

BANK BRADESCO  
Form 6-K  
February 07, 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 February, 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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### *Forward-Looking Statements*

This Report on Economic and Financial Analysis contains forward-looking statements relating to our business. Such statements are based on managements current expectations, estimates and projections about future events and financial trends, which could affect our business. Words such as:

"believes", "anticipates", "plans", "expects", "intends", "aims", "evaluates", "predicts", "foresees", "projects", "guidelines", "should" and similar expressions are intended to identify forward-looking statements. These statements, however, do not guarantee future performance and involve risks and uncertainties, which could be beyond our control. Furthermore, certain forward-looking statements are based on assumptions that, depending on future events, may prove to be inaccurate. Therefore, actual results may differ materially from the plans, objectives, expectations, projections and intentions expressed or implied in such statements.

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

Accordingly, the reader should not rely excessively on these forward-looking statements. These statements are valid only as of the date they were prepared. Except as required under applicable legislation, we assume no obligation whatsoever to update these statements, whether as a result of new information, future events or for any other reason.

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





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**Highlights**



The main figures obtained by Bradesco in 2011 are presented below:

1. Adjusted Net Income<sup>(1)</sup> for the year was R\$11.198 billion (a 14.2% increase compared to the R\$9.804 billion recorded in the same period last year), corresponding to earnings per share of R\$2.93 and Return on Average Shareholders' Equity<sup>(2)</sup> of 21.3%.
2. Adjusted Net Income was composed of R\$7.997 billion from financial activities, representing 71.4% of the total, and R\$3.201 billion from insurance, pension plan and savings bond operations, which accounted for 28.6%.
3. On December 31, 2011, Bradesco's market capitalization stood at R\$106.971 billion<sup>(3)</sup>.
4. Total Assets stood at R\$761.533 billion in December 2011, a 19.5% increase over the same period in 2010. Return on Average Assets was 1.6%.
5. The Expanded Loan Portfolio<sup>(4)</sup> stood at R\$345.724 billion in December 2011, up 17.1% from the same period in 2010. Operations with individuals totaled R\$108.671 billion (a 10.6% gain), while operations with companies totaled R\$237.053 billion (up 20.4%).
6. Total Assets under Management stood at R\$1.020 trillion, up 16.9% on December 2010.
7. Shareholders' Equity stood at R\$55.582 billion in December 2011, up 15.7% on December 2010. The Capital Adequacy Ratio stood at 15.1% in December 2011, 12.4% 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 2011 in the amount of R\$3.740 billion, R\$1.279 billion of which was paid as monthly and interim dividends and R\$2.461 billion was recorded in provision.
9. Financial Margin reached R\$39.321 billion, up 19.0% in comparison with 2010.
10. The Delinquency Ratio over 90 days stood at 3.9% on December 31, 2011, a 0.3 p.p. increase over December 31, 2010 (3.6%).
11. The Efficiency Ratio<sup>(5)</sup> stood at 43.0% in December 2011 (42.7% in December 2010) and the "adjusted-to-risk" ratio stood at 53.0% (52.4% in December 2010).
12. Insurance Written Premiums, Pension Plan Contributions and Savings Bond Income totaled R\$37.693 billion in 2011, up by 21.3% over the same period in 2010. Technical reserves stood at R\$103.653 billion, up 18.9% on December 2010.
13. Investments in infrastructure, information technology and telecommunications amounted to R\$4.328 billion in 2011, a 10.4% increase on the previous year.
14. Taxes and contributions, including social security, paid or recorded in provision, amounted to R\$19.159 billion in 2011, R\$9.127 billion of which referred to taxes withheld and collected from third parties and R\$10.032 billion from Bradesco Organization activities, equivalent to 89.6% of Adjusted Net Income<sup>(1)</sup>.
15. Continuing its strategy for organic growth, Bradesco launched 1,009 branches in the last twelve months, adding more than 9 thousand new employees.
16. Bradesco has an extensive customer service network in Brazil, comprising 7,586 service points (4,634 branches, 1,347 PABs - Banking Service Branches and 1,605 PAAs - Advanced Service Branches). Customers can also use 1,477 PAEs – ATMs (Automatic Teller Machines) in companies, 34,839 Bradesco Espresso service points, 34,516 Bradesco *Dia & Noite* ATMs and 12,455 ATMs shared with other banks<sup>(6)</sup>.

(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\$117.4 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; (5) In the last 12 months; and (6) Banco24Horas ATMs + ATMs shared among Bradesco, Banco do Brasil and Banco Santander.

Report on Economic and Financial Analysis - December  
24 2011

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## Highlights

17. Payroll, plus charges and benefits, totaled R\$9.298 billion. Social benefits provided to the 104,684 employees of the Bradesco Organization and their dependents amounted to R\$2.278 billion, while investments in training and development programs totaled R\$161.495 million.

18. On January 5, 2012, Bradesco became a signatory of the International Statement of Commitment by Financial Institutions on the Environment and Sustainable Development, formally marking its entrance into the United Nations Environment Programme – Finance Initiative (UNEP FI), a United Nations (UN) program for financial institutions committed to sustainable finances.

19. On January 16, 2012, Bradesco received authorization to increase the foreign interest in its common capital, from 14% to 30%, allowing the Bank to create an ADR (American Depositary Receipt) Program tied to common shares, in an effort to increase the liquidity and value thereof. The ADR program is currently being submitted for approval by authorities.

20. Main Awards and Acknowledgements in the period:

- Outstanding position in the ranking of the largest banks in the world, by market capitalization, placing 10<sup>th</sup> (Bloomberg);
- Largest private corporate group in Brazil (“Large Groups” annual publication *Valor Econômico* newspaper);
- One of the best companies to work for, according to the “Largest among the Best Companies of 2011” list (Great Place to Work® Institute, in partnership with *O Estado de São Paulo* newspaper);

- For the 5<sup>th</sup> consecutive year, the Bradesco Brand was the most valuable brand in Brazil (Superbrands – Brand Finance);

- Grupo Bradesco de Seguros won the “Professionals of the Year” award in the “National Campaign” category with the *Vai Que* campaign (Rede Globo); and

- For the 10<sup>th</sup> consecutive year, Bradesco Seguros won the “Folha Top of Mind” award in the Insurance category (Datafolha).

21. With regards to sustainability, Bradesco divides its actions into three pillars:

(i) Sustainable Finances, with a focus 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 2011, 112,081 students benefitted from 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 382,329 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 134,764 people

- Best company in personnel management, in the “More than 10,000 employees” category (*Valor Carreira – Valor Econômico* newspaper);
  - For the 7<sup>th</sup> consecutive time, Bradesco was included in the Corporate Sustainability Index (ISE) portfolio of the São Paulo Securities, Commodities and Futures Exchange (BM&FBovespa);
- benefitted from projects and actions in partnerships with Digital Inclusion Centers (CIDs), the *Educa+Ação* Program and Technology courses (*Educar e Aprender – Teach and Learn*). To support these social commitments, Fundação Bradesco invested a total of R\$291.892 million in its educational activities and will invest an estimated total of R\$385.473 million in 2012.

Bradesco \_\_\_\_\_

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Press Release**Main Information**

	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10
Income Statement for the Period - R\$ million							
Book Net Income	2,726	2,815	2,785	2,702	2,987	2,527	2,527
Adjusted Net Income	2,771	2,864	2,825	2,738	2,684	2,518	2,518
Total Financial Margin	10,258	10,230	9,471	9,362	9,018	8,302	8,302
Gross Loan Financial Margin	7,162	6,928	6,548	6,180	6,143	5,833	5,833
Net Loan Financial Margin	4,501	4,149	4,111	3,820	3,848	3,774	3,774
Allowance for Loan Losses (ALL) Expenses	(2,661)	(2,779)	(2,437)	(2,360)	(2,295)	(2,059)	(2,059)
Fee and Commission Income	4,086	3,876	3,751	3,510	3,568	3,427	3,427
Administrative and Personnel Expenses	(6,822)	(6,285)	(5,784)	(5,576)	(5,790)	(5,301)	(5,301)
Insurance Written Premiums, Pension Plan Contributions and Savings Bond Income	11,133	9,049	9,661	7,850	9,022	7,697	7,697
Balance Sheet - R\$ million							
Total Assets	761,533	722,289	689,307	675,387	637,485	611,903	555,811
Securities	265,723	244,622	231,425	217,482	213,518	196,081	155,811
Loan Operations <sup>(1)</sup>	345,724	332,335	319,802	306,120	295,197	272,485	255,811
- Individuals	108,671	105,389	102,915	100,200	98,243	93,038	88,811
- Corporate	237,053	226,946	216,887	205,920	196,954	179,447	167,000
Allowance for Loan Losses (ALL)	(19,540)	(19,091)	(17,365)	(16,740)	(16,290)	(16,019)	(15,811)
Total Deposits	217,424	224,664	213,561	203,822	193,201	186,194	177,811
Technical Reserves	103,653	97,099	93,938	89,980	87,177	82,363	77,811
Shareholders' Equity	55,582	53,742	52,843	51,297	48,043	46,114	44,811
Assets under Management	1,019,884	973,194	933,960	919,007	872,514	838,455	768,811
Performance Indicators (%) on Adjusted Net Income (unless otherwise stated)							
Adjusted Net Income per Share - R\$ <sup>(2)</sup>	2.93	2.91	2.82	2.72	2.61	2.38	2.38
Book Value per Common and Preferred Share - R\$	14.56	14.08	13.82	13.42	12.77	12.26	12.26
Annualized Return on Average Shareholders' Equity <sup>(3) (4)</sup>	21.3	22.4	23.2	24.2	22.2	22.5	22.5
Annualized Return on Average Assets <sup>(4)</sup>	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Average Rate - Annualized (Adjusted Financial Margin / Total Average Assets - Purchase and Sale Commitments - Permanent Assets)	7.8	8.0	7.8	8.2	8.3	7.9	7.9
Fixed Assets Ratio - Total Consolidated	21.0	16.7	17.3	17.4	18.1	16.7	16.7
Combined Ratio - Insurance <sup>(5)</sup>	83.6	86.2	85.8	86.1	85.1	85.3	85.3
Efficiency Ratio (ER) <sup>(2)</sup>	43.0	42.7	42.7	42.7	42.7	42.5	42.5
Coverage Ratio (Fee and Commission Income/Administrative and Personnel Expenses) <sup>(2)</sup>	62.2	62.7	63.5	63.6	64.2	65.1	65.1
Market Capitalization - R\$ million <sup>(6)</sup>	106,971	96,682	111,770	117,027	109,759	114,510	88,811
Loan Portfolio Quality % <sup>(7)</sup>							

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ALL / Loan Portfolio	7.3	7.3	6.9	7.0	7.1	7.4
Non-Performing Loans (>60 days <sup>(8)</sup> / Loan Portfolio)	4.8	4.6	4.5	4.4	4.3	4.6
Delinquency Ratio (> 90 days <sup>(8)</sup> / Loan Portfolio)	3.9	3.8	3.7	3.6	3.6	3.8
Coverage Ratio (> 90 days <sup>(8)</sup> )	184.4	194.0	189.3	193.6	197.6	191.8
Coverage Ratio (> 60 days <sup>(8)</sup> )	151.8	159.6	154.0	159.1	163.3	162.0
Operating Limits %						
Capital Adequacy Ratio - Total Consolidated	15.1	14.7	14.7	15.0	14.7	15.7
- Tier I	12.4	12.2	12.9	13.4	13.1	13.5
- Tier II	2.7	2.5	1.8	1.7	1.7	2.3
- Deductions	-	-	-	(0.1)	(0.1)	(0.1)

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## Main Information

	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10	Jun10	Mar10	Variation Dec11 x Sept11
Structural Information - Units									
Service Points <sup>(9)</sup>	59,711	55,822	53,246	50,967	48,681	45,821	42,977	40,460	7.0
- Branches	4,634	3,945	3,676	3,651	3,628	3,498	3,476	3,455	17.5
- PAAs <sup>(10)</sup>	1,605	1,660	1,659	1,660	1,660	1,643	1,592	1,451	(3.3)
- PABs <sup>(10)</sup>	1,347	1,320	1,313	1,308	1,263	1,233	1,215	1,200	2.0
- PAEs <sup>(10)</sup>	1,477	1,589	1,587	1,588	1,557	1,559	1,565	1,564	(7.0)
- Outplaced Bradesco Network ATMs <sup>(11)</sup>	3,913	3,953	3,962	3,921	3,891	4,104	3,827	3,664	(1.0)
- ATMs Shared with other Banks <sup>(11) (12)</sup>	10,753	10,815	10,856	10,326	9,765	8,113	7,358	6,912	(0.6)
- Bradesco Espresso (Correspondent Banks)	34,839	31,372	29,263	27,649	26,104	24,887	23,190	21,501	11.1
- Bradesco Promotora de Vendas	1,131	1,157	919	853	801	773	743	702	(2.2)
- Branches / Subsidiaries Abroad	12	11	11	11	12	11	11	11	9.1
ATMs	46,971	45,596	45,103	44,263	43,072	41,007	39,766	38,772	3.0
- Own Network	34,516	33,217	32,714	32,514	32,015	31,759	31,387	30,909	3.9
- Shared Network <sup>(12)</sup>	12,455	12,379	12,389	11,749	11,057	9,248	8,379	7,863	0.6
- Debit and Credit Card <sup>(13)</sup> - in millions	155.7	153.0	150.4	147.5	145.2	140.7	137.8	135.6	1.8
Employees	104,684	101,334	98,317	96,749	95,248	92,003	89,204	88,080	3.3
Outsourced Employees and Interns	11,699	10,731	10,563	10,321	9,999	9,796	8,913	9,605	9.0
Foundation Employees <sup>(14)</sup>	3,806	3,813	3,796	3,788	3,693	3,756	3,734	3,713	(0.2)
Customers - in millions									
Checking accounts	25.1	24.7	24.0	23.5	23.1	22.5	21.9	21.2	1.6
Savings Accounts <sup>(15)</sup>	43.4	40.6	39.7	39.4	41.1	38.5	37.1	36.2	6.9
Insurance Group	40.3	39.4	38.0	37.0	36.2	34.6	33.9	33.8	2.3
- Policyholders	35.0	34.3	33.0	32.1	31.5	30.0	29.3	29.2	2.0
- Pension Plan Participants	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	4.8
- Savings Bond Customers	3.1	3.0	2.9	2.8	2.7	2.6	2.6	2.6	3.3
Bradesco Financiamentos	2.2	2.4	2.9	2.9	3.3	3.4	3.5	3.8	(8.3)

(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 the common and preferred shares on the period's last trading day;

- (7) Concept defined by Brazilian Central Bank (Bacen);
- (8) Credits overdue;
- (9) Not including Postal Bank;
- (10) PAB: Branch located on the premises of a company and with Bradesco employees; PAE: ATM located on the premises of a company; PAA: service point located in a municipality without a Bank branch;
- (11) Including overlapping ATMs within the Bank's own and shared network in: December 2011 – 2,019; September 2011 - 2,040; June 2011 – 2,045; March 2011 – 2,024; December 2010 – 1,999, September 2010 – 1,670, June 2010 - 1,547 and March 2010 – 1,490;
- (12) Shared ATM network: Banco24Horas ATMs + ATMs shared among Bradesco, Banco do Brasil and Banco Santander since November 2010;
- (13) Includes pre-paid, Private Label and Ibi México as of December 2010;
- (14) Fundação Bradesco, Digestive System and Nutritional Disorder Foundation (Fimaden) and Bradesco Sports and Recreation Center (ADC Bradesco); and
- (15) Number of accounts.

