

BANK BRADESCO  
Form 6-K  
July 30, 2012

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

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**FORM 6-K**

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

**For the month of July, 2012  
Commission File Number 1-15250**

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

**BANK BRADESCO**

(Translation of Registrant's name into English)

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

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

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

Yes  No

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Bradesco 1

### ***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," "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.

Report on Economic and Financial  
Analysis – June 2012

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Press Release

**Highlights**

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

1. Adjusted Net Income<sup>(1)</sup> 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<sup>(2)</sup> 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<sup>(3)</sup>.
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<sup>(4)</sup> 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<sup>(5)</sup> 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<sup>(1)</sup>.
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 Espresso 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.

Press Release

**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 13<sup>th</sup> 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/Amagazine* in

- 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).



partnership with FIA – Fundação Instituto de  
Administração);

## Press Release

## Main Information

	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	Variation %	
									2Q12 x 1Q12	2Q12 x2Q11
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	11,570	9,418	11,138	9,025	9,628	7,845	9,012	7,673	22.8	20.2
Capitalization Bond Income										
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 <sup>(1)</sup>	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\$ <sup>(2)</sup>	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
	20.6	21.4	21.3	22.4	23.2	24.2	22.2	22.5		

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Annualized Return on Average Shareholders' Equity (3)(4)									(0.8)	(2.6)
									p.p.	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)	(0.3)
									p.p.	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)	0.9 p.p.
									p.p.	
Combined Ratio - Insurance (5)	85.0	85.6	83.6	86.2	85.8	86.1	85.1	85.3	(0.6)	(0.8)
									p.p.	p.p.
Efficiency Ratio (ER) (2)	42.4	42.7	43.0	42.7	42.7	42.7	42.7	42.5	(0.3)	(0.3)
									p.p.	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)	0.5 p.p.
									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)	(11.9)
									p.p.	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)	(10.0)
									p.p.	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)	(1.1)
									p.p.	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)	-	-

## Press Release

## Main Information

	Jun12	Mar12	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10	Variation %	
									Jun12 xMar12	Jun12 xJun11
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 <sup>(9)</sup>	3,243	2,986	2,962	2,990	2,982	2,978	2,933	2,886	8.6	8.8
- PAEs <sup>(9)</sup>	1,476	1,497	1,477	1,589	1,587	1,588	1,557	1,559	(1.4)	(7.0)
- Outplaced Bradesco Network ATMs <sup>(10)</sup>	3,992	3,974	3,913	3,953	3,962	3,921	3,891	4,104	0.5	0.8
- <i>Banco24Horas</i> Network ATMs <sup>(10)</sup>	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
- <i>Banco24Horas</i> 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 <sup>(11)</sup>										
- 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 <sup>(12)</sup>	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 <sup>(13)</sup>	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 <sup>(14)</sup>	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)
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(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.

Press Release

**Ratings**

**Main Ratings**

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

Financial Strength / Individual Credit Risk Profile	Moody's Investors Service <sup>(1)</sup>			R&I Inc. International Scale
	International Scale		Domestic Scale	

C - / baa1	Foreign Currency Debt	Domestic Currency Deposit		Foreign Currency Deposit		Domestic Currency		Issuer Rating	
	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 <sup>(2)</sup>						Austin Rating		
International Scale - Counterparty Rating				Domestic Scale		Corporate Governance	Domestic Scale	
Foreign Currency		Domestic Currency		Counterparty Rating			Long Term	Short Term
Long Term BBB	Short Term A - 2	Long Term BBB	Short Term A - 2	Long Term brAAA	Short Term brA - 1	AA+	AAA	A - 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:

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

(1) Annualized.

## Press Release

**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.

	Adjusted Income Statement								R\$ million
	1H12	1H11	Variation 1H12 x 1H11 Amount	%	2Q12	1Q12	Variation 2Q12 x 1Q12 Amount	%	
<b>Financial Margin</b>	<b>21,729</b>	<b>18,833</b>	<b>2,896</b>	<b>15.4</b>	<b>11,034</b>	<b>10,695</b>	<b>339</b>	<b>3.2</b>	
- 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	
<b>Gross Income from Financial Intermediation</b>	<b>15,228</b>	<b>14,036</b>	<b>1,192</b>	<b>8.5</b>	<b>7,627</b>	<b>7,601</b>	<b>26</b>	<b>0.3</b>	
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	
<b>Operating Result</b>	<b>8,715</b>	<b>8,081</b>	<b>634</b>	<b>7.8</b>	<b>4,366</b>	<b>4,349</b>	<b>17</b>	<b>0.4</b>	
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)	
<b>Adjusted Net Income</b>	<b>5,712</b>	<b>5,563</b>	<b>149</b>	<b>2.7</b>	<b>2,867</b>	<b>2,845</b>	<b>22</b>	<b>0.8</b>	

(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.

Press Release

## 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).

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.

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%.

Press Release

## Summarized Analysis of Adjusted Income

### Efficiency Ratio (ER)

The Efficiency Ratio in the last 12 months<sup>(1)</sup> 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<sup>(2)</sup>, 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.

Press Release

**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.
- 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.

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:

## Press Release

## Summarized Analysis of Adjusted Income

## Interest Financial Margin – Annualized Average Rates

	1H12			1H11			R\$ million
	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%	
<b>Financial Margin</b>	<b>20,740</b>	<b>-</b>	<b>7.6%</b>	<b>18,016</b>	<b>-</b>	<b>7.6%</b>	

	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%	
<b>Financial Margin</b>	<b>10,518</b>	<b>-</b>	<b>7.5%</b>	<b>10,222</b>	<b>-</b>	<b>7.6%</b>	

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.

Press Release

**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.

Press Release

## Summarized Analysis of Adjusted Income

### Delinquency Ratio > 90 days <sup>(1)</sup>

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 <sup>(1)</sup>

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.

## Press Release

**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 <sup>(1)</sup>	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	p.p.	p.p.
Combined Ratio	85.0	85.6	83.6	86.2	85.8	86.1	85.1	85.3	(0.6)	(0.8)
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).



Press Release

### 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.

Press Release

**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).

Press Release

## 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.
- 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.

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

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.

Press Release

## 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.

Press Release

## **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.

Press Release

**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

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.

rules governing savings account returns, has  
already reduced the Selic

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## Press Release

## 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)	<b>Jun12</b>	<b>Mar12</b>	<b>Dec11</b>	<b>Sept11</b>	<b>Jun 11</b>	<b>Mar11</b>	<b>Dec10</b>	<b>Sept10</b>	<b>Jun12</b>	<b>Jun11</b>
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





## Press Release

**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.

<b>Loan Portfolio (1)(2)</b>	<b>14 to 18%</b>
Individuals (3)	12 to 16%
Companies (4)	14 to 18%
SMEs (5)	16 to 20%
Corporations	13 to 17%
<b>Products</b>	
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%
<b>Financial Margin (10)</b>	<b>10 to 14%</b>
<b>Fee and Commission Income (11)</b>	<b>10 to 14%</b>
<b>Operating Expenses (12)</b>	<b>8 to 12%</b>
<b>Insurance Premiums (13)</b>	<b>15 to 19%</b>

- (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%.



## Press Release

**Income Statements vs. Managerial Income vs. Adjusted Income****Analytical Breakdown of Income Statement vs. Managerial Income vs. Adjusted Income**

Second Quarter of 2012

	2Q12											R\$ million
	Book Income Statement	(1)	(2)	Reclassifications			(6)	(7)	Fiscal Hedge (8)	Managerial Income Statement	Non-Recurring Events (9)	Adjusted Statement of Income
<b>Financial Margin</b>	<b>10,304</b>	<b>(271)</b>	<b>37</b>	<b>22</b>	<b>(618)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,560</b>	<b>11,034</b>	<b>-</b>	<b>11,034</b>
ALL	(3,650)	-	-	-	342	(98)	-	-	-	(3,407)	-	(3,407)
<b>Gross Income from Financial</b>												
<b>Intermediation</b>	<b>6,654</b>	<b>(271)</b>	<b>37</b>	<b>22</b>	<b>(276)</b>	<b>(98)</b>	<b>-</b>	<b>-</b>	<b>1,560</b>	<b>7,627</b>	<b>-</b>	<b>7,627</b>
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)
<b>Operating Result</b>	<b>2,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78)</b>	<b>-</b>	<b>-</b>	<b>1,390</b>	<b>4,310</b>	<b>57</b>	<b>4,366</b>
Non-Operating Income	(100)	-	-	-	-	78	-	-	-	(22)	-	(22)
Income Tax / Social Contribution and Non-controlling Interest	(65)	-	-	-	-	-	-	-	(1,390)	(1,455)	(23)	(1,477)
<b>Net Income</b>	<b>2,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,833</b>	<b>34</b>	<b>2,867</b>

- (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;"

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- (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.

