed assets to shareholders' equity ratio of the "financial consolidated." Whenever necessary, we may reallocate the funds to the financial companies through the payment of dividends/interest on shareholders' equity to financial companies or a corporate reorganization between the financial and non-financial companies, thus improving the ratio.

### 15) INTANGIBLE ASSETS

#### a) Goodwill

Goodwill from investment acquisitions amounted to R$3,921,105 thousand, net of accumulated amortization, when applicable, of which: (i) R$579,499 thousand represents the difference between the purchase price and the book value of the net assets acquired, which is recorded in Permanent Assets – Investments (BM&FBOVESPA and Integritas/Fleury shares), amortized based on their useful lives; and (ii) R$3,341,606 thousand, net of accrued amortization, representing future profitability/customer portfolio, which is amortized over twenty years, .

In the first half of 2012, goodwill amortization totaled R$132,730 thousand (R$132,225 thousand in the first half of 2011) and R$66,945 thousand in the second quarter of 2012 (R$65,785 thousand in the first quarter of 2012) (Note 29).

## *Notes to the Consolidated Financial Statements*

### b) Intangible assets

Acquired intangible assets comprise:

R$ thousand

| | Amortization rate (1) | Cost | Amortization | Carrying amount | | |
|---|---|---|---|---|---|---|
| | | | | 2012 | | 2011 |
| | | | | June 30 | March 31 | June 30 |
| Acquisition of banking services rights | Contract (4) | 5,506,744 | (2,589,375) | 2,917,369 | 3,090,177 | 1,731,170 |
| Software (2) | 20% to 50% | 5,524,388 | (2,789,587) | 2,734,801 | 2,608,139 | 2,203,236 |
| Future profitability/customer portfolio (3) | Up to 20% | 4,115,980 | (774,374) | 3,341,606 | 3,287,321 | 2,404,087 |
| Other | 20% | 128,216 | (76,846) | 51,370 | 41,038 | 40,735 |
| **Total on June 30, 2012** | | **15,275,328** | **(6,230,182)** | **9,045,146** | | |
| **Total on March 31, 2012** | | **15,020,711** | **(5,994,036)** | | **9,026,675** | |
| **Total on June 30, 2011** | | **11,433,948** | **(5,054,720)** | | | **6,379,228** |

(1) Intangible assets are amortized over the estimated period of economic benefit and recognized in "other administrative expenses" and "other operating expenses;"
(2) Software acquired and/or developed by specialized companies;
(3) Mainly composed of goodwill on the acquisition of interest in Banco Ibi - R$903,525 thousand, Odontoprev - R$323,869 thousand, Ágora Corretora - R$114,695 thousand, Ibi México - R$24,245 thousand, Europ Assistance Serviços de Assistência Personalizados - R$20,866 thousand, Alelo (CBSS) - R$130,674 thousand, Cielo - R$408,014 thousand and Banco Berj - R$1,155,674 thousand, net of accrued amortization, when applicable; and
(4) Based on each pay-back agreement.

### c) Change in intangible assets by type

R$ thousand

| | Acquisition of banking service rights | Software | Future profitability/ customer portfolio | Other | Total |
|---|---|---|---|---|---|
| **Balance on December 31, 2011** | **3,064,089** | **2,516,295** | **3,353,106** | **44,073** | **8,977,563** |
| Additions/reductions | 248,651 | 442,060 | 121,230 | 12,173 | 824,114 |
| Amortization for the period | (395,371) | (223,554) | (132,730) | (4,876) | (756,531) |
| **Balance on June 30, 2012** | **2,917,369** | **2,734,801** | **3,341,606** | **51,370** | **9,045,146** |

## *Notes to the Consolidated Financial Statements*

### 16) DEPOSITS, FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND FUNDS FROM ISSUANCE OF SECURITIES

#### a) Deposits

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| ● Demand deposits (1) | 32,529,401 | - | - | - | 32,529,401 | 31,954,632 | 33,007,178 |
| ● Savings deposits (1) | 62,308,096 | - | - | - | 62,308,096 | 59,924,012 | 54,810,856 |
| ● Interbank deposits | 183,763 | 174,751 | 54,282 | 58,765 | 471,561 | 513,051 | 328,507 |
| ● Time deposits (2) | 15,518,783 | 16,352,547 | 12,383,156 | 77,506,390 | 121,760,876 | 121,484,854 | 125,385,063 |
| ● Other – investment deposits | - | - | - | - | - | - | 29,307 |
| **Overall total on June 30, 2012** | **110,540,043** | **16,527,298** | **12,437,438** | **77,565,155** | **217,069,934** | | |
| **%** | **51.0** | **7.6** | **5.7** | **35.7** | **100.0** | | |
| **Overall total on March 31, 2012** | **106,458,943** | **13,355,602** | **11,754,348** | **82,307,656** | | **213,876,549** | |
| **%** | **49.8** | **6.2** | **5.5** | **38.5** | | **100.0** | |
| **Overall total on June 30, 2011** | **99,878,689** | **22,142,265** | **12,632,553** | **78,907,404** | | | **213,560,911** |
| **%** | **46.8** | **10.4** | **5.9** | **36.9** | | | **100.0** |

(1) Classified as "1 to 30 days", not considering average historical turnover; and
(2) Considers the actual maturities of investments.

## *Notes to the Consolidated Financial Statements*

### b) Federal funds purchased and securities sold under agreements to repurchase

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| **Own portfolio** | **97,658,732** | **19,404,838** | **9,509,287** | **25,683,210** | **152,256,067** | **145,617,868** | **122,649,403** |
| ● Government securities | 94,954,010 | 82,451 | 301,659 | - | 95,338,120 | 88,238,994 | 72,428,367 |
| ● Debentures of own issuance | 2,136,722 | 19,322,387 | 9,207,628 | 25,075,255 | 55,741,992 | 55,441,775 | 47,114,965 |
| ● Foreign | 568,000 | - | - | 607,955 | 1,175,955 | 1,937,099 | 3,106,071 |
| **Third-party portfolio (1)** | **63,808,415** | **2,052,830** | **-** | **-** | **65,861,245** | **61,894,820** | **34,995,792** |
| **Unrestricted portfolio (1)** | **4,518,857** | **3,332,946** | **-** | **5,137** | **7,856,940** | **6,417,351** | **6,559,300** |
| **Overall total on June 30, 2012 (2)** | **165,986,004** | **24,790,614** | **9,509,287** | **25,688,347** | **225,974,252** | | |
| **%** | **73.4** | **11.0** | **4.2** | **11.4** | **100.0** | | |
| **Overall total on March 31, 2012 (2)** | **154,129,745** | **20,329,313** | **7,165,710** | **32,305,271** | | **213,930,039** | |
| **%** | **72.1** | **9.5** | **3.3** | **15.1** | | **100.0** | |
| **Overall total on June 30, 2011 (2)** | **109,502,097** | **11,923,542** | **9,685,647** | **33,093,209** | | | **164,204,495** |
| **%** | **66.7** | **7.3** | **5.8** | **20.2** | | | **100.0** |

(1) Represented by government securities; and

(2) Includes R$42,529,664 thousand (R$41,307,953 thousand on March 31, 2012 and R$44,223,223 thousand on June 30, 2011) of investment funds in purchase and sale commitments with Bradesco, whose quotaholders are subsidiaries included in the consolidated financial statements (Notes 8a, b, c and d).

## *Notes to the Consolidated Financial Statements*

### c) Funds from issuance of securities

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| **Securities - Brazil:** | | | | | | | |
| - Mortgage bonds | 103,048 | 668,488 | 399,513 | 4,690 | 1,175,739 | 1,282,757 | 1,327,042 |
| - Letters of credit for real estate | 145,478 | 961,234 | 2,048,962 | 40,171 | 3,195,845 | 2,838,454 | 1,521,421 |
| - Letters of credit for agribusiness | 303,507 | 1,043,504 | 1,469,646 | 461,345 | 3,278,002 | 2,474,965 | 1,835,032 |
| - Financial bills | 767,192 | 4,583,099 | 9,157,735 | 16,616,277 | 31,124,303 | 32,404,967 | 17,422,124 |
| **Subtotal** | **1,319,225** | **7,256,325** | **13,075,856** | **17,122,483** | **38,773,889** | **39,001,143** | **22,105,619** |
| **Securities - abroad:** | | | | | | | |
| - MTN Program Issues (1) | 68,641 | 1,354,896 | 1,305,816 | 5,926,249 | 8,655,602 | 5,974,216 | 3,692,051 |
| - Securitization of future flow of money orders received from abroad (Note 16d) | 7,705 | 346,945 | 368,242 | 3,029,455 | 3,752,347 | 3,530,584 | 3,269,812 |
| - Issuance costs | - | - | - | (23,909) | (23,909) | (23,595) | (23,920) |
| **Subtotal** | **76,346** | **1,701,841** | **1,674,058** | **8,931,795** | **12,384,040** | **9,481,205** | **6,937,943** |
| **Overall total on June 30, 2012** | **1,395,571** | **8,958,166** | **14,749,914** | **26,054,278** | **51,157,929** | | |
| **%** | **2.8** | **17.5** | **28.8** | **50.9** | **100.0** | | |
| **Overall total on March 31, 2012** | **817,910** | **6,969,178** | **11,642,755** | **29,052,505** | | **48,482,348** | |
| **%** | **1.7** | **14.4** | **24.0** | **59.9** | | **100.0** | |
| **Overall total on June 30, 2011** | **397,925** | **2,126,188** | **5,872,566** | **20,646,883** | | | **29,043,562** |
| **%** | **1.4** | **7.3** | **20.2** | **71.1** | | | **100.0** |

(1) Issuance of securities in the foreign market for costumers' foreign exchange operations, export pre-financing, import financing and working capital financing, substantially in the medium and long terms.

## *Notes to the Consolidated Financial Statements*

**d)** Since 2003, Bradesco has been entering into certain agreements designed to optimize its funding and liquidity management activities through the use of a SPE – Special Purpose Entity. This SPE, named International Diversified Payment Rights Company, is financed with long-term debt and settled through future cash flows of the underlying assets, which basically include current and future flows of money orders remitted by individuals and corporate entities located abroad to beneficiaries in Brazil for which the Bank acts as a paying agent.

Long-term notes issued by the SPE and sold to investors are settled through funds derived from the money order flows. Bradesco is obliged to redeem these securities in specific cases of delinquency or if SPE' operations are discontinued.

Funds from the sale of current and future money order flows, received by the SPE, must be maintained in a specific bank account until a minimum limit is attained.

We present below the main features of the notes issued by SPE:

| | | | | | | R$ thousand |
|---|---|---|---|---|---|---|
| | **Date of issue** | **Transaction amount** | **Maturity** | **Total** | | |
| | | | | **2012** | | **2011** |
| | | | | **June 30** | **March 31** | **June 30** |
| Securitization of future flow of money orders received from abroad | 07.28.2004 | 305,400 | 08.20.2012 (1) | - | 8,992 | 30,972 |
| | 06.11.2007 | 481,550 | 05.20.2014 | 220,837 | 227,507 | 268,109 |
| | 06.11.2007 | 481,550 | 05.20.2014 | 220,723 | 227,391 | 267,937 |
| | 12.20.2007 | 354,260 | 11.20.2014(2) | - | - | 202,656 |
| | 12.20.2007 | 354,260 | 11.20.2014 | 181,603 | 181,892 | 202,656 |
| | 03.06.2008 | 836,000 | 05.22.2017 (3) | 958,629 | 909,671 | 779,573 |
| | 12.19.2008 | 1,168,500 | 02.20.2019 (4) | 1,008,830 | 909,418 | 779,328 |
| | 12.17.2009 | 133,673 | 11.20.2014 | 113,287 | 113,469 | 116,740 |
| | 12.17.2009 | 133,673 | 02.20.2017 | 142,577 | 135,708 | 116,286 |
| | 12.17.2009 | 89,115 | 02.20.2020 | 100,350 | 90,447 | 77,503 |
| | 08.20.2010 | 307,948 | 08.21.2017 | 352,614 | 317,852 | 272,386 |
| | 09.29.2010 | 170,530 | 08.21.2017 | 201,527 | 181,660 | 155,666 |
| | 11.16.2011(5) | 88,860 | 11.20.2018 | 99,658 | 90,774 | - |
| | 11.16.2011(6) | 133,290 | 11.22.2021 | 151,712 | 135,803 | - |
| **Total** | | **5,038,609** | | **3,752,347** | **3,530,584** | **3,269,812** |

(1) Security early settled;
(2) Security repurchased on March 29, 2012;
(3) The maturity date was postponed from May 20, 2015 to May 22, 2017;
(4) The maturity date was postponed from February 20, 2015 to February 20, 2019;
(5) Issuance of securities abroad totaling US$50,000 thousand; and
(6) Issuance of securities abroad totaling US$75,000 thousand.

## *Notes to the Consolidated Financial Statements*

### e) Expenses with funding and adjustment for inflation and interest on technical reserves for insurance, pension plans and capitalization bonds

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Savings deposits | 890,728 | 942,386 | 1,833,114 | 1,801,454 |
| Time deposits | 2,589,702 | 2,905,016 | 5,494,718 | 6,513,021 |
| Federal funds purchased and securities sold under agreements to repurchase | 4,431,171 | 4,679,914 | 9,111,085 | 9,136,641 |
| Funds from issuance of securities | 1,211,013 | 1,095,909 | 2,306,922 | 1,147,331 |
| Other funding expenses | 99,124 | 97,418 | 196,542 | 180,670 |
| **Subtotal** | **9,221,738** | **9,720,643** | **18,942,381** | **18,779,117** |
| Expenses for adjustment for inflation and interest on technical reserves from insurance, pension plans and capitalization bonds | 1,496,462 | 2,197,321 | 3,693,783 | 3,085,279 |
| **Total** | **10,718,200** | **11,917,964** | **22,636,164** | **21,864,396** |

## *Notes to the Consolidated Financial Statements*

### 17) BORROWING AND ONLENDING

#### a) Borrowing

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| **Abroad** | **1,987,611** | **5,637,175** | **3,687,666** | **1,072,206** | **12,384,658** | **11,353,047** | **11,280,466** |
| **Overall total on June 30, 2012** | **1,987,611** | **5,637,175** | **3,687,666** | **1,072,206** | **12,384,658** | | |
| **%** | **16.0** | **45.5** | **29.8** | **8.7** | **100.0** | | |
| **Overall total on March 31, 2012** | **1,552,224** | **5,404,628** | **3,335,496** | **1,060,699** | | **11,353,047** | |
| **%** | **13.7** | **47.6** | **29.4** | **9.3** | | **100.0** | |
| **Overall total on June 30, 2011** | **2,414,831** | **4,725,350** | **3,245,480** | **894,805** | | | **11,280,466** |
| **%** | **21.4** | **41.9** | **28.8** | **7.9** | | | **100.0** |