Bradesco \_\_\_\_\_

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\_\_\_\_\_ Press Release

**Ratings**

**Main Ratings**

	<b>Fitch Ratings</b>								
	<b>International Scale</b>								<b>Domestic Scale</b>
<b>Feasibility (1)</b>	<b>Support</b>	<b>Domestic Currency</b>		<b>Foreign Currency</b>				<b>Domestic Scale</b>	
a -	2	Long Term	Short Term	Long Term	Short Term			Long Term Short Term	
		A -	F1	BBB +	F2			AAA (bra) F1	
	<b>Moody's Investors Service</b>								<b>R&amp;I International Scale</b>
<b>Financial Strength</b>	<b>International Scale</b>						<b>Domestic Scale</b>		<b>Issuer Rating</b>
	<b>Foreign Currency Debt</b>	<b>Domestic Currency Deposit</b>		<b>Foreign Currency Deposit</b>		<b>Domestic Currency</b>			
B -	Long Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	BBB	
	Baa1	A1	P - 1	Baa2	P-2	Aaa.br	BR - 1		
	<b>Standard &amp; Poor's</b>				<b>Domestic Scale</b>		<b>Austin Rating</b>		
	<b>International Scale - Counterparty Rating</b>				<b>Counterparty Rating</b>		<b>Corporate Governance</b>	<b>Domestic Scale</b>	<b>Scale</b>
	<b>Foreign Currency</b>		<b>Domestic Currency</b>					<b>Long Term</b>	<b>Short Term</b>
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	AA+	AAA	A -1
	BBB	A - 3	BBB	A - 3	brAAA	brA - 1			

(1) In replacement for the individual rating (B/C).

**Book Net Income vs. Adjusted Net Income**

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

				R\$ million
	<b>12M11</b>	<b>12M10</b>	<b>4Q11</b>	<b>3Q11</b>

<b>Book Net Income</b>	<b>11,028</b>	<b>10,022</b>	<b>2,726</b>	<b>2,815</b>
<b>Non-Recurring Events</b>	<b>170</b>	<b>(218)</b>	<b>45</b>	<b>49</b>
- Provision for/ (Reversal of) Tax Risks	(2,126)	397	-	(2,126)
- Additional ALL/Change in Drag Calculation Parameters	1,006	(220)	-	1,006
- Labor Provision	501	-	-	501
- Civil Provision <sup>(2)</sup>	482	268	79	280
- Records of Tax Credits	-	(336)	-	-
- Other <sup>(3) (4)</sup>	187	(215)	(14)	201
- Tax Effects	120	(112)	(20)	187
<b>Adjusted Net Income</b>	<b>11,198</b>	<b>9,804</b>	<b>2,771</b>	<b>2,864</b>
<b>ROAE % <sup>(1)</sup></b>	<b>21.0</b>	<b>22.7</b>	<b>21.2</b>	<b>22.7</b>
<b>Adjusted ROAE % <sup>(1)</sup></b>	<b>21.3</b>	<b>22.2</b>	<b>21.5</b>	<b>23.1</b>

(1) Annualized;

(2) Mainly refers to the provision for Economic Plans;

(3) In 2011, including: (i) the partial sale of Ibi Promotora, in the amount of R\$58 million; (ii) impairment, in the amount of R\$157 million; and (iii) other operating provisions, in the amount of R\$88 million; and

(4) In 2010, including: (i) partial sale/capital gain of investments (CPM Braxis/Fidelity/Other), in the amount of R\$224 million; (ii) REFIS, in the amount of R\$18 million; and (iii) impairment, in the amount of R\$27 million.

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 in the previous page.

Note that the Adjusted Income Statement serves as the basis adopted for the analysis and comments made in chapters 1 and 2 of this report.

	Adjusted Income Statement						Variation 4Q11 Amount
	12M11	12M10	Variation		4Q11	3Q11	
			12M11 x 12M10	%			
<b>Financial Margin</b>	<b>39,321</b>	<b>33,056</b>	<b>6,265</b>	<b>19.0</b>	<b>10,258</b>	<b>10,230</b>	
- Interest	37,670	31,525	6,145	19.5	9,985	9,669	3
- Non-interest	1,651	1,531	120	7.8	273	561	(288)
ALL	(10,237)	(8,703)	(1,534)	17.6	(2,661)	(2,779)	118
<b>Gross Income from Financial Intermediation</b>	<b>29,084</b>	<b>24,353</b>	<b>4,731</b>	<b>19.4</b>	<b>7,597</b>	<b>7,451</b>	<b>146</b>
Income from Insurance, Pension Plan and Savings Bond Operations <sup>(1)</sup>	3,370	2,772	598	21.6	933	864	69
Fee and Commission Income	15,223	13,372	1,851	13.8	4,086	3,876	210
Personnel Expenses	(11,061)	(9,302)	(1,759)	18.9	(3,140)	(2,880)	(260)
Other Administrative Expenses	(13,406)	(11,532)	(1,874)	16.3	(3,682)	(3,405)	(277)
Tax Expenses	(3,664)	(3,120)	(544)	17.4	(1,005)	(866)	(139)
Equity in the Earnings (Losses) of Unconsolidated Companies	144	127	17	13.4	53	41	12
Other Operating Income/Expenses	(3,401)	(2,382)	(1,019)	42.8	(808)	(907)	99
<b>Operating Result</b>	<b>16,289</b>	<b>14,288</b>	<b>2,001</b>	<b>14.0</b>	<b>4,034</b>	<b>4,174</b>	<b>(140)</b>
Non-Operating Income	3	(8)	11	-	4	10	(7)
Income Tax / Social Contribution	(4,954)	(4,353)	(601)	13.8	(1,241)	(1,304)	63
Non-controlling Interest	(140)	(123)	(17)	13.8	(26)	(16)	(10)
<b>Adjusted Net Income</b>	<b>11,198</b>	<b>9,804</b>	<b>1,394</b>	<b>14.2</b>	<b>2,771</b>	<b>2,864</b>	<b>(93)</b>

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

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## Summarized Analysis of Adjusted Income

### Adjusted Net Income and Profitability

In the fourth quarter of 2011, Bradesco's adjusted net income was R\$2,771 million, down 3.2% from the previous quarter, mainly due to: (i) lower revenue from non-interest financial margin; and (ii) greater personnel and administrative expenses, mainly resulting from accelerated organic growth in the year, marked by the expansion of 11,030 service points, including the opening of 1,009 branches.

In the comparison of 2011 and 2010, adjusted net income increased by R\$1,394 million, or 14.2%, for Return on Average Shareholders' Equity (ROAE) of 21.3%. The main reasons for this result are described in this chapter, among which the aforementioned organic growth demands our attention.

Shareholders' Equity stood at R\$55,582 million in December 2011, up 15.7% on the balance on December 2010. The Capital Adequacy Ratio stood at 15.1%, of which, 12.4% fell under Tier I Reference Shareholders' Equity.

Total Assets came to R\$761,533 million in December 2011, up 19.5% over December 2010, driven by the increase in operations and the expansion of business volume. Return on Average Assets (ROAA) hovered around 1.6%.

**Summarized Analysis of Adjusted Income****Efficiency Ratio (ER)**

The ER was impacted by the following events in the period: (i) accelerated organic growth in the year, especially in the second half of 2011, marked by the expansion of 11,030 service points, including the inauguration of 1,009 branches, which impacted personnel and administrative expenses; and (ii) greater expenses with advertising and marketing, brought on by the seasonal effect in the quarter.

With regards to the “adjusted to risk” ER, which reflects the impact of risk associated with loan operations<sup>(2)</sup> and the aforementioned events, it was also affected by the increase in delinquency in the period.

(1)  $ER = (\text{Personnel Expenses} - \text{Employee Profit Sharing} + \text{Administrative Expenses}) / (\text{Financial Margin} + \text{Fee and Commission Income} + \text{Income from Insurance} + \text{Equity in the Earnings (Losses) of Unconsolidated Companies} + \text{Other Operating Income} - \text{Other Operating Expenses})$ . 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 fourth quarter of 2011 would be 45.8%; and

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

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## Summarized Analysis of Adjusted Income

### Financial Margin

The R\$28 million increase in the fourth quarter of 2011 compared to the third quarter of 2011 was due to:

- a R\$316 million increase in interest-earning operations, mainly due to higher gains with “Loan” and “Securities/Other” margins; and

was offset by:

- a R\$288 million decrease in the non-interest margin, due to lower treasury/securities gains.

Financial margin posted a R\$6,265 million improvement between the 2011 fiscal year and that of 2010, for growth of 19.0%, mainly driven by:

- a R\$6,145 million increase in income from interest-earning operations due to an increase in business volume, driven by:
  - (i) “Loans;” and (ii) “Funding;” and
- greater income from the non-interest margin, in the amount of R\$120 million, due to higher treasury/securities gains.

**Summarized Analysis of Adjusted Income****Interest Financial Margin – Annualized Average Rates**

	<b>12M11</b>			<b>12M10</b>			<b>R\$ million</b>
	<b>Interest</b>	<b>Average Balance</b>	<b>Average Rate</b>	<b>Interest</b>	<b>Average Balance</b>	<b>Average Rate</b>	
Loans	26,818	254,812	10.5%	23,362	209,292	11.2%	
Funding	4,562	301,122	1.5%	3,029	236,549	1.3%	
Insurance	3,388	94,561	3.6%	2,827	80,444	3.5%	
Securities/Other	2,902	234,205	1.2%	2,307	194,624	1.2%	
<b>Financial Margin</b>	<b>37,670</b>	<b>-</b>	<b>7.4%</b>	<b>31,525</b>	<b>-</b>	<b>7.5%</b>	
	<b>4Q11</b>			<b>3Q11</b>			
	<b>Interest</b>	<b>Average Balance</b>	<b>Average Rate</b>	<b>Interest</b>	<b>Average Balance</b>	<b>Average Rate</b>	
Loans	7,162	269,071	11.1%	6,928	260,140	11.1%	
Funding	1,169	319,408	1.5%	1,252	313,201	1.6%	
Insurance	770	100,978	3.1%	800	95,865	3.4%	
Securities/Other	884	257,613	1.4%	689	244,470	1.1%	
<b>Financial Margin</b>	<b>9,985</b>	<b>-</b>	<b>7.6%</b>	<b>9,669</b>	<b>-</b>	<b>7.6%</b>	

The annualized interest financial margin rate stood at 7.6% in the fourth quarter of 2011, in line with the figure recorded in the previous quarter.



## Summarized Analysis of Adjusted Income

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

In December 2011, Bradesco's loan operations totaled R\$345.7 billion. The 4.0% increase in the quarter was due to growth of: (i) 6.2% in Small and Medium-sized Entities (SMEs); (ii) 3.1% in Individuals; and (iii) 3.1% in Corporations.

Over the last 12 months, the portfolio expanded by 17.1%, driven by: (i) 22.6% growth in SMEs; (ii) 18.6% growth in Corporations; and (iii) 10.6% 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) BNDES/Finame onlending; and (iii) payroll-deductible loans. In the Corporate segment, growth was led by: (i) real estate financing – corporate plan; (ii) working capital; 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 page 38 of chapter 2 of this Report.

### Allowance for Loan Losses (ALL)

In the fourth quarter of 2011, ALL expenses stood at R\$2,661 million, down 4.2% from the previous quarter, mainly as a result of: (i) adequate provision levels in comparison with the expected losses from certain operations with corporate customers, which offset: (ii) the increased delinquency in the period; and (iii) the growth in loan operation volume.

(1) In the 3Q11, includes exceeding ALL in the total amount of R\$1.0 billion.

In comparison with 2010, ALL expenses in 2011 increased by 17.6%, mainly due to: (i) growth in loan operations; and (ii) greater delinquency in the period, especially among individuals.

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## **Summarized Analysis of Adjusted Income**

### **Delinquency Ratio > 90 days**

The delinquency ratio of over 90 days posted a slight increase of 0.1 p.p. in the quarter, mainly due to: (i) a 0.2 p.p. increase in the SME ratio; and (ii) a 0.1 p.p. increase in the Individuals ratio.

### **Coverage Ratios**

The following graph presents the evolution of the coverage ratio of the ALL for loans overdue for more than 60 and 90 days. In December 2011 these ratios reached 151.8% and 184.4%, respectively, pointing to a comfortable level of provisioning.

The ALL, totaling R\$19.5 billion in December 2011, was made up of: (i) R\$15.5 billion required by the Brazilian Central Bank; and (ii) R\$4.0 billion in additional provisions.

## Summarized Analysis of Adjusted Income

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

Net Income for the fourth quarter of 2011 came to R\$860 million, up 10.3% from the previous quarter.

Net Income for 2011 came to R\$3.201 billion, up 10.2% on the previous year.

	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
Net Income	860	780	800	761	779	721	701	680
Insurance Written Premiums, Pension Plan Contributions and Savings Bond Income <sup>(1)</sup>	11,133	9,049	9,661	7,850	9,022	7,697	7,163	6,850
Technical Reserves	103,653	97,099	93,938	89,980	87,177	82,363	79,308	77,308
Financial Assets	112,979	107,244	103,847	99,594	96,548	92,599	88,515	85,580
Claims Ratio	68.6	71.5	72.2	72.0	71.1	72.4	71.8	71.8
Combined Ratio	83.6	86.2	85.8	86.1	85.1	85.3	84.7	84.7
Policyholders / Participants and Customers (in thousands)	40,304	39,434	37,972	37,012	36,233	34,632	33,908	33,908
Market Share of Insurance Written Premiums, Pension Plan Contributions and Savings Bond Income <sup>(2)</sup>	N/A	24.9	25.0	23.2	24.7	24.7	24.8	24.8

Note: For comparison purposes, we have excluded the build in Technical Reserves for benefits to be granted – Remission (Health) from the calculation of ratios for the first quarter of 2010, and the effects of Normative Resolution (RN) 206/09 issued by the National Supplementary Health Plan Agency (ANS) on health revenues from the calculation of combined ratio.

(1) Excluding the effects of ANS RN 206/09, which as of January 2010 extinguished the unearned premium reserve (PPNG) (Susep Statistics System (SES)) and income from premiums are now recorded on a *pro-rata temporis* basis. This accounting change did not affect Earned Premiums; and

(2) 3Q11 considers the latest data made available by the Insurance Superintendence (Susep) (July 2011).

### **Summarized Analysis of Adjusted Income**

In the fourth quarter of 2011, the Group's total revenue increased by 23.0% on the previous quarter, led by the "Life and Pension Plan" segment, which was driven by a greater concentration of pension plan contributions in the period in question.

In 2011, revenue was up 21.3% in comparison with 2010, driven by the performance of "Life and Pension Plan," "Health" and "Savings Bond" products, which posted respective growth of 23.8%, 22.0% and 22.7% in the period.

Net income increase in the quarter was mainly due to: (i) a 23.0% increase in revenues; (ii) improved equity income; and (iii) a drop in the claims ratio.