## Press Release

## Income Statements vs. Managerial Income vs. Adjusted Income

First Quarter of 2012

	R\$ million											
	Book Income Statement	1Q12							Fiscal Hedge (8)	Managerial Income Statement	Non-Recurring Events (9)	Adjusted Statement of Income
		(1)	(2)	Reclassifications			(6)	(7)				
			(3)	(4)	(5)							
<b>Financial Margin</b>	<b>11,773</b>	<b>(186)</b>	<b>59</b>	<b>(70)</b>	<b>(515)</b>	<b>29</b>	-	-	<b>(395)</b>	<b>10,695</b>	-	<b>10,695</b>
ALL	(3,298)	-	-	-	265	(61)	-	-	-	(3,094)	-	(3,094)
<b>Gross Income from Financial</b>												
<b>Intermediation</b>	<b>8,475</b>	<b>(186)</b>	<b>59</b>	<b>(70)</b>	<b>(250)</b>	<b>(32)</b>	-	-	<b>(395)</b>	<b>7,601</b>	-	<b>7,601</b>
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)
<b>Operating Result</b>	<b>4,609</b>	-	-	-	-	<b>6</b>	-	-	<b>(352)</b>	<b>4,263</b>	<b>86</b>	<b>4,349</b>
Non-Operating Income	(12)	-	-	-	-	(6)	-	-	-	(18)	-	(18)
Income Tax / Social Contribution and Non-controlling Interest	(1,804)	-	-	-	-	-	-	-	352	(1,452)	(34)	(1,486)
<b>Net Income</b>	<b>2,793</b>	-	-	-	-	-	-	-	-	<b>2,793</b>	<b>52</b>	<b>2,845</b>

- (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

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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.

## Press Release

## Income Statements vs. Managerial Income vs. Adjusted Income

First Half of 2012

	R\$ million											
	Book Income Statement	(1)	(2)	Reclassifications			1H12		Fiscal Hedge (8)	Managerial Income Statement	Non-Recurring Events (9)	Adjusted Statement of Income
				(3)	(4)	(5)	(6)	(7)				
<b>Financial Margin</b>	<b>22,077</b>	<b>(457)</b>	<b>96</b>	<b>(48)</b>	<b>(1,133)</b>	<b>29</b>	-	-	<b>1,165</b>	<b>21,729</b>	-	<b>21,729</b>
ALL	(6,948)	-	-	-	607	(159)	-	-	-	(6,501)	-	(6,501)
<b>Gross Income from Financial</b>												
<b>Intermediation</b>	<b>15,129</b>	<b>(457)</b>	<b>96</b>	<b>(48)</b>	<b>(526)</b>	<b>(130)</b>	-	-	<b>1,165</b>	<b>15,228</b>	-	<b>15,228</b>
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)
<b>Operating Result</b>	<b>7,607</b>	-	-	-	-	<b>(72)</b>	-	-	<b>1,038</b>	<b>8,573</b>	<b>143</b>	<b>8,715</b>
Non-Operating Income	(112)	-	-	-	-	72	-	-	-	(40)	-	(40)
Income Tax / Social Contribution and Non-controlling Interest	(1,869)	-	-	-	-	-	-	-	(1,038)	(2,907)	(57)	(2,963)
<b>Net Income</b>	<b>5,626</b>	-	-	-	-	-	-	-	-	<b>5,626</b>	<b>86</b>	<b>5,712</b>

- (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)



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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.

## Press Release

## Income Statements vs. Managerial Income vs. Adjusted Income

First Half of 2011

	R\$ million											
	1H11											Adjusted
	Book Income Statement	(1)	(2)	Reclassifications			(6)	(7)	Fiscal Hedge (8)	Managerial Income Statement	Non-Recurring Events (9)	Statement of Income
			(3)	(4)	(5)							
<b>Financial Margin</b>	<b>20,706</b>	<b>(203)</b>	<b>44</b>	<b>(140)</b>	<b>(836)</b>	-	-	-	<b>(738)</b>	<b>18,833</b>	-	<b>18,833</b>
ALL	(5,219)	-	-	-	540	(118)	-	-	-	(4,797)	-	(4,797)
<b>Gross Income from Financial</b>												
<b>Intermediation</b>	<b>15,487</b>	<b>(203)</b>	<b>44</b>	<b>(140)</b>	<b>(296)</b>	<b>(118)</b>	-	-	<b>(738)</b>	<b>14,036</b>	-	<b>14,036</b>
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)
<b>Operating Result</b>	<b>8,734</b>	-	-	-	-	<b>(118)</b>	-	-	<b>(658)</b>	<b>7,958</b>	<b>123</b>	<b>8,081</b>
Non-Operating Income	(129)	-	-	-	-	118	-	-	-	(11)	-	(11)
Income Tax / Social Contribution and Non-controlling Interest	(3,118)	-	-	-	-	-	-	-	658	(2,460)	(47)	(2,507)
<b>Net Income</b>	<b>5,487</b>	-	-	-	-	-	-	-	-	<b>5,487</b>	<b>76</b>	<b>5,563</b>

- (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

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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

**Consolidated Statement of Financial Position and Adjusted Income Statement****Statement of Financial Position**

	Jun12	Mar12	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10	R\$ million
<b>Assets</b>									
<b>Current and Long-Term Assets</b>	<b>815,063</b>	<b>773,896</b>	<b>746,090</b>	<b>710,238</b>	<b>677,571</b>	<b>663,599</b>	<b>625,783</b>	<b>601,180</b>	
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	
<b>Permanent Assets</b>	<b>15,457</b>	<b>15,654</b>	<b>15,443</b>	<b>12,051</b>	<b>11,736</b>	<b>11,788</b>	<b>11,702</b>	<b>10,723</b>	
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	
<b>Total</b>	<b>830,520</b>	<b>789,550</b>	<b>761,533</b>	<b>722,289</b>	<b>689,307</b>	<b>675,387</b>	<b>637,485</b>	<b>611,903</b>	
<b>Liabilities</b>									
<b>Current and Long-Term Liabilities</b>	<b>765,398</b>	<b>730,214</b>	<b>704,664</b>	<b>667,312</b>	<b>635,360</b>	<b>623,069</b>	<b>588,610</b>	<b>564,794</b>	
Deposits	217,070	213,877	217,424	224,664	213,561	203,822	193,201	186,194	
Federal Funds Purchased and Securities Sold under	225,974	213,930	197,448	171,458	164,204	178,989	171,497	157,009	
Agreements to Repurchase									
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	
<b>Deferred Income</b>	<b>615</b>	<b>646</b>	<b>672</b>	<b>622</b>	<b>505</b>	<b>447</b>	<b>360</b>	<b>312</b>	
<b>Non-controlling Interest in Subsidiaries</b>	<b>587</b>	<b>630</b>	<b>615</b>	<b>613</b>	<b>599</b>	<b>574</b>	<b>472</b>	<b>683</b>	
<b>Shareholders' Equity</b>	<b>63,920</b>	<b>58,060</b>	<b>55,582</b>	<b>53,742</b>	<b>52,843</b>	<b>51,297</b>	<b>48,043</b>	<b>46,114</b>	
<b>Total</b>	<b>830,520</b>	<b>789,550</b>	<b>761,533</b>	<b>722,289</b>	<b>689,307</b>	<b>675,387</b>	<b>637,485</b>	<b>611,903</b>	

Report on Economic and Financial  
Analysis – June 2012

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**Consolidated Statement of Financial Position and Adjusted Income Statement****Adjusted Income Statement**

	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	R\$ million
<b>Financial Margin</b>	<b>11,034</b>	<b>10,695</b>	<b>10,258</b>	<b>10,230</b>	<b>9,471</b>	<b>9,362</b>	<b>9,018</b>	<b>8,302</b>	
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)	
<b>Gross Income from Financial Intermediation</b>	<b>7,627</b>	<b>7,601</b>	<b>7,597</b>	<b>7,451</b>	<b>7,034</b>	<b>7,002</b>	<b>6,723</b>	<b>6,243</b>	
Income from Insurance, Pension Plan and Capitalization Bond Operations <sup>(1)</sup>	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)	
<b>Operating Result</b>	<b>4,366</b>	<b>4,349</b>	<b>4,034</b>	<b>4,174</b>	<b>4,128</b>	<b>3,953</b>	<b>3,757</b>	<b>3,714</b>	
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)	
<b>Adjusted Net Income</b>	<b>2,867</b>	<b>2,845</b>	<b>2,771</b>	<b>2,864</b>	<b>2,825</b>	<b>2,738</b>	<b>2,684</b>	<b>2,518</b>	

(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**

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**Financial Margin – Interest and Non-Interest****Average Financial Margin Rate**

					R\$ million	
	Financial Margin				Variation	
	1H12	1H11	2Q12	1Q12	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
<b>Financial Margin</b>	<b>21,729</b>	<b>18,833</b>	<b>11,034</b>	<b>10,695</b>	<b>2,896</b>	<b>339</b>
<b>Average Margin Rate <sup>(1)</sup></b>	<b>7.9%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>7.9%</b>		

(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				Variation	
	1H12	1H11	2Q12	1Q12	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



<b>Financial Margin</b>	<b>20,740</b>	<b>18,016</b>	<b>10,518</b>	<b>10,222</b>	<b>2,724</b>	<b>296</b>
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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.”

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Economic and Financial Analysis

## Financial Margin - Interest

### Interest Financial Margin - Breakdown

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

	1H12		Average	1H11		R\$ million	
	Interest	Average Balance	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%	
<b>Financial Margin</b>	<b>20,740</b>	<b>-</b>	<b>7.6%</b>	<b>18,016</b>	<b>-</b>	<b>7.6%</b>	
	2Q12		Average	1Q12			
	Interest	Average Balance	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%	
<b>Financial Margin</b>	<b>10,518</b>	<b>-</b>	<b>7.5%</b>	<b>10,222</b>	<b>-</b>	<b>7.6%</b>	



Economic and Financial Analysis

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**Loan Financial Margin – Interest**

**Loan Financial Margin – Breakdown**

**Financial Margin - Loan**

	<b>1H12</b>	<b>1H11</b>	<b>2Q12</b>	<b>1Q12</b>	<b>Variation Half</b>	<b>Quarter</b>
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**

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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.