#### b) Onlending

R$ thousand

| | 2012 | | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | June 30 | March 31 | June 30 |
| **In Brazil** | **1,164,083** | **5,137,474** | **6,681,971** | **22,394,552** | **35,378,080** | **35,662,190** | **33,898,969** |
| - National Treasury | - | - | 117,484 | - | 117,484 | 39,279 | 17,087 |
| - BNDES | 461,101 | 2,251,288 | 3,306,634 | 6,665,410 | 12,684,433 | 12,893,439 | 12,910,312 |
| - CEF | 1,741 | 7,916 | 9,499 | 44,381 | 63,537 | 66,257 | 72,762 |
| - FINAME | 701,241 | 2,877,019 | 3,248,354 | 15,684,180 | 22,510,794 | 22,661,357 | 20,898,181 |
| - Other institutions | - | 1,251 | - | 581 | 1,832 | 1,858 | 627 |
| **Abroad** | **131,540** | **-** | **-** | **-** | **131,540** | **97,006** | **28,194** |
| **Overall total on June 30, 2012** | **1,295,623** | **5,137,474** | **6,681,971** | **22,394,552** | **35,509,620** | | |
| **%** | **3.6** | **14.5** | **18.8** | **63.1** | **100.0** | | |
| **Overall total on March 31, 2012** | **1,255,848** | **5,334,656** | **4,747,324** | **24,421,368** | | **35,759,196** | |
| **%** | **3.5** | **14.9** | **13.3** | **68.3** | | **100.0** | |
| **Overall total on June 30, 2011** | **1,176,055** | **4,649,036** | **4,609,152** | **23,492,920** | | | **33,927,163** |
| **%** | **3.5** | **13.7** | **13.6** | **69.2** | | | **100.0** |

## *Notes to the Consolidated Financial Statements*

### c) Borrowing and onlending expenses

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Borrowing:** | | | | |
| - In Brazil | 6,521 | 553 | 7,074 | 1,363 |
| - Abroad | 42,135 | 33,189 | 75,324 | 38,251 |
| **Subtotal borrowing** | **48,656** | **33,742** | **82,398** | **39,614** |
| **Onlending in Brazil:** | | | | |
| - National Treasury | 390 | 215 | 605 | 341 |
| - BNDES | 202,416 | 208,903 | 411,319 | 368,581 |
| - CEF | 1,176 | 1,327 | 2,503 | 2,950 |
| - FINAME | 339,162 | 303,413 | 642,575 | 466,188 |
| - Other institutions | 17 | 9 | 26 | 11 |
| **Onlending abroad:** | | | | |
| - Payables to foreign bankers (Note 11a) | 646,786 | 322,765 | 969,551 | (8,309) |
| - Other expenses with foreign onlending | 3,251,134 | (846,201) | 2,404,933 | (1,310,725) |
| - Exchange variation from investments abroad | (1,705,109) | 430,455 | (1,274,654) | - |
| **Subtotal onlending** | **2,735,972** | **420,886** | **3,156,858** | **(480,963)** |
| **Total** | **2,784,628** | **454,628** | **3,239,256** | **(441,349)** |

## 18) PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

### a) Contingent assets

Contingent assets are not recognized in the financial statements; however, there are ongoing proceedings whose chances of success are assessed as probable, such as: a) Social Integration Program (PIS), claiming the offset of PIS on Gross Operating Income, paid in accordance with Decree-Laws 2,445/88 and 2,449/88, regarding the payment exceeding the amount due under Supplementary Law 07/70 (PIS Repique); and b) other taxes, the legality and/or constitutionality of which is being challenged, whose decision may lead to the reimbursement of the amounts paid.

### b) Provisions classified as probable losses and legal obligations – tax and social security

The Bradesco Organization is currently a party to a number of labor, civil and tax lawsuits, arising from the normal course of its business activities.

Provisions were recorded by the Management based on the opinion of Management and their legal advisors, the type of lawsuit, similarity with previous lawsuits, complexity and positioning of the courts, whenever a loss is deemed probable.

Management considers that the provision recorded is sufficient to cover losses generated by the corresponding proceedings.

Liability related to litigation is held until the definite successful outcome of the lawsuit, represented by favorable judicial decisions, for which appeals can no longer be reversed or due to the statute of limitation.

## *Notes to the Consolidated Financial Statements*

### I - Labor claims

These are claims brought by former employees seeking indemnifications, especially for unpaid overtime, according to Article 224 of the Consolidation of Labor Laws (CLT). In proceedings requiring judicial deposit to guarantee the execution of the judgment, the amount of labor provisions is recorded considering the estimated loss of these deposits. For other proceedings, the provision is recorded based on the average of payments made for claims settled in the last 12 months.

Overtime is controlled through the use of electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by former employees do not represent significant amounts.

### II - Civil claims

These are claims for pain and suffering and property damages, mainly relating to notarized protests, returned checks, the inclusion of information about debtors in the restricted credit registry and the reincorporation of inflation adjustments excluded as a result of government economic plans. These lawsuits are individually controlled using a computer-based system and provisioned whenever the loss is assessed as probable, considering the opinion of Management and their legal advisors, the nature of the lawsuits, and similarity with previous lawsuits, complexity and positioning of the courts.

Most of these lawsuits are brought to the Special Civil Court (JEC), in which the claims are limited to 40 minimum wages and are not events that cause a significant impact on our financial position.

It is worth noting the significant number of legal claims pleading the incidence of inflation rates which were excluded from the adjustment for inflation of savings accounts balances due to economic plans which were part of the federal government economic policy to reduce inflation in the past. Although the Bank complied with the legal requirements in force at the time, these lawsuits have been recorded as provisions, taking into consideration claims effectively notified and their assessed loss perspectives, taking into consideration the current judicial decision of the Superior Court of Justice (STJ).

Regarding the disputes related to economic plans, it is worth noting two aspects: a) the Bank does not expect any significant provisions to be recorded in excess of what has been provided for, as the legal periods for new claims has expired; and b) the Federal Supreme Court (STF) suspended the analysis of all appeals up to final decision to be rendered by it.

### III - Legal obligations – provision for tax risks

The Bradesco Organization is disputing in court the legality and constitutionality of certain taxes and contributions, for which provisions have been recorded in full, although there are good chances for a favorable outcome in the medium and long term, based on the opinion of Management and their legal advisors.

## *Notes to the Consolidated Financial Statements*

The main issues are:

- Cofins – R$7,024,222 thousand: a request for authorization to calculate and pay Cofins, from October 2005, based on effective income, whose concept is in Article 2 of Supplementary Law 70/91, removing the unconstitutional increase in the calculation basis introduced by paragraph 1 of Article 3 of Law 9,718/98;

- INSS Autonomous Brokers – R$1,065,260 thousand: we are questioning the incidence of social security contribution on remunerations paid to autonomous service providers, established by Supplementary Law 84/96 and subsequent regulations/amendments, at the rate of 20% and additional of 2.5%, under the argument that services are not provided to insurance companies, but to policyholders, thus being outside the incidence of the contribution provided for in item I, Article 22, of Law 8,212/91, with new wording given in Law 9,876/99;

- IRPJ/Loan Losses – R$752,176 thousand: we are requesting authorization to deduct, for purposes of determination of the calculation basis of IRPJ and CSLL, the total or partial amount of effective and definite loan losses, regardless of the compliance with the conditions and terms provided for in Articles 9 to 14 of Law 9,430/96 that only apply to temporary losses;

- CSLL – Deductibility on the IRPJ calculation basis – R$651,997 thousand: we are requesting to calculate and pay income tax due, related to the 1997 base year and subsequent years, without adding the CSLL to the respective calculation basis, set forth by Article 1, of Law 9,316/96, since this contribution represents an effective, necessary and mandatory expense to the Company; and

- PIS – R$298,206 thousand: we are requesting the authorization to offset amounts overpaid in 1994 and 1995 base years as contribution to PIS, corresponding to the amount that exceeds the calculation basis established in the Constitution, i.e., gross operating income, as defined in the income tax legislation – concept in Article 44 of Law 4,506/64, not including interest income.

### IV - Provisions by nature

| | | | R$ thousand |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Labor claims | 2,427,101 | 2,362,826 | 1,727,735 |
| Civil claims | 3,499,173 | 3,424,442 | 2,901,382 |
| **Subtotal (1)** | **5,926,274** | **5,787,268** | **4,629,117** |
| Provision for tax risks (2) | 13,609,925 | 13,157,195 | 13,274,393 |
| **Total** | **19,536,199** | **18,944,463** | **17,903,510** |

(1) Note 20b; and
(2) Classified under "Other liabilities – tax and social security" (Note 20a).

## *Notes to the Consolidated Financial Statements*

### V - Changes in provisions

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | |
| | Labor | Civil | Tax (1) |
| **Balance on December 31, 2011** | **2,315,859** | **3,345,225** | **12,463,489** |
| Adjustment for inflation | 131,852 | 221,408 | 467,304 |
| Provisions, net of reversals and write-offs | 255,814 | 158,861 | 694,644 |
| Payments | (276,424) | (226,321) | (15,512) |
| **Balance on June 30, 2012** | **2,427,101** | **3,499,173** | **13,609,925** |

(1) Substantially comprised of legal liabilities.

### c) Contingent liabilities classified as possible losses

The Bradesco Organization maintains a system to monitor all administrative and judicial proceedings in which the institution is plaintiff or defendant and, based on the opinion of legal advisors, classifies the lawsuits according to the expectation of loss. The trends of administrative and judicial proceedings are periodically analyzed and, if necessary, the related risks are reclassified. In this context the contingent proceedings evaluated as having the risk of possible loss are not recorded as a liability in the financial statements. The main proceedings with this classification are the following: a) leasing companies' Tax on Services of any Nature (ISSQN), the total processes of which correspond to R$1,092,677 thousand. In this lawsuit, we discuss the demand of tax by municipalities other than those where the companies are located and where, in compliance with the law, the tax is collected; b) 2006–2009 income tax and social contribution, related to the goodwill amortization disallowance on the acquisition of investments, in the amount of R$704,487 thousand; and c) IRPJ and CSLL deficiency notice related to disallowance of loan loss expenses, in the amount of R$291,739 thousand.

## *Notes to the Consolidated Financial Statements*

### 19) SUBORDINATED DEBT

| | | | | | | | R$ thousand |
|---|---|---|---|---|---|---|---|
| | | | | | 2012 | | 2011 |
| Maturity | Original term in years | Amount of the operation | Currency | Remuneration | June 30 | March 31 | June 30 |
| **In Brazil:** | | | | | | | |
| **Subordinated CDB:** | | | | | | | |
| 2012 (1) | 5 | 1,419,126 | R$ | 100.0% of CDI rate + (0.3440% p.a. – 0.4914% p.a.) or IPCA + (7.1019% p.a. – 7.632% p.a.) | 2,358,911 | 2,304,322 | 3,314,217 |
| 2013 | 5 | 575,000 | R$ | 100.0% of CDI rate + (0.344% p.a. – 1.0817% p.a.) or IPCA + (7.74% p.a. – 8.1863% p.a.) | 929,156 | 906,872 | 830,310 |
| 2014 | 6 | 1,000,000 | R$ | 112.0% of CDI rate | 1,493,171 | 1,458,985 | 1,333,482 |
| 2015 | 6 | 1,274,696 | R$ | IPCA + (6.92% p.a. – 8.55% p.a.) 108% to 112.0% of CDI rate | 1,893,044 | 1,836,063 | 1,664,564 |
| 2016 | 6 | 500 | R$ | IPCA + 7.1292% p.a. | 686 | 668 | 609 |
| 2012 (2) | 10 | 228,029 | R$ | 100.0% of CDI rate + 0.87% p.a. 101.5% of CDI rate | 889,422 | 1,036,338 | 5,459,081 |
| 2019 | 10 | 20,000 | R$ | IPCA + (7.76% p.a.) | 29,154 | 28,313 | 25,728 |
| **Financial bills:** | | | | | | | |
| 2011 (3) | 5 | - | R$ | 103.0% of CDI rate | - | - | 902,857 |
| 2012 (9) | 5 | - | R$ | 103.0% of CDI rate | - | 1,680,295 | 1,546,893 |
| 2016 | 6 | 102,018 | R$ | IGPM rate + 6.3874% p.a. IPCA + (6.7017% p.a. – 6.8784% p.a.) 100% fixed rate + 13.0949% p.a. 108% to 110.0% of CDI rate | 124,106 | 120,898 | 110,775 |
| 2017 (4) | 6 | 8,630,999 | R$ | 100% of CDI rate + (1.2685%p.a – 1.3656% p.a.) IGPM rate + (5.7745% p.a. – 6.9588% p.a.) IPCA + (5.6030% p.a. – 7.5482% p.a.) Fixed rate of (11.7493% p.a. – 13.8609% p.a.) 104% to 112.5% of CDI rate | 9,443,896 | 8,931,042 | 3,600,185 |

## *Notes to the Consolidated Financial Statements*

| | | | | | | | R$ thousand |
|---|---|---|---|---|---|---|---|
| | | | | | 2012 | | 2011 |
| Maturity | Original term in years | Amount of the operation | Currency | Remuneration | June 30 | March 31 | June 30 |
| 2018 (5) | 6 | 7,985,252 | R$ | 100% of CDI rate + (0.8831% p.a. – 1.3061% p.a.)<br>IGPM Rate + (4.3287% p.a. – 6.2626% p.a.)<br>IPCA + (4.3973% p.a. – 6.2822% p.a.)<br>100% fixed rate + (10.7224% p.a. – 12.1754% p.a.)<br>108% to 112% of CDI rate | 7,820,813 | 3,294,636 | - |
| 2017 | 7 | 40,100 | R$ | IPCA + 7.4163% p.a.<br>Fixed rate + 13.1763% p.a. | 52,390 | 50,838 | 46,292 |
| 2018 | 7 | 141,050 | R$ | IGPM rate + 6.6945% p.a.<br>IPCA + (5.9081% p.a. – 7.3743% p.a.) | 158,499 | 152,998 | 60,783 |
| 2018 | 8 | 50,000 | R$ | IGPM rate + 7.0670% p.a. | 60,553 | 58,043 | 53,760 |
| 2019 | 7 | 54,961 | R$ | IPCA + (5.0648% p.a. – 6.1757% p.a.)<br>Fixed rate of 11.2162% p.a. – 11.7550% p.a.<br>110.5% to 111% of CDI rate | 56,223 | 22,071 | - |
| 2019 | 8 | 12,735 | R$ | IGPM rate + 5.8351% p.a.<br>IPCA + (5.8950% p.a. – 6.3643% p.a.)<br>Fixed rate + 13.3381% p.a. | 14,146 | 13,731 | 519 |
| 2020 | 8 | 21,354 | R$ | IGPM rate + 5.5341% p.a.<br>IPCA + (5.2033% p.a. – 6.1386% p.a.)<br>Fixed rate of 11.1291% p.a. – 11.8661% p.a.<br>110.75% of CDI rate | 21,838 | 13,178 | - |
| 2021 | 9 | 7,000 | R$ | 111.0% of CDI rate | 7,003 | - | - |
| 2021 | 10 | 19,200 | R$ | IGPM rate + (6.0358% p.a. – 6.6244% p.a.)<br>IPCA + (5.8789% p.a. – 7.1246% p.a.)<br>100% fixed rate + 12.7513% p.a.<br>109.0% of CDI rate | 20,778 | 20,212 | 2,267 |
| 2022 | 10 | 26,514 | R$ | IGPM rate + (4.1239% p.a.)<br>IPCA + (4.5564% p.a. – 6.0358% p.a.)<br>Fixed rate of 10.8585% p.a. – 12.4377% p.a.<br>110% to 111.25% of CDI rate | 26,840 | 2,490 | - |