Net income increase in the 2011 fiscal year was the result of: (i) 21.3% growth in revenues; (ii) a 1.1 p.p. decrease in the claims ratio; (iii) improved financial result and equity in the earnings (losses) of unconsolidated subsidiaries; and partially offset by: (iv) an increase in personnel expenses, mainly driven by the collective bargaining agreement in January 2011.

In terms of solvency, Grupo Bradesco de Seguros e Previdência complies with Insurance Superintendence (Susep) rules effective as of January 1, 2008, and international standards (Solvency II). The Group's financial leverage ratio stood at 2.7 times its Shareholders' Equity.

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## **Summarized Analysis of Adjusted Income**

### **Fee and Commission Income**

In the fourth quarter of 2011, fee and commission income totaled R\$4,086 million, up 5.4% or R\$210 million from the previous quarter. This increase was mainly driven by: (i) higher credit card revenue, resulting from the increase in the cards/customer base; (ii) greater checking account revenue; and (iii) greater gains from capital market operations (underwriting/ financial advisory services).

When comparing 2011 with 2010, the R\$1,851 million, or 13.8%, increase in fee and commission income was mainly due to: (i) the performance of the credit card segment, driven by the growth in card base and revenues; (ii) higher income from checking accounts, which was driven by growth in business volume and an increase in checking account holder base, which posted net growth of 2.0 million accounts in the period; (iii) greater income from loan operations, resulting from an increase in the volume of contracted operations; (iv) greater income from collections; and (v) the increase in income from consortium management.

**Summarized Analysis of Adjusted Income****Personnel Expenses**

In the fourth quarter of 2011, the R\$260 million increase from the previous quarter was due to the following:

- structural expenses – R\$127 million growth, mainly resulting from: (i) higher expenses with salaries, social charges and benefits due to the Bank's organic growth, which led to the opening of new service points and the consequent increase in staff; and (ii) an adjustment to salary levels, pursuant to the collective bargaining agreement; and
- non-structural expenses – R\$133 million increase, mainly due to expenses with employee and management profit sharing.

- R\$478 million in non-structural expenses, mainly driven by: (i) greater expenses with employee and management profit sharing; and (ii) greater expenses with the provision for labor claims.

Growth between 2011 and 2010 of R\$1,759 million is mainly due to:

- R\$1,281 million in structural expenses, resulting from: (i) increased expenses with salaries, social charges and benefits, due to higher salary levels; and (ii) the net increase in the number of employees by 9,436 professionals; 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.

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## **Summarized Analysis of Adjusted Income**

### **Administrative Expenses**

In the fourth quarter of 2011, administrative expenses increased by 8.1% on the previous quarter, mainly due to: (i) greater expenses with advertising and marketing; and (ii) expenses related to accelerated organic growth (i.e. transportation, security and surveillance, maintenance and preservation of goods, etc.), which led to the inauguration of 689 branches.

The 16.3% increase between 2011 and 2010 was mainly due to greater expenses with:

(i) outsourced services, mainly related variable expenses tied to revenues/business volume (i.e. correspondent banks, Call Center, etc.); (ii) contract adjustments; and (iii) accelerated organic growth in the period, marked by the expansion of 11,030 service points, including the inauguration of 1,009 branches.

(1) Does not include Postal Bank.

### **Other Operating Income and Expenses**

Other operating expenses, net of other operating income, totaled R\$808 million in the fourth quarter of 2011, down R\$99 million from the previous quarter, mainly due to less expenses with the recording of operating provisions, particularly those with civil provisions.

Compared with the previous year, the increase in other operating expenses, net of other operating income, by R\$1,019 million in 2011 is mainly the result of: (i) higher expenses with the recording of operating provisions, especially civil provisions; and (ii) higher expenses with amortization of intangible assets – acquisition of banking rights.





## **Summarized Analysis of Adjusted Income**

### **Income Tax and Social Contributions**

Income tax and social contribution expenses in the fourth quarter of 2011 were down 4.8%, or R\$63 million, from the previous quarter, due to lower taxable income in the period.

In 2011, the increase in these expenses over 2010 is mainly the result of: (i) an increase in taxable income; 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\$10,618 million in the fourth quarter of 2011, a R\$1,561 million increase from the previous quarter. This was mainly due to: (i) the appreciation of investments, particularly the Cielo investment, which saw a 15.0% increase in share value in the quarter; (ii) the valuation of mark-to-market securities in both fixed income and equities; and (iii) mark-to-market effect of subordinated debt.

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## Economic Scenario

Economic activity indicators in the USA were better than expected in the fourth quarter of 2011, but failed to completely ward off uncertainties regarding the pace and sustainability of growth in the coming months. At the same time, the constant downward revisions of projected Chinese growth lost momentum, despite persisting doubts in relation to the country's banking system and real estate market. However, concern with the fiscal imbalance in many European nations mounted, given that the European Central Bank's recent measures to promote liquidity in the Eurozone banking system were insufficient to dispel existing fears.

Faced with these risks, global growth remained low, adversely impacting the confidence of the economic agents. This trend has had two relevant effects: (i) the normalization of monetary policy by the main central banks will most likely be delayed, ensuring high international liquidity, as long as there are no major breakdowns in the banking systems of the major economies, an event we believe to be unlikely; and (ii) the average of commodity prices should also continue on a downward trajectory throughout 2012, despite short-term pressures, especially in relation to agricultural produce (unfavorable weather conditions) and oil (geo-political tensions).

Brazil is not immune to global events, although it is certainly much better prepared to face the materialization of existing risks than it was three years ago. Faced with a deteriorating international scenario and the current leveling-off of domestic activity in the second half of 2011, the economic authorities have adopted a number of stimulus measures, including: (i) a series of interest rate reductions, a process that should continue into the first quarter of 2012; (ii) the partial reversal of the macroprudential measures adopted in December 2010; and (iii) tax incentives for the consumer goods and industrial segments. At the same time, the country's foreign reserves (currently US\$355 billion, versus US\$208 billion in September 2008) and the

Although the prospective global scenario should have a deflationary impact on Brazil's economy, there are still a number of challenges related to the handling of monetary policy, given the mismatch between supply and demand, the economy's high level of indexation and the buoyant job market.

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 buoyant job market, while investments have benefited from the opportunities generated by pre-salt oil exploration and the sporting events in the coming years. With no signs of excessive income commitment by borrowers and 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.

volume of reserve requirements held by Bacen (R\$448 billion, versus R\$272 billion three years ago) constitute an excellent line of defense that can be tapped into quickly if needed. Given these measures and the expected increase in public investments, the Brazilian economy should respond favorably, accelerating the pace of growth in the coming months. This improvement should become even more evident in the second quarter, when the industrial inventory adjustments will have run their course.

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**Main Economic Indicators**

<b>Main Indicators (%)</b>	<b>4Q11</b>	<b>3Q11</b>	<b>2Q11</b>	<b>1Q11</b>	<b>4Q10</b>	<b>3Q10</b>	<b>2Q10</b>	<b>1Q10</b>	<b>12</b>
Interbank Deposit Certificate (CDI)	2.67	3.01	2.80	2.64	2.56	2.61	2.22	2.02	1
Ibovespa	8.47	(16.15)	(9.01)	(1.04)	(0.18)	13.94	(13.41)	2.60	(1
USD – Commercial Rate	1.15	18.79	(4.15)	(2.25)	(1.65)	(5.96)	1.15	2.29	1
General Price Index - Market (IGP-M)	0.91	0.97	0.70	2.43	3.18	2.09	2.84	2.78	
Extended Consumer Price Index (IPCA) – Brazilian									
Institute of Geography and Statistics (IBGE)	1.46	1.06	1.40	2.44	2.23	0.50	1.00	2.06	
Federal Government Long-Term Interest Rate (TJLP)	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	
Reference Interest Rate (TR)	0.22	0.43	0.31	0.25	0.22	0.28	0.11	0.08	
Savings Accounts	1.73	1.95	1.82	1.76	1.73	1.79	1.62	1.59	
Business Days (number)	62	65	62	62	63	65	62	61	
Indicators (Closing Rate)									
USD – Commercial Selling Rate - (R\$)	<b>Dec11</b>	<b>Sept11</b>	<b>Jun11</b>	<b>Mar11</b>	<b>Dec10</b>	<b>Sept10</b>	<b>Jun10</b>	<b>Mar10</b>	<b>D</b>
Euro - (R\$)	1.8758	1.8544	1.5611	1.6287	1.6662	1.6942	1.8015	1.7810	1
Country Risk (points)	2.4342	2.4938	2.2667	2.3129	2.2280	2.3104	2.2043	2.4076	2
Basic Selic Rate Copom (% p.a.)	223	275	148	173	189	206	248	185	
BM&F Fixed Rate (% p.a.)	11.00	12.00	12.25	11.75	10.75	10.75	10.25	8.75	1
	10.04	10.39	12.65	12.28	12.03	11.28	11.86	10.85	1

**Projections through 2014**

<b>%</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
USD - Commercial Rate (year-end) - R\$	1.80	1.86	1.92
Extended Consumer Price Index (IPCA)	5.30	5.10	5.00
General Price Index - Market (IGP-M)	4.00	4.60	4.50
Selic (year-end)	9.50	9.50	9.00
Gross Domestic Product (GDP)	3.70	4.70	4.70

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**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</b> <sup>(1)</sup>	<b>18 to 22%</b>
Individuals	16 to 20%
Corporate	18 to 22%
SMEs	23 to 27%
Corporations	13 to 17%
<b>Products</b>	
Vehicles	4 to 8%
Cards <sup>(2)</sup>	13 to 17%
Real Estate Financing (origination)	R\$11.4 bi
Payroll Deductible Loans	26 to 30%
<b>Financial Margin</b> <sup>(3)</sup>	<b>10 to 14%</b>
<b>Fee and Commission Income</b>	<b>8 to 12%</b>
<b>Operating Expenses</b> <sup>(4)</sup>	<b>8 to 12%</b>
<b>Insurance Premiums</b>	<b>13 to 16%</b>

(1) Expanded Loan Portfolio;

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

(3) Under current criterion, Guidance for Interest Financial Margin; and

(4) Administrative and Personnel Expenses.

**Income Statements vs. Managerial Income vs. Adjusted Income****Analytical Breakdown of Income Statement vs. Managerial Income vs. Adjusted Income****Fourth Quarter of 2011**

	R\$ million											
	4Q11											
	Book	Reclassifications						Fiscal	Managerial	Non-Recurring	Adjusted	
	Income	(1)	(2)	(3)	(4)	(5)	(6)	Hedge	Income	Events <sup>(9)</sup>	Statement	
	Statement							(8)	Statement		of Income	
<b>Financial Margin</b>	<b>10,813</b>	<b>(169)</b>	<b>39</b>	<b>(329)</b>	<b>(593)</b>	<b>179</b>	-	-	<b>318</b>	<b>10,258</b>	-	<b>10,258</b>
ALL	(2,958)	-	-	-	356	(59)	-	-	-	(2,661)	-	(2,661)
<b>Gross Income from Financial Intermediation</b>	<b>7,855</b>	<b>(169)</b>	<b>39</b>	<b>(329)</b>	<b>(237)</b>	<b>120</b>	-	-	<b>318</b>	<b>7,597</b>	-	<b>7,597</b>
Income from Insurance, Pension Plan and Savings Bond Operations <sup>(10)</sup>	933	-	-	-	-	-	-	-	-	933	-	933
Fee and Commission Income	3,963	-	-	-	-	-	123	-	-	4,086	-	4,086
Personnel Expenses	(3,140)	-	-	-	-	-	-	-	-	(3,140)	-	(3,140)
Other Administrative Expenses	(3,574)	-	-	-	-	-	-(108)	-	-	(3,682)	-	(3,682)
Tax Expenses	(1,061)	-	-	-	78	-	-	(34)	-	(1,017)	11	(1,005)
Equity in the Earnings (Losses) of Unconsolidated Companies	53	-	-	-	-	-	-	-	-	53	-	53
Other Operating Income/Expenses	(1,473)	169	(39)	329	159	-(123)	108	-	-	(870)	62	(808)
<b>Operating Result</b>	<b>3,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>284</b>	<b>3,960</b>	<b>73</b>	<b>4,034</b>
Non-Operating Income	124	-	-	-	-(120)	-	-	-	-	4	-	4
Income Tax / Social Contribution and Non-controlling Interest	(954)	-	-	-	-	-	-	-(284)	-	(1,238)	(31)	(1,267)
<b>Net Income</b>	<b>2,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,726</b>	<b>45</b>	<b>2,771</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 were reclassified to "Other Operating Expenses;"
- (5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to the item "ALL Expenses - Allowance for Loan Losses" / "Financial Margin;"
- (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 Savings Bond Operations = Insurance, Pension Plan and Savings Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Savings Bonds – Retained Claims – Drawings and Redemption of Savings Bonds – Selling Expenses with Insurance Plans, Pension Plans and Savings Bonds.

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## Income Statement vs. Managerial Income vs. Adjusted Income

## Third Quarter of 2011

	R\$ million											
	Book	Reclassifications						3Q11	Fiscal Managerial	Non-Recurring	Adjusted	
	Income	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Hedge	Income	Events (9)	Statement
	Statement								(8)	Statement		of Income
<b>Financial Margin</b>	<b>8,693</b>	<b>(141)</b>	<b>37</b>	<b>(142)</b>	<b>(430)</b>	-	-	-	<b>2,213</b>	<b>10,230</b>	-	<b>10,230</b>
ALL	(3,906)	-	-	-	178	(57)	-	-	-	(3,785)	1,006	(2,779)
<b>Gross Income from Financial Intermediation</b>	<b>4,787</b>	<b>(141)</b>	<b>37</b>	<b>(142)</b>	<b>(252)</b>	<b>(57)</b>	-	-	<b>2,213</b>	<b>6,445</b>	<b>1,006</b>	<b>7,451</b>
Income from Insurance, Pension Plan and Savings Bond Operations (10)	864	-	-	-	-	-	-	-	-	864	-	864
Fee and Commission Income	3,772	-	-	-	-	-	104	-	-	3,876	-	3,876
Personnel Expenses	(3,380)	-	-	-	-	-	-	-	-	(3,380)	501	(2,880)
Other Administrative Expenses	(3,314)	-	-	-	-	-	-	(91)	-	(3,405)	-	(3,405)
Tax Expenses	(695)	-	-	-	69	-	-	-	(240)	(866)	-	(866)
Equity in the Earnings (Losses) of Unconsolidated Companies	41	-	-	-	-	-	-	-	-	41	-	41
Other Operating Income/Expenses	264	141	(37)	142	183	-(104)	91	-	-	680	(1,587)	(907)
<b>Operating Result</b>	<b>2,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-(57)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,973</b>	<b>4,255</b>	<b>(80)</b>	<b>4,174</b>
Non-Operating Income	10	-	-	-	-	57	-	-	-	67	(58)	10
Income Tax / Social Contribution and Non-controlling Interest	466	-	-	-	-	-	-	-	(1,973)	(1,507)	187	(1,320)
<b>Net Income</b>	<b>2,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,815</b>	<b>49</b>	<b>2,864</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 were reclassified to "Other Operating Expenses;"
- (5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to the item "ALL Expenses - Allowance for Loan Losses" / "Financial Margin;"
- (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 Savings Bond Operations = Insurance, Pension Plan and Savings Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Savings Bonds – Retained Claims – Drawings and Redemption of Savings Bonds – Selling Expenses with Insurance Plans, Pension Plans and Savings Bonds.