Economic and Financial Analysis

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**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.

## Economic and Financial Analysis

### Loan Financial Margin - Interest

#### Expanded Loan Portfolio<sup>(1)</sup>

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 <sup>(1)</sup>	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 <sup>(2)</sup>	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 <sup>(3)</sup>	3,282	3,091	3,366	6.2	(2.5)
<b>Total</b>	<b>112,235</b>	<b>109,651</b>	<b>102,915</b>	<b>2.4</b>	<b>9.1</b>
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.

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Economic and Financial Analysis
**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 <sup>(1)</sup>	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 <sup>(2)</sup>	52,226	50,334	42,802	3.8	22.0
Operations bearing Credit Risk - Commercial Portfolio <sup>(3)</sup>	28,043	25,403	21,473	10.4	30.6
Other <sup>(4)</sup>	11,054	9,983	10,465	10.7	5.6
<b>Total</b>	<b>252,728</b>	<b>241,181</b>	<b>216,887</b>	<b>4.8</b>	<b>16.5</b>

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.

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Economic and Financial Analysis
**Loan Financial Margin – Interest****Breakdown of the Vehicle Portfolio**

	R\$ million			Variation %	
	Jun12	Mar12	Jun11	Quarter	12M
<b>CDC Portfolio</b>	<b>35,569</b>	<b>35,040</b>	<b>31,372</b>	<b>1.5</b>	<b>13.4</b>
Individuals	29,324	29,075	26,804	0.9	9.4
Corporate	6,245	5,965	4,568	4.7	36.7
<b>Leasing Portfolio</b>	<b>6,305</b>	<b>7,222</b>	<b>10,522</b>	<b>(12.7)</b>	<b>(40.1)</b>
Individuals	2,871	3,510	5,946	(18.2)	(51.7)
Corporate	3,434	3,712	4,576	(7.5)	(25.0)
<b>Finame Portfolio</b>	<b>10,294</b>	<b>9,970</b>	<b>9,996</b>	<b>3.2</b>	<b>3.0</b>
Individuals	1,032	931	1,069	10.8	(3.5)
Corporate	9,262	9,039	8,927	2.5	3.8
<b>Total</b>	<b>52,168</b>	<b>52,232</b>	<b>51,890</b>	<b>(0.1)</b>	<b>0.5</b>
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	%
<b>Public Sector</b>	<b>1,770</b>	<b>0.5</b>	<b>1,844</b>	<b>0.5</b>	<b>1,810</b>	<b>0.6</b>
<b>Private Sector</b>	<b>363,193</b>	<b>99.5</b>	<b>348,987</b>	<b>99.5</b>	<b>317,992</b>	<b>99.4</b>
<b>Corporate</b>	<b>250,958</b>	<b>68.8</b>	<b>239,336</b>	<b>68.2</b>	<b>215,077</b>	<b>67.3</b>

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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
<b>Individuals</b>	<b>112,235</b>	<b>30.8</b>	<b>109,651</b>	<b>31.3</b>	<b>102,915</b>	<b>32.2</b>
<b>Total</b>	<b>364,963</b>	<b>100.0</b>	<b>350,831</b>	<b>100.0</b>	<b>319,802</b>	<b>100.0</b>

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**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.



Economic and Financial Analysis

### 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
<b>Total</b>	<b>364,963</b>	<b>100.0</b>	<b>31,350</b>	<b>100.0</b>	<b>333,613</b>	<b>100.0</b>

#### 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
<b>Total Loan Operations</b>	<b>364,963</b>	<b>350,831</b>	<b>319,802</b>	<b>4.0</b>	<b>14.1</b>

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
<b>Total</b>	<b>93.4</b>	<b>1.8</b>	<b>4.8</b>	<b>93.4</b>	<b>2.0</b>	<b>4.6</b>	<b>93.9</b>	<b>1.6</b>	<b>4.5</b>

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## Economic and Financial Analysis

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### 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 <sup>(1)</sup>	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 <sup>(2)</sup>	53,365	14.6	52,546	15.0	47,887	15.0	1.6	11.4
<b>Total</b>	<b>364,963</b>	<b>100.0</b>	<b>350,831</b>	<b>100.0</b>	<b>319,802</b>	<b>100.0</b>	<b>4.0</b>	<b>14.1</b>

(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.



Economic and Financial Analysis

## 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
<b>Subtotal of Loan Operations <sup>(1)</sup></b>	<b>279,166</b>	<b>269,749</b>	<b>250,834</b>	<b>3.5</b>	<b>11.3</b>
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 <sup>(2)</sup>	28,043	25,403	21,473	10.4	30.6
<b>Subtotal of Operations bearing Credit Risk - Expanded Portfolio</b>	<b>364,963</b>	<b>350,831</b>	<b>319,802</b>	<b>4.0</b>	<b>14.1</b>
Other Operations bearing Credit Risk <sup>(3)</sup>	22,284	20,142	14,590	10.6	52.7
<b>Total Operations bearing Credit Risk</b>	<b>387,247</b>	<b>370,974</b>	<b>334,392</b>	<b>4.4</b>	<b>15.8</b>

(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).

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### **Loan Financial Margin - Interest**

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

### **Loan Portfolio<sup>(1)</sup> – 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.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Loan Portfolio<sup>(1)</sup> – 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<sup>(1)</sup>

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<sup>(1)</sup> 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.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Allowance for Loan Losses (ALL) x Delinquency x Losses<sup>(1)</sup>**

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.

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### **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<sup>(1)</sup>, 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<sup>(1)</sup>, 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.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Allowance for Loan Losses<sup>(1)</sup>**

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.

(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<sup>(1)</sup> – 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:

	<b>R\$ million (except %)</b>		
	<b>Jun12</b>	<b>Mar12</b>	<b>Jun11</b>
<b>Total Loan Operations <sup>(1)</sup></b>	<b>279,166</b>	<b>269,749</b>	<b>250,834</b>
- Individuals	110,952	108,321	101,462
- Corporate	168,215	161,427	149,372
<b>Existing Provision</b>	<b>20,682</b>	<b>20,117</b>	<b>17,635</b>
- 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 <sup>(2)</sup>	14,365	13,718	11,272
Non-Performing Loans <sup>(2)</sup> / Loan Operations (%)	5.1	5.1	4.5
Existing Provision / Non-Performing Loans <sup>(2)</sup> (%)	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.





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Economic and Financial Analysis
**Funding Financial Margin- Interest****Funding Financial Margin – Breakdown**

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

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.

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.

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.

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 <sup>(1)</sup>	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
<b>Customer Funds</b>	<b>327,385</b>	<b>326,442</b>	<b>297,642</b>	<b>0.3</b>	<b>10.0</b>
(-) Compulsory Deposits/Available Funds <sup>(2)</sup>	(67,210)	(79,159)	(65,065)	(15.1)	3.3
<b>Customer Funds Net of Compulsory Deposits</b>	<b>260,175</b>	<b>247,283</b>	<b>232,577</b>	<b>5.2</b>	<b>11.9</b>
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
<b>Total Funding (A)</b>	<b>360,726</b>	<b>333,844</b>	<b>316,686</b>	<b>8.1</b>	<b>13.9</b>
<b>Loan Portfolio/Leasing/Cards (Other Receivables)/Acquired CDI (B) <sup>(3)</sup></b>	<b>322,962</b>	<b>308,251</b>	<b>277,371</b>	<b>4.8</b>	<b>16.4</b>
<b>B/A (%)</b>	<b>89.5</b>	<b>92.3</b>	<b>87.6</b>	<b>(2.8) p.p.</b>	<b>1.9 p.p.</b>

(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.



## Economic and Financial Analysis

### 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 <sup>(1)</sup>	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 <sup>(2)</sup>	51,158	48,482	29,044	5.5	76.1
Subordinated Debts	34,091	30,122	24,564	13.2	38.8
<b>Total</b>	<b>405,484</b>	<b>394,522</b>	<b>359,162</b>	<b>2.8</b>	<b>12.9</b>

(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).

(1) Additional installments are not included.

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.

#### 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.

(1) Additional installments are not included.

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.

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## 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.

(1) Concept defined by Bacen..

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.

### 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.

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**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.

(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.

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.

**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**

	Financial Margin - Securities / Other					R\$ million	
	1H12	1H11	2Q12	1Q12	Variation		
					Half	Quarter	
Interest - due to volume					571	1	
Interest - due to spread					511	366	
<b>Interest Financial Margin</b>	<b>2,411</b>	<b>1,329</b>	<b>1,389</b>	<b>1,022</b>	<b>1,082</b>	<b>367</b>	
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**

	Financial Margin - Insurance					R\$ million	
	1H12	1H11	2Q12	1Q12	Variation		
					Half	Quarter	
Interest - due to volume					252	28	
Interest - due to spread					(493)	(153)	
<b>Interest Financial Margin</b>	<b>1,577</b>	<b>1,818</b>	<b>726</b>	<b>851</b>	<b>(241)</b>	<b>(125)</b>	
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.