## *Notes to the Consolidated Financial Statements*

| | | | | | | | R$ thousand |
|---|---|---|---|---|---|---|---|
| | | | | | 2012 | | 2011 |
| **Maturity** | **Original term in years** | **Amount of the operation** | **Currency** | **Remuneration** | **June 30** | **March 31** | **June 30** |
| **CDB pegged to loan operations:** | | | | | | | |
| 2012 to 2016 | from 2 to 5 | 6,809 | R$ | 100% of CDI rate | 7,339 | 7,593 | 9,895 |
| **Subtotal in Brazil** | | | | | **25,407,968** | **21,939,586** | **18,962,217** |
| **Abroad:** | | | | | | | |
| 2011 (9) | 10 | - | US$ | Rate of 10.25% p.a. | - | - | 235,046 |
| 2012 (7) (9) | 10 | - | Yen | Rate of 4.05% p.a. | - | 394,063 | 342,106 |
| 2013 | 10 | 1,434,750 | US$ | Rate of 8.75% p.a. | 1,026,023 | 944,652 | 779,073 |
| 2014 | 10 | 801,927 | Euro | Rate of 8.00% p.a. | 584,342 | 565,161 | 516,704 |
| 2019 | 10 | 1,333,575 | US$ | Rate of 6.75% p.a. | 1,542,126 | 1,367,087 | 1,203,733 |
| 2021 | 11 | 1,600,000 | US$ | Rate of 5.90% p.a. | 3,313,162 | 2,943,407 | 2,552,061 |
| 2022 (8) | 11 | 1,100,000 | US$ | Rate of 5.75% p.a. | 2,259,148 | 2,007,515 | - |
| Issuance costs on funding | | | | | (41,648) | (39,220) | (27,229) |
| **Subtotal abroad** | | | | | **8,683,153** | **8,182,665** | **5,601,494** |
| **Overall total** | | | | | **34,091,121** | **30,122,251** | **24,563,711** |

(1) Early settlement of subordinated debt amounting to R$718,702 thousand in June 2011 and R$461.505 thousand in February 2012;
(2) Early settlement of subordinated debt amounting to R$2,960,895 thousand in September 2011 and R$1,065,699 thousand in February 2012, and subordinated debt operations amounting to R$570,470 thousand, that matured in March 2012;
(3) Subordinated debt operations maturing in July 2011;
(4) Issue of financial bills, of which were issued as follows: (i) R$81,927 thousand in July 2011; (ii) R$3,741,163 thousand in August 2011; (iii) R$923,460 thousand in September 2011; (iv) R$27,250 thousand in October 2011; (v) R$260,442 thousand in November 2011; and (vi) R$95,986 thousand in December 2011, maturing in 2017;
(5) Issue of financial bills, of which were issued as follows: (i) R$303,079 thousand in January 2012; (ii) R$2,029,586 thousand in February 2012; (iii) R$859,438 thousand in March 2012; and (iv) R$4,192,444 thousand in May 2012, maturing in 2018;
(6) Subordinated debt operations that matured in December 2011;
(7) Including the cost of swap to U.S. dollar, the rate increases to 10.15% p.a.;
(8) In March 2012, subordinated debts totaling US$1,100,000 thousand was issued abroad with a 5.75% p.a. rate, maturing in January 2022; and
(9) Subordinated debt operations that matured in April 2012.

# *Notes to the Consolidated Financial Statements*

## 20) OTHER LIABILITIES

### a) Tax and social security

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Provision for tax risks (Note 18b IV) | 13,609,925 | 13,157,195 | 13,274,393 |
| Provision for deferred income tax (Note 34f) | 7,532,884 | 4,483,019 | 4,810,120 |
| Taxes and contributions on profits payable | 2,610,252 | 1,747,337 | 3,416,483 |
| Taxes and contributions payable | 1,086,010 | 963,689 | 904,709 |
| **Total** | **24,839,071** | **20,351,240** | **22,405,705** |

### b) Sundry

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Credit card operations | 12,149,223 | 11,687,127 | 10,881,090 |
| Provision for payments | 4,500,664 | 4,279,589 | 3,850,215 |
| Civil and labor provisions (Note 18b IV) | 5,926,274 | 5,787,268 | 4,629,117 |
| Sundry creditors | 3,409,162 | 3,007,301 | 2,526,619 |
| Liabilities for acquisition of assets and rights | 1,947,510 | 2,068,566 | 1,101,374 |
| Liabilities for official agreements | 299,038 | 289,884 | 300,387 |
| Other | 1,314,889 | 1,215,146 | 1,072,286 |
| **Total** | **29,546,760** | **28,334,881** | **24,361,088** |

# *Notes to the Consolidated Financial Statements*

## 21) INSURANCE, PENSION PLAN AND CAPITALIZATION BOND OPERATIONS

### a) Technical reserves by account

R$ thousand

| | Insurance (1) | | | Life and pension plans (2) (3) | | | Capitalization bonds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 |
| | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 |
| **Current and long-term liabilities** | | | | | | | | | | | | |
| Mathematical reserve for unvested benefits | 627,589 | 592,880 | 690,423 | 84,005,788 | 80,022,922 | 69,176,011 | - | - | - | **84,633,377** | **80,615,802** | **69,866,434** |
| Mathematical reserve for vested benefits | 143,756 | 138,900 | 134,380 | 5,660,877 | 5,496,631 | 5,224,924 | - | - | - | **5,804,633** | **5,635,531** | **5,359,304** |
| Mathematical reserve for redemptions | - | - | - | - | - | - | 4,196,721 | 3,983,424 | 3,412,918 | **4,196,721** | **3,983,424** | **3,412,918** |
| Reserve for claims incurred but not reported (IBNR) | 1,154,261 | 1,174,948 | 1,092,651 | 867,054 | 834,063 | 702,334 | - | - | - | **2,021,315** | **2,009,011** | **1,794,985** |
| Unearned premium reserve | 2,099,448 | 1,931,012 | 1,892,095 | 168,472 | 170,545 | 115,566 | - | - | - | **2,267,920** | **2,101,557** | **2,007,661** |
| Contribution deficiency reserve (4) | - | - | - | 3,805,376 | 3,705,640 | 3,553,018 | - | - | - | **3,805,376** | **3,705,640** | **3,553,018** |
| Reserve for unsettled claims | 2,903,036 | 2,826,465 | 2,306,015 | 1,029,881 | 1,014,185 | 927,114 | - | - | - | **3,932,917** | **3,840,650** | **3,233,129** |
| Reserve for risk fluctuation | - | - | - | 607,032 | 608,596 | 619,739 | - | - | - | **607,032** | **608,596** | **619,739** |
| Premium deficiency reserve | - | - | - | 404,326 | 471,056 | 547,090 | - | - | - | **404,326** | **471,056** | **547,090** |
| Reserve for financial surplus | - | - | - | 392,748 | 399,843 | 373,782 | - | - | - | **392,748** | **399,843** | **373,782** |
| Reserve for drawings and redemptions | - | - | - | - | - | - | 514,849 | 510,542 | 528,202 | **514,849** | **510,542** | **528,202** |
| Reserve for administrative expenses | - | - | - | 102,200 | 100,509 | 99,543 | 164,395 | 162,380 | 147,318 | **266,595** | **262,889** | **246,861** |
| Provision for contingencies | - | - | - | - | - | - | 9,565 | 6,949 | 7,471 | **9,565** | **6,949** | **7,471** |
| Other reserves | 1,776,723 | 1,764,919 | 1,735,638 | 1,155,007 | 1,036,723 | 652,071 | - | - | - | **2,931,730** | **2,801,642** | **2,387,709** |
| **Total reserves** | **8,704,813** | **8,429,124** | **7,851,202** | **98,198,761** | **93,860,713** | **81,991,192** | **4,885,530** | **4,663,295** | **4,095,909** | **111,789,104** | **106,953,132** | **93,938,303** |

(1) "Other reserves" - Insurance basically refers to the technical reserves of the "individual health" portfolio made to cover the differences of future premium adjustments and those necessary to the portfolio technical balance;
(2) Includes personal insurance and pension plan operations;
(3) "Other reserves" – Life and Pension Plan basically refers to "Reserve for unvested benefits (Life)", "Reserve for redemption and other amounts to rectify," and "Reserve for benefits to rectify;" and
(4) The contribution deficiency reserve for retirement and pension plans is calculated according to the normalized biometric table AT-2000, improved by 1.5% p.a., considering males separated from females, who have a longer life expectancy, and an interest rate of 4.0% p.a. For disability plans, the provision is also actuarially calculated according to the biometric AT-49 (male) table and the 4.0% p.a. interest rate.

## *Notes to the Consolidated Financial Statements*

### b) Technical reserves by product

R$ thousand

| | Insurance | | | Life and pension plans | | | Capitalization bonds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 |
| | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 |
| Health | 4,180,157 | 4,126,700 | 3,887,910 | - | - | - | - | - | - | **4,180,157** | **4,126,700** | **3,887,910** |
| Auto/RCF | 2,682,107 | 2,493,288 | 2,348,777 | - | - | - | - | - | - | **2,682,107** | **2,493,288** | **2,348,777** |
| DPVAT/Retrocession | 163,478 | 138,920 | 117,960 | 360,474 | 343,448 | 283,649 | - | - | - | **523,952** | **482,368** | **401,609** |
| Life | 15,824 | 15,605 | 16,858 | 4,333,314 | 4,188,576 | 3,592,886 | - | - | - | **4,349,138** | **4,204,181** | **3,609,744** |
| Basic lines | 1,663,247 | 1,654,611 | 1,479,697 | - | - | - | - | - | - | **1,663,247** | **1,654,611** | **1,479,697** |
| Unrestricted Benefits Generating Plan – PGBL to be granted | - | - | - | 16,092,687 | 15,720,478 | 13,916,893 | - | - | - | **16,092,687** | **15,720,478** | **13,916,893** |
| Long-Term Life Insurance – VGBL - to be granted | - | - | - | 58,259,616 | 54,894,227 | 46,194,320 | - | - | - | **58,259,616** | **54,894,227** | **46,194,320** |
| Pension plans | - | - | - | 19,152,670 | 18,713,984 | 18,003,444 | - | - | - | **19,152,670** | **18,713,984** | **18,003,444** |
| Capitalization bonds | - | - | - | - | - | - | 4,885,530 | 4,663,295 | 4,095,909 | **4,885,530** | **4,663,295** | **4,095,909** |
| **Total technical reserves** | **8,704,813** | **8,429,124** | **7,851,202** | **98,198,761** | **93,860,713** | **81,991,192** | **4,885,530** | **4,663,295** | **4,095,909** | **111,789,104** | **106,953,132** | **93,938,303** |

# *Notes to the Consolidated Financial Statements*

## c) Guarantees of technical reserves

R$ thousand

| | Insurance | | | Life and pension plans | | | Capitalization bonds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 | 2012 | | 2011 |
| | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 |
| **Total technical reserves** | **8,704,813** | **8,429,124** | **7,851,202** | **98,198,761** | **93,860,713** | **81,991,192** | **4,885,530** | **4,663,295** | **4,095,909** | **111,789,104** | **106,953,132** | **93,938,303** |
| (-) Portion corresponding to contracted reinsurance | (847,453) | (844,548) | (702,416) | (9,185) | (6,918) | (7,977) | - | - | - | **(856,638)** | **(851,466)** | **(710,393)** |
| (-) Deposits retained at IRB and court deposits | (18,500) | (23,500) | (39,644) | (62,887) | (65,461) | (73,230) | - | - | - | **(81,387)** | **(88,961)** | **(112,874)** |
| (-) Receivables | (906,533) | (739,682) | (790,392) | - | - | - | - | - | - | **(906,533)** | **(739,682)** | **(790,392)** |
| (-) Reserves from DPVAT agreements | (156,554) | (90,008) | (109,947) | (357,185) | (340,346) | (280,051) | - | - | - | **(513,739)** | **(430,354)** | **(389,998)** |
| **To be insured** | **6,775,773** | **6,731,386** | **6,208,803** | **97,769,504** | **93,447,988** | **81,629,934** | **4,885,530** | **4,663,295** | **4,095,909** | **109,430,807** | **104,842,669** | **91,934,646** |
| Investment fund quotas (VGBL and PGBL) | - | - | - | 74,352,303 | 70,614,704 | 60,111,213 | - | - | - | **74,352,303** | **70,614,704** | **60,111,213** |
| Investment fund quotas (excluding VGBL and PGBL) | 7,030,957 | 6,908,576 | 6,490,665 | 16,794,830 | 16,247,133 | 15,201,968 | 4,463,478 | 4,182,004 | 3,717,142 | **28,289,265** | **27,337,713** | **25,409,775** |
| Government securities | - | - | - | 4,968,760 | 4,793,943 | 4,544,307 | - | - | - | **4,968,760** | **4,793,943** | **4,544,307** |
| Private securities | 39,774 | 38,909 | 43,993 | 598,425 | 581,760 | 583,708 | 238,504 | 229,891 | 227,136 | **876,703** | **850,560** | **854,837** |
| Shares | 3,248 | 3,193 | 2,945 | 1,254,973 | 1,406,511 | 1,373,551 | 273,589 | 401,440 | 351,665 | **1,531,810** | **1,811,144** | **1,728,161** |
| **Total guarantees of technical reserves** | **7,073,979** | **6,950,678** | **6,537,603** | **97,969,291** | **93,644,051** | **81,814,747** | **4,975,571** | **4,813,335** | **4,295,943** | **110,018,841** | **105,408,064** | **92,648,293** |

## *Notes to the Consolidated Financial Statements*

### d) Insurance, pension plan contribution and capitalization bond retained premiums

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Written premiums | 4,902,162 | 4,623,551 | 9,525,713 | 8,197,036 |
| Pension plan contributions (including VGBL) | 5,815,679 | 4,090,324 | 9,906,003 | 8,029,595 |
| Capitalization bond income | 936,303 | 795,493 | 1,731,796 | 1,399,757 |
| Granted coinsurance premiums | (53,085) | (60,353) | (113,438) | (90,496) |
| Refunded premiums | (30,854) | (31,462) | (62,316) | (63,228) |
| **Net written premiums** | **11,570,205** | **9,417,553** | **20,987,758** | **17,472,664** |
| Reinsurance premiums | (78,048) | (68,819) | (146,867) | (120,662) |
| **Insurance, pension plan and capitalization bond retained premiums** | **11,492,157** | **9,348,734** | **20,840,891** | **17,352,002** |

## 22) NON-CONTROLLING INTERESTS IN SUBSIDIARIES

| | | | R$ thousand |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Banco Bradesco BBI S.A. | 120,690 | 118,823 | 112,232 |
| Other (1) | 466,205 | 511,441 | 486,631 |
| **Total** | **586,895** | **630,264** | **598,863** |

(1) Mainly related to the non-controlling interests in Odontoprev S.A.

## 23) SHAREHOLDERS' EQUITY (PARENT COMPANY)

### a) Breakdown of capital stock in number of shares

Fully subscribed and paid-in capital stock comprises non-par, registered, book-entry shares.

| | 2012 | | 2011 |
|---|---|---|---|
| | June 30 | March 31 | June 30 |
| Common shares | 1,912,397,390 | 1,912,397,390 | 1,912,397,390 |
| Preferred shares | 1,912,397,191 | 1,912,397,191 | 1,912,397,191 |
| **Subtotal** | **3,824,794,581** | **3,824,794,581** | **3,824,794,581** |
| Treasury (common shares) | (2,559,000) | (2,559,000) | (2,487,000) |
| Treasury (preferred shares) | (4,466,400) | (4,466,400) | - |
| **Total outstanding shares** | **3,817,769,181** | **3,817,769,181** | **3,822,307,581** |

### b) Changes in capital stock in number of shares

| | Common | Preferred | Total |
|---|---|---|---|
| **Number of outstanding shares on December 31, 2011** | **1,909,910,390** | **1,907,930,791** | **3,817,841,181** |
| Shares acquired and not cancelled | (72,000) | - | (72,000) |
| **Number of outstanding shares as of June 30, 2012** | **1,909,838,390** | **1,907,930,791** | **3,817,769,181** |

## *Notes to the Consolidated Financial Statements*

**c) Interest on shareholders' equity/dividends**

Preferred shares have no voting rights, but are entitled to all other rights and advantages given to common shares and, in compliance with Bradesco's Bylaws, have priority in repayment of capital and an additional ten percent (10%) interest on shareholders' equity and/or dividends, in accordance with the provisions of Paragraph 1, item II, of Article 17 of Law 6,404/76, amended by Law 10,303/01.