## Income Statement vs. Managerial Income vs. Adjusted Income

## 2011 Fiscal Year

	R\$ mill											
	12M11											
	Book Income Statement	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Fiscal Hedge (8)	Managerial Income Statement	Non-Recurring Events (9)	Adjusted Statement of Income
<b>Financial Margin</b>	<b>40,211</b>	<b>(513)</b>	<b>121</b>	<b>(611)</b>	<b>(1,859)</b>	<b>179</b>	-	-	<b>1,793</b>	<b>39,321</b>	-	<b>39,321</b>
ALL	(12,083)	-	-	-	1,074	(234)	-	-	-	(11,243)	1,006	(10,237)
<b>Gross Income from Financial Intermediation</b>	<b>28,128</b>	<b>(513)</b>	<b>121</b>	<b>(611)</b>	<b>(785)</b>	<b>(55)</b>	-	-	<b>1,793</b>	<b>28,078</b>	<b>1,006</b>	<b>29,084</b>
Income from Insurance, Pension Plan and Savings Bond Operations (10)	3,370	-	-	-	-	-	-	-	-	3,370	-	3,370
Fee and Commission Income	14,778	-	-	-	-	-	445	-	-	15,223	-	15,223
Personnel Expenses	(11,560)	-	-	-	-	-	-	-	-	(11,560)	501	(11,059)
Other Administrative Expenses	(13,018)	-	-	-	-	-	(388)	-	-	(13,406)	-	(13,406)
Tax Expenses	(3,680)	-	-	-	197	-	-	-	(194)	(3,677)	11	(3,666)
Equity in the Earnings (Losses) of Unconsolidated Companies	144	-	-	-	-	-	-	-	-	144	-	144
Other Operating Income/Expenses	(3,535)	513	(121)	611	588	(445)	388	-	-	(2,001)	(1,402)	(3,403)
<b>Operating Result</b>	<b>14,628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>1,599</b>	<b>16,172</b>	<b>117</b>	<b>16,289</b>
Non-Operating Income	4	-	-	-	-	55	-	-	-	60	(58)	2
Income Tax / Social Contribution and Non-controlling Interest	(3,605)	-	-	-	-	-	-	-	(1,599)	(5,205)	109	(5,096)
<b>Net Income</b>	<b>11,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,028</b>	<b>170</b>	<b>11,198</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 were reclassified to “Other Operating Expenses;”

(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item “Non-Operating Result” were reclassified to the item “ALL Expenses - Allowance for Loan Losses” / “Financial Margin;”

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

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Press Release**Income Statement vs. Managerial Income vs. Adjusted Income****2010 Fiscal Year**

	R\$ mill												
	12M10												
	Book	Reclassifications					Fiscal	Managerial	Non-Recurring	Adjusted			
	Income	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Hedge	Income	Events <sup>(9)</sup>	Statement	of Income
	Statement								<sup>(8)</sup>	Statement			
<b>Financial Margin</b>	<b>35,893</b>	<b>(422)</b>	<b>143</b>	<b>(307)</b>	<b>(1,658)</b>	-	-	-	<b>(681)</b>	<b>32,968</b>	<b>88</b>	<b>33,0</b>	
ALL	(9,037)	-	-	-	940	(386)	-	-	-	(8,483)	(220)	(8,7	
<b>Gross Income from Financial Intermediation</b>	<b>26,856</b>	<b>(422)</b>	<b>143</b>	<b>(307)</b>	<b>(718)</b>	<b>(386)</b>	-	-	<b>(681)</b>	<b>24,485</b>	<b>(132)</b>	<b>24,3</b>	
Income from Insurance, Pension Plan and Savings Bond Operations <sup>(10)</sup>	2,772	-	-	-	-	-	-	-	-	2,772	-	2,7	
Fee and Commission Income	13,103	-	-	-	-	-	270	-	-	13,372	-	13,3	
Personnel Expenses	(9,302)	-	-	-	-	-	-	-	-	(9,302)	-	(9,3	
Other Administrative Expenses	(11,194)	-	-	-	-	-	(339)	-	-	(11,532)	-	(11,5	
Tax Expenses	(3,180)	-	-	-	(31)	-	-	-	74	(3,137)	17	(3,1	
Equity in the Earnings (Losses) of Unconsolidated Companies	127	-	-	-	-	-	-	-	-	127	-	1	
Other Operating Income/Expenses	(4,410)	422	(143)	307	749	-(270)	339	-	-	(3,007)	626	(2,3	
<b>Operating Result</b>	<b>14,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-(386)</b>	<b>-</b>	<b>-</b>	<b>(607)</b>	<b>13,777</b>	<b>511</b>	<b>14,2</b>		
Non-Operating Income	(171)	-	-	-	-	386	-	-	-	215	(224)		
Income Tax / Social Contribution and Non-controlling Interest	(4,578)	-	-	-	-	-	-	-	607	(3,971)	(505)	(4,4	
<b>Net Income</b>	<b>10,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,022</b>	<b>(218)</b>	<b>9,8</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 were reclassified to “Other Operating Expenses;”

(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item “Non-Operating Result” were reclassified to the item “ALL Expenses - Allowance for Loan Losses” / “Financial Margin;”

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

— Report on Economic and Financial Analysis – December 2011

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## Economic and Financial Analysis

**Consolidated Balance Sheet and Adjusted Income Statement****Balance Sheet**

	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10	Jun10	Mar10
								<b>R\$ million</b>
<b>Assets</b>								
<b>Current and Long-Term Assets</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>	<b>547,868</b>	<b>522,709</b>
Cash and Cash Equivalents	22,574	10,018	7,715	6,785	15,738	9,669	6,877	8,705
Interbank Investments	82,303	85,963	86,147	100,159	73,232	92,567	96,478	97,165
Securities and Derivative Financial Instruments	265,723	244,622	231,425	217,482	213,518	196,081	156,755	157,309
Interbank and Interdepartmental Accounts	72,906	71,951	67,033	67,292	66,326	50,781	50,427	36,674
Loan and Leasing Operations	248,719	241,812	231,862	222,404	213,532	200,092	191,248	181,490
Allow ance for Loan Losses (ALL)	(19,540)	(19,091)	(17,365)	(16,740)	(16,290)	(16,019)	(15,782)	(15,836)
Other Receivables and Assets	73,405	74,963	70,754	66,217	59,727	68,009	61,864	57,202
<b>Permanent Assets</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>	<b>10,232</b>	<b>9,917</b>
Investments	2,052	1,721	1,699	1,675	1,577	1,616	1,553	1,537
Premises and Leased Assets	4,413	3,812	3,658	3,666	3,766	3,401	3,427	3,244
Intangible Assets	8,978	6,518	6,379	6,447	6,359	5,706	5,252	5,136
<b>Total</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>558,100</b>	<b>532,626</b>
<b>Liabilities</b>								
<b>Current and Long-Term Liabilities</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>	<b>512,790</b>	<b>488,431</b>
Deposits	217,424	224,664	213,561	203,822	193,201	186,194	178,453	170,722
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	197,448	171,458	164,204	178,989	171,497	157,009	131,134	128,172
Funds from Issuance of Securities	41,522	32,879	29,044	21,701	17,674	13,749	12,729	8,550
	4,614	2,974	3,037	2,647	3,790	2,451	2,777	2,063



<b>Interbank and Interdepartmental Accounts</b>								
Borrowing and Onlending	53,247	49,057	45,207	41,501	38,196	37,998	35,033	30,208
<b>Derivative Financial Instruments</b>								
	735	1,724	1,221	2,358	730	1,878	1,097	2,469
<b>Reserves for Insurance, Pension Plans and Savings Bonds</b>								
	103,653	97,099	93,938	89,980	87,177	82,363	79,308	77,685
<b>Other Liabilities</b>								
	86,021	87,457	85,148	82,071	76,345	83,152	72,259	68,562
<b>Deferred Income</b>								
	672	622	505	447	360	312	337	292
<b>Non-controlling Interest in Subsidiaries</b>								
	615	613	599	574	472	683	678	816
<b>Shareholders' Equity</b>								
	55,582	53,742	52,843	51,297	48,043	46,114	44,295	43,087
<b>Total</b>								
	761,533	722,289	689,307	675,387	637,485	611,903	558,100	532,626

## Economic and Financial Analysis

## Consolidated Balance Sheet and Adjusted Income Statement

## Adjusted Income Statement

	R\$ million							
	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
<b>Financial Margin</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>	<b>8,047</b>	<b>7,689</b>
Interest	9,985	9,669	9,167	8,849	8,553	7,904	7,663	7,406
Non-Interest	273	561	304	513	465	398	384	283
ALL	(2,661)	(2,779)	(2,437)	(2,360)	(2,295)	(2,059)	(2,161)	(2,188)
<b>Gross Income from Financial Intermediation</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>	<b>5,886</b>	<b>5,501</b>
Income from Insurance, Pension Plan and Savings Bond Operations <sup>(1)</sup>	933	864	788	785	700	703	786	583
Fee and Commission Income	4,086	3,876	3,751	3,510	3,568	3,427	3,253	3,124
Personnel Expenses	(3,140)	(2,880)	(2,605)	(2,436)	(2,533)	(2,411)	(2,238)	(2,120)
Other Administrative Expenses	(3,682)	(3,405)	(3,179)	(3,140)	(3,257)	(2,890)	(2,738)	(2,647)
Tax Expenses	(1,005)	(866)	(913)	(880)	(858)	(779)	(734)	(749)
Equity in the Earnings (Losses) of Unconsolidated Companies	53	41	16	34	60	19	19	29
Other Operating Income and Expenses	(808)	(907)	(764)	(922)	(646)	(598)	(588)	(550)
- Other Operating Income	388	468	413	370	410	318	294	265
- Other Operating Expenses	(1,196)	(1,375)	(1,177)	(1,292)	(1,056)	(916)	(882)	(815)
<b>Operating Result</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>	<b>3,646</b>	<b>3,171</b>
Non-Operating Income	4	10	(7)	(4)	10	(10)	(12)	4
Income Tax and Social Contribution	(1,241)	(1,304)	(1,271)	(1,138)	(1,059)	(1,123)	(1,161)	(1,010)
Non-controlling Interest	(26)	(16)	(25)	(73)	(24)	(63)	(18)	(18)
<b>Adjusted Net Income</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>	<b>2,455</b>	<b>2,147</b>

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

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

**Financial Margin Breakdown**

## Economic and Financial Analysis

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

					R\$ million	
	<b>Financial Margin</b>				<b>Variation</b>	
	12M11	12M10	4Q11	3Q11	YTD	Quarter
Interest - due to volume					6,765	345
Interest - due to spread					(620)	(29)
- Financial Margin - Interest	37,670	31,525	9,985	9,669	6,145	316
- Financial Margin - Non-Interest	1,651	1,531	273	561	120	(288)
<b>Financial Margin</b>	<b>39,321</b>	<b>33,056</b>	<b>10,258</b>	<b>10,230</b>	<b>6,265</b>	<b>28</b>
<b>Average Margin Rate (1)</b>	<b>7,7%</b>	<b>7,9%</b>	<b>7,8%</b>	<b>8,0%</b>		

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

In the fourth quarter of 2011, financial margin was R\$10,258 million. Compared with the previous quarter there was R\$28 million increase. This variation was the result of: (i) the R\$316 million increase in the interest margin, reflecting the increase in the volume of operations; and offset by: (ii) the reduction in the non-interest margin in the amount of R\$288 million.

Financial margin grew by 19.0% or R\$6,265 million when compared to the same period in the previous year. This variation is due to: (i) the R\$6,145 million increase in interest margin, of which: (a) R\$6,765 million corresponds to the increase in volume of operations; and partially offset by: (b) the decrease in spread of R\$620 million; and (ii) the increase in non-interest margin in the amount of R\$120 million.

**Financial Margin – Interest****Interest Financial Margin - Breakdown**

					R\$ million	
	<b>Interest Financial Margin Breakdown</b>				<b>Variation</b>	
	12M11	12M10	4Q11	3Q11	YTD	Quarter
Loans	26,818	23,362	7,162	6,928	3,456	234
Funding	4,562	3,029	1,169	1,252	1,533	(83)
Insurance	3,388	2,827	770	800	561	(30)

Securities/Other	2,902	2,307	884	689	595	195
<b>Financial Margin</b>	<b>37,670</b>	<b>31,525</b>	<b>9,985</b>	<b>9,669</b>	<b>6,145</b>	<b>316</b>

The interest financial margin reached R\$9,985 million in the fourth quarter of 2011, versus R\$9,669 million posted in the third quarter of 2011, for a positive result of R\$316 million. The business lines that most contributed to this result in the quarter were: (i) "Loans;" and (ii) "Securities/Other."

Year on year, interest financial margin posted growth of 19.5%, or R\$6,145 million. In this period, all business segments posted gains, particularly "Loans" and "Funding."

## Economic and Financial Analysis

**Financial Margin – Interest****Interest Financial Margin - Rates**

The annualized interest financial margin rate versus total average assets stood at 7.6% in the fourth quarter of 2011, stable in comparison with the third quarter of 2011.

**Interest Financial Margin – Annualized Average Rates**

	12M11			12M10			R\$ million
	Interest	Average Balance	Average Rate	Interest	Average Balance	Average Rate	
Loans	26,818	254,812	10.5%	23,362	209,292	11.2%	
Funding	4,562	301,122	1.5%	3,029	236,549	1.3%	
Insurance	3,388	94,561	3.6%	2,827	80,444	3.5%	
Securities/Other	2,902	234,205	1.2%	2,307	194,624	1.2%	
<b>Financial Margin</b>	<b>37,670</b>	<b>-</b>	<b>7.4%</b>	<b>31,525</b>	<b>-</b>	<b>7.5%</b>	

	4Q11			3Q11			
	Interest	Average Balance	Average Rate	Interest	Average Balance	Average Rate	
Loans	7,162	269,071	11.1%	6,928	260,140	11.1%	
Funding	1,169	319,408	1.5%	1,252	313,201	1.6%	
Insurance	770	100,978	3.1%	800	95,865	3.4%	
Securities/Other	884	257,613	1.4%	689	244,470	1.1%	
<b>Financial Margin</b>	<b>9,985</b>	<b>-</b>	<b>7.6%</b>	<b>9,669</b>	<b>-</b>	<b>7.6%</b>	

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Loan Financial Margin – Breakdown**

	<b>Financial Margin - Loan</b>				<b>R\$ million</b>	
	<b>12M11</b>	<b>12M10</b>	<b>4Q11</b>	<b>3Q11</b>	<b>Variation YTD</b>	<b>Quarter</b>
Interest - due to volume					4,791	238
Interest - due to spread					(1,335)	(4)
Interest Financial Margin	26,818	23,362	7,162	6,928	3,456	234
Income	49,077	39,663	12,782	13,399	9,414	(617)
Expenses	(22,259)	(16,301)	(5,620)	(6,471)	(5,958)	851

In the fourth quarter of 2011, financial margin with loan operations reached R\$7,162 million, up 3.4% or R\$234 million over the previous quarter. The variation was mainly the result of the R\$238 million growth in average business volume.