Economic and Financial Analysis**Financial Margin – Non-Interest****Non-Interest Financial Margin - Breakdown**

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

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.

Economic and Financial Analysis**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
<b>Assets</b>			
<b>Current and Long-Term Assets</b>	<b>137,008</b>	<b>129,800</b>	<b>113,190</b>
Securities <sup>(1)</sup>	128,526	122,147	106,202
Insurance Premiums Receivable	2,009	1,759	1,522
Other Loans	6,473	5,894	5,466
<b>Permanent Assets</b>	<b>3,312</b>	<b>3,235</b>	<b>2,515</b>
<b>Total</b>	<b>140,320</b>	<b>133,035</b>	<b>115,705</b>
<b>Liabilities</b>			
<b>Current and Long-Term Liabilities</b>	<b>122,494</b>	<b>114,752</b>	<b>101,289</b>
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 <sup>(1)</sup>	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
<b>Non-controlling Interest</b>	<b>624</b>	<b>663</b>	<b>628</b>
<b>Shareholders' Equity <sup>(1)</sup></b>	<b>17,202</b>	<b>17,620</b>	<b>13,788</b>
<b>Total</b>	<b>140,320</b>	<b>133,035</b>	<b>115,705</b>

(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
	10,625	9,107	5,413	5,212

Premiums Earned from Insurance, Pension Plan Contribution and Capitalization Bond				
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 Drawing 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)
<b>Operating Result</b>	<b>2,781</b>	<b>2,451</b>	<b>1,363</b>	<b>1,418</b>
Equity Result	186	117	90	96
Non-Operating Income	(19)	(18)	(10)	(9)
<b>Income before Taxes and Profit Sharing</b>	<b>2,948</b>	<b>2,550</b>	<b>1,443</b>	<b>1,505</b>
Income Tax and Contributions	(1,086)	(858)	(525)	(561)
Profit Sharing	(39)	(29)	(19)	(20)
Non-controlling Interest	(37)	(102)	(18)	(19)
<b>Net Income</b>	<b>1,786</b>	<b>1,561</b>	<b>881</b>	<b>905</b>



Economic and Financial Analysis

### 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
<b>Total</b>	<b>881</b>	<b>905</b>	<b>860</b>	<b>780</b>	<b>800</b>	<b>761</b>	<b>779</b>	<b>721</b>

#### Performance Ratios

	%							
	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10
Claims Ratio <sup>(1)</sup>	71.3	71.9	68.6	71.5	72.2	72.0	71.1	72.4
Expense Ratio <sup>(2)</sup>	11.1	11.1	11.1	10.5	10.8	10.0	10.8	10.7
Administrative Expenses Ratio <sup>(3)</sup>	4.3	5.0	4.5	5.8	5.4	6.1	5.8	6.3
Combined Ratio <sup>(4) (5)</sup>	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.

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**Insurance, Pension Plans and Capitalization Bonds**

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

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**Insurance, Pension Plan and Capitalization Bonds**

**Retained Claims by Insurance Line**

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**Insurance, Pension Plan and Capitalization Bonds**

**Insurance Expense Ratio by Insurance Line**

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## **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**



## Economic and Financial Analysis

## Bradesco Vida e Previdência

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

(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 (%) <sup>(1)</sup>	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.

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

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.

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**

	<b>R\$ million (unless otherwise stated)</b>							
	<b>2Q12</b>	<b>1Q12</b>	<b>4Q11</b>	<b>3Q11</b>	<b>2Q11</b>	<b>1Q11</b>	<b>4Q10</b>	<b>3Q10</b>
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 (%) <sup>(1)</sup>	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**

	<b>R\$ million (unless otherwise stated)</b>							
	<b>2Q12</b>	<b>1Q12</b>	<b>4Q11</b>	<b>3Q11</b>	<b>2Q11</b>	<b>1Q11</b>	<b>4Q10</b>	<b>3Q10</b>
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 (%) <sup>(1)</sup>	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.

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**Fee and Commission Income**

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

<b>Fee and Commission Income</b>	<b>1H12</b>	<b>1H11</b>	<b>2Q12</b>	<b>1Q12</b>	<b>R\$ million</b>	
					<b>Variation</b>	<b>Half</b>
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)
<b>Total</b>	<b>8,399</b>	<b>7,261</b>	<b>4,281</b>	<b>4,118</b>	<b>1,138</b>	<b>163</b>

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

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Economic and Financial Analysis

**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.

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

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.

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## 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.

## Economic and Financial Analysis

### 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)
<b>Total</b>	<b>383,589</b>	<b>372,266</b>	<b>310,682</b>	<b>3.0</b>	<b>23.5</b>

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)
<b>Total - Investment Funds</b>	<b>364,620</b>	<b>352,906</b>	<b>291,012</b>	<b>3.3</b>	<b>25.3</b>

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
<b>Total - Managed Funds</b>	<b>18,969</b>	<b>19,360</b>	<b>19,670</b>	<b>(2.0)</b>	<b>(3.6)</b>

x Total Fixed Income	341,649	327,809	269,384	4.2	26.8
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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)
<b>Overall Total</b>	<b>383,589</b>	<b>372,266</b>	<b>310,682</b>	<b>3.0</b>	<b>23.5</b>

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## **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

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.



segments. To sell the consortium plans, Bradesco has the strength and expertise of several managers, who operate together with customers in all Brazilian cities.

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Economic and Financial Analysis

**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**

<b>Personnel and Administrative Expenses</b>	<b>1H12</b>	<b>1H11</b>	<b>2Q12</b>	<b>1Q12</b>	<b>R\$ million</b>	
					<b>Variation</b>	
					<b>Half</b>	<b>Quarter</b>
<b>Personnel Expenses</b>						
<b>Structural</b>	<b>4,786</b>	<b>4,097</b>	<b>2,436</b>	<b>2,351</b>	<b>689</b>	<b>85</b>
Payroll/Social Charges	3,592	3,101	1,824	1,769	491	55
Benefits	1,194	996	612	582	198	30
<b>Non-Structural</b>	<b>1,139</b>	<b>944</b>	<b>611</b>	<b>527</b>	<b>195</b>	<b>84</b>
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
<b>Total</b>	<b>5,925</b>	<b>5,041</b>	<b>3,047</b>	<b>2,878</b>	<b>884</b>	<b>169</b>
<b>Administrative Expenses</b>						
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
<b>Total</b>	<b>6,842</b>	<b>6,319</b>	<b>3,441</b>	<b>3,401</b>	<b>523</b>	<b>40</b>
<b>Total Personnel and Administrative Expenses</b>	<b>12,767</b>	<b>11,360</b>	<b>6,488</b>	<b>6,279</b>	<b>1,407</b>	<b>209</b>
<b>Employees</b>	<b>104,531</b>	<b>98,317</b>	<b>104,531</b>	<b>105,102</b>	<b>6,214</b>	<b>(571)</b>
<b>Service Points</b>	<b>65,370</b>	<b>53,256</b>	<b>65,370</b>	<b>62,759</b>	<b>12,114</b>	<b>2,611</b>

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.



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Economic and Financial Analysis

**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.

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**Personnel and Administrative Expenses****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.

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Economic and Financial Analysis

**Operating Coverage Ratio <sup>(1)</sup>**

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.

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Economic and Financial Analysis

**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.

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Return to Shareholders

## **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.

### **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,

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](http://www.bradescori.com.br) > Reports and Spreadsheets > Quarterly Reports.

Also in the first half, Bradesco hosted the 3<sup>rd</sup> 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 States and England.

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.

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.

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Return to Shareholders**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.

**Bradesco Shares****Number of Shares – Common and Preferred Shares<sup>(1)</sup>**

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

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](http://www.bradescori.com.br) - Corporate Governance.

(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 \_\_\_\_\_

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Return to Shareholders**Bradesco Shares****Number of Shareholders – Domiciled in Brazil and Abroad**

	<b>Jun12</b>	<b>%</b>	<b>Ownership of Capital (%)</b>	<b>Jun11</b>	<b>%</b>	<b>Ownership of Capital (%)</b>
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
<b>Subtotal Domiciled in Brazil</b>	<b>369,288</b>	<b>99.75</b>	<b>70.46</b>	<b>376,083</b>	<b>99.78</b>	<b>70.89</b>
Domiciled Abroad	919	0.25	29.54	847	0.22	29.11
<b>Total</b>	<b>370,207</b>	<b>100.00</b>	<b>100.00</b>	<b>376,930</b>	<b>100.00</b>	<b>100.00</b>

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 <sup>(1)</sup>**

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).

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**Bradesco Shares****Appreciation of Preferred Shares - BBDC4<sup>(1)</sup>**

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<sup>(1)</sup>**

	2Q12	1Q12	Variation %	In R\$ (unless otherwise stated)		
				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	20.4
Last Trading Day Price – Common Shares	25.00	27.32	(8.5)	25.00	26.78	8.6
Last Trading Day Price – Preferred Shares	29.94	31.89	(6.1)	29.94	31.70	5.7
Last Trading Day Price – ADR ON (US\$) <sup>(2)</sup>	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	(27.3)
Market Capitalization (R\$ million) <sup>(3)</sup>	104,869	113,021	(7.2)	104,869	111,770	2.1
Market Capitalization (R\$ million) - Most Traded Share <sup>(4)</sup>	114,304	121,751	(6.1)	114,304	121,167	0.5

- (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

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Return to Shareholders

**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:

<b>Recommendations %</b>		<b>Target Price for Dec/12 (R\$)</b>	
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](http://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** <sup>(1)</sup>:

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.