According to Bradesco's Bylaws, shareholders are entitled to interest on shareholders' equity and/or dividends amounting to at least 30% of the net income for the year, adjusted in accordance with Brazilian Corporation Law.

Interest on shareholders' equity is calculated based on the shareholders' equity accounts and is limited to the variation in the Federal Government Long-Term Interest Rate (TJLP), provided that there are available profits, calculated prior to the deduction thereof, or retained earnings and profit reserves in amounts equivalent to, or exceeding twice, the amount of such interest.

Bradesco's capital remuneration policy aims at distributing interest on shareholders' equity at the maximum amount calculated pursuant to prevailing laws, and this is included, net of Withholding Income Tax, in the calculation of the mandatory dividends of the year set forth in the Company's Bylaws.

The Board of Directors' meeting held on December 12, 2011 approved the Board of Executive Officers' proposal to pay shareholders supplementary interest on shareholders' equity for 2011, in the amount of R$2,309,800 thousand, at R$0.576206221 (net of 15% withholding income tax – R$0.489775288) per common share and R$0.633826844 (net of 15% withholding income tax – R$0.538752817) per preferred share, which was paid on March 8, 2012.

The Board of Directors' meeting held on February 10, 2012 approved the Board of Executive Officers' proposal to pay shareholders dividends as complement to interest on shareholders' equity and dividends for 2011, in the amount of R$151,291 thousand, at R$0.037741866 per common share and R$0.041516054 per preferred share, which was paid on March 8, 2012.

The Board of Directors' Meeting held on March 7, 2012 approved the Board of Executive Officers' proposal to increase by 10% the value of monthly dividends, paid in advance to shareholders, in compliance with the Monthly Compensation Methodology, from R$0.014541175 to R$0.015995293, corresponding to common shares, and from R$0.015995293 to R$0.017594822, corresponding to preferred shares, in effect since dividends related to April 2012, which was paid on May 2, 2012, benefiting shareholders registered on April 2, 2012.

The Board of Directors' Meeting held on June 20, 2012 approved the Board of Executive Officers' proposal to pay Company's shareholders monthly interest on shareholders' equity, in replacement for monthly dividends. Shareholders will receive R$0.018817992 (net of 15% withholding income tax - R$0.015995293) per common share and R$0.020699791 (net of 15% withholding income tax - R$0.017594822) per preferred share, in effect as from July 2012, to be paid on August 1, 2012, benefiting shareholders registered on July 2, 2012.

The Board of Directors' meeting held on June 27, 2012 approved the Board of Executive Officers' proposal to pay shareholders interim interest on shareholders' equity for the first half of 2012, in the amount of R$754,300 thousand, at R$0.188184678 (net of 15% withholding income tax - R$0.159956976) per common share and R$0.207003146 (net of 15% withholding income tax - R$0.175952674) per preferred share, which was paid on July 18, 2012.

## *Notes to the Consolidated Financial Statements*

Interest on shareholders' equity and dividends related to the first half of 2012 is calculated as follows:

| | R$ thousand | % (1) |
|---|---|---|
| Net income for the half-year | 5,625,504 | |
| (-) Legal reserve | (281,275) | |
| **Adjusted calculation basis** | **5,344,229** | |
| Supplementary and interim interest on shareholders' equity (gross), paid and/or provisioned | 1,548,500 | |
| Withholding income tax on interest on shareholders' equity | (232,275) | |
| **Interest on shareholders' equity (net)** | **1,316,225** | |
| Monthly dividends, paid and provisioned | 367,208 | |
| **Interest on shareholders' equity (net) and dividends on June 30, 2012 YTD** | **1,683,433** | **31.50** |
| **Interest on shareholders' equity (net) and dividends on June 30, 2011 YTD** | **1,642,099** | **31.50** |

(1) Percentage of interest on shareholders' equity/dividends over adjusted calculation basis.

Interest on shareholders' equity and dividends were paid or recorded in provision, as follows:

| Description | R$ thousand | | | | |
|---|---|---|---|---|---|
| | Per share (gross) | | Gross amount paid/recorded in provision | Withholding Income Tax (IRRF) (15%) | Net amount paid/recorded in provision |
| | Common shares | Preferred shares | | | |
| Supplementary interest on shareholders' equity paid | 0.233248 | 0.256573 | 936,153 | 140,423 | 795,730 |
| Interim interest on shareholders' equity paid | 0.155521 | 0.171073 | 624,200 | 93,630 | 530,570 |
| Monthly dividends paid | 0.079316 | 0.087248 | 315,799 | - | 315,799 |
| **Total in the first half of 2011** | **0.468085** | **0.514894** | **1,876,152** | **234,053** | **1,642,099** |
| Supplementary interest on shareholders' equity provisioned | 0.193579 | 0.212937 | 777,420 | 116,613 | 660,807 |
| Monthly dividends paid | 0.043624 | 0.047986 | 174,860 | - | 174,860 |
| **Total in the first quarter of 2012** | **0.237203** | **0.260923** | **952,280** | **116,613** | **835,667** |
| Supplementary interest on shareholders' equity provisioned | 0.004186 | 0.004605 | 16,780 | 2,517 | 14,263 |
| Interim interest on shareholders' equity paid (1) | 0.188185 | 0.207003 | 754,300 | 113,145 | 641,155 |
| Monthly dividends paid and provisioned | 0.047986 | 0.052784 | 192,348 | - | 192,348 |
| **Total in the second quarter of 2012** | **0.240357** | **0.264392** | **963,428** | **115,662** | **847,766** |
| Supplementary interest on shareholders' equity provisioned | 0.197765 | 0.217542 | 794,200 | 119,130 | 675,070 |
| Interim interest on shareholders' equity paid (1) | 0.188185 | 0.207003 | 754,300 | 113,145 | 641,155 |
| Monthly dividends paid and provisioned | 0.091610 | 0.100770 | 367,208 | - | 367,208 |
| **Total in the first half of 2012** | **0.477560** | **0.525315** | **1,915,708** | **232,275** | **1,683,433** |

(1) Paid on July 18, 2012

### d) Treasury shares

The Board of Directors' meeting held on December 20, 2010 authorized the acquisition of up to 15,000,000 no-par, registered book-entry shares issued by Bradesco, of which 7,500,000 are common shares and 7,500,000 preferred shares, to be held in treasury and later sold or cancelled, without reducing capital stock. This authorization was valid until June 21, 2011. The Board of Directors' meeting held on June 20, 2011 approved the renewal of the share acquisition term based on the same previous conditions. The authorization was valid up to December 22, 2011. The Board of Directors' meeting held on December 21, 2011 resolved the renewal of the term for the share acquisition, based on the same prior conditions. The authorization was valid up to June 23, 2012. The Board of Directors' meeting held on June 21, 2012 resolved on the renewal of the term for the share acquisition, based on the same prior conditions. The new authorization will be valid up to December 25, 2012.

## *Notes to the Consolidated Financial Statements*

As of June 30, 2012, 2,559,000 common shares and 4,466,400 preferred shares had been acquired, totaling R$184,935 thousand, and remain in treasury. The minimum, average and maximum cost per common share is R$23.62221, R$25.36814 and R$26.83286, respectively, and R$26.20576, R$26.87120 and R$27.54291 per preferred share, respectively. The market value of the shares, as at June 30, 2012, was R$25.00 per common share and R$29.94 per preferred share.

### 24) FEE AND COMMISSION INCOME

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Credit card income | 1,383,914 | 1,333,831 | 2,717,745 | 2,278,772 |
| Checking account | 804,934 | 747,981 | 1,552,915 | 1,330,220 |
| Asset management | 534,646 | 526,094 | 1,060,740 | 944,994 |
| Loan operations | 527,226 | 504,554 | 1,031,780 | 967,025 |
| Collections | 322,346 | 313,456 | 635,802 | 574,897 |
| Consortium management | 149,579 | 143,611 | 293,190 | 249,911 |
| Custody and brokerage services | 119,408 | 116,927 | 236,335 | 210,137 |
| Underwriting/financial advisory services | 115,198 | 109,070 | 224,268 | 151,395 |
| Payments | 79,809 | 78,184 | 157,993 | 153,377 |
| Other | 137,020 | 121,581 | 258,601 | 182,694 |
| **Total** | **4,174,080** | **3,995,289** | **8,169,369** | **7,043,422** |

### 25) PERSONNEL EXPENSES

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Payroll | 1,401,945 | 1,353,564 | 2,755,509 | 2,341,764 |
| Benefits | 616,593 | 585,851 | 1,202,444 | 1,005,968 |
| Social security charges | 535,554 | 508,910 | 1,044,464 | 885,508 |
| Employee profit sharing | 264,504 | 265,321 | 529,825 | 429,817 |
| Provision for labor claims | 188,047 | 142,646 | 330,693 | 319,451 |
| Training | 40,634 | 21,965 | 62,599 | 58,048 |
| **Total** | **3,047,277** | **2,878,257** | **5,925,534** | **5,040,556** |

# *Notes to the Consolidated Financial Statements*

## 26) OTHER ADMINISTRATIVE EXPENSES

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Outsourced services | 832,281 | 832,417 | 1,664,698 | 1,713,146 |
| Communication | 415,221 | 409,514 | 824,735 | 768,613 |
| Depreciation and amortization | 401,976 | 398,474 | 800,450 | 701,998 |
| Data processing | 267,944 | 262,204 | 530,148 | 444,380 |
| Advertising and marketing | 162,191 | 152,510 | 314,701 | 395,887 |
| Transportation | 214,702 | 212,324 | 427,026 | 358,904 |
| Rental | 195,702 | 182,515 | 378,217 | 319,370 |
| Asset maintenance | 145,141 | 145,616 | 290,757 | 261,425 |
| Financial system services | 162,944 | 163,397 | 326,341 | 229,825 |
| Supplies | 76,576 | 91,882 | 168,458 | 175,797 |
| Security and surveillance | 104,772 | 100,240 | 205,012 | 155,935 |
| Water, electricity and gas | 64,942 | 65,469 | 130,411 | 115,306 |
| Trips | 33,566 | 32,926 | 66,492 | 70,881 |
| Other | 243,923 | 240,998 | 484,921 | 418,112 |
| **Total** | **3,321,881** | **3,290,486** | **6,612,367** | **6,129,579** |

## 27) TAX EXPENSES

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Contribution for Social Security Financing (Cofins) | 536,793 | 735,812 | 1,272,605 | 1,325,645 |
| Social Integration Program (PIS) contribution | 91,354 | 123,635 | 214,989 | 229,514 |
| Tax on Services (ISS) | 115,548 | 109,340 | 224,888 | 199,185 |
| Municipal Real Estate Tax (IPTU) expenses | 10,238 | 19,719 | 29,957 | 25,668 |
| Other | 59,362 | 133,871 | 193,233 | 143,329 |
| **Total** | **813,295** | **1,122,377** | **1,935,672** | **1,923,341** |

## 28) OTHER OPERATING INCOME

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Other interest income | 400,701 | 432,113 | 832,814 | 525,946 |
| Reversal of other operating provisions | 84,177 | 112,577 | 196,754 | 182,471 |
| Gains on sale of goods | 18,384 | 14,991 | 33,375 | 25,953 |
| Revenues from recovery of charges and expenses | 17,961 | 105,544 | 123,505 | 71,490 |
| Other (1) | 245,977 | 220,531 | 466,508 | 3,553,582 |
| **Total** | **767,200** | **885,756** | **1,652,956** | **4,359,442** |

(1) Includes revenue from tax credits to offset in the amount of R$2,911,634 thousand in the first half of 2011.

# *Notes to the Consolidated Financial Statements*

## 29) OTHER OPERATING EXPENSES

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Other financial expenses | 950,172 | 911,938 | 1,862,110 | 1,327,550 |
| Sundry losses | 398,236 | 344,898 | 743,134 | 632,505 |
| Intangible assets amortization – acquisition of banking service rights | 204,934 | 190,437 | 395,371 | 336,762 |
| Expenses with other operating provisions (1) (2) | 256,857 | 216,405 | 473,262 | 3,413,326 |
| Goodwill amortization (Note 15a) | 66,945 | 65,785 | 132,730 | 132,225 |
| Other | 509,372 | 644,033 | 1,153,405 | 841,772 |
| **Total** | **2,386,516** | **2,373,496** | **4,760,012** | **6,684,140** |

(1) Includes R$143,045 thousand of provision for civil lawsuits – economic plans in the first half of 2012 (R$122,193 thousand in the first half of 2011) and R$56,878 thousand in the second quarter of 2012 (R$86,167 thousand in the first quarter of 2012); and
(2) Includes provision for tax risks in the amount of R$2,911,634 thousand during the first half of 2011.

## 30) NON-OPERATING INCOME

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Gain/loss on sale and write-off of assets and investments (1) | (41,645) | (25,796) | (67,441) | (130,471) |
| Recording/reversal of non-operating provisions | (75,334) | 4,750 | (70,584) | (11,930) |
| Others | 17,379 | 8,410 | 25,789 | 12,859 |
| **Total** | **(99,600)** | **(12,636)** | **(112,236)** | **(129,542)** |

(1) Including income from the sale of CETIP shares in the first quarter of 2012 for R$29,205 thousand.