Year on year, there was an increase of 14.8% or R\$3,456 million in the financial margin, mainly resulting from: (i) the 21.7%, or R\$4,791 million, increase in the average volume of operations; and (ii) a R\$1,335 million decrease in average spread, impacted by: (a) the increase in funding costs, due to higher interest rates in the period; and (b) a change in the portfolio mix, as a result of the greater share of Corporate segment and its lower margins, up 20.4% in the last twelve months, versus an increase of 10.6% of the Individual segment in the same period.

Economic and Financial Analysis

**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 fourth quarter of 2011, recorded an 8.5% increase from the previous quarter, due to: (i) a 3.4% growth in gross margin; and (ii) a 4.3% decrease in ALL expenses, resulting from adequate provision levels in relation to expected losses from certain operations with corporate customers. Comparing 2011 to 2010, loan interest income grew by 13.1%, or R\$1,921 million, as a result of: (i) a 14.8% gain in gross margin; and (ii) the 17.6% increase in ALL expenses, mainly due to: (a) growth of loan operations; and (b) increase in delinquency, mainly among individuals.



## Economic and Financial Analysis

**Loan Financial Margin - Interest****Expanded Loan Portfolio<sup>(1)</sup>**

The expanded loan portfolio amounted to R\$345.7 billion in December 2011, recording growth of 4.0% in the quarter, led by SMEs, which grew by 6.2% in the period. The expanded loan portfolio increased 17.1% over the last 12 months, mainly due the 22.6% growth in the SME portfolio in 2011.

(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 38 hereof.

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

A breakdown of loan products for Individuals is presented below:

Individuals	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Vehicles - CDC	28,761	27,554	24,867	4.4	15.7
Credit Card	18,633	17,454	17,184	6.8	8.4
Payroll-Deductible Loans <sup>(1)</sup>	17,807	17,509	15,008	1.7	18.7
Personal Loans	13,212	12,977	11,493	1.8	15.0
Real Estate Financing <sup>(2)</sup>	7,248	6,372	4,370	13.7	65.9
Rural Loans	6,641	6,414	5,798	3.5	14.5
BNDES/Finame Onlending	5,336	5,177	4,394	3.1	21.4
Leasing	4,225	5,011	7,954	(15.7)	(46.9)
Overdraft Facilities	2,746	3,035	2,481	(9.5)	10.7
Sureties and Guarantees	856	690	535	24.1	60.0
Other <sup>(3)</sup>	3,206	3,196	4,158	0.3	(22.9)

<b>Total</b>	<b>108,671</b>	<b>105,389</b>	<b>98,243</b>	<b>3.1</b>	<b>10.6</b>
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Including:

(1) Loan assignment (FIDC): R\$514 million in December 2011, R\$442 million in September 2011 and R\$408 million in December 2010;

(2) Loan assignment (CRI): R\$216 million in December 2011, R\$232 million in September 2011 and R\$287 million in December 2010; and

(3) Loan assignment (FIDC) for the acquisition of assets: R\$2 million in December 2011, R\$3 million in September 2011 and R\$8 million in December 2010; and Rural loan assignment: R\$111 million in December 2011, R\$122 million in September 2011 and R\$121 million in December 2010.

Loans for Individuals grew by 10.6% in the last 12 months, led by the following products: (i) real estate financing; (ii) BNDES/Finame onlending; and (iii) payroll-deductible loans. When compared to the third quarter of 2011, these operations grew by 3.1%, and the products that most contributed to this growth were: (i) real estate financing; (ii) credit card; and (iii) rural loans.

## Economic and Financial Analysis

**Loan Financial Margin - Interest**

A breakdown of loan products in the Corporate segment is presented below:

Corporate	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Working Capital	41,863	38,590	34,729	8.5	20.5
BNDES/Finame Onlending	30,062	29,895	25,160	0.6	19.5
Operations Abroad	22,659	23,083	17,927	(1.8)	26.4
Credit Card	13,533	12,962	11,073	4.4	22.2
Export Financing	9,824	9,123	7,133	7.7	37.7
Overdraft Account	9,670	9,989	8,387	(3.2)	15.3
Real Estate Financing - Corporate Plan <sup>(1)</sup>	9,253	8,319	6,484	11.2	42.7
Leasing	7,325	7,530	8,411	(2.7)	(12.9)
Vehicles - CDC	5,443	5,092	3,936	6.9	38.3
Rural Loans	4,395	4,714	4,241	(6.8)	3.6
Sureties and Guarantees <sup>(2)</sup>	47,624	43,699	40,231	9.0	18.4
Operations bearing Credit Risk - Commercial Portfolio <sup>(3)</sup>	23,798	22,799	19,328	4.4	23.1
Other <sup>(4)</sup>	11,605	11,151	9,914	4.1	17.1
<b>Total</b>	<b>237,053</b>	<b>226,946</b>	<b>196,954</b>	<b>4.5</b>	<b>20.4</b>

Including:

(1) Loan assignment (CRI): R\$285 million in December 2011, R\$293 million in September 2011 and R\$312 million in December 2010;

(2) 91.6% of sureties and guarantees from corporate customers were contracted by corporations;

(3) Operations with debentures and promissory notes; and

(4) Letters of credit: R\$1,754 million in December 2011, R\$1,946 million in September 2011 and R\$1,501 million in December 2010.

Loan and financing for corporate customers grew by 20.4% in the last 12 months and 4.5% in the quarter. The main highlights in the last 12 months were the following: (i) real estate financing – corporate plan; (ii) working capital; and (iii) export financing. In the quarter, the following portfolios posted significant growth: (i) real estate financing – corporate plan; (ii) working capital; and (iii) export financing.

**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\$83.0 billion, which corresponded to a 2.6% increase in the quarter and a 7.0% increase in the last 12 months. Growth was led by: (i) vehicle financing (CDC/Leasing); and (ii) payroll-deductible loans, which together totaled R\$50.8 billion, accounting for 61.2% 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 Vehicle Portfolio**

	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
<b>CDC Portfolio</b>	<b>34,204</b>	<b>32,646</b>	<b>28,803</b>	<b>4.8</b>	<b>18.8</b>
Individuals	28,761	27,554	24,867	4.4	15.7
Corporate	5,443	5,092	3,936	6.9	38.3
<b>Leasing Portfolio</b>	<b>8,223</b>	<b>9,238</b>	<b>13,151</b>	<b>(11.0)</b>	<b>(37.5)</b>
Individuals	4,225	5,011	7,954	(15.7)	(46.9)
Corporate	3,998	4,227	5,197	(5.4)	(23.1)
<b>Finame Portfolio</b>	<b>10,311</b>	<b>10,173</b>	<b>8,125</b>	<b>1.4</b>	<b>26.9</b>
Individuals	1,000	1,061	887	(5.7)	12.7
Corporate	9,311	9,112	7,238	2.2	28.6
<b>Total</b>	<b>52,738</b>	<b>52,057</b>	<b>50,079</b>	<b>1.3</b>	<b>5.3</b>
Individuals	33,986	33,626	33,708	1.1	0.8
Corporate	18,752	18,431	16,371	1.7	14.5

Vehicle financing operations (individual and corporate customers) totaled R\$52.7 billion in December 2011, increasing 1.3% in the quarter and 5.3% on the same period last year. Of the total vehicle portfolio, 64.9% corresponds to CDC, 15.6% to Leasing and 19.5% to Finame. Individuals represented 64.4% of the portfolio, while corporate customers accounted for the remaining 35.6%.

**Loan Portfolio – By Type**

The table below presents all operations bearing credit risk by type, which increased by 4.6% in the quarter and 18.7% in the last 12 months.

	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Loans and Discounted Securities	129,519	125,883	110,316	2.9	17.4

Financing	92,149	87,952	73,046	4.8	26.2
Rural and Agribusiness Financing	15,499	15,435	13,804	0.4	12.3
Leasing Operations	11,551	12,542	16,366	(7.9)	(29.4)
Advances on Exchange Contracts	6,235	6,185	4,189	0.8	48.9
Other Loans	13,714	12,474	12,893	9.9	6.4
<b>Total Loan Operations <sup>(1)</sup></b>	<b>268,668</b>	<b>260,471</b>	<b>230,614</b>	<b>3.1</b>	<b>16.5</b>
Sureties and Guarantees Granted (Memorandum Accounts)	48,479	44,389	40,766	9.2	18.9
Credit Letters (Memorandum Accounts)	1,754	1,946	1,501	(9.8)	16.8
Advances from Credit Card Receivables	1,879	1,619	1,833	16.0	2.5
Co-obligation in Loan Assignment FIDC/CRI (Memorandum Accounts)	1,017	969	1,014	5.0	0.3
Co-obligation in Rural Loan Assignment (Memorandum Accounts)	130	142	141	(8.5)	(8.0)
Operations bearing Credit Risk - Commercial Portfolio <sup>(2)</sup>	23,798	22,799	19,328	4.4	23.1
<b>Total Operations bearing Credit Risk - Expanded Portfolio</b>	<b>345,724</b>	<b>332,335</b>	<b>295,197</b>	<b>4.0</b>	<b>17.1</b>
Other Operations bearing Credit Risk <sup>(3)</sup>	19,339	16,675	12,267	16.0	57.7
<b>Total Operations bearing Credit Risk</b>	<b>365,063</b>	<b>349,010</b>	<b>307,464</b>	<b>4.6</b>	<b>18.7</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, euronotes, swaps, forward currency contracts and investments in receivables-backed investment funds (FIDC) and mortgage-backed receivables (CRI).

It is worth noting that growth in the Corporation portfolio in the past 12 months was impacted by funds raised by customers on the capital markets. Therefore, it is worth pointing out the R\$4.5 billion increase in balance of operations with debentures and promissory notes for corporate customers in the last 12 months, representing an increase of 23.1% in the total balance of the period, mainly due to operations with Corporations, which grew by 20.7% on the same period in 2010, resulting in lower growth of traditional loan operations for this type of customer.

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Loan Portfolio Concentration<sup>(1)</sup> – by Sector**

The loan portfolio by economic activity sector posted a slight variation in the period. In both the quarter and the last 12 months, there was a greater share of the “Services” and “Commerce” segments.

Activity Sector	R\$ million					
	Dec11	%	Sept11	%	Dec10	%
<b>Public Sector</b>	<b>1,046</b>	<b>0.4</b>	<b>1,407</b>	<b>0.5</b>	<b>973</b>	<b>0.4</b>
<b>Private Sector</b>	<b>267,622</b>	<b>99.6</b>	<b>259,064</b>	<b>99.5</b>	<b>229,641</b>	<b>99.6</b>
<b>Corporate</b>	<b>160,650</b>	<b>59.8</b>	<b>155,163</b>	<b>59.6</b>	<b>132,757</b>	<b>57.6</b>
Industry	51,700	19.2	51,431	19.7	45,268	19.6
Commerce	43,021	16.0	40,860	15.7	34,519	15.0
Financial Intermediaries	628	0.2	688	0.3	566	0.2
Services	61,859	23.0	58,398	22.4	49,496	21.5
Agriculture, Cattle Raising, Fishing, Forestry and Forest Exploration	3,443	1.3	3,786	1.5	2,908	1.3
<b>Individuals</b>	<b>106,972</b>	<b>39.8</b>	<b>103,901</b>	<b>39.9</b>	<b>96,884</b>	<b>42.0</b>
<b>Total</b>	<b>268,668</b>	<b>100.0</b>	<b>260,471</b>	<b>100.0</b>	<b>230,614</b>	<b>100.0</b>

(1) Concept defined by Bacen.

**Changes in the Loan Portfolio<sup>(1)</sup>**

Of the R\$38.1 billion growth in the loan portfolio over the last 12 months, new borrowers accounted for R\$24.8 billion, or 65.1%, representing 9.2% of the portfolio on December 31, 2011.

(1) Concept defined by Bacen.

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Changes in the Loan Portfolio<sup>(1)</sup> - By Rating**

The chart below shows that both new borrowers and remaining debtors from December 2010 (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 Portfolio by Rating from December 2010 to 2011**

Rating	Total Loans as of December 2011		New Customers from January to December 2011		Remaining Debtors as of December 2010	
	R\$ million	%	R\$ million	%	R\$ million	%
AA - C	247,025	91.9	23,521	94.9	223,504	91.6
D	5,847	2.2	393	1.6	5,454	2.2
E - H	15,796	5.9	868	3.5	14,928	6.2
<b>Total</b>	<b>268,668</b>	<b>100.0</b>	<b>24,782</b>	<b>100.0</b>	<b>243,886</b>	<b>100.0</b>

(1) Concept defined by Bacen.

**Loan Portfolio<sup>(1)</sup> – By Customer Profile**

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

Type of Customer	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Corporations	65,007	65,071	55,235	(0.1)	17.7
SMEs	96,689	91,499	78,495	5.7	23.2
Individuals	106,972	103,901	96,884	3.0	10.4
<b>Total Loan Operations</b>	<b>268,668</b>	<b>260,471</b>	<b>230,614</b>	<b>3.1</b>	<b>16.5</b>

(1) Concept defined by Bacen.

**Loan Portfolio<sup>(1)</sup> – By Customer Profile and Rating (%)**

AA-C rated loans dropped slightly in both quarter-on-quarter and year-on-year comparisons, mainly due to



operations with SMEs and Individuals.

Type of Customer	By Rating								
	Dec11			Sept11			Dec10		
	AA-C	D	E-H	AA-C	D	E-H	AA-C	D	E-H
Corporations	98.1	0.9	1.0	98.1	1.1	0.8	97.3	1.6	1.1
SMEs	91.2	3.0	5.8	91.5	2.7	5.8	92.3	2.2	5.5
Individuals	88.9	2.2	8.9	89.2	2.0	8.8	89.8	1.8	8.4
<b>Total</b>	<b>91.9</b>	<b>2.2</b>	<b>5.9</b>	<b>92.2</b>	<b>2.0</b>	<b>5.8</b>	<b>92.4</b>	<b>1.9</b>	<b>5.7</b>

(1) Concept defined by Bacen.

Economic and Financial AnalysisLoan Financial Margin - InterestLoan Portfolio<sup>(1)</sup> - By Business Segment

The table below shows growth in the loan portfolio by business segment, in which growth in the assets of the Middle Market and Prime 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 %	
	Dec11	%	Sept11	%	Dec10	%	Quarter	12M
Retail	92,672	34.5	90,324	34.7	78,699	34.1	2.6	17.8
Corporate <sup>(2)</sup>	75,575	28.1	76,084	29.2	66,464	28.8	(0.7)	13.7
Middle Market	39,054	14.5	35,616	13.7	31,049	13.5	9.7	25.8
Prime	12,082	4.5	11,152	4.2	8,896	3.9	8.3	35.8
Other / Non-account holders <sup>(3)</sup>	49,285	18.4	47,295	18.2	45,506	19.7	4.2	8.3
<b>Total</b>	<b>268,668</b>	<b>100.0</b>	<b>260,471</b>	<b>100.0</b>	<b>230,614</b>	<b>100.0</b>	<b>3.1</b>	<b>16.5</b>

(1) Concept defined by Bacen;

(2) 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

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

Loan Portfolio<sup>(1)</sup> - By Currency

The balance of U.S. dollar-indexed and/or denominated loan and onlending operations (excluding ACCs – Advances on Foreign Exchange Contracts) totaled US\$13.1 billion (US\$13.5 billion in September 2011 and US\$11.7 billion in December 2010), representing a 3.0% drop in the quarter and growth of 11.3% in the last 12 months. In reais, these same foreign currency operations totaled R\$24.5 billion in December 2011 (R\$25.0 billion in September 2011 and R\$19.6 billion in December 2010, a decrease, in reais, of 1.9% and an increase of 25.3%, respectively).