Return to Shareholders

**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.

	<b>Jun12</b>	<b>ln % (1)</b>
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.





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 Additional Information
 

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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
<b>Banks – Source : Brazilian Central Bank (Bacen)</b>				
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
<b>Banks - Source: Federal Revenue Service/ Brazilian Data Processing Service (Serpro)</b>				
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
<b>Banks – Source : Social Security National Institute (INSS)/Dataprev</b>				
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
<b>Banks – Source : Anbima</b>				
Investment Funds + Portfolios	18,0	17.6	16.6	16.5
<b>Insurance, Pension Plans and Capitalization Bonds – Source: Insurance Superintendence (Susep) and National Agency for Supplementary Healthcare (ANS)</b>				
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
<b>Insurance and Pension Plans – Source: National Federation of Life and Pension Plans (Fenaprevi)</b>				
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
<b>Leasing – Source: Brazilian Association of Leasing Companies (ABEL)</b>				
Lending Operations	19.2 (2)	18,8	18.5	19.0



**Consortia – Source: Bacen**

Real Estate	29.1 <sup>(2)</sup>	29,3	26.9	27.0
Auto	25.7 <sup>(2)</sup>	25.4	25.4	23.8
Trucks, Tractors and Agricultural Implements	17.6 <sup>(2)</sup>	17.7	16.9	16.8

**International Area – Source: Bacen**

Export Market	19.4 <sup>(1)</sup>	19.8	22.1	23.2
Import Market	17.7 <sup>(1)</sup>	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.

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**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 Share	Jun11		Market Share
	Bradesco	Market		Bradesco	Market	
North	279	1,003	27.8%	181	840	21.5%
Northeast	838	3,278	25.6%	549	2,819	19.5%
Mid-west	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%
<b>Total</b>	<b>4,650</b>	<b>21,222</b>	<b>21.9%</b>	<b>3,676</b>	<b>19,608</b>	<b>18.7%</b>

**Compulsory Deposits/Liabilities**

%                      Jun12 Mar12 Dec11 Sept11 Jun11 Mar11 Dec10 Sept10

**Demand Deposits**

Rate <sup>(2) (6)</sup>	43	43	43	43	43	43	43	43
Additional <sup>(3)</sup>	12	12	12	12	12	12	12	8
Liabilities <sup>(1)</sup>	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 <sup>(4)</sup>	20	20	20	20	20	20	20	20
Additional <sup>(3)</sup>	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 <sup>(3) (5)</sup>	20	20	20	20	20	20	20	15
Additional <sup>(3)</sup>	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.

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## 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:

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

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## **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](http://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.

Calculation Basis	R\$ million							
	Jun12	Mar12	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10
<b>Reference Shareholders' Equity</b>	<b>90,201</b>	<b>75,705</b>	<b>71,476</b>	<b>68,806</b>	<b>62,524</b>	<b>59,923</b>	<b>56,147</b>	<b>55,920</b>
<b>Tier I</b>	<b>62,418</b>	<b>60,580</b>	<b>58,714</b>	<b>56,876</b>	<b>55,110</b>	<b>53,240</b>	<b>49,897</b>	<b>48,081</b>
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
<b>Tier II</b>	<b>27,890</b>	<b>15,231</b>	<b>12,865</b>	<b>12,063</b>	<b>7,544</b>	<b>6,809</b>	<b>6,373</b>	<b>8,079</b>
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
<b>Deduction of Funding Instruments</b>	<b>(107)</b>	<b>(107)</b>	<b>(103)</b>	<b>(134)</b>	<b>(130)</b>	<b>(126)</b>	<b>(123)</b>	<b>(240)</b>
<b>Risk-weighted Assets</b>	<b>531,871</b>	<b>505,934</b>	<b>474,173</b>	<b>467,206</b>	<b>426,007</b>	<b>398,443</b>	<b>380,844</b>	<b>356,103</b>
<b>Required Reference Shareholders' Equity</b>	<b>58,506</b>	<b>55,653</b>	<b>52,159</b>	<b>51,393</b>	<b>46,861</b>	<b>43,829</b>	<b>41,892</b>	<b>39,171</b>
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
<b>Margin (Excess/ Reference Shareholders' Equity Insufficiency)</b>	<b>31,695</b>	<b>20,052</b>	<b>19,317</b>	<b>17,413</b>	<b>15,663</b>	<b>16,094</b>	<b>14,255</b>	<b>16,749</b>
<b>Leverage Margin</b>	<b>288,136</b>	<b>182,293</b>	<b>175,609</b>	<b>158,303</b>	<b>142,393</b>	<b>146,309</b>	<b>129,591</b>	<b>152,264</b>
<b>Capital Adequacy Ratio</b>	<b>17.0%</b>	<b>15.0%</b>	<b>15.1%</b>	<b>14.7%</b>	<b>14.7%</b>	<b>15.0%</b>	<b>14.7%</b>	<b>15.7%</b>

Bradesco \_\_\_\_\_

## 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](http://www.bradescori.com.br) > Reports and Spreadsheets > SEC Filings > 20-F Filings.

### 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](http://www.bradescori.com.br) > Reports and Spreadsheets > CVM Filings.

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**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.

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**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

Original report in Portuguese signed by

KPMG Auditores Independentes

CRC 2SP 014428/O-6

Cláudio Rogélio Sertório

Accountant CRC 1SP 212059/O-0

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**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**

**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<sup>(\*)</sup> 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

**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.

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 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.

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### **3. Funding and Assets under Management**

R\$15.624 billion in rural lending;

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

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

R\$52.876 billion in sureties and guarantees; and

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

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.

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;

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

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

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.

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.

### **5. Bradesco Service Network**

The Organization's customer service network is present nationwide and in several locations abroad,

#### 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;

offering high-quality and efficient products, services and solutions. At the close of the first half, this network comprised 53,850 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, 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);

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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,

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

20.12% up on the same period in 2011.

possible to improve its governance.

## 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.

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.

### **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,

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.

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

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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 3<sup>rd</sup> 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](http://www.bradesco.com.br/ri).

## **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 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.

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

## **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

outcome of these policies 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.

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](http://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.

Bradesco \_\_\_\_\_

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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 10<sup>th</sup> 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

- 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 13<sup>th</sup> 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;

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:

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

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- 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.





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**Consolidated Statement of Financial Position -R\$ thousand**

Assets	2012		2011
	June	March	June
<b>Current assets</b>	<b>600,200,821</b>	<b>553,655,600</b>	<b>495,155,119</b>
<b>Cash and due from banks (Note 6)</b>	<b>13,997,224</b>	<b>25,068,657</b>	<b>7,714,874</b>
<b>Interbank investments (Notes 3d and 7)</b>	<b>90,879,341</b>	<b>82,612,073</b>	<b>84,575,252</b>
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)
<b>Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)</b>	<b>254,725,288</b>	<b>218,767,488</b>	<b>179,004,354</b>
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
<b>Interbank accounts</b>	<b>61,081,583</b>	<b>60,381,672</b>	<b>66,167,257</b>
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
<b>Interdepartmental accounts</b>	<b>886,060</b>	<b>657,894</b>	<b>351,747</b>
Internal transfer of funds	886,060	657,894	351,747
<b>Loan operations (Notes 3g, 10 and 32b)</b>	<b>119,765,169</b>	<b>113,165,127</b>	<b>105,362,190</b>
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)
<b>Leasing operations (Notes 2, 3g, 10 and 32b)</b>	<b>4,771,440</b>	<b>5,152,273</b>	<b>6,286,286</b>
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)
<b>Other receivables</b>	<b>51,277,939</b>	<b>45,633,903</b>	<b>44,134,183</b>
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

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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)
<b>Other assets (Note 12)</b>	<b>2,816,777</b>	<b>2,216,513</b>	<b>1,558,976</b>
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
<b>Long-term receivables</b>	<b>214,862,040</b>	<b>220,239,481</b>	<b>182,415,829</b>
<b>Interbank investments (Notes 3d and 7)</b>	<b>1,978,788</b>	<b>2,078,310</b>	<b>1,571,961</b>

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

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Financial Statements, Independent Auditors' Report,  
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Council's Report**Consolidated Statement of Financial Position –R\$ thousand**

<b>Assets</b>	<b>2012</b>		<b>2011</b>
	<b>June</b>	<b>March</b>	<b>June</b>
Interbank investments	1,978,788	2,078,310	1,571,961
<b>Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)</b>	<b>67,781,988</b>	<b>76,191,967</b>	<b>52,420,217</b>
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	-
<b>Interbank accounts</b>	<b>542,574</b>	<b>535,932</b>	<b>513,597</b>
Restricted credits (Note 9):			
- SFH	542,574	535,932	513,597
<b>Loan operations (Notes 3g, 10 and 32b)</b>	<b>109,806,071</b>	<b>108,044,297</b>	<b>97,325,583</b>
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)
<b>Leasing operations (Notes 2, 3g, 10 and 32b)</b>	<b>3,933,203</b>	<b>4,395,335</b>	<b>6,173,084</b>
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)
<b>Other receivables</b>	<b>29,588,675</b>	<b>27,850,647</b>	<b>23,875,332</b>
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)
<b>Other assets (Note 12)</b>	<b>1,230,741</b>	<b>1,142,993</b>	<b>536,055</b>
Other assets	392	417	565
Prepaid expenses (Notes 3i and 12b)	1,230,349	1,142,576	535,490
<b>Permanent assets</b>	<b>15,457,567</b>	<b>15,654,443</b>	<b>11,736,065</b>
<b>Investments (Notes 3j, 13 and 32b)</b>	<b>1,889,084</b>	<b>2,076,240</b>	<b>1,698,969</b>
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)
<b>Premises and equipment (Notes 3k and 14)</b>	<b>4,523,337</b>	<b>4,551,473</b>	<b>3,656,011</b>