## *Notes to the Consolidated Financial Statements*

### 31) RELATED PARTY TRANSACTIONS (DIRECT AND INDIRECT)

a) Related party transactions (direct and indirect) are carried out under conditions and at rates consistent with those entered into with third parties, when applicable, and effective on the dates of the operations. The transactions are as follows:

R$ thousand

| | 2012 | | 2011 | 2012 | | | 2011 |
|---|---|---|---|---|---|---|---|
| | June 30 | March 31 | June 30 | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| | Assets (liabilities) | Assets (liabilities) | Assets (liabilities) | Revenues (expenses) | Revenues (expenses) | Revenues (expenses) | Revenues (expenses) |
| **Interest on shareholders' equity and dividends:** | **(497,097)** | **(257,388)** | **(505,556)** | **-** | **-** | **-** | **-** |
| Cidade de Deus Companhia Comercial de Participações | (366,111) | (189,566) | (366,151) | - | - | - | - |
| Fundação Bradesco | (130,986) | (67,822) | (139,405) | - | - | - | - |
| **Demand deposits/Savings accounts:** | **(18,130)** | **(17,043)** | **(17,205)** | **(103)** | **(123)** | **(226)** | **(254)** |
| Fundação Bradesco | (197) | (70) | (125) | - | - | - | - |
| BBD Participações S.A. | (9) | (5) | (11) | - | - | - | - |
| Nova Cidade de Deus Participações S.A. | (3) | (3) | (1) | - | - | - | - |
| Cidade de Deus Companhia Comercial de Participações | (5) | (8) | (3) | - | - | - | - |
| Key Management Personnel | (17,916) | (16,957) | (17,065) | (103) | (123) | (226) | (254) |
| **Time deposits:** | **(154,020)** | **(223,861)** | **(163,423)** | **(2,603)** | **(3,442)** | **(6,045)** | **(7,648)** |
| Cidade de Deus Companhia Comercial de Participações | (24,302) | (30,061) | (30,982) | (19) | (11) | (30) | (44) |
| Key Management Personnel | (129,718) | (193,800) | (132,441) | (2,584) | (3,431) | (6,015) | (7,604) |
| **Federal funds purchased and securities sold under agreements to repurchase:** | **(268,568)** | **(278,386)** | **(272,589)** | **(5,814)** | **(6,867)** | **(12,681)** | **(15,276)** |
| Key Management Personnel | (268,568) | (278,386) | (272,589) | (5,814) | (6,867) | (12,681) | (15,276) |
| **Funds from issuance of securities:** | **(398,177)** | **(316,391)** | **(293,587)** | **(8,956)** | **(7,922)** | **(16,878)** | **(14,291)** |
| Key Management Personnel | (398,177) | (316,391) | (293,587) | (8,956) | (7,922) | (16,878) | (14,291) |
| **Rental of branches:** | **-** | **-** | **-** | **(325)** | **(326)** | **(651)** | **(249)** |
| Fundação Bradesco | **-** | **-** | - | (325) | (326) | (651) | (249) |
| **Subordinated debts:** | **(15,324)** | **(15,006)** | **(36,572)** | **(318)** | **(1,555)** | **(1,873)** | **(12,092)** |
| Cidade de Deus Companhia Comercial de Participações | **-** | **-** | (1,534) | - | (633) | (633) | (8,195) |
| Fundação Bradesco | (15,324) | (15,006) | (35,038) | (318) | (922) | (1,240) | (3,897) |

## *Notes to the Consolidated Financial Statements*

### a) Compensation of key Management personnel

Each year, the Annual Shareholders' Meeting approves:

- The annual overall amount of management compensation, set forth at the Board of Directors Meetings, to be paid to board members and members of the Board of Executive Officers, as determined by the Company's Bylaws; and

- The amount allocated to finance supplementary pension plans to Management, within the pension plan for employees and management of the Bradesco Organization.

For 2012, the maximum amount of R$344,400 thousand was set for Management compensation and R$344,000 thousand to finance defined contribution supplementary pension plans.

**Short-term Management benefits**

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Salaries | 79,671 | 93,355 | 173,026 | 119,449 |
| INSS contributions | 17,866 | 20,964 | 38,830 | 26,758 |
| **Total** | **97,537** | **114,319** | **211,856** | **146,207** |

**Post-employment benefits**

| | | | | R$ thousand |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| Defined contribution supplementary pension plans | 80,108 | 58,027 | 138,135 | 94,024 |
| **Total** | **80,108** | **58,027** | **138,135** | **94,024** |

Bradesco does not offer long-term benefits related to severance pay or share-based compensation to its key Management personnel.

**Other information**

**I) According to current laws, financial institutions are not allowed to grant loans or advances to:**

a) Officers and members of the advisory, administrative, fiscal or similar councils, as well as to their respective spouses and family members up to the second degree;

b) Individuals or corporations that own more than 10% of their capital; and

c) Corporations of which the financial institution itself, any officers or administrators of the institution, as well as their spouses and respective family members up to the second degree own more than 10%.

Therefore, no loans or advances are granted by financial institutions to any subsidiary, members of the Board of Directors or Board of Executive Officers and their relatives.

## *Notes to the Consolidated Financial Statements*

### II) Shareholding

Members of the Board of Directors and Board of Executive Officers, jointly, had the following shareholding in Bradesco:

| | 2012 | | 2011 |
|---|---|---|---|
| | June 30 | March 31 | June 30 |
| ● Common shares | 0.74% | 0.74% | 0.74% |
| ● Preferred shares | 0.99% | 0.99% | 1.03% |
| ● Total shares (1) | 0.86% | 0.86% | 0.89% |

(1) On June 30, 2012, direct and indirect shareholding of the members of Bradesco's Board of Directors and Board of Executive Officers totaled 3.06% of common shares, 1.04% of preferred shares and 2.05% of all shares.

## 32) FINANCIAL INSTRUMENTS

### a) Risk management

Risk management activity is highly strategic due to the increasing complexity of services and products and the globalization of the Organization's business, whose processes are constantly improved.

Decisions made by the Organization are guided by factors that account for return on risk that has previously been identified, measured and evaluated, making the achievement of strategic objectives possible and ensuring the strengthening of the Institution.

The Organization controls risk management in an integrated and independent manner, ensuring unique policies, processes, criteria and methodologies for risk control through a statutory body, the Integrated Risk Management and Capital Allocation Committee, which is supported by specific committees and risk management policies approved by the Board of Directors.

**Credit risk management**

Credit risk refers to the possibility of losses associated to the non-compliance by the borrower or counterparty of their respective financial obligations pursuant to agreed terms, as well as to the reduction of the value of a loan agreement originated from a decrease in the borrower's risk rating, to the reduction of gains or compensations, the advantages in renegotiations, recovery costs and other values related to the counterparty's non-compliance with its financial obligations.

Credit risk management in the Organization is a continuous and evolving process of mapping, development, assessment and diagnosis through the use of models, instruments and procedures that require a high degree of discipline and control during the analysis of operations in order to preserve the integrity and autonomy of the processes.

The Organization carefully controls its exposure to credit risk, which mainly results from credit operations, securities and derivative financial instruments. Credit risk also stems from financial obligations related to loan commitments or financial guarantees.

**Market risk management**

Market risk is represented by the possibility of financial losses due to fluctuating prices and interest rates of the Organization's financial assets as its asset and liability portfolios may have mismatched maturities, currencies and indexes.

## *Notes to the Consolidated Financial Statements*

Market risk is carefully identified, mapped, measured, mitigated and managed. The Organization has a conservative exposure profile to market risk, with the guidelines and limits monitored independently on a daily basis.

Market risk is controlled for all of the Organization's companies in a corporate and centralized manner. All activities exposed to market risk are mapped, measured and classified by probability and importance, with their respective mitigation plans are duly approved by the corporate governance structure.

**We present below the statement of financial position by currency, as follows:**

R$ thousand

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | June 30 | | | March 31 | June 30 |
| | Balance | Local | Foreign (1) (2) | Foreign (1) (2) | |
| **Assets** | | | | | |
| **Current and long-term assets** | **815,062,861** | **759,268,524** | **55,794,337** | **52,960,686** | **44,751,399** |
| Funds available | 13,997,224 | 9,320,885 | 4,676,339 | 7,814,216 | 2,231,279 |
| Interbank investments | 92,858,129 | 89,642,121 | 3,216,008 | 2,075,712 | 1,442,756 |
| Securities and derivative financial instruments | 322,507,276 | 311,344,950 | 11,162,326 | 9,278,177 | 7,657,872 |
| Interbank and interdepartmental accounts | 62,510,217 | 62,510,217 | - | - | - |
| Loan and leasing operations | 238,275,883 | 213,284,731 | 24,991,152 | 23,027,787 | 21,013,991 |
| Other receivables and assets | 84,914,132 | 73,165,620 | 11,748,512 | 10,764,794 | 12,405,501 |
| **Permanent assets** | **15,457,567** | **15,412,402** | | | **38,776** |
| Investments | 1,889,084 | 1,888,772 | 312 | 253 | 224 |
| Premises and equipment and leased assets | 4,523,337 | 4,506,035 | 17,302 | 16,385 | 12,492 |
| Intangible assets | 9,045,146 | 9,017,595 | 27,551 | 26,359 | 26,060 |
| **Total** | **830,520,428** | **774,680,926** | **55,839,502** | **53,003,683** | **44,790,175** |
| | | | | | |
| **Liabilities** | | | | | |
| **Current and long-term liabilities** | **765,398,082** | **697,436,662** | **67,961,420** | **61,234,116** | **51,031,922** |
| Deposits | 217,069,934 | 190,084,281 | 26,985,653 | 24,074,351 | 18,201,956 |
| Federal funds purchased and securities sold under agreements to repurchase | 225,974,252 | 224,798,297 | 1,175,955 | 1,937,100 | 3,106,071 |
| Funds from issuance of securities | 51,157,929 | 38,773,888 | 12,384,041 | 9,481,205 | 6,937,944 |
| Interbank and interdepartmental accounts | 3,618,529 | 1,837,481 | 1,781,048 | 1,430,196 | 1,809,128 |
| Borrowing and onlending | 47,894,278 | 35,108,936 | 12,785,342 | 11,729,172 | 11,619,546 |
| Derivative financial instruments | 3,568,085 | 3,311,064 | 257,021 | 454,256 | 266,916 |
| Technical reserve for insurance, pension plans and capitalization bonds | 111,789,104 | 111,788,019 | 1,085 | 1,229 | 957 |
| Other liabilities: | | | | | |
| - Subordinated debt | 34,091,121 | 25,407,968 | 8,683,153 | 8,182,665 | 5,601,494 |
| - Other | 70,234,850 | 66,326,728 | 3,908,122 | 3,943,942 | 3,487,910 |
| **Deferred income** | **615,363** | **615,363** | - | - | - |
| **Non-controlling interests in subsidiaries** | **586,895** | **586,895** | - | - | - |
| **Shareholders' equity** | **63,920,088** | **63,920,088** | **-** | **-** | **-** |
| **Total** | **830,520,428** | **762,559,008** | **67,961,420** | **61,234,116** | **51,031,922** |
| **Net position of assets and liabilities** | | | **(12,121,918)** | **(8,230,433)** | **(6,241,747)** |
| Net position of derivatives (2) | | | (7,129,571) | (4,977,227) | (5,343,675) |
| Other net memorandum accounts (3) | | | (147,416) | (14,292) | 23,386 |
| **Net exchange position (liability)** | | | **(19,398,905)** | **(13,221,952)** | **(11,562,036)** |

(1) Amounts expressed and/or indexed mainly in USD;
(2) Excluding operations maturing in D+1, to be settled at the rate of the last day of the month; and
(3) Other commitments recorded in memorandum accounts.

## *Notes to the Consolidated Financial Statements*

### VaR Internal Model – Trading Portfolio

| Risk factors | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Fixed rates | 120,806 | 96,438 | 39,678 |
| Exchange coupon | 19,751 | 11,257 | 4,799 |
| Foreign currency | 32,825 | 20,183 | 30,270 |
| IGP-M / IPCA | 101,845 | 76,518 | 11,200 |
| Equities | 24,247 | 22,699 | 9,100 |
| Sovereign/Eurobonds and Treasuries | 18,836 | 24,890 | 186 |
| Other | 9,576 | 6,525 | 4 |
| Correlation/diversification effect | (81,852) | (90,084) | (35,984) |
| **VaR (Value at Risk)** | **246,034** | **168,426** | **59,253** |

### Sensitivity analysis

The Trading Portfolio is also daily monitored by sensitivity analyses that measure the effect of movements of market and price curves on our positions. Furthermore, a sensitivity analysis of the Organization's financial exposures (Trading and Banking Portfolio) is performed on a quarterly basis, in compliance with CVM Rule 475/08.

It is worth noting that the impacts of the financial exposure on the Banking Portfolio (notably interest rates and price indexes), do not necessarily represent a potential accounting loss for the Organization because a portion of loan operations held in the Banking Portfolio is financed by time and/or savings deposits, which are "natural hedges" for future variations in interest rates; moreover, interest rate variations do not represent a material impact on the Institution's result, as loan operations are held to maturity.

# *Notes to the Consolidated Financial Statements*

## Sensitivity Analysis –Trading and Banking Portfolios

R$ thousand

| | | Trading and Banking portfolios (1) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | | | | | | 2011 | | |
| | | June 30 | | | March 31 | | | June 30 | | |
| | | 1 | 2 | 3 | 1 | 2 | 3 | 1 | 2 | 3 |
| Interest rate in Reais | Exposure subject to variations in fixed interest rates and interest rate coupons | (8,822) | (1,830,479) | (3,540,762) | (9,399) | (2,144,816) | (4,148,883) | (7,026) | (2,137,828) | (4,089,479) |
| Price indexes | Exposure subject to variations in price index coupon rates | (12,238) | (1,261,830) | (2,323,495) | (12,379) | (1,414,756) | (2,557,358) | (11,079) | (1,454,501) | (2,584,329) |
| Exchange coupon | Exposure subject to variations in foreign currency coupon rates | (1,030) | (96,445) | (180,994) | (538) | (54,940) | (101,807) | (152) | (14,192) | (27,792) |
| Foreign currency | Exposure subject to exchange variations | (5,378) | (134,442) | (268,884) | (14,453) | (361,320) | (722,641) | (13,510) | (337,745) | (675,491) |
| Equities | Exposure subject to variation in stock prices | (15,493) | (387,323) | (774,646) | (15,578) | (389,458) | (778,916) | (15,481) | (387,017) | (774,035) |
| Sovereign/ Eurobonds and Treasuries | Exposure subject to variations in the interest rate of securities traded on the international market | (4,950) | (124,966) | (249,429) | (2,966) | (82,162) | (164,769) | (551) | (19,803) | (42,192) |
| Other | Exposure not classified in previous definitions | (99) | (2,502) | (5,004) | (78) | (1,865) | (3,730) | (12) | (303) | (607) |
| **Total excluding correlation of risk factors** | | **(48.010)** | **(3,837,987)** | **(7,343,214)** | **(55,391)** | **(4,449,317)** | **(8,478,104)** | **(47,811)** | **(4,351,389)** | **(8,193,925)** |
| **Total including correlation of risk factors** | | **(28.009)** | **(3,021,183)** | **(5,765,838)** | **(22,055)** | **(3,060,487)** | **(5,828,858)** | **(19,185)** | **(3,128,587)** | **(5,841,763)** |

(1) Amounts net of tax effects.

## *Notes to the Consolidated Financial Statements*

The sensitivity analysis of the Trading Portfolio, which represents exposures that may cause material impacts on the Organization's results, is presented below. It is worth mentioning that results show the impacts for each scenario for a static portfolio position. The market dynamism results in continuous changes in these positions and does not necessarily reflect the current position. Moreover, as previously mentioned, we have an ongoing process of market risk management, which constantly seeks for market dynamism to mitigate/minimize related risks according to the strategy determined by Senior Management. Therefore, in cases of indicators of deterioration in a certain position, proactive measures are taken to minimize potential negative impacts, aiming at maximizing the risk/return ratio for the Organization.

### Sensitivity Analysis – Trading Portfolio

R$ thousand

| | | Trading portfolio (1) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | | | | | | 2011 | | |
| | | June 30 | | | March 31 | | | June 30 | | |
| | | 1 | 2 | 3 | 1 | 2 | 3 | 1 | 2 | 3 |
| Interest rate in Reais | Exposure subject to variations in fixed interest rates and interest rate coupons | (1,786) | (366,463) | (707,358) | (2,668) | (610,822) | (1,189,560) | (1,727) | (522,985) | (1,001,940) |
| Price indexes | Exposure subject to variations in price index coupon rates | (1,870) | (186,281) | (360,669) | (2,401) | (270,680) | (523,434) | (669) | (110,693) | (214,829) |
| Exchange coupon | Exposure subject to variations in foreign currency coupon rates | (939) | (88,703) | (166,028) | (537) | (52,316) | (97,262) | (59) | (5,815) | (11,362) |
| Foreign currency | Exposure subject to exchange variations | (9,745) | (243,627) | (487,254) | (8,610) | (215,241) | (430,482) | (14,736) | (368,399) | (736,797) |
| Equities | Exposure subject to variation in stock prices | (2,137) | (53,423) | (106,846) | (1,818) | (45,441) | (90,881) | (1,821) | (45,535) | (91,070) |
| Sovereign/ Eurobonds and Treasuries | Exposure subject to variations in the interest rate of securities traded on the international market | (4,427) | (114,687) | (228,605) | (2,569) | (65,844) | (130,716) | (37) | (684) | (1,362) |
| Other | Exposure not classified in previous definitions | (89) | (2,251) | (4,502) | - | (278) | (556) | - | - | (1) |
| **Total excluding correlation of risk factors** | | **(20,993)** | **(1,055,435)** | **(2,061,262)** | **(18,603)** | **(1,260,622)** | **(2,462,891)** | **(19,049)** | **(1,054,111)** | **(2,057,361)** |
| **Total including correlation of risk factors** | | **(11,711)** | **(660,095)** | **(1,281,204)** | **(8,716)** | **(855,158)** | **(1,663,126)** | **(12,769)** | **(729,975)** | **(1,416,962)** |

(1) Amounts net of tax effects.