In December 2011, total loan operations, in reais, stood at R\$244.2 billion (R\$235.5 billion in September 2011 and R\$211.1 billion in December 2010), up 3.7% on the previous quarter and 15.7% over the last 12 months.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Loan Portfolio<sup>(1)</sup> - By Debtor**

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



Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Loan Portfolio<sup>(1)</sup> - By Flow of Maturities**

At the end of 2011, performing loan operations presented a slightly 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.

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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 increased 0.1 p.p. in the quarter, mainly due to the increase of 0.2 p.p. and 0.1 p.p. in SME and Individual ratios, respectively.

The graph below details that the delinquency for operations overdue from 61 to 90 days remained practically steady over the last three and twelve months.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

The graph below shows that delinquency rates by type of customer in operations overdue from 61 to 90 days and over 90 days presented a slight increase for Individuals in the quarter.

For corporate customers, delinquency rates of operations overdue from 61 to 90 days remained practically steady, while over 90 days saw a slight increase in the quarter.



Economic and Financial Analysis

**Loan Financial Margin – Interest**

**Renegotiated Portfolio – Delinquency over 90 days and ALL**

The loan portfolio, excluding renegotiation, stood at R\$260.0 billion in December 2011, up 3.1% 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 December 2011, the renegotiated portfolio totaled R\$8.7 billion, a 4.4% increase in the quarter. The renegotiated share in the total loan portfolio was 3.2% in December 2011 (3.2% in September 2011). It is worth noting that, in December 2010, for an existing provision of 62.8% of the portfolio, net loss over the subsequent 12 months was 23.2%, meaning that the existing provision exceeded the loss recorded in the following 12 months by over 170%. Furthermore, the Company's provisions remained stable in the period.

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Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Allowance for Loan Losses (ALL) vs. Delinquency vs. Losses**

An ALL of R\$19.5 billion, representing 7.3% 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's provision levels reflect a cautious approach aimed at supporting potential changes in scenarios, such as higher delinquency levels and/or changes in the loan portfolio profile.

Economic and Financial Analysis

**Loan Financial Margin - Interest**

It is worth mentioning the assertiveness of adopted provisioning criteria, which are 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 December 2010, for an existing provision of 7.1% of the portfolio, the effective gross loss in the subsequent twelve-month period was 3.8%, meaning the existing provision exceeded the loss over the subsequent twelve-month period by more than 84%, as shown in the graph below.

Analysis in terms of loss, net of recovery, shows a significant increase in the coverage margin. In December 2010, for an existing provision of 7.1% of the portfolio, the net loss in the subsequent twelve-month period was 2.6%, meaning that the existing provision covered the loss in the subsequent 12 months by 170%.



Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Allowance for Loan Losses**

The Non-Performing Loan ratio (operations overdue for over 60 days) posted a slight increase in the quarter, from 4.6% in September 2011 to 4.8% in December 2011. Coverage ratios for the allowance for loans overdue for over 60 and 90 days stood at very comfortable levels.

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



## Economic and Financial Analysis

**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>Dec11</b>	<b>Sept11</b>	<b>Dec10</b>
Total Loan Operations	268,668	260,471	230,614
- Individuals	106,972	103,901	96,884
- Corporate	161,696	156,570	133,730
Existing Provision	19,540	19,091	16,290
- Specific	9,875	9,173	7,898
- Generic	5,654	5,909	5,390
- Excess	4,011	4,009	3,002
Specific Provision / Existing Provision (%)	50.5	48.1	48.5
Existing Provision / Loan Operations (%)	7.3	7.3	7.1
AA - C Rated Loan Operations / Loan Operations (%)	91.9	92.2	92.4
D Rated Operations under Risk Management / Loan Operations (%)	2.2	2.0	1.9
E - H Rated Loan Operations / Loan Operations (%)	5.9	5.8	5.7
D Rated Loan Operations	5,847	5,268	4,285
Existing Provision for D Rated Loan Operations	1,572	1,419	1,121
D Rated Provision / Loan Operations (%)	26.9	26.9	26.2
D - H Rated Non-Performing Loans	14,592	13,381	11,172
Existing Provision/D - H Rated Non-Performing Loans (%)	133.9	142.7	145.8
E - H Rated Loan Operations	15,796	14,967	13,100
Existing Provision for E - H Rated Loan Operations	13,859	13,142	11,579
E - H Rated Provision / Loan Operations (%)	87.7	87.8	88.4
E - H Rated Non-Performing Loans	11,949	11,020	9,403
Existing Provision/E - H Rated Non-Performing Loan (%)	163.5	173.2	173.2
Non-Performing Loans <sup>(2)</sup>	12,870	11,963	9,973
Non-Performing Loans <sup>(2)</sup> / Loan Operations (%)	4.8	4.6	4.3
Existing Provision / Non-Performing Loans <sup>(2)</sup> (%)	151.8	159.6	163.3
Loan Operations Overdue for over 90 days	10,598	9,839	8,243
Existing Provision/Operations Overdue for over 90 days (%)	184.4	194.0	197.6

(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.



## Economic and Financial Analysis

**Funding Financial Margin - Interest****Funding Financial Margin - Breakdown**

	<b>Financial Margin - Funding</b>				<b>R\$ million</b>	
	<b>12M11</b>	<b>12M10</b>	<b>4Q11</b>	<b>3Q11</b>	<b>Variation YTD</b>	<b>Quarter</b>
Interest - due to volume					979	23
Interest - due to spread					554	(106)
<b>Interest Financial Margin</b>	<b>4,562</b>	<b>3,029</b>	<b>1,169</b>	<b>1,252</b>	<b>1,533</b>	<b>(83)</b>

Comparing the fourth quarter of 2011 with the previous quarter, there was a decrease of 6.6% or R\$83 million in the interest funding financial margin. This variation was due to: (i) the drop in the average spread in the amount of R\$106 million, resulting from the reduction in the interest rate in the period; and partially offset by: (ii) higher volume of operations, which contributed to growth of R\$23 million.

In 2011, the interest funding financial margin reached R\$4,562 million, versus R\$3,029 million last year, for growth of 50.6% or R\$1,533 million. The increase was driven by: (i) an increase in average business volume, contributing with R\$979 million, as a result of the efforts put in by Bradesco to obtain new customers and diversify products, which led to an increase in the average volume; and (ii) greater spread gains of R\$554 million, mainly due to: (a) an improvement in the funding mix; and (b) an increase in interest rates (Selic) in the period.

## Economic and Financial Analysis

**Funding Financial Margin – Interest****Loans vs. Funding**

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

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

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

Funding vs. Investments	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Demand Deposits	33,121	31,862	37,332	4.0	(11.3)
Sundry Floating	2,322	3,660	1,870	(36.5)	24.2
Savings Deposits	59,656	56,584	53,436	5.4	11.6
Time Deposits + Debentures <sup>(1)</sup>	173,904	183,374	148,941	(5.2)	16.8
Financial Bills	27,120	19,285	7,820	40.6	246.8
Other	18,671	16,594	15,410	12.5	21.2
<b>Customer Funds</b>	<b>314,794</b>	<b>311,359</b>	<b>264,809</b>	<b>1.1</b>	<b>18.9</b>
(-) Compulsory Deposits/Available Funds <sup>(2)</sup>	(81,096)	(69,208)	(74,329)	17.2	9.1
<b>Customer Funds Net of Compulsory Deposits</b>	<b>233,698</b>	<b>242,151</b>	<b>190,480</b>	<b>(3.5)</b>	<b>22.7</b>
Onlending	32,832	32,930	29,819	(0.3)	10.1
Foreign Lines of Credit	11,930	12,412	10,126	(3.9)	17.8
Funding Abroad	47,207	46,237	21,785	2.1	116.7
<b>Total Funding (A)</b>	<b>325,667</b>	<b>333,730</b>	<b>252,210</b>	<b>(2.4)</b>	<b>29.1</b>
<b>Loan Portfolio/Leasing/Cards (Other Receivables)/Acquired CDI (B) <sup>(3)</sup></b>	<b>305,868</b>	<b>295,146</b>	<b>233,181</b>	<b>3.6</b>	<b>31.2</b>
<b>B/A (%)</b>	<b>93.9</b>	<b>88.4</b>	<b>92.5</b>	<b>5.5 p.p.</b>	<b>1.4 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.

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## Economic and Financial Analysis

**Funding Financial Margin – Interest****Main Funding Sources**

The following table presents changes in main funding sources:

	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Demand Deposits	33,121	31,862	37,332	4.0	(11.3)
Savings Deposits	59,656	56,584	53,436	5.4	11.6
Time Deposits	124,127	135,848	102,158	(8.6)	21.5
Debentures <sup>(1)</sup>	49,777	47,526	46,040	4.7	8.1
Borrowing and Onlending	53,247	49,057	38,197	8.5	39.4
Funds from Issuance of Securities	14,402	13,594	9,854	5.9	46.2
Financial Bills	27,120	19,285	7,820	40.6	246.8
Subordinated Debts	26,910	26,180	26,315	2.8	2.3
<b>Total</b>	<b>388,360</b>	<b>379,936</b>	<b>321,152</b>	<b>2.2</b>	<b>20.9</b>

(1) Considering only debentures used to back purchase and sale commitments.

**Demand Deposits**

The 4.0% or R\$1,259 million increase recorded in the fourth quarter of 2011 compared to the previous quarter is mainly due to the seasonal effect in the period.

(1) Additional installments are not included.

Demand deposits were down by R\$4,211 million, or 11.3%, when compared to the same period of the previous year, mainly due to migration to other funding sources.

**Savings Deposits**

Savings deposits recorded growth of 5.4% quarter on quarter and of 11.6% over the last 12 months, mainly as a result of greater funding volume. Balances were remunerated (TR + 0.5% p.m.) at 1.7% in the quarter and 7.4% in the last 12 months.

Bradesco is always increasing its savings accounts base and posted net growth of 2.3 million new savings accounts over the last 12 months.

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Economic and Financial Analysis

**Funding Financial Margin - Interest**

**Time Deposits**

In the fourth quarter of 2011, time deposits dropped by 8.6%, or R\$11,721 million, over the previous quarter, basically due to the migration to other funding sources, mainly Financial Bills, thereby extending average funding terms.

In 2011 versus the previous year, there was an increase of 21.5% or R\$21,969 million, mainly due to: (i) increased funding volume from institutional investors and the branch network; and (ii) the restatement of the deposit portfolio.

**Debentures**

On December 31, 2011, the balance of Bradesco's debentures was R\$49,777 million, up by 4.7% quarter on quarter and 8.1% 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 stable levels of economic activity.

**Borrowing and Onlending**

The 8.5%, or R\$4,190 million, increase in the quarter is mainly due to: (i) new funding in the period and the 1.2% increase in foreign exchange variation that impacted borrowing and onlending obligations denominated in and/or indexed to foreign currency, which increased from R\$13,304 million in September 2011 to R\$17,340 million in December 2011; and (ii) the R\$154 million increase in the



volume of funding from borrowing and onlending in Brazil, mainly through Finame operations.

The balance grew 39.4%, or R\$15,050 million, in 2011 versus 2010 comparison, mainly driven by: (i) the R\$9,344 million increase in borrowing and onlending denominated in and/or indexed to foreign currency, the balance of which was up from R\$7,996 million in December 2010 to R\$17,340 million in December 2011, mainly due to new funding and a positive foreign exchange variation of 12.6% in the period; and (ii) the R\$5,706 million increase in the volume of funds from borrowing and onlending in Brazil, basically through Finame and BNDES operations.



**Funding Financial Margin - Interest****Funds from Issuance of Securities**

The 26.3% or R\$8,643 million increase in the quarter is mainly due to: (i) the R\$7,835 million increase in the volume of Financial Bills; (ii) an increase in Mortgage Bonds, in the amount of R\$394 million; (iii) the increased volume of securities issued abroad of R\$259 million; and (iv) higher volume of Letters of Credit for Agribusiness, in the amount of R\$185 million.

When compared to the previous year, 2011 posted growth of 134.9% or R\$23,848 million, mainly the result of: (i) new issuances of Financial Bills, up by R\$19,300 million, from R\$7,820 million in December 2010 to R\$27,120 million in December 2011; (ii) the increased volume of securities issued abroad of R\$3,053 million, a result of the positive foreign exchange variation of 12.6% and new issuances carried out in the period; (iii) the higher volume of Mortgage Bonds, in the amount of R\$1,367 million; (iv) the higher volume of Letters of Credit for Agribusiness, in the amount of R\$839 million; and partially offset by: (v) the R\$743 million decrease in the balance of debentures, due to the maturity of these securities.

**Subordinated Debt**

Subordinated Debt totaled R\$26,910 million in December 2011 (R\$6,404 million abroad and R\$20,506 million in Brazil). In the last 12 months, Bradesco issued R\$9,626 million in Subordinated Debt (R\$815 million abroad and R\$8,811 million in Brazil) and R\$12,017 million came due (R\$293 million abroad and R\$11,724 million in Brazil).

Additionally, it is worth pointing out that, in the fourth quarter of 2011, the Brazilian Central Bank authorized the use of Subordinated Financial Bills amounting to R\$1,828 million (R\$5,239 million in the third quarter) to compose Tier II of the Capital Adequacy Ratio, of which only R\$15,630 million of total subordinated debt is used to calculate the Capital Adequacy Ratio, given their maturity terms.





## Economic and Financial Analysis

**Securities/Other Financial Margin - Interest****Securities/Other Financial Margin - Breakdown**

	Financial Margin - Securities / Other					R\$ million	
	12M11	12M10	4Q11	3Q11	Variation		
					YTD	Quarter	
Interest - due to volume					490	45	
Interest - due to spread					105	150	
Interest Financial Margin	2,902	2,307	884	689	595	195	
Income	33,956	19,002	8,233	13,624	14,954	(5,391)	
Expenses	(31,054)	(16,695)	(7,349)	(12,935)	(14,359)	5,586	

In the comparison between the fourth quarter of 2011 and the previous quarter, the interest financial margin from Securities/Other was up by R\$195 million. This variation was due to: (i) the increase in the average spread in the amount of R\$150 million, which includes gains from derivative financial instruments in the management of the fixed-rated commercial portfolio; and (ii) the increase in operation volume, which contributed with R\$45 million.

In 2011, the interest financial margin with Securities/Other stood at R\$2,902 million, versus R\$2,307 million recorded the previous year, up 25.8% or R\$595 million. This is the result of: (i) an increase in the volume of operations, which affected the result in R\$490 million; and (ii) the R\$105 million raise in the average spread.

**Insurance Financial Margin - Interest****Insurance Financial Margin - Breakdown**

	Financial Margin - Insurance					R\$ million	
	12M11	12M10	4Q11	3Q11	Variation		
					YTD	Quarter	
Interest - due to volume					506	39	
Interest - due to spread					55	(69)	
Interest Financial Margin	3,388	2,827	770	800	561	(30)	
Income	10,310	9,047	2,891	2,428	1,263	463	
Expenses	(6,922)	(6,220)	(2,121)	(1,628)	(702)	(493)	

In the fourth quarter of 2011, interest financial margin from insurance operations posted a drop of R\$30

million or 3.8% from the previous quarter, impacted by: (i) a R\$69 million decrease in the average spread; and partially offset by: (ii) a R\$39 million increase in the volume of operations.