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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)
<b>Leased assets (Note 14)</b>	-	<b>55</b>	<b>1,857</b>
Leased assets	-	6,218	11,783
Accumulated depreciation	-	(6,163)	(9,926)
<b>Intangible assets (Notes 3I and 15)</b>	<b>9,045,146</b>	<b>9,026,675</b>	<b>6,379,228</b>
Intangible assets	15,275,328	15,020,711	11,433,948
Accumulated amortization	(6,230,182)	(5,994,036)	(5,054,720)
<b>Total</b>	<b>830,520,428</b>	<b>789,549,524</b>	<b>689,307,013</b>

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

Bradesco \_\_\_\_\_

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**Consolidated Statement of Financial Position -R\$ thousand**

Liabilities	2012		2011
	June	March	June
<b>Current liabilities</b>	<b>535,059,752</b>	<b>494,029,926</b>	<b>417,659,158</b>
<b>Deposits (Notes 3n and 16a)</b>	<b>139,504,779</b>	<b>131,568,893</b>	<b>134,653,507</b>
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
<b>Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)</b>	<b>200,285,905</b>	<b>181,624,768</b>	<b>131,111,286</b>
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
<b>Funds from issuance of securities (Notes 16c and 32b)</b>	<b>25,103,651</b>	<b>19,429,843</b>	<b>8,396,679</b>
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
<b>Interbank accounts</b>	<b>699,350</b>	<b>771,696</b>	<b>370,193</b>
Correspondent banks	699,350	771,696	370,193
<b>Interdepartmental accounts</b>	<b>2,919,179</b>	<b>2,458,454</b>	<b>2,666,561</b>
Third-party funds in transit	2,919,179	2,458,454	2,666,561
<b>Borrowing (Notes 17a and 32b)</b>	<b>11,312,452</b>	<b>10,292,348</b>	<b>10,385,661</b>
Borrowing abroad	11,312,452	10,292,348	10,385,661
<b>Onlending in Brazil - official institutions (Notes 17b and 32b)</b>	<b>12,983,528</b>	<b>11,240,822</b>	<b>10,406,049</b>
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	-
<b>Onlending abroad (Notes 17b and 32b)</b>	<b>131,540</b>	<b>97,006</b>	<b>28,194</b>
Onlending abroad	131,540	97,006	28,194
<b>Derivative financial instruments (Notes 3f, 8e II and 32b)</b>	<b>2,928,294</b>	<b>2,427,689</b>	<b>1,056,517</b>
Derivative financial instruments	2,928,294	2,427,689	1,056,517
<b>Technical reserves for insurance, pension plans and capitalization bonds (Notes 3o and 21)</b>	<b>89,472,808</b>	<b>85,215,151</b>	<b>73,089,533</b>
<b>Other liabilities</b>	<b>49,718,266</b>	<b>48,903,256</b>	<b>45,494,978</b>
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

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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
<b>Long-term liabilities</b>	<b>230,338,330</b>	<b>236,184,169</b>	<b>217,700,996</b>
<b>Deposits (Notes 3n and 16a)</b>	<b>77,565,155</b>	<b>82,307,656</b>	<b>78,907,404</b>
Interbank deposits	58,765	30,665	3,645
Time deposits (Notes 16a and 32b)	77,506,390	82,276,991	78,903,759
<b>Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)</b>	<b>25,688,347</b>	<b>32,305,271</b>	<b>33,093,209</b>

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

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Council's Report**Consolidated Statement of Financial Position -R\$ thousand**

<b>Liabilities</b>	<b>2012</b>		<b>2011</b>
	<b>June</b>	<b>March</b>	<b>June</b>
Own portfolio	25,683,210	32,305,271	33,077,199
Unrestricted portfolio	5,137	-	16,010
<b>Funds from issuance of securities (Notes 16c and 32b)</b>	<b>26,054,278</b>	<b>29,052,505</b>	<b>20,646,883</b>
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
<b>Borrowing (Notes 17a and 32b)</b>	<b>1,072,206</b>	<b>1,060,699</b>	<b>894,805</b>
Borrowing abroad	1,072,206	1,060,699	894,805
<b>Onlending in Brazil - official institutions (Notes 17b and 32b)</b>	<b>22,394,552</b>	<b>24,421,368</b>	<b>23,492,920</b>
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
<b>Derivative financial instruments (Notes 3f, 8e II and 32b)</b>	<b>639,791</b>	<b>275,090</b>	<b>164,815</b>
Derivative financial instruments	639,791	275,090	164,815
<b>Technical reserves for insurance, pension plans and capitalization bonds (Notes 3o and 21)</b>	<b>22,316,296</b>	<b>21,737,981</b>	<b>20,848,770</b>
<b>Other liabilities</b>	<b>54,607,705</b>	<b>45,023,599</b>	<b>39,652,190</b>
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
<b>Deferred income</b>	<b>615,363</b>	<b>646,106</b>	<b>505,228</b>
Deferred income	615,363	646,106	505,228
<b>Non-controlling interests in subsidiaries (Note 22)</b>	<b>586,895</b>	<b>630,264</b>	<b>598,863</b>
<b>Shareholders' equity (Note 23)</b>	<b>63,920,088</b>	<b>58,059,059</b>	<b>52,842,768</b>
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)
<b>Shareholders' equity managed by the Parent Company</b>	<b>64,506,983</b>	<b>58,689,323</b>	<b>53,441,631</b>
<b>Total</b>	<b>830,520,428</b>	<b>789,549,524</b>	<b>689,307,013</b>

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





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

**Consolidated Statement of Financial Position -R\$ thousand**

	2012		2011	
	2nd Quarter	1st Quarter	1st Half	1st Half
<b>Revenues from financial intermediation</b>	<b>23,807,426</b>	<b>24,146,627</b>	<b>47,954,053</b>	<b>42,130,438</b>
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
<b>Financial intermediation expenses</b>	<b>17,153,234</b>	<b>15,671,016</b>	<b>32,824,250</b>	<b>26,644,353</b>
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
<b>Gross income from financial intermediation</b>	<b>6,654,192</b>	<b>8,475,611</b>	<b>15,129,803</b>	<b>15,486,085</b>
<b>Other operating income (expenses)</b>	<b>(3,656,379)</b>	<b>(3,866,337)</b>	<b>(7,522,716)</b>	<b>(6,752,498)</b>
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)

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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)
<b>Operating income</b>	<b>2,997,813</b>	<b>4,609,274</b>	<b>7,607,087</b>	<b>8,733,587</b>
<b>Non-operating income (Note 30)</b>	<b>(99,600)</b>	<b>(12,636)</b>	<b>(112,236)</b>	<b>(129,542)</b>
<b>Income before income taxes and social contribution and non-controlling interests</b>	<b>2,898,213</b>	<b>4,596,638</b>	<b>7,494,851</b>	<b>8,604,045</b>
<b>Income taxes and social contribution (Notes 34a and 34b)</b>	<b>(49,196)</b>	<b>(1,786,384)</b>	<b>(1,835,580)</b>	<b>(3,018,917)</b>
<b>Non-controlling interests in subsidiaries</b>	<b>(16,049)</b>	<b>(17,718)</b>	<b>(33,767)</b>	<b>(97,700)</b>
<b>Net income</b>	<b>2,832,968</b>	<b>2,792,536</b>	<b>5,625,504</b>	<b>5,487,428</b>

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

Report on Economic and Financial Analysis – June 2012

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Financial Statements, Independent Auditors' Report,  
Summary of the Audit Committee's Report and Fiscal  
Council's Report**Statement of Changes in Shareholders' Equity**— R\$ thousand

Events	Capital		Capital reserves		Profit reserves		Asset valuation adjustments	
	Capital stock	Unrealized capital	Share premium	Other	Legal	Statutory	Bradesco	Subsidiaries
<b>Balances on December 31, 2010</b>	<b>30,000,000</b>	<b>(1,500,000)</b>	<b>56,465</b>	<b>6,149</b>	<b>2,755,385</b>	<b>16,726,601</b>	<b>172,294</b>	<b>(163,995)</b>
Capital increase with reserves	100,000	-	(56,465)	(6,149)	(37,386)	-	-	-
Capital increase through share subscription	-	1,500,000	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	11,441	-	-	-	-	-
Asset valuation adjustments	-	-	-	-	-	-	(24,396)	(245,361)
Net income	-	-	-	-	-	-	-	-
Allocations: - Reserves	-	-	-	-	274,371	3,336,905	-	-
- Interest on shareholders' equity paid	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	-
<b>Balances on June 30, 2011</b>	<b>30,100,000</b>	<b>-</b>	<b>11,441</b>	<b>-</b>	<b>-2,992,370</b>	<b>20,063,506</b>	<b>147,898</b>	<b>(409,356)</b>
<b>Balances on December 31, 2011</b>	<b>30,100,000</b>	<b>-</b>	<b>11,441</b>	<b>-</b>	<b>-3,269,412</b>	<b>23,463,119</b>	<b>(328,343)</b>	<b>(750,856)</b>
Acquisition of treasury shares	-	-	-	-	-	-	-	-
Asset valuation adjustments	-	-	-	-	-	-	323,981	314,984
Net income	-	-	-	-	-	-	-	-
Allocations: - Reserves	-	-	-	-	139,627	1,700,629	-	-
- Interest on supplementary shareholders' equity provisioned	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	-
	<b>30,100,000</b>	<b>-</b>	<b>11,441</b>	<b>-</b>	<b>-3,409,039</b>	<b>25,163,748</b>	<b>(4,362)</b>	<b>(435,872)</b>