## *Notes to the Consolidated Financial Statements*

Sensitivity analyses were carried out based on scenarios prepared for the respective dates, always considering market data on the time and scenarios they would adversely affect our positions, according to the examples below:

**Scenario 1:** Based on market information (BM&FBOVESPA, Anbima, etc.), base point stresses were applied for interest rates and 1% variation for prices. For instance, in the scenario applied to positions on June 30, 2012, the exchange rate of Real/Dollar was R$2.03 For the interest rate scenario, the 1-year fixed interest rate applied on the positions on June 30, 2012 was 7.59% p.a.;

**Scenario 2:** 25% stresses were determined based on market information. For instance, in the scenario applied to positions on June 30, 2012, the exchange rate of Real/Dollar was R$2.52. For the interest rate scenario, the 1-year fixed interest rate applied to positions on June 30, 2012 was 9.48% p.a. Scenarios for other risk factors also represented a 25% stress on the respective curves or prices; and

**Scenario 3:** 50% stresses were determined based on market information. For instance, in the scenario applied to positions on June 30, 2012, the exchange rate of Reais/Dollar was R$3.02. For the interest rate scenario, the 1-year fixed interest rate applied to positions on June 30, 2012 was 11.38% p.a. Scenarios for other risk factors also represented a 50% stress on the respective curves or prices.

**Liquidity Risk**

The Liquidity Risk is the possibility of not existing sufficient financial resources for the Organization to meet its commitments due to the mismatch of payments and receipts, considering different settlement currencies and terms of rights and liabilities.

The Organization has a liquidity policy that not only defines the minimum levels that should be complied with, the Organization's Market and Liquidity Risk Management Policy, jointly with related standards and procedures, but also considers stress situations, the type of financial instruments in which funds should remain invested and the operating strategy in cases of need.

The liquidity risk management process includes the daily monitoring of the composition of available resources, the compliance with the minimum level of liquidity and contingency plans for stress situations. The controlling and monitoring of positions are conducted in a centralized manner.

## *Notes to the Consolidated Financial Statements*

**We present the statement of financial position by maturity in the chart below:**

R$ thousand

| | 1 to 30 days | 31 to 180 days | 181 to 360 days | More than 360 days | Maturity not stated | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current and long-term assets** | **484,048,640** | **90,998,815** | **52,330,484** | **187,684,922** | **-** | **815,062,861** |
| Funds available | 13,997,224 | - | - | - | - | 13,997,224 |
| Interbank investments | 73,109,897 | 15,818,559 | 1,950,885 | 1,978,788 | - | 92,858,129 |
| Securities and derivative financial instruments (1) (2) | 274,226,860 | 2,804,717 | 4,870,829 | 40,604,870 | - | 322,507,276 |
| Interbank and interdepartmental accounts | 61,967,643 | - | - | 542,574 | - | 62,510,217 |
| Loan and leasing operations | 25,414,687 | 59,955,309 | 39,166,613 | 113,739,274 | - | 238,275,883 |
| Other receivables and assets | 35,332,329 | 12,420,230 | 6,342,157 | 30,819,416 | - | 84,914,132 |
| **Permanent assets** | **318,659** | **1,395,671** | **1,193,925** | **8,693,313** | **3,855,999** | **15,457,567** |
| Investments | - | - | - | - | 1,889,084 | 1,889,084 |
| Premises and equipment and leased assets | 58,334 | 291,660 | 349,992 | 3,420,124 | 403,227 | 4,523,337 |
| Intangible assets | 260,325 | 1,104,011 | 843,933 | 5,273,189 | 1,563,688 | 9,045,146 |
| **Total on June 30, 2012** | **484,367,299** | **92,394,486** | **53,524,409** | **196,378,235** | **3,855,999** | **830,520,428** |
| **Total on March 31, 2012** | **431,881,797** | **106,021,705** | **50,124,859** | **197,532,394** | **3,988,769** | **789,549,524** |
| **Total on June 30, 2011** | **357,359,096** | **116,979,648** | **42,634,252** | **169,875,837** | **2,458,180** | **689,307,013** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Current and long-term liabilities** | **413,739,441** | **69,393,150** | **51,927,161** | **230,338,330** | **-** | **765,398,082** |
| Deposits (3) | 110,540,043 | 16,527,298 | 12,437,438 | 77,565,155 | - | 217,069,934 |
| Federal funds purchased and securities sold under agreements to repurchase (2) | 165,986,004 | 24,790,614 | 9,509,287 | 25,688,347 | - | 225,974,252 |
| Funds from issuance of securities | 1,395,571 | 8,958,166 | 14,749,914 | 26,054,278 | - | 51,157,929 |
| Interbank and interdepartmental accounts | 3,618,529 | - | - | - | - | 3,618,529 |
| Borrowing and onlending | 3,283,234 | 10,774,649 | 10,369,637 | 23,466,758 | - | 47,894,278 |
| Derivative financial instruments | 2,521,888 | 206,344 | 200,062 | 639,791 | - | 3,568,085 |
| Technical reserves for insurance, pension plans and capitalization bonds (3) | 85,234,612 | 2,908,072 | 1,330,124 | 22,316,296 | - | 111,789,104 |
| Other liabilities: | | | | | | |
| - Subordinated debts | 141,500 | 3,249,021 | 571,127 | 30,129,473 | - | 34,091,121 |
| - Other | 41,018,060 | 1,978,986 | 2,759,572 | 24,478,232 | - | 70,234,850 |
| **Deferred income** | **615,363** | **-** | **-** | **-** | **-** | **615,363** |
| **Non-controlling interests in subsidiaries** | **-** | **-** | **-** | **-** | **586,895** | **586,895** |
| **Shareholders' equity** | **-** | **-** | **-** | **-** | **63,920,088** | **63,920,088** |
| **Total on June 30, 2012** | **414,354,804** | **69,393,150** | **51,927,161** | **230,338,330** | **64,506,983** | **830,520,428** |
| **Total on March 31, 2012** | **389,674,925** | **56,423,424** | **48,577,683** | **236,184,169** | **58,689,323** | **789,549,524** |
| **Total on June 30, 2011** | **323,190,542** | **49,302,836** | **45,671,008** | **217,700,996** | **53,441,631** | **689,307,013** |
| **Net assets on June 30, 2012 YTD** | **70,012,495** | **93,013,831** | **94,611,079** | **60,650,984** | **-** | **-** |
| **Net assets on March 31, 2012 YTD** | **42,206,872** | **91,805,153** | **93,352,329** | **54,700,554** | **-** | **-** |
| **Net assets on June 30, 2011 YTD** | **34,168,554** | **101,845,366** | **98,808,610** | **50,983,451** | **-** | **-** |

(1) Investments in investment funds are classified within 1 to 30 days;

(2) Repurchase agreements are classified according to the maturity of the operation; and

(3) Demand and savings deposits and technical reserves for insurance, pension plans and capitalization bonds comprising VGBL and PGBL products are classified as 1 to 30 days, without considering average historical turnover.

## *Notes to the Consolidated Financial Statements*

**Operational Risk**

Operational risk is represented by losses from internal processes, personnel and inadequate systems or failures and external events. This definition includes legal risk, but excludes strategic and reputational risk.

The operational risk management is essential to the generation of added value. Risk control is conducted in a centralized manner through identification, measurement, mitigation plans and monitoring, on a consolidated basis and at each Organization's company.

Among plans for mitigating operational risk, the most important is business continuity management, which is made up of formal plans to be adopted during moments of crisis in order to guarantee the recovery and continuation of business, thereby preventing or mitigating losses.

**Capital Management**

The capital management process is conducted in order to provide the conditions necessary to meet the Organization's strategic objectives, considering the economic and commercial environment in which it operates. This process is compatible with the nature of operations, complexity of service and products and dimension of the Organization's exposure to risks.

Under Bacen regulations, financial institutions are required to permanently maintain capital (Reference Shareholders' Equity) compatible with the risks of their activities, represented by Required Reference Shareholders' Equity (PRE). PRE is calculated considering, at least, the sum of credit risk, market risk and operating risk.

The process of adjustment to Reference Shareholders' Equity is daily followed up and aims to ensure that the Organization has a solid capital base in order to support development of activities and face risks incurred, whether in normal situations or in extreme market conditions, in addition to meeting capital regulatory requirements.

## *Notes to the Consolidated Financial Statements*

**We present the Capital Adequacy Ratio in the chart below:**

| Calculation basis – Capital Adequacy Ratio | R$ thousand | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | |
| | June 30 | | March 31 | | June 30 | |
| | Financial | Economic-financial | Financial | Economic-financial | Financial | Economic-financial |
| **Shareholders' equity** | **63,920,088** | **63,920,088** | **58,059,059** | **58,059,059** | **52,842,768** | **52,842,768** |
| Reduction of deferred assets – CMN Resolution 3,444/07 | (139,872) | (223,833) | (152,488) | (234,795) | (197,221) | (279,101) |
| Decrease in gains/losses of mark-to-market adjustments in available for sale and derivatives – CMN Resolution 3,444/07 | (1,865,419) | (1,865,419) | 2,126,070 | 2,126,070 | 1,947,294 | 1,947,294 |
| Non-controlling interests/other | 187,211 | 586,895 | 187,583 | 630,228 | 176,560 | 598,863 |
| **Reference shareholders' equity - Tier I** | **62,102,008** | **62,417,731** | **60,220,224** | **60,580,562** | **54,769,401** | **55,109,824** |
| Total of gains/losses of adjustments to market value in available for sale and derivatives – CMN Resolution 3,444/07 | 1,865,419 | 1,865,419 | (2,126,070) | (2,126,070) | (1,947,294) | (1,947,294) |
| Subordinated debt/other | 26,025,344 | 26,025,344 | 17,356,806 | 17,356,806 | 9,491,195 | 9,491,195 |
| **Reference shareholders' equity – Tier II** | **27,890,763** | **27,890,763** | **15,230,736** | **15,230,736** | **7,543,901** | **7,543,901** |
| **Total reference shareholders' equity (Tier I + Tier II)** | **89,992,771** | **90,308,494** | **75,450,960** | **75,811,298** | **62,313,302** | **62,653,725** |
| Deduction of instruments for funding - CMN Resolution 3,444/07 | (107,052) | (107,052) | (106,636) | (106,636) | (96,828) | (130,064) |
| **Reference shareholders' equity (a)** | **89,885,719** | **90,201,442** | **75,344,324** | **75,704,662** | **62,216,474** | **62,523,661** |
| **Capital allocation (by risk)** | | | | | | |
| - Credit risk | 53,055,883 | 52,050,305 | 49,597,579 | 48,718,051 | 43,209,088 | 43,324,158 |
| - Market risk | 3,142,932 | 3,142,932 | 3,622,168 | 3,622,168 | 846,567 | 846,567 |
| - Operational risk | 2,543,458 | 3,312,555 | 2,543,458 | 3,312,555 | 1,883,392 | 2,690,028 |
| **Required reference shareholders' equity (b)** | **58,742,273** | **58,505,792** | **55,763,205** | **55,652,774** | **45,939,047** | **46,860,753** |
| **Margin (a – b)** | **31,143,446** | **31,695,650** | **19,581,119** | **20,051,888** | **16,277,427** | **15,662,908** |
| **Risk-weighted assets (c)** | **534,020,665** | **531,870,834** | **506,938,219** | **505,934,297** | **417,627,700** | **426,006,845** |
| **Capital adequacy ratio (a/c)** | **16.83%** | **16.96%** | **14.86%** | **14.96%** | **14.90%** | **14.68%** |

## *Notes to the Consolidated Financial Statements*

### b) Market value

The book value, net of provisions for loss of the main financial instruments is as follows:

R$ thousand

| Portfolios | Book value | Market value | Unrealized gain/(loss) without tax effects | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | In income statement | | | In shareholders' equity | | |
| | 2012 | | 2012 | | 2011 | 2012 | | 2011 |
| | June 30 | | June 30 | March 31 | June 30 | June 30 | March 31 | June 30 |
| Securities and derivative financial instruments (Notes 3e, 3f and 8) | 322,507,276 | 324,728,614 | 8,140,573 | 5,711,455 | 3,031,829 | 2,221,338 | 6,477,950 | 3,457,591 |
| - Adjustment of available-for-sale securities (Note 8 cII) | | | 5,919,235 | (766,495) | (425,762) | - | - | - |
| - Adjustment of held-to-maturity securities (Note 8d item 6) | | | 2,221,338 | 6,477,950 | 3,457,591 | 2,221,338 | 6,477,950 | 3,457,591 |
| Loan and leasing operations (Notes 2, 3g and 10) (1) | 279,166,368 | 280,702,891 | 1,536,523 | (159,812) | (574,261) | 1,536,523 | (159,812) | (574,261) |
| Investments (Notes 3j and 13) (2) | 1,889,084 | 14,599,712 | 12,710,628 | 11,316,168 | 7,312,832 | 12,710,628 | 11,316,168 | 7,312,832 |
| Treasury shares (Note 23d) | 184,935 | 197,699 | - | - | - | 12,764 | 27,410 | 3,511 |
| Time deposits (Notes 3n and 16a) | 121,760,876 | 121,583,426 | 177,450 | 204,609 | 223,827 | 177,450 | 204,609 | 223,827 |
| Funds from issuance of securities (Note 16c) | 51,157,929 | 51,421,225 | (263,296) | (290,699) | (175,053) | (263,296) | (290,699) | (175,053) |
| Borrowing and onlending (Notes 17a and 17b) | 47,894,278 | 47,803,923 | 90,355 | 82,817 | 586,484 | 90,355 | 82,817 | 586,484 |
| Subordinated debts (Note 19) | 34,091,121 | 34,939,668 | (848,547) | (734,789) | (1,028,800) | (848,547) | (734,789) | (1,028,800) |
| **Unrealized gains without tax effects** | | | **21,543,686** | **16,129,749** | **9,376,858** | **15,637,215** | **16,923,654** | **9,806,131** |

(1) Includes advances on foreign exchange contracts, leasing operations and other receivables with credit characteristics; and
(2) Basically includes the surplus of interest in subsidiaries and affiliates (Cielo, Odontoprev, Serasa and Fleury) and other investments (BM&FBOVESPA).

## *Notes to the Consolidated Financial Statements*

**Determination of market value of financial instruments:**

- Securities and derivative financial instruments, investments, subordinated debts and treasury shares are based on the market price on the reporting date. Should there be no available market price quotations, amounts are estimated based on the prices quoted by dealers, on pricing models, quotation models or quotations for instruments with similar characteristics;

- Fixed rate loan operations were determined by discounting estimated cash flows, using interest rates applied by the Bradesco Organization for new contracts with similar features. These rates are compatible with prices practiced on the market on the reporting date; and

- Time deposits, funds from issuance of securities, borrowing and onlending were calculated by discounting the difference between the cash flows under the contract terms and the rates practiced in the market on the reporting date.