By comparing 2011 to 2010, interest financial margin from insurance operations was up by 19.8%, or R\$561 million, mainly due to: (i) the increase in volume of operations, amounting to R\$506 million; and (ii) further average spread gains totaling R\$55 million.

## Economic and Financial Analysis

**Financial Margin – Non-Interest****Non-Interest Financial Margin - Breakdown**

	Non-Interest Financial Margin					R\$ million	
	12M11	12M10	4Q11	3Q11	Variation YTD	Quarter	
	Funding	(294)	(262)	(75)	(75)	(32)	-
Insurance	214	557	72	42	(343)	30	
Securities/Other	1,731	1,236	276	594	495	(318)	
<b>Total</b>	<b>1,651</b>	<b>1,531</b>	<b>273</b>	<b>561</b>	<b>120</b>	<b>(288)</b>	

The non-interest financial margin in the fourth quarter of 2011 stood at R\$273 million, versus R\$561 million in the third quarter of 2011. The margin posted a R\$120 million gain in the year-on-year comparison. Main variations in the non-interest financial margin are due to:

- “Funding,” represented by expenses with the Credit Guarantee Fund (FGC), due to increased funding volume;
- “Insurance,” represented by gains from equity instruments. The variations in both periods are associated with market conditions, which enabled a greater/lower opportunity of obtaining gains; and
- “Securities/Other,” down by R\$318 million in the fourth quarter of 2011 when compared to the previous quarter, resulting in lower income from Treasury/securities, offset by gains from the partial sale of CETIP shares, in the amount of R\$179 million. In the year-on-year comparison, there was a higher result from Treasury/Securities in the amount of R\$495 million.



## Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

Analysis of the balance sheets and income statement of Grupo Bradesco de Seguros, Previdência e Capitalização:

**Consolidated Balance Sheet**

	Dec11	Sept11	R\$ million Dec10
<b>Assets</b>			
<b>Current and Long-Term Assets</b>	<b>120,643</b>	<b>114,730</b>	<b>102,707</b>
Securities	112,979	107,244	96,548
Insurance Premiums Receivable	1,753	1,748	1,375
Other Loans	5,911	5,738	4,784
<b>Permanent Assets</b>	<b>3,241</b>	<b>2,616</b>	<b>2,302</b>
<b>Total</b>	<b>123,884</b>	<b>117,346</b>	<b>105,009</b>
<b>Liabilities</b>			
<b>Current and Long-Term Liabilities</b>	<b>109,509</b>	<b>104,119</b>	<b>92,600</b>
Tax, Civil and Labor Contingencies	2,042	1,950	1,737
Payables on Insurance, Pension Plan and Savings Bond Operations	363	367	281
Other Liabilities	3,451	4,703	3,405
Insurance Technical Reserves	8,074	7,982	7,170
Life and Pension Plan Technical Reserves	91,008	84,788	76,283
Savings Bond Technical Reserves	4,571	4,329	3,724
<b>Non-controlling Interest</b>	<b>647</b>	<b>646</b>	<b>496</b>
<b>Shareholders' Equity</b>	<b>13,728</b>	<b>12,581</b>	<b>11,913</b>
<b>Total</b>	<b>123,884</b>	<b>117,346</b>	<b>105,009</b>

**Consolidated Income Statement**

	12M11	12M10	4Q11	R\$ million 3Q11
Insurance Written Premiums, Pension Plan Contributions and Savings Bond Income <sup>(1)</sup>	37,693	31,078	11,133	9,049
Premiums Earned from Insurance, Pension Plan Contribution and Savings Bond Income	19,100	16,138	5,037	4,956
Financial Result from the Operation	3,411	3,277	827	812
Sundry Operating Income	1,001	896	228	275
Retained Claims	(11,167)	(9,577)	(2,850)	(2,875)
Savings Bond Drawing and Redemptions	(2,651)	(2,186)	(725)	(735)
Selling Expenses	(1,912)	(1,604)	(528)	(482)

General and Administrative Expenses	(2,084)	(1,849)	(525)	(544)
Other (Operating Income/Expenses)	(277)	(149)	(65)	(60)
Tax Expenses	(476)	(369)	(137)	(114)
<b>Operating Result</b>	<b>4,945</b>	<b>4,577</b>	<b>1,262</b>	<b>1,233</b>
Equity Result	316	245	129	69
Non-Operating Income	(37)	(38)	(10)	(9)
<b>Income before Taxes and Profit Sharing</b>	<b>5,224</b>	<b>4,784</b>	<b>1,381</b>	<b>1,293</b>
Income Tax and Contributions	(1,816)	(1,740)	(478)	(480)
Profit Sharing	(60)	(70)	(16)	(15)
Non-controlling Interest	(147)	(70)	(27)	(18)
<b>Net Income</b>	<b>3,201</b>	<b>2,904</b>	<b>860</b>	<b>780</b>

(1) Not considering, in all periods, the effect of ANS Normative Resolution 206/09 (Health), which, as of January 2010, excluded PPNG (SES) and established the accounting of premiums on a *pro-rata temporis* basis. This accounting change did not affect Earned Premiums.

## Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds****Income Distribution of Grupo Bradesco de Seguros e Previdência**

	R\$ million							
	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
Life and Pension Plans	535	486	470	442	485	450	443	409
Health	181	132	200	201	177	131	122	148
Savings Bonds	87	86	79	86	63	50	57	65
Basic Lines and Other	57	76	51	32	54	90	79	81
<b>Total</b>	<b>860</b>	<b>780</b>	<b>800</b>	<b>761</b>	<b>779</b>	<b>721</b>	<b>701</b>	<b>703</b>

**Performance Ratios**

	%							
	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
Claims Ratio <sup>(1)</sup>	68.6	71.5	72.2	72.0	71.1	72.4	71.8	73.3
Expense Ratio <sup>(2)</sup>	11.1	10.5	10.8	10.0	10.8	10.7	10.2	10.6
Administrative Expenses Ratio <sup>(3)</sup>	4.5	5.8	5.4	6.1	5.8	6.3	6.1	5.6
Combined Ratio <sup>(4) (5)</sup>	83.6	86.2	85.8	86.1	85.1	85.3	84.7	85.2

(1) Retained Claims/Earned Premiums;

(2) Selling Expenses/Earned Premiums;

(3) Administrative Expenses/Net Written Premiums;

(4) (Retained Claims + Selling Expenses + Other Operating Revenue and Expenses) / Earned Premiums + (Administrative Expenses + Taxes) / Net Written Premiums; and

(5) Excluding additional reserves.

**Written Premiums, Pension Plan Contributions and Savings Bond Income <sup>(1)</sup>**

(1) Not considering, in all periods, the effect of ANS Normative Resolution 206/09 (Health), which, as of January 2010, excluded PPNG (SES) and established the accounting of premiums on a *pro-rata temporis* basis. This accounting change did not affect Earned Premiums.

The total revenue from the Insurance Group was up by 23.0% in the fourth quarter of 2011 versus the previous quarter, mainly due to the Life and Pension Plan segment, which was boosted by a greater concentration of pension plan contributions in the period.

In 2011, written premiums, pension plan contributions and savings bond income increased by 21.3% in comparison with 2010. Leading growth in the year were the "Life and Pension Plan," "Health" and "Savings Bond" products, which posted gains of 23.8%, 22.0% and 22.7%, respectively.

Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

**Written Premiums, Pension Plan Contributions and Savings Bond Income <sup>(1)</sup>**

(1) Not considering, in all periods, the effect of ANS Normative Resolution 206/09 (Health), which, as of January 2010, excluded PPNG (SES) and established the accounting of premiums on a *pro-rata temporis* basis. This accounting change did not affect Earned Premiums.

Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

**Retained Claims by Insurance Line**

Note: for comparison purposes, we have excluded Technical Reserve complements on benefits to be granted – Remission from the calculation of claims ratio (Earned Premiums) for the first quarter of 2010, amounting to R\$149 million (health insurance).

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Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

**Insurance Expense Ratio by Insurance Line**

Note: for comparison purposes, we have excluded Technical Reserve complements on benefits to be granted – Remission from the expense ratio calculation (Earned Premiums) for the first quarter of 2010, amounting to R\$149 million (health insurance).

(1) In compliance with Susep Circular Letter 424/11, in the second quarter of 2011 we have reclassified the Risk Evaluation expenses from “Other Operating Expenses” account to “Other Selling Expenses”, in the amount of R\$21,511 thousand (Auto/RE). Should this expense be taken in consideration, expense ratio for Auto/RCF and Basic Lines would stand at 17.5 and 18.6, respectively.

Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

**Efficiency Ratio**

Year on year, the efficiency ratio decreased 1.3 p.p. due to the 23.4% increase in revenue for the period.

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Economic and Financial Analysis

**Insurance, Pension Plans and Savings Bonds**

**Insurance Technical Reserves**

(1) According to ANS Normative Resolution 206/09, as of January 2010, reserves for unearned premiums (PPNG) were excluded.



## Economic and Financial Analysis

**Bradesco Vida e Previdência**

	R\$ million (unless otherwise indicated)							
	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
Net Income	535	486	470	442	485	450	443	443
Premium and Contribution Income <sup>(1)</sup>	6,886	4,708	5,493	4,059	5,385	4,096	3,690	3,911
- Income from Pension Plans and VGBL	5,926	3,829	4,713	3,317	4,617	3,403	3,052	3,221
- Income from Life/Personal Accidents Insurance Premiums	960	879	780	742	768	693	638	690
Technical Reserves	91,008	84,788	81,991	78,547	76,283	71,775	68,975	67,511
Investment Portfolio	93,257	89,234	86,220	82,916	80,147	75,974	72,507	70,911
Claims Ratio	38.3	44.4	47.4	43.6	44.1	49.8	44.7	44.1
Expense Ratio	19.1	18.5	19.2	19.2	19.5	19.8	17.5	17.5
Combined Ratio	66.1	71.3	75.4	71.9	74.7	79.9	71.5	71.6
Participants / Policyholders (in thousands)	24,582	24,051	23,109	22,698	22,186	21,346	21,109	21,346
Premium and Contribution Income Market Share (%) <sup>(2)</sup>	N/A	31.8	32.0	28.1	31.2	31.5	32.0	31.8
Life/AP Market Share - Insurance Premiums (%) <sup>(2)</sup>	N/A	16.5	16.3	16.0	17.3	17.0	16.8	16.8

(1) Life/VGBL/PGBL/Traditional; and

(2) 3Q11 includes the last data made available by Susep (July 2011).

Due to its solid structure, a policy of product innovation and customer trust, Bradesco Vida e Previdência maintained its leadership, holding a market share of 32.0% in terms of pension plan and VGBL income (source: Fenaprevi - November 2011 data).

In the fourth quarter of 2011, net income grew by 10.1% from the previous quarter, basically due to: (i) the 46.3% revenue increase; (ii) the 6.1 p.p. decrease in "Life" product claims; and (iii) the improve in the management efficiency ratio.

Net income for 2011 was up 8.2% from that of 2010, mainly resulting from: (i) the increase in revenue; (ii) a 2.8 p.p. decrease in "Life" product claims; (iii) an improved financial result; and partially offset by: (iv) the increase in administrative and personnel expenses, impacted by the collective bargaining agreement dated January 2011.

Economic and Financial Analysis

**Bradesco Vida e Previdência**

Bradesco Vida e Previdência's technical reserves stood at R\$91.0 billion in December 2011, made up of R\$86.7 billion from pension plans and VGBL and R\$4.3 billion from life, personal accident and other lines, up 19.3% over December 2010.

The Pension Plan and VGBL Investment Portfolio totaled R\$89.7 billion in November 2011, equal to 33.8% of all market funds (source: Fenaprevi).

**Growth of Participants and Life and Personal Accident Policyholders**

In December 2011, the number of Bradesco Vida e Previdência customers grew by 10.8% compared to December 2010, surpassing a total of 2.1 million pension plan and VGBL plan participants and 22.4 million personal accident

participants, totaling around 24.6 million customers. This impressive growth was fueled by the strength of the Bradesco brand and the improvement of selling and management policies.



## Economic and Financial Analysis

**Bradesco Saúde and Mediservice**

	R\$ million (unless otherwise indicated)							
	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10
Net Income	181	132	200	201	177	131	122	148
Net Written Premiums <sup>(1)</sup>	2,165	2,137	2,050	1,945	1,818	1,780	1,679	1,583
Technical Reserves	3,984	3,942	3,848	3,708	3,481	3,455	3,438	3,337
Claims Ratio	83.4	87.3	87.7	87.6	84.0	84.2	84.9	85.7
Expense Ratio	4.7	4.4	4.3	4.2	4.2	4.3	4.2	4.2
Combined Ratio	96.1	98.9	99.6	100.0	100.2	93.4	98.9	96.2
Policyholders (in thousands)	3,458	3,384	3,244	3,144	3,100	2,993	2,893	2,857
Written Premiums Market Share (%) <sup>(2)</sup>	N/A	47.5	47.4	49.4	49.5	49.0	48.3	47.6

(1) Not considering the effect of ANS Normative Resolution 206/09 in the total of R\$57 million (Health), which, as of January 2010, excluded PPNG (SES) and established the accounting of premiums on a *pro-rata temporis* basis. This accounting change did not affect Earned Premiums; and

(2) 3Q11 considers the last data made available by ANS (July 2011).

Note: for comparison purposes, we have excluded Technical Reserve complements for benefits to be granted – Remission from the calculation of 1Q10 ratios, amounting to R\$149 million.

Net income for the fourth quarter of 2011 was 37.1% greater quarter on quarter, mainly due to: (i) a 3.9 p.p. drop in the claims ratio; and (ii) an improved financial result.

Net income for 2011 was 23.5% higher than that of the same period of the previous year, due to: (i) a 20.9% increase in revenue; (ii) improved financial result performance; partially offset by: (iii) the 1.7 p.p. increase in claims; and (iv) increased administrative and personnel expenses, impacted by the collective bargaining agreement dated January 2011.

In December 2011, Bradesco Saúde and Mediservice maintained strong market position in the corporate segment (source: ANS).

Approximately 41 thousand companies in Brazil have Bradesco Saúde insurance and Mediservice plans. Of the 100 largest companies in Brazil, in terms of revenue, 45 are Bradesco Saúde and Mediservice customers (source: *Exame* magazine's Best and Major Companies (*Melhores e Maiores*) ranking, July 2011).

**Number of Policyholders of Bradesco Saúde and Mediservice**

Together, the two companies have over 3.4 million customers. The high share of corporate policies in the overall portfolio (94.0% in December 2011) shows the companies' high level of specialization and customization in the corporate segment, a major advantage in today's supplementary health insurance market.



## Economic and Financial Analysis

**Bradesco Capitalização**

	<b>R\$ million (unless otherwise indicated)</b>							
	<b>4Q11</b>	<b>3Q11</b>	<b>2Q11</b>	<b>1Q11</b>	<b>4Q10</b>	<b>3Q10</b>	<b>2Q10</b>	<b>1Q10</b>
Net Income	87	86	79	86	63	50	57	65
Savings Bond Income	798	849	751	649	706	658	594	526
Technical Reserves	4,571	4,329	4,096	3,891	3,724	3,483	3,317	3,141
Customers (in thousands)	3,097	3,024	2,888	2,794	2,691	2,610	2,583	2,553
Premium and Contribution Income Market Share (%) <sup>(1)</sup>	N/A	21.4	21.3	21.2	21.1	20.4	19.7	20.9

(1) 3Q11 considers the last data made available by Susep (July 2011).