**Balances on March 31, 2012**

Asset valuation adjustments	-	-	-	-	-	-	244,836	3,746,653
Net income	-	-	-	-	-	-	-	-
Allocations: - Reserves	-	-	-	-	141,648	1,727,892	-	-
- Interest on shareholders' equity paid and/or provisioned	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	-

**Balances on June 30, 2012**                      **30,100,000**                      -                      **11,441**                      **-3,550,687** **26,891,640**                      **240,474**                      **3,310,781**

**Balances on December 31, 2011**

Acquisition of treasury shares	-	-	-	-	-	-	-	-
Asset valuation adjustments	-	-	-	-	-	-	568,817	4,061,637
Net income	-	-	-	-	-	-	-	-
Allocations: - Reserves	-	-	-	-	281,275	3,428,521	-	-
- Interest on shareholders' equity provisioned and/or provisioned	-	-	-	-	-	-	-	-
- Dividends paid	-	-	-	-	-	-	-	-

**Balances on June 30, 2012**                      **30,100,000**                      -                      **11,441**                      **-3,550,687** **26,891,640**                      **240,474**                      **3,310,781**

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

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

**Value Added Statement – R\$ thousand**

Description	2012				
	2nd Quarter	%	1st Quarter	%	1st Half
<b>1) Income</b>	<b>23,836,763</b>	<b>342.6</b>	<b>24,476,555</b>	<b>278.7</b>	<b>48,313,318</b>
<b>1.1) Financial intermediation</b>	<b>23,807,426</b>	<b>342.2</b>	<b>24,146,627</b>	<b>275.0</b>	<b>47,954,253</b>
<b>1.2) Fee and commission</b>	<b>4,174,080</b>	<b>60.0</b>	<b>3,995,289</b>	<b>45.5</b>	<b>8,169,379</b>
<b>1.3) Allowance for loan losses</b>	<b>(3,650,406)</b>	<b>(52.5)</b>	<b>(3,298,274)</b>	<b>(37.6)</b>	<b>(6,948,680)</b>
<b>1.4) Other</b>	<b>(494,337)</b>	<b>(7.1)</b>	<b>(367,087)</b>	<b>(4.2)</b>	<b>(861,424)</b>
<b>2) Financial intermediation expenses</b>	<b>(13,502,828)</b>	<b>(194.1)</b>	<b>(12,372,742)</b>	<b>(140.9)</b>	<b>(25,875,570)</b>
<b>3) Inputs acquired from third-parties</b>	<b>(2,721,217)</b>	<b>(39.1)</b>	<b>(2,707,119)</b>	<b>(30.8)</b>	<b>(5,428,336)</b>
Materials, water, electricity and gas	(141,518)	(2.0)	(157,351)	(1.8)	(298,869)
Outsourced services	(832,281)	(12.0)	(832,417)	(9.5)	(1,664,698)
Communication	(415,221)	(6.0)	(409,514)	(4.7)	(824,735)
Financial system services	(162,944)	(2.3)	(163,397)	(1.9)	(326,341)
Advertising and marketing	(162,191)	(2.3)	(152,510)	(1.7)	(314,701)
Transportation	(214,702)	(3.1)	(212,324)	(2.4)	(427,026)
Data processing	(267,944)	(3.9)	(262,204)	(3.0)	(530,148)
Maintenance and repairs	(145,141)	(2.1)	(145,616)	(1.7)	(290,757)
Security and surveillance	(104,772)	(1.5)	(100,240)	(1.1)	(205,012)
Travel	(33,566)	(0.5)	(32,926)	(0.4)	(66,492)
Other	(240,937)	(3.4)	(238,620)	(2.6)	(479,557)
<b>4) Gross value added (1-2-3)</b>	<b>7,612,718</b>	<b>109.4</b>	<b>9,396,694</b>	<b>107.0</b>	<b>17,009,353</b>
<b>5) Depreciation and amortization</b>	<b>(673,855)</b>	<b>(9.7)</b>	<b>(654,696)</b>	<b>(7.5)</b>	<b>(1,328,551)</b>
<b>6) Net value added produced by the entity (4-5)</b>	<b>6,938,863</b>	<b>99.7</b>	<b>8,741,998</b>	<b>99.5</b>	<b>15,680,802</b>
<b>7) Value added received through transfer</b>	<b>18,610</b>	<b>0.3</b>	<b>40,167</b>	<b>0.5</b>	<b>58,777</b>
Equity in the earnings (losses) of unconsolidated companies	18,610	0.3	40,167	0.5	58,777
<b>8) Value added to distribute (6+7)</b>	<b>6,957,473</b>	<b>100.0</b>	<b>8,782,165</b>	<b>100.0</b>	<b>15,739,579</b>
<b>9) Value added distributed</b>	<b>6,957,473</b>	<b>100.0</b>	<b>8,782,165</b>	<b>100.0</b>	<b>15,739,579</b>
<b>9.1) Personnel</b>	<b>2,641,467</b>	<b>38.0</b>	<b>2,490,642</b>	<b>28.3</b>	<b>5,132,109</b>
Salaries	1,401,945	20.2	1,353,564	15.4	2,755,509
Benefits	616,593	8.9	585,851	6.7	1,202,444
Government Severance Indemnity Fund for Employees (FGTS)	129,744	1.9	121,295	1.4	251,039
Other	493,185	7.0	429,932	4.8	923,116
<b>9.2) Taxes, Fees and Contributions</b>	<b>1,268,301</b>	<b>18.2</b>	<b>3,296,376</b>	<b>37.5</b>	<b>4,564,677</b>
Federal	1,132,576	16.3	3,156,858	35.9	4,289,434
State	1,947	-	1,645	-	3,592
Municipal	133,778	1.9	137,873	1.6	271,651
<b>9.3) Value distributed to providers of capital</b>	<b>198,688</b>	<b>2.8</b>	<b>184,893</b>	<b>2.1</b>	<b>383,581</b>
Rentals	195,702	2.8	182,515	2.1	378,217
Asset leasing	2,986	-	2,378	-	5,364
<b>9.4) Value distributed to shareholders</b>	<b>2,849,017</b>	<b>41.0</b>	<b>2,810,254</b>	<b>32.1</b>	<b>5,659,269</b>
Interest on shareholders' equity	771,080	11.1	777,420	8.9	1,548,500
Dividends	192,348	2.8	174,860	2.0	367,208
Retained earnings	1,869,540	26.9	1,840,256	21.0	3,709,796

Non-controlling interests in retained earnings	16,049	0.2	17,718	0.2	33,
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The accompanying Notes are an integral part of these Consolidated Financial Statements.

Report on Economic and Financial Analysis – June 2012

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Financial Statements, Independent Auditors' Report,  
Summary of the Audit Committee's Report and Fiscal  
Council's Report**Consolidated Statement of Cash Flows** – R\$ thousand

	2012		2011
	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter	1 <sup>st</sup> Half
			1 <sup>st</sup> Half
<b>Cash flow from operating activities:</b>			
<b>Net Income before income tax and social contribution</b>	<b>2,898,213</b>	<b>4,596,638</b>	<b>7,494,851</b>
<b>Adjustments to Net Income before income tax and social contribution</b>	<b>6,823,546</b>	<b>7,212,042</b>	<b>14,035,588</b>
Allowance for loan losses	3,650,406	3,298,274	6,948,680
Depreciation and amortization	673,855	654,696	1,328,551
Losses from/provisions for asset impairment	-	-	5,967
(Reversal)/expenses with civil, labor and tax provisions	878,092	1,051,791	1,929,883
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
Equity in the earnings (losses) of unconsolidated companies	(18,610)	(40,167)	(58,777)
(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
(Gain)/loss on sale of foreclosed assets	45,114	50,355	95,469
Other	101,696	24,331	126,027
<b>Adjusted net income before taxes</b>	<b>9,721,759</b>	<b>11,808,680</b>	<b>21,530,439</b>
Decrease in interbank investments	10,146,122	16,799,797	26,945,919
(Increase)/decrease in securities and derivative financial instruments	(12,613,127)	25,598,473	12,985,346
(Increase)/decrease in interbank and interdepartmental accounts	444,067	(1,885,745)	(1,441,678)
(Increase) in loan and leasing operations	(11,121,829)	(4,203,682)	(15,325,511)
(Increase) in insurance premiums receivable	(273,531)	(167,925)	(441,456)
Increase in technical reserves for insurance, pension plans and capitalization bonds	3,339,510	1,102,819	4,442,329
Increase/(decrease) in deferred income	(30,743)	(25,223)	(55,966)
(Increase) in other receivables and other assets	(6,209,857)	(3,253,062)	(9,462,919)
(Increase)/decrease in compulsory deposits in the Brazilian Central Bank	(990,407)	11,831,805	10,841,398
Increase/(decrease) in deposits	3,193,384	(3,547,677)	(354,293)
Increase/(decrease) in federal funds purchased and securities sold under agreements to repurchase	12,044,214	16,481,811	28,526,025
Increase in funds from issuance of securities	2,675,581	6,960,186	9,635,767
Increase/(decrease) in borrowings and onlending	782,034	(6,134,694)	(5,352,660)
Increase in other liabilities	3,949,169	6,254,535	10,203,704