### 33) EMPLOYEE BENEFITS

Bradesco and its subsidiaries sponsor a supplementary pension plan for employees and directors, in the PGBL modality, which is a private defined contribution pension plan that allows the accumulation of financial resources by participants over their professional careers through contributions paid by the professional and the sponsoring company. The related resources are invested in an Exclusive Investment Fund (FIE).

PGBL is managed by Bradesco Vida e Previdência S.A. and BRAM - Bradesco Asset Management S.A. The Securities Dealer company (DTVM) is responsible for the financial management of FIE funds.

Contributions paid by employees and directors of Bradesco and its subsidiaries are equivalent to at least 4% of salary, except for participants who, in 2001, opted to migrate to the defined contribution plan (PGBL) from the defined benefit plan, whose contributions to the PGBL were maintained at the levels in force for the defined benefits plan at the time of migration, nonetheless respecting the 4% minimum.

The actuarial liabilities of the defined contribution plan (PGBL) are fully covered by net assets of the corresponding FIE.

In addition to the aforementioned plan (PGBL), former participants who chose to migrate from the defined benefit plan are guaranteed a proportional deferred benefit, corresponding to their accumulated rights in this plan. For participants of the defined benefit plan, whether they migrated or not to the PGBL plan, retired participants and pensioners, the present value of the plan's actuarial liabilities is fully covered by plan assets.

Banco Alvorada S.A. (successor due to spin-off of Banco Baneb S.A.) maintains supplementary retirement plans of defined contribution and defined benefit, through Fundação Baneb de Seguridade Social - Bases (related to former employees of Baneb). The actuarial liabilities of the defined contribution and defined benefit plans are fully covered by assets of the plans.

Banco Bradesco BBI S.A. (current name of Banco BEM S.A.) sponsors supplementary retirement plans of both defined benefit and defined contribution types, through the Assistance and Retirement Pension Fund for the Employees of BEM (Capof).

Alvorada Cartões, Crédito, Financiamento e Investimento S.A. (Alvorada CCFI) (merging company of Banco BEC S.A.) sponsors a defined benefit plan through the Pension Plan Fund of BEC - Cabec.

The assets of pension plans are invested according to the applicable legislation (government securities and private securities, listed company shares and real estate properties).

## *Notes to the Consolidated Financial Statements*

Bradesco's branches and subsidiaries abroad provide their employees and directors with a pension plan in compliance with the rules set forth by local authorities, which authorize to accumulate funds during the participant's professional career.

Expenses related to contributions made in the first half of 2012 totaled R$263,260 thousand (R$187,047 thousand in the first half of 2011) and R$146,186 thousand in the second quarter of 2011 (R$117,074 thousand in the first quarter of 2012).

In addition to this benefit, Bradesco and its subsidiaries offer their employees and management other benefits including: health insurance, dental care, life and personal accident insurance, as well as professional training, whose expenses, including the aforementioned contributions, amounted to R$1,265,043 thousand in the first half of 2012 (R$1,064,016 thousand in the first half of 2011) and R$657,227 thousand in the second quarter of 2012 (R$607,816 thousand in the first quarter of 2012).

### 34) INCOME TAX AND SOCIAL CONTRIBUTION

#### a) Calculation of income tax and social contribution charges

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2012 | | | 2011 |
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Income before income tax and social contribution** | **2,898,213** | **4,596,638** | **7,494,851** | **8,604,045** |
| Total income tax and social contribution at rates of 25% and 15%, respectively (1) | (1,159,285) | (1,838,655) | (2,997,940) | (3,441,618) |
| **Effect on the tax calculation:** | | | | |
| Equity in the earnings (losses) of unconsolidated companies | 7,444 | 16,067 | 23,511 | 20,026 |
| Non-deductible expenses, net of non-taxable income | (101,732) | (118,382) | (220,114) | (174,897) |
| Interest on shareholders' equity (2) | 308,432 | 310,968 | 619,400 | 581,381 |
| Other amounts (3) | 895,945 | (156,382) | 739,563 | (3,809) |
| **Income tax and social contribution for the period** | **(49,196)** | **(1,786,384)** | **(1,835,580)** | **(3,018,917)** |

(1) The social contribution rate for companies of the financial and insurance sectors was increased to 15%, according to Law 11,727/08, remaining at 9% for other companies (Note 3h);
(2) Includes paid and payable interest on shareholders' equity; and
(3) Basically includes the exchange rate variation on investments abroad and the equalization of effective social contribution rate related to the 40% rate.

# *Notes to the Consolidated Financial Statements*

## b) Breakdown of income tax and social contribution in the income statement

R$ thousand

| | 2012 | | | 2011 |
|---|---|---|---|---|
| | 2nd Quarter | 1st Quarter | 1st Half | 1st Half |
| **Current taxes:** | | | | |
| **Income tax and social contribution payable** | **(1,883,074)** | **(2,570,281)** | **(4,453,355)** | **(5,399,512)** |
| **Deferred taxes:** | | | | |
| Amount recorded/realized in the period on temporary additions | 1,798,374 | 885,753 | 2,684,127 | 2,615,853 |
| **Use of opening balances of:** | | | | |
| Social contribution loss | 34,075 | (76,594) | (42,519) | (97,014) |
| Income tax loss | (8,003) | (97,650) | (105,653) | (269,613) |
| **Recording/utilization in the period on:** | | | | |
| Social contribution loss | 22,979 | 24,721 | 47,700 | 44,906 |
| Income tax loss | (13,547) | 47,667 | 34,120 | 86,463 |
| **Total deferred taxes** | **1,833,878** | **783,897** | **2,617,775** | **2,380,595** |
| **Income tax and social contribution for the period** | **(49,196)** | **(1,786,384)** | **(1,835,580)** | **(3,018,917)** |

## c) Origin of tax credits of deferred income tax and social contribution

R$ thousand

| | Balance on 12.31.2011 | Amount recorded | Amount realized | Balance on 6.30.2012 | Balance on 3.31.2012 | Balance on 6.30.2011 |
|---|---|---|---|---|---|---|
| Allowance for loan losses | 10,983,555 | 3,287,398 | 1,887,986 | 12,382,967 | 11,032,375 | 10,005,512 |
| Civil provisions | 1,284,877 | 160,470 | 94,226 | 1,351,121 | 1,312,682 | 1,147,974 |
| Tax provisions | 4,087,345 | 417,872 | 4,646 | 4,500,571 | 4,352,786 | 3,500,569 |
| Labor provisions | 915,778 | 188,600 | 144,433 | 959,945 | 934,209 | 679,138 |
| Provision for devaluation of securities and investments | 406,068 | 11,562 | 2,895 | 414,735 | 404,768 | 105,936 |
| Provision for devaluation of foreclosed assets | 93,539 | 65,405 | 54,443 | 104,501 | 83,167 | 98,294 |
| Adjustment to market value of trading securities | 16,195 | 500 | 1,838 | 14,857 | 16,880 | 121,631 |
| Amortization of goodwill | 411,617 | 1,486 | 40,411 | 372,692 | 392,057 | 796,758 |
| Provision for interest on shareholders' equity (1) | - | 317,680 | - | 317,680 | 310,968 | 331,706 |
| Other | 1,191,621 | 644,212 | 180,180 | 1,655,653 | 1,436,456 | 2,162,203 |
| **Total tax credits over temporary differences** | **19,390,595** | **5,095,185** | **2,411,058** | **22,074,722** | **20,276,348** | **18,949,721** |
| Income tax and social contribution losses in Brazil and abroad | 513,396 | 81,820 | 148,172 | 447,044 | 411,540 | 504,195 |
| **Subtotal (2)** | **19,903,991** | **5,177,005** | **2,559,230** | **22,521,766** | **20,687,888** | **19,453,916** |
| Adjustment to fair value of available-for-sale securities (2) | 841,421 | 202,140 | 600,317 | 443,244 | 324,807 | 380,665 |
| Social contribution – Provisional Measure 2,158-35/01 (3) | 144,643 | - | 3,801 | 140,842 | 140,842 | 144,643 |
| **Total tax credits (Note 11b)** | **20,890,055** | **5,379,145** | **3,163,348** | **23,105,852** | **21,153,537** | **19,979,224** |
| **Deferred tax liabilities (Note 34f)** | **4,824,991** | **3,580,774** | **872,881** | **7,532,884** | **4,483,019** | **4,810,120** |
| **Tax credits net of deferred tax liabilities** | **16,065,064** | **1,798,371** | **2,290,467** | **15,572,968** | **16,670,518** | **15,169,104** |
| **- Percentage of net tax credits over reference shareholders' equity (Note 32a)** | **22.5%** | **-** | **-** | **17.3%** | **22.0%** | **24.3%** |
| **- Percentage of net tax credits over total assets** | **2.1%** | **-** | **-** | **1.9%** | **2.1%** | **2.2%** |

(1) Tax credit on interest on shareholders' equity is recorded up to the authorized tax limit;

(2) Tax credits of companies in the financial and insurance sectors were recorded considering the increase in the social contribution rate, established by Law 11,727/08 (Note 3h); and

(3) The amount of R$31,072 thousand is expected to be realized by the end of the year, which will be accounted when it will be effectively used (item d).

## *Notes to the Consolidated Financial Statements*

**d) Expected realization of tax credits over temporary differences, income tax and social contribution losses and social contribution tax credit – Provisional Measure 2,158-35**

| | | | | | R$ thousand |
|---|---|---|---|---|---|
| | Temporary differences | | Income tax and social contribution losses | | Total |
| | Income tax | Social contribution | Income tax | Social contribution | |
| 2012 | 2,649,743 | 1,512,420 | 27,830 | 13,862 | **4,203,855** |
| 2013 | 4,335,881 | 2,537,114 | 55,462 | 65,415 | **6,993,872** |
| 2014 | 4,474,672 | 2,595,118 | 36,000 | 20,369 | **7,126,159** |
| 2015 | 1,313,811 | 749,429 | 37,001 | 71,769 | **2,172,010** |
| 2016 | 1,184,529 | 612,774 | 41,557 | 77,624 | **1,916,484** |
| 2017 (1st half) | 74,028 | 35,203 | 120 | 35 | **109,386** |
| **Total** | **14,032,664** | **8,042,058** | **197,970** | **249,074** | **22,521,766** |

| | | | | | | R$ thousand |
|---|---|---|---|---|---|---|
| | Social contribution tax credit - Provisional Measure 2,158–35 | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
| **Total** | 31,072 | 2,505 | 4,188 | 47,374 | 55,703 | **140,842** |

The projected realization of tax credits is an estimate and it is not directly related to the expected accounting income.

The present value of tax credits, calculated based on the average funding rate, net of tax effects, amounts to R$21,544,937 thousand (R$19,515,087 thousand on March 31, 2012 and R$18,258,148 thousand on June 30, 2011), of which R$20,999,136 thousand (R$19,011,880 thousand on March 31, 2012 and R$17,653,909 thousand on June 30, 2011) refers to temporary differences, R$416,172 thousand (R$376,515 thousand on March 31, 2012 and R$465,465 thousand on June 30, 2011) to income tax and social contribution losses and R$129,629 thousand (R$126,692 thousand on March 31, 2012 and R$138,774 thousand on June 30, 2011) comprises tax credit on social contribution – Provisional Measure 2,158-35.

**e) Unrecognized tax credits**

Tax credits of R$1,478,186 thousand (R$1,467,381 thousand on March 31, 2012 and R$2,578 thousand on June 30, 2011) have not been recorded in the financial statements, and will be recorded when they comply with regulatory aspects and/or prospects of realization are probable according to studies and analyses prepared by the Management and in accordance with Bacen rules. The balance of June 30, 2012 includes R$1,476,229 thousand (R$1,464,904 thousand on March 31, 2012), which refers to unrecorded tax credits resulting from the acquisition of Banco BERJ, consolidated beginning November 2011.

**f) Deferred tax liabilities**

| | | | R$ thousand |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Mark-to-market adjustment of derivative financial instruments | 3,312,670 | 225,753 | 222,709 |
| Difference in depreciation | 2,925,560 | 3,204,221 | 3,796,765 |
| Judicial deposit and others | 1,294,654 | 1,053,045 | 790,646 |
| **Total** | **7,532,884** | **4,483,019** | **4,810,120** |

The deferred tax liabilities of financial and insurance sector companies were established considering the increase of the social contribution rate, determined by Law 11,727/08 (Note 3h).

## *Notes to the Consolidated Financial Statements*

### 35) OTHER INFORMATION

a) The Organization manages investment funds and portfolios with net assets on June 30, 2012 of R$383,588,580 thousand (R$372,265,465 thousand on March 31, 2012 and R$310,681,731 thousand on June 30, 2011).

b) Consortia funds

| | R$ thousand | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Monthly estimate of funds receivable from consortium members | 274,134 | 278,565 | 256,202 |
| Contributions payable by the group | 14,367,536 | 14,656,304 | 14,355,392 |
| Consortium members – assets to be included | 12,846,148 | 13,155,303 | 12,954,892 |
| Credits available to consortium members | 3,326,158 | 3,159,144 | 2,882,164 |

| | In units | | |
|---|---|---|---|
| | 2012 | | 2011 |
| | June 30 | March 31 | June 30 |
| Number of groups managed | 2,735 | 2,696 | 2,534 |
| Number of active consortium members | 676,087 | 642,790 | 524,984 |
| Number of assets to be included | 187,526 | 182,061 | 141,689 |

c) In the second quarter of 2012, with the purpose of optimizing the financial system liquidity and encouraging the sale of automobiles and light commercial vehicles, allowing industries to reduce their inventories, Bacen amended and redefined rules relating to compulsory deposits on funds repayable in installments, resulting in the following effects:

| Description | Previous rule | Current rule |
|---|---|---|
| Collection of compulsory deposits on funds repayable in installments | Bacen remunerated the lowest between the following amounts:<br>I- liabilities minus deductions of up to 64%;<br>II- liabilities limited by the percentage of:<br>- 80% in the period from February13 to 24, 2012;<br>- 75% in the period from April 20 to June 21, 2012;<br>- 70% in the period from June 22 to August 23, 2012;<br>- 64% in the period from August 24 to February 20, 2014;<br>- 73% in the period from February 21 to April 24, 2014;<br>- 82% in the period from April 25 to June 19, 2014; and<br>- 100% as from June 20, 2014. | Bacen now remunerates the lowest between the following amounts:<br>I- liabilities minus deductions of up to 64%;<br>II- liabilities limited by the percentage of:<br>- 64% in the period from June 22 to February 20, 2014;<br>- 73% in the period from February 21 to April 24, 2014;<br>- 82% in the period from April 25 to June 19, 2014; and<br>- 100% as of June 20, 2014. |
| Operations eligible for deduction in compulsory deposits on funds for vehicles financing | There was no deduction. | Bacen now authorizes the deduction in compulsory deposits on funds for loan operations in the financing and leasing of automobiles and light commercial vehicles taken out as from May 22, 2012. |

d) As part of the process of convergence with international accounting standards, the Brazilian Accounting Pronouncements Committee (CPC) issued certain accounting pronouncements, their interpretations and orientations, which are applicable to financial institutions only after approval by CMN.

The accounting standards which have been approved by CMN include the following:

- Resolution 3,566/08 – Impairment of Assets (CPC 01);
- Resolution 3,604/08 – Statement of Cash Flows (CPC 03);

## *Notes to the Consolidated Financial Statements*

- Resolution 3,750/09 – Related-Party Disclosures (CPC 05);
- Resolution 3,823/09 – Provisions, Contingent Liabilities and Contingent Assets (CPC 25);
- Resolution 3,973/11 – Subsequent Events (CPC 24);
- Resolution 3,989/11 – Share-Based Payment (CPC 10); and
- Resolution 4,007/11 – Accounting Policies, Change of Estimate and Error Correction (CPC 23).

At present, it is not practicable to estimate when the CMN will approve the other CPC accounting standards or whether their adoption, subsequent to approval, will be effective for future periods or applicable retroactively.

CMN Resolution 3,786/09 and Bacen Circular Letters 3,472/09 and 3,516/10 established that financial institutions and other entities authorized to operate by Bacen, which are listed companies or which are required to maintain an Audit Committee shall, as from December 31, 2010, prepare annually and publish in up to 90 days from the reference date December 31 their consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with standards issued by the International Accounting Standards Board. (IASB).

As required by CMN Resolution, on March 30, 2012, Bradesco made its consolidated financial statements for December 31, 2011 and 2010, prepared in accordance with IFRS standards, available on its website. According to Management's evaluation, the reconciliations between net income and shareholders' equity as of June 30, 2012 are consistent with those reconciliations as of December 31, 2011.

# *Management Bodies*

Reference Date: July 10, 2012

**Board of Directors**

**Chairman**
Lázaro de Mello Brandão

**Vice-Chairman**
Antônio Bornia

**Members**
Mário da Silveira Teixeira Júnior
João Aguiar Alvarez
Denise Aguiar Alvarez
Luiz Carlos Trabuco Cappi
Carlos Alberto Rodrigues Guilherme
Milton Matsumoto
Ricardo Espírito Santo Silva Salgado

**Board of Executive Officers**

**Executive Officers**

**Chief Executive Officer**
Luiz Carlos Trabuco Cappi

**Executive Vice-Presidents**
Julio de Siqueira Carvalho de Araujo
Domingos Figueiredo de Abreu
José Alcides Munhoz
Aurélio Conrado Boni
Sérgio Alexandre Figueiredo Clemente
Marco Antonio Rossi

**Managing Directors**
Candido Leonelli
Maurício Machado de Minas
Alexandre da Silva Glüher
Alfredo Antônio Lima de Menezes
André Rodrigues Cano
Josué Augusto Pancini
Luiz Carlos Angelotti
Marcelo de Araújo Noronha
Nilton Pelegrino Nogueira

**Deputy Directors**
Altair Antônio de Souza
André Marcelo da Silva Prado
Denise Pauli Pavarina
Luiz Fernando Peres
Moacir Nachbar Junior
Octávio de Lazari Júnior

**Department Directors**
Adineu Santesso
Amilton Nieto
André Bernardino da Cruz Filho
Antonio Carlos Melhado
Antonio de Jesus Mendes
Antonio José da Barbara
Arnaldo Nissental
Aurélio Guido Pagani
Cassiano Ricardo Scarpelli
Clayton Camacho
Diaulas Morize Vieira Marcondes Junior
Douglas Tevis Francisco
Edilson Wiggers
Eurico Ramos Fabri
Fernando Roncolato Pinho

**Department Directors (continued)**
Frederico William Wolf
Glaucimar Peticov
Guilherme Muller Leal
João Albino Winkelmann
João Carlos Gomes da Silva
Joel Antonio Scalabrini
Jorge Pohlmann Nasser
José Luis Elias
José Luiz Rodrigues Bueno
José Ramos Rocha Neto
Júlio Alves Marques
Laércio Carlos de Araújo Filho
Layette Lamartine Azevedo Júnior
Lúcio Rideki Takahama
Luiz Alves dos Santos
Luiz Carlos Brandão Cavalcanti Junior
Marcos Aparecido Galende
Marcos Bader
Marcos Daré
Marlene Morán Millan
Nobuo Yamazaki
Octavio Manoel Rodrigues de Barros
Paulo Aparecido dos Santos
Paulo Faustino da Costa
Roberto Sobral Hollander
Rogério Pedro Câmara
Waldemar Ruggiero Júnior
Walkiria Schirrmeister Marquetti

**Directors**
Antonio Chinellato Neto
Cláudio Borges Cassemiro
Cláudio Fernando Manzato
João Sabino
Osmar Roncolato Pinho
Paulo Manuel Taveira de Oliveira Ferreira
Renan Mascarenhas Carmo
Roberto de Jesus Paris
Vinicius José de Almeida Albernaz

**Regional Officers**
Alex Silva Braga
Almir Rocha
Antonio Gualberto Diniz
Antonio Piovesan
Carlos Alberto Alástico
Delvair Fidêncio de Lima
Francisco Aquilino Pontes Gadelha
Francisco Assis da Silveira Junior
Geraldo Dias Pacheco
João Alexandre Silva
José Sergio Bordin
Leandro José Diniz
Luis Carlos Furquim Vermieiro
Mauricio Gomes Maciel
Volnei Wulff
Wilson Reginaldo Martins

**Compensation Committee**
Lázaro de Mello Brandão - Coordinator
Antônio Bornia
Mário da Silveira Teixeira Júnior
Luiz Carlos Trabuco Cappi
Carlos Alberto Rodrigues Guilherme
Milton Matsumoto
Sérgio Nonato Rodrigues

**Audit Committee**
Carlos Alberto Rodrigues Guilherme - Coordinator
José Lucas Ferreira de Melo
Romulo Nagib Lasmar
Osvaldo Watanabe

**Compliance and Internal Control Committee**
Mário da Silveira Teixeira Júnior – Coordinator
Carlos Alberto Rodrigues Guilherme
Milton Matsumoto
Domingos Figueiredo de Abreu
Marco Antonio Rossi
Alexandre da Silva Glüher
Clayton Camacho
Frederico William Wolf
Roberto Sobral Hollander
Rogério Pedro Câmara

**Executive Disclosure Committee (Non-Statutory)**
Luiz Carlos Angelotti - Coordinator
Julio de Siqueira Carvalho de Araujo
Domingos Figueiredo de Abreu
Marco Antonio Rossi
Alexandre da Silva Glüher
Moacir Nachbar Junior
Antonio José da Barbara
Marcos Aparecido Galende
Paulo Faustino da Costa
Haydewaldo R. Chamberlain da Costa

**Ethical Conduct Committee**
Milton Matsumoto - Coordinator
Carlos Alberto Rodrigues Guilherme
Julio de Siqueira Carvalho de Araujo
Domingos Figueiredo de Abreu
Marco Antonio Rossi
Alexandre da Silva Glüher
André Rodrigues Cano
Josué Augusto Pancini
Clayton Camacho
Frederico William Wolf
Glaucimar Peticov
José Luiz Rodrigues Bueno
Júlio Alves Marques
Rogério Pedro Câmara

**Integrated Risk Management and Capital Allocation Committee**
Julio de Siqueira Carvalho de Araujo - Coordinator
Domingos Figueiredo de Abreu
José Alcides Munhoz
Aurélio Conrado Boni
Sérgio Alexandre Figueiredo Clemente
Marco Antonio Rossi
Alexandre da Silva Glüher
Alfredo Antônio Lima de Menezes
Luiz Carlos Angelotti
Antonio de Jesus Mendes
Roberto Sobral Hollander

**Fiscal Council**
**Sitting Members**
Domingos Aparecido Maia - Coordinator
Nelson Lopes de Oliveira
Ricardo Abecassis Espírito Santo Silva
**Deputy Members**
João Batistela Biazon
Jorge Tadeu Pinto de Figueiredo
Renaud Roberto Teixeira

**Ombudsman Department**
Júlio Alves Marques – Ombudsman

**General Accounting Department**
Marcos Aparecido Galende
Accountant -CRC 1SP201309/O-6

## *Independent Auditors' Report on the Consolidated Financial Statements*

To the Board of Directors and Shareholders
Banco Bradesco S.A.
Osasco – SP

We have audited the consolidated financial statements of Banco Bradesco S.A. ("Bradesco"), which comprise the consolidated statement of financial position as of June 30, 2012 and the related consolidated statement of income, changes in shareholders' equity and cash flows for the semester then ended, as well as the summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Bradesco's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN) and for internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Independent Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with approved Brazilian auditing standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Bradesco's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bradesco's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements, mentioned above, present fairly, in all material respects, the consolidated financial position of Bradesco, as of June 30, 2012, the consolidated financial performance of its operations and its cash flows for the semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

## *Independent Auditors' Report on the Consolidated Financial Statements*

**Other matters**

**Consolidated statement of value added**

We have also audited the consolidated statement of value added (DVA), preparation of which is the responsibility of the Banco Bradesco S.A's Management, for the semester ended June 30, 2012, submission of which is required by publicly-held companies under Brazilian Corporate Law. The aforementioned statement was subject to the same auditing procedures described above in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Osasco, July 20, 2012

KPMG

Original report in Portuguese signed by
KPMG Auditores Independentes
CRC 2SP 014428/O-6

Cláudio Rogélio Sertório
Accountant CRC 1SP 212059/O-0

## *Summary of the Audit Committee's Report*

**Corporate Governance and Related Responsibilities**

The Board of Directors of Banco Bradesco S.A. opted for a single Audit Committee for all the companies comprising the Financial Conglomerate, including Grupo Bradesco de Seguros e Previdência (Insurance Group).

The Management is in charge of defining and implementing managerial information systems to prepare the financial statements of the companies composing Bradesco Organization, pursuant to the accounting principles adopted in Brazil, applicable to institutions the Brazilian Central Bank (Bacen) authorizes to operate, the rules of the National Monetary Council, the Bacen, the Brazilian Securities and Exchange Commission (CVM), National Private Insurance Board (CNSP), the Insurance Superintendence (Susep) and the National Supplementary Healthcare Agency (ANS).

The Management is also responsible for processes, policies and internal control procedures that ensure the protection of assets, the appropriate recognition of liabilities and the management of risk operations of Bradesco Organization.

The Independent Audit is in charge of examining the financial statements and issuing a report about their compliance with the accounting principles. Additionally, as a result of its works for the purpose of issuing the aforementioned report, it also advises on accounting procedures and internal controls, without prejudice to other reports to be prepared, such as limited reviews of the quarterly information to be delivered to Bacen and CVM.

It is incumbent upon the Internal Audit (General Inspectorate Department) to check the quality of Bradesco Organization's internal control systems and the regularity of policies and procedures established by the Management, including those adopted in the preparation of financial reports.

It is incumbent upon the Audit Committee to assess the quality and the effectiveness of the Internal and Independent Audits, the effectiveness and the sufficiency of Bradesco Organization's internal control systems and to analyze the financial statements, providing the relevant recommendations when applicable.

Among the Audit Committee's duties are also those required by the U.S. Sarbanes-Oxley Act for companies registered with the U.S. Securities and Exchange Commission and quoted on the New York Stock Exchange.

The Audit Committee's charter is available on the website www.bradesco.com.br, in the Corporate Governance area.

**Activities in the First Half of 2012**

The Audit Committee attended 94 meetings with business, risk control and management areas, and with internal and independent auditors, checking the information considered relevant or critical through the referencing of different sources.

The Audit Committee's work schedule for 2012 was focused on the main processes and products referring to Bradesco Organization's activities. Among the most relevant aspects, we point out:

- process of preparing and disclosing financial reports to shareholders and external users, which contain accounting and financial information;
- the market, credit and operating risk management and control systems, preparation for the use of internal models in line with the conditions set forth by the New Basel Capital Accord (Basel II) and Bacen's rules about the issue; and
- the improvement of internal controls systems deriving from projects in the IT and Risk Management areas.

**Internal Controls Systems**

Based on the work program and agenda established for 2012, the Audit Committee was informed on the main processes within the Organization, evaluating their quality and management commitment to their continuous improvement.

As a result of meetings with Bradesco Organization's areas, the Audit Committee had the opportunity to suggest manners to improve the processes to the Board of Directors, as well as to monitor the implementation of improvement suggestions identified in the audit process and discussions with business areas.

# *Summary of the Audit Committee's Report*

Based on the information and remarks collected, the Audit Committee hereby deems the internal control system of Bradesco Organization as suitable to the size and complexity of its businesses and structured so as to ensure the efficiency of its operations, the financial report-generating systems, as well as compliance with internal and external rules, to which all transactions are subject.

**Independent Audit**

The planning of the independent audit for 2012 was discussed with KPMG Auditores Independentes (KPMG) and, throughout the first half of 2012, the audit teams responsible for services presented their results and main conclusions to the Audit Committee.

The material issues pointed out in the report about the study and the evaluation of accounting and internal controls systems, prepared in connection with the examination of the financial statements and respective recommendations for the improvement of these systems, were discussed with the Committee, which requested the monitoring of the implementations and improvements in the areas in charge.

Based on the planning submitted by auditors and on the subsequent discussions about results, the Committee considered that the works developed by the teams were adequate to the Organization's businesses.

**Internal Audit**

The Committee requested that the Internal Audit considered several works in line with issues covered by the Committee's agenda in its planning for 2012.

Throughout the first half of 2012, the teams in charge of executing planned works reported and discussed with the Audit Committee the main conclusions on process and inherent risks.

Based on discussions regarding the planning of the Internal Audit, focused on risks, processes and the evaluation of the results thereof, the Audit Committee found that the premise in question had adequately met the demands of the Committee and the needs and requirements of the Organization and regulatory bodies.

**Consolidated Financial Statements**

In the first half of 2012, the Committee held meetings with the General Accounting, Planning, Budget, Control and Internal Audit departments to examine the monthly, quarterly and half-yearly financial statements. These meetings analyzed and assessed the aspects of preparing individual and consolidated trial balances and balance sheets, notes to the financial statements and financial reports published with the consolidated financial statements.

Bradesco's accounting policies were also considered in the preparation of financial statements, as well as compliance with accounting practices adopted in Brazil, applicable to institutions that Bacen authorizes to operate as well as with the applicable laws.

Prior to the disclosures of the Quarterly Financial Information (IFTs) and half-yearly balance sheets, the Committee held meetings with KPMG to assess the aspects of independence of auditors and control environment when producing the figures to be disclosed.

Based on aforementioned reviews and discussions, the Audit Committee recommends that the Board of Directors approves the audited financial statements for the half-year ended June 30, 2012.

Cidade de Deus, Osasco, SP, July 20, 2012

**CARLOS ALBERTO RODRIGUES GUILHERME**
(Coordinator)

**JOSÉ LUCAS FERREIRA DE MELO**

**ROMULO NAGIB LASMAR**

**OSVALDO WATANABE**

## *Fiscal Council's Report*

The undersigned members of the Fiscal Council of Banco Bradesco S.A., in the exercise of their legal and statutory duties, having examined the Management Report and the Financial Statements related to the first half of 2012, and the technical feasibility study of taxable income generation, brought at present value, which has the purpose of recording the Deferred Tax Assets pursuant to the CVM Rule 371/02, CMN Resolution 3,059/02, and Bacen Circular Letter 3,171/02, and in view of the unqualified report prepared by KPMG Auditores Independentes, are of the opinion that the aforementioned documents, based on the accounting practices adopted in Brazil, applicable to entities that the Brazilian Central Bank authorizes to operate, fairly reflect the Company's equity and financial position.

Cidade de Deus, Osasco, São Paulo, July 20, 2012.

Domingos Aparecido Maia

Nelson Lopes de Oliveira

Ricardo Abecassis E. Santo Silva

For further information, please contact:

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