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Income tax and social contribution paid	(746,093)	(3,681,591)	(4,427,684)	(3,466,796)
<b>Net cash provided by/(used in) operating activities</b>	<b>14,310,253</b>	<b>73,938,507</b>	<b>88,248,760</b>	<b>17,598,803</b>
<b>Cash flow from investing activities:</b>				
(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
<b>Net cash provided by/(used in) investing activities</b>	<b>(10,790,746)</b>	<b>(53,100,748)</b>	<b>(63,891,494)</b>	<b>(8,995,854)</b>
<b>Cash flow from financing activities:</b>				
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)
<b>Net cash provided by/(used in) financing activities</b>	<b>3,722,933</b>	<b>843,347</b>	<b>4,566,280</b>	<b>(2,563,507)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,242,440</b>	<b>21,681,106</b>	<b>28,923,546</b>	<b>6,039,442</b>
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
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,242,440</b>	<b>21,681,106</b>	<b>28,923,546</b>	<b>6,039,442</b>

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

Bradesco \_\_\_\_\_



Financial Statements, Independent Auditors' Report,  
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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.

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

	Activity	Total ownership interest		
		2012 June 30	March 31	2011 June 30
<b>Financial Area – Brazil</b>				
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%
<b>Financial Area – Abroad</b>				
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%
<b>Insurance, Pension Plan and Capitalization Bond Area</b>				
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%

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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%
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.

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***Notes to the Consolidated Financial Statements***

**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.

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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:

<b>Past-due period (1)</b>	<b>Customer rating</b>
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<sup>th</sup> day they are past due. From the 60<sup>th</sup> 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 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.

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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.

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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).

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**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.

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- 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;

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- 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

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- 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).

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**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.

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

**a) Statement of financial position**

	Financial (1) (2)		Insurance (2)
	Brazil	Abroad	Brazil
<b>Assets</b>			
<b>Current and long-term assets</b>	<b>640,612,927</b>	<b>79,267,926</b>	<b>136,999,483</b>
Cash and due from banks	9,646,082	4,288,832	233,160
Interbank investments	90,754,900	2,103,229	
Securities and derivative financial instruments	184,138,061	10,438,626	128,286,200
Interbank and interdepartmental accounts	62,510,217	-	
Loan and leasing operations	214,348,388	61,685,258	
Other receivables and other assets	79,215,279	751,981	8,480,120
<b>Permanent assets</b>	<b>51,888,976</b>	<b>64,062</b>	<b>3,310,860</b>
Investments	40,107,790	19,227	1,712,790
Premises and equipment and leased assets	3,738,007	17,284	726,680
Intangible assets	8,043,179	27,551	871,390
<b>Total on June 30, 2012</b>	<b>692,501,903</b>	<b>79,331,988</b>	<b>140,310,333</b>
<b>Total on March 31, 2012</b>	<b>658,837,379</b>	<b>71,945,717</b>	<b>127,933,820</b>
<b>Total on June 30, 2011</b>	<b>577,735,402</b>	<b>56,717,476</b>	<b>113,341,900</b>
<b>Liabilities</b>			
<b>Current and long-term liabilities</b>	<b>627,833,398</b>	<b>57,338,800</b>	<b>122,512,400</b>
Deposits	190,244,668	27,208,443	
Federal funds purchased and securities sold under agreements to repurchase	224,802,655	1,175,955	
Funds from issuance of securities	39,784,888	12,384,041	
Interbank and interdepartmental accounts	3,617,758	771	
Borrowing and onlending	78,064,940	7,364,221	
Derivative financial instruments	3,440,440	127,645	
Technical reserves from insurance, pension plans and capitalization bonds	-	-	-111,788,000
Other liabilities:			
- Subordinated debts	25,407,968	8,683,153	
- Other	62,470,081	394,571	10,724,400
<b>Deferred income</b>	<b>610,342</b>	<b>-</b>	<b>-</b>
<b>Non-controlling interests in subsidiaries</b>	<b>138,075</b>	<b>21,993,188</b>	<b>17,797,900</b>
<b>Shareholders' equity</b>	<b>63,920,088</b>	<b>-</b>	<b>-</b>
<b>Total on June 30, 2012</b>	<b>692,501,903</b>	<b>79,331,988</b>	<b>140,310,333</b>
<b>Total on March 31, 2012</b>	<b>658,837,379</b>	<b>71,945,717</b>	<b>127,933,820</b>

**Total on June 30, 2011**

**577,735,402 56,717,476 113,341,900**

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**b) Income statement**

	Financial (1) (2)		Insurance group		Other activities (2)	Eliminations (4)
	Brazil	Abroad	(2) (3)			
			Brazil	Abroad		
Revenues from financial intermediation	42,034,585	769,289	5,353,153	-	20,163	(223)
Expenses from financial intermediation	28,607,292	746,535	3,693,783	-	-	(223)
<b>Gross income from financial intermediation</b>	<b>13,427,293</b>	<b>22,754</b>	<b>1,659,370</b>	<b>-</b>	<b>20,163</b>	
Other operating income/expenses	(8,852,855)	25,189	1,270,866	(95)	34,402	
<b>Operating income</b>	<b>4,574,438</b>	<b>47,943</b>	<b>2,930,236</b>	<b>(95)</b>	<b>54,565</b>	
Non-operating income	(96,024)	3,645	(19,432)	-	(425)	
<b>Income before taxes and non-controlling interests</b>	<b>4,478,414</b>	<b>51,588</b>	<b>2,910,804</b>	<b>(95)</b>	<b>54,140</b>	
Income tax and social contribution	(724,526)	(934)	(1,096,031)	(119)	(13,970)	
Non-controlling interests in subsidiaries	(4,693)	-	(28,901)	-	(173)	
<b>Net income for the 1<sup>st</sup> half of 2012</b>	<b>3,749,195</b>	<b>50,654</b>	<b>1,785,872</b>	<b>(214)</b>	<b>39,997</b>	
<b>Net income for the 1<sup>st</sup> half of 2011</b>	<b>3,982,352</b>	<b>(113,746)</b>	<b>1,561,313</b>	<b>(53)</b>	<b>57,562</b>	
<b>Net income for the 2<sup>nd</sup> quarter of 2012</b>	<b>1,838,769</b>	<b>89,957</b>	<b>881,006</b>	<b>(83)</b>	<b>23,319</b>	
<b>Net income for the 1<sup>st</sup> quarter of 2012</b>	<b>1,910,426</b>	<b>(39,303)</b>	<b>904,866</b>	<b>(131)</b>	<b>16,678</b>	

(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
<b>Total cash and due from banks</b>	<b>13,997,224</b>	<b>25,068,657</b>	<b>7,714,874</b>
Short-term interbank investments (1)	51,786,474	33,472,601	34,564,950
<b>Total cash and cash equivalents</b>	<b>65,783,698</b>	<b>58,541,258</b>	<b>42,279,824</b>

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

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Council's Report**Notes to the Consolidated Financial Statements****7) INTERBANK INVESTMENTS****a) Breakdown and maturities**

	<b>1 to 30 days</b>
<b>Investments in federal funds purchased and securities sold under agreements to repurchase:</b>	
<b>Own portfolio position</b>	<b>8,511,808</b>
National treasury notes	5,083,840
National treasury bills	3,427,040
Financial treasury bills	-
Other	928
<b>Funded position</b>	<b>55,620,083</b>
Financial treasury bills	128,443
National treasury notes	41,291,683
National treasury bills	14,199,957
<b>Short position</b>	<b>4,017,624</b>
National treasury bills	4,017,624
<b>Subtotal</b>	<b>68,149,515</b>
<b>Interest-earning deposits in other banks:</b>	
Interest-earning deposits in other banks	4,960,513
Provisions for losses	(131)
<b>Subtotal</b>	<b>4,960,382</b>
<b>Total on June 30, 2012</b>	<b>73,109,897</b>
%	78.8
<b>Total on March 31, 2012</b>	<b>48,511,108</b>
%	57.2
<b>Total on June 30, 2011</b>	<b>38,549,398</b>
%	44.8

**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
<b>Income from investments in purchase and sale commitments:</b>				
• 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
<b>Subtotal</b>	<b>1,982,548</b>	<b>2,127,834</b>	<b>4,110,382</b>	<b>4,570,246</b>
<b>Income from interest-earning deposits in other banks</b>	<b>193,205</b>	<b>248,445</b>	<b>441,650</b>	<b>310,424</b>
<b>Total (Note 8h)</b>	<b>2,175,753</b>	<b>2,376,279</b>	<b>4,552,032</b>	<b>4,880,670</b>

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**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**

	2012				R\$ thous 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
- 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
- Corporate securities	35,382,827	2,242,713							