Bradesco Capitalização's technical reserves stood at R\$4.6 billion, while its investment portfolio totaled R\$4.7 billion in the fourth quarter of 2011. Net income for the quarter remained virtually steady when compared to the previous quarter, a result of the main performance indicators at the same levels seen in the third quarter of 2011.

2011 posted a 43.8% higher net income versus 2010 due to: (i) the 22.7% increase in sales, recording revenue higher than R\$3.0 billion; (ii) an improved financial result performance; and (iii) an improved management efficiency ratio.



## Economic and Financial Analysis

**Bradesco Capitalização**

Bradesco Capitalização ended 2011 in an outstanding position among private savings bond companies, due to its policy of transparency and of adjusting its products based on potential consumer demand.

In order to offer the savings 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 commitment, 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 cancer in Brazil); and (v) Projeto Tamar (created to save sea turtles).

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

The portfolio is composed of 20.2 million active bonds, of which: 35.4% is Traditional Bonds sold in the Branch Network and at Bradesco *Dia & Noite* service channels, up 25.3% over December 2010; and 64.6% are incentive bonds (assignment of drawing rights), such as partnerships with Bradesco Vida e Previdência and Bradesco Auto/RE, which were up 11.7% over December 2010. Given that the purpose of this type of savings 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.



## Economic and Financial Analysis

**Bradesco Auto/RE**

	<b>R\$ million (unless otherwise indicated)</b>							
	<b>4Q11</b>	<b>3Q11</b>	<b>2Q11</b>	<b>1Q11</b>	<b>4Q10</b>	<b>3Q10</b>	<b>2Q10</b>	<b>1Q10</b>
Net Income	33	50	44	39	58	28	27	22
Net Written Premiums	983	1,042	1,061	871	865	941	952	935
Technical Reserves	3,920	3,853	3,828	3,688	3,554	3,525	3,455	3,402
Claims Ratio	65.9	61.3	61.0	68.1	69.3	69.7	69.9	70.7
Expense Ratio	19.3	18.5	20.1	17.2	17.6	17.3	17.6	17.7
Combined Ratio	106.5	103.3	99.1	108.7	106.9	105.2	105.3	104.3
Policyholders (in thousands)	3,694	3,632	3,567	3,330	3,337	3,208	2,980	2,814
Premium and Contribution Income Market Share (%) <sup>(1)</sup>	N/A	10.5	10.5	9.7	10.6	11.2	11.7	12.1

(1) 3Q11 considers the last data made available by Susep (July 2011).

Net income for the fourth quarter of 2011 was down by 34.0% from the previous quarter, mainly due to: (i) 4.6 p.p. growth in the claims ratio, a result of the increase in the frequency of claims and workforce in cases of repairs (vehicle segment); and (ii) occasional claims for the basic segment.

Net income for 2011 was 23.0% higher than that posted in 2010, mainly due to: (i) a 5.8 p.p. decrease in claims; (ii) increased financial and equity results; and partially offset by: (iii) an increase in administrative and personnel expenses, resulting from the collective bargaining agreement dated January 2011.

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,

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, the Exclusive Bradesco Customer Insurance for Banco Bradesco account holder (*Bradesco Seguro Exclusivo Clientes Bradesco*) and *Auto Mulher* (car insurance for women) stand out.

For better service, Bradesco Auto/RE currently has 15 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.

taking full advantage of the stronger sales of new aircraft and those of the maritime segment.

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**Bradesco Auto/RE**

**Number of Policyholders in 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 10.7% in the last 12 months, to a total of 3.7 million customers.

It is worth pointing out that we continued with a strong strategy for the Residential Insurance segment, with an approximate 41.2% growth in premiums in 2011, totaling approximately 1.9 million insured homes.

## Economic and Financial Analysis

**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>12M11</b>	<b>12M10</b>	<b>4Q11</b>	<b>3Q11</b>	<b>R\$ million</b>	
					<b>Variation YTD</b>	<b>Quarter</b>
Card Income	5,097	4,202	1,406	1,299	895	107
Checking Account	2,786	2,361	748	708	425	40
Loan Operations	1,983	1,728	528	505	255	23
Fund Management	1,949	1,807	498	506	142	(8)
Collection	1,214	1,080	321	318	134	3
Consortium Management	527	433	137	139	94	(2)
Custody and Brokerage						
Services	420	449	102	108	(29)	(6)
Payments	312	287	81	78	25	3
Underwriting / Financial						
Advising Services	298	291	89	58	7	31
Other	637	732	176	157	(95)	19
<b>Total</b>	<b>15,223</b>	<b>13,372</b>	<b>4,086</b>	<b>3,876</b>	<b>1,851</b>	<b>210</b>

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

**Fee and Commission Income****Card Income**

Card income stood at R\$1,406 million in the fourth quarter of 2011, up R\$107 million, or 8.2%, over the previous quarter. This performance is mainly due to the increase in number of transactions and in average ticket, with a consequent increase in revenue.

In 2011, the same figure posted year-on-year growth of 21.3%, or R\$894 million, mainly due to an increase in revenue from purchases and services, resulting from the expansion of the card base by 7.2%, from 145.2 million in December 2010 to 155.7 million in December 2011. This expansion led to an 18.6% increase in credit card revenue in the period, for a total of R\$89,624 million in 2011, as well as a 15.3% increase in transactions, from 959.0 million in the twelve months of 2010 to 1,105.7 million in 2011.

Economic and Financial Analysis

**Fee and Commission Income**

**Checking Account**

In the fourth quarter of 2011, income from checking accounts was up by 5.6% quarter on quarter, mainly due to: (i) a net increase of 430 thousand new checking accounts (392 thousand individual accounts and 38 thousand corporate accounts); and (ii) the expansion of the service portfolio provided to the Bank's customers.


Year on year, income increased by 18.0% or R\$425 million in 2011, mainly due to the expansion of the checking account base, which posted a net increase of 1,981 thousand new accounts (1,859 thousand new individual accounts and 122 thousand new corporate accounts).

**Loan Operations**

In the fourth quarter of 2011, income from loan operations amounted to R\$528 million, up 4.6% in comparison with the previous quarter, mainly due to the greater volume of loan operations in the period, in which the 9.2% increase in Sureties and Guarantees operations compared to the third quarter of 2011 stood out.

The 14.8% growth in 2011 compared with the previous year is mainly due to the increase in the volume of operations in 2011, mainly income from collateral, up 21.4%, mainly deriving from the 18.9% growth in the volume of Sureties and Guarantees.



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## Economic and Financial Analysis

**Fee and Commission Income****Fund Management**

In the fourth quarter of 2011, revenue from fund management stood at R\$498 million, down R\$8 million from the previous quarter, mainly due to fewer business days in the quarter, partially offset by the 5.0% growth in the volume of funds raised and managed.

Year on year, the R\$142 million or 7.9% increase was mainly due to: (i) increases in funds raised and managed by Bradesco, which grew by 13.4%; partially offset by: (ii) the 18.1% drop in the Ibovespa index in the period, impacting revenue from managed funds and portfolios pegged to equities.

The highlight was income from fixed-income funds, which grew by 16.8% in the period, followed by the 8.4% growth in third-party funds.

Shareholders' Equity	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Investment Funds	310,104	293,578	269,978	5.6	14.9
Managed Portfolios	17,997	17,633	18,930	2.1	(4.9)
Third-Party Fund Quotas	7,269	8,240	6,800	(11.8)	6.9
<b>Total</b>	<b>335,370</b>	<b>319,451</b>	<b>295,708</b>	<b>5.0</b>	<b>13.4</b>
Asset Distribution	R\$ million			Variation %	
	Dec11	Sept11	Dec10	Quarter	12M
Investment Funds – Fixed Income	283,633	270,354	242,751	4.9	16.8
Investment Funds – Equities	26,471	23,224	27,227	14.0	(2.8)
Investment Funds – Third-Party Funds	6,103	7,102	5,629	(14.1)	8.4
<b>Total - Investment Funds</b>	<b>316,207</b>	<b>300,680</b>	<b>275,607</b>	<b>5.2</b>	<b>14.7</b>
Managed Portfolios - Fixed Income	10,550	10,403	10,460	1.4	0.9
Managed Portfolios – Equities	7,447	7,230	8,470	3.0	(12.1)
Managed Portfolios - Third-Party Funds	1,166	1,138	1,171	2.5	(0.4)
<b>Total - Managed Funds</b>	<b>19,163</b>	<b>18,771</b>	<b>20,101</b>	<b>2.1</b>	<b>(4.7)</b>
x					
Total Fixed Income	294,183	280,757	253,211	4.8	16.2
Total Equities	33,918	30,454	35,697	11.4	(5.0)

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Total Third-Party Funds	7,269	8,240	6,800	(11.8)	6.9
<b>Overall Total</b>	<b>335,370</b>	<b>319,451</b>	<b>295,708</b>	<b>5.0</b>	<b>13.4</b>

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Economic and Financial Analysis

**Fee and Commission Income**

**Cash Management Solutions (Payments and Collections)**

The R\$6 million, or 1.5%, growth in income in this segment in the fourth quarter of 2011 over the previous quarter is mainly due to the increase in business volume and number of processed documents, which remained practically steady when compared to the previous quarter.

Year on year, Payment and Collection income grew by 11.5%, or R\$158 million, mainly due to an increase in the number of processed documents, which grew from 1,508 million in 2010 to 1,750 million in 2011.

**Consortium Management**

In the fourth quarter of 2011, income from consortium management remained virtually stable compared to the third quarter. On December 31, 2011, Bradesco posted 625,763 active quotas (584,097 active quotas on September 30, 2011), ensuring its leading position in all segments it operates (real estate, auto, trucks/tractors).

Year on year, there was a 21.5% increase in income, resulting from: (i) the growth in the volume of bids; and (ii) the increase in sales of new quotas, from 471,620 net quotas sold on December 31, 2010 to 625,763 on December 31, 2011, an increase of 154,143 net quotas.



### **Fee and Commission Income**

#### **Custody and Brokerage Services**

In the fourth quarter of 2011, total custody and brokerage service income decreased R\$6 million, or 5.6%, when compared to the previous quarter. This performance mainly results from the reduction in brokerage revenue, mainly due the lower volume traded on the BM&FBovespa.

In the comparison between 2011 and 2010, the 6.5% or R\$29 million income decrease is mainly related to: (i) the performance of capital markets in this period, which impacted brokerage income; and partially offset by: (ii) the increase in custody services, due to the R\$67 billion gain in assets under custody.

#### **Underwriting/ Financial Advising Services**

The R\$31 million increase in the quarter-on-quarter comparison mainly refers to increased revenue with capital market operations in the fourth quarter of 2011, particularly underwriting operations. Furthermore, changes in this income are often the result of volatile performance of capital markets.

From 2010 to 2011, there was an increase of R\$7 million as a result of a higher business volume in the year.

## Economic and Financial Analysis

**Administrative and Personnel Expenses**

<b>Administrative and Personnel Expenses</b>	<b>12M11</b>	<b>12M10</b>	<b>4Q11</b>	<b>3Q11</b>	<b>R\$ million</b>	
					<b>Variation YTD</b>	<b>Quarter</b>
<b>Administrative Expenses</b>						
Outsourced Services	3,610	3,131	961	936	479	25
Communication	1,579	1,408	402	408	171	(6)
Depreciation and Amortization	1,094	967	280	277	127	3
Advertising and Marketing	938	807	330	211	131	119
Data Processing	934	875	243	247	59	(4)
Transportation	784	643	224	201	141	23
Rental	666	568	176	170	98	6
Asset Maintenance	558	462	158	139	96	19
Financial System Services	516	368	147	135	148	12
Materials	379	296	98	105	83	(7)
Leased Assets	357	364	99	87	(7)	12
Security and Surveillance	333	274	94	84	59	10
Water, Electricity and Gas	227	210	59	53	17	6
Trips	161	124	48	42	37	6
Other	1,270	1,035	363	310	235	53
<b>Total</b>	<b>13,406</b>	<b>11,532</b>	<b>3,682</b>	<b>3,405</b>	<b>1,874</b>	<b>277</b>
<b>Personnel Expenses</b>						
<b>Structural</b>	<b>8,798</b>	<b>7,517</b>	<b>2,415</b>	<b>2,288</b>	<b>1,281</b>	<b>127</b>
Payroll/Social Charges	6,632	5,748	1,811	1,720	884	91
Benefits	2,166	1,769	604	568	397	36
<b>Non-Structural</b>	<b>2,263</b>	<b>1,785</b>	<b>725</b>	<b>592</b>	<b>478</b>	<b>133</b>
Management and Employee Profit Sharing	1,321	1,032	498	321	289	177
Provision for Labor Claims	663	543	145	199	120	(54)
Training	161	107	53	50	54	3
Termination Costs	118	102	29	22	16	7
<b>Total</b>	<b>11,061</b>	<b>9,302</b>	<b>3,140</b>	<b>2,880</b>	<b>1,759</b>	<b>260</b>
x						
<b>Total Administrative and Personnel Expenses</b>	<b>24,467</b>	<b>20,834</b>	<b>6,822</b>	<b>6,285</b>	<b>3,633</b>	<b>537</b>
<b>Employees</b>	<b>104,684</b>	<b>95,248</b>	<b>104,684</b>	<b>101,334</b>	<b>9,436</b>	<b>3,350</b>
<b>Service Points</b>	<b>59,711</b>	<b>48,681</b>	<b>59,711</b>	<b>55,822</b>	<b>11,030</b>	<b>3,889</b>

In the fourth quarter of 2011, total Administrative and Personnel Expenses amounted to R\$6,822 million, up 8.5% in relation to the previous quarter, driven by a significant investment in accelerated organic growth in the period, marked by the expansion of 11,030 service points, including the inauguration of 1,009 branches.

**Personnel Expenses**

In the fourth quarter of 2011, personnel expenses totaled R\$3,140 million, up 9.0% or R\$260 million from the previous quarter.

Within the structural portion, the R\$127 million increase is mainly the result of: (i) greater expenses with payroll, social charges and benefits, in the amount of R\$95 million, due to the expansion of service points and improvement to business segmentation and consequent raise in the number of employees; and (ii) the adjustment for the increase of salary levels, based on the collective bargaining agreement and labor adjustments amounting to R\$32 million.

In the non-structural portion, the R\$133 million increase is basically due to higher expenses with: (i) the complement of a portion related to the management and employee profit sharing in the amount of R\$177 million; and partially offset by: (ii) lower expenses with the provision for labor claims in the amount of R\$54 million.



Economic and Financial Analysis

**Administrative and Personnel Expenses**

In the year-on-year comparison, the R\$1,759 million increase reflects: (i) the structural expenses of R\$1,281 million related to: (a) the increase in expenses with payroll, social charges and benefits, impacted by salary increases; and (b) the net increase in staff, hiring 9,436 employees in the period, driven by organic growth; and (ii) the R\$478 million gain in the non-structural

expenses mainly due to higher expenses with: (a) management and employee profit sharing, totaling R\$289 million; and (b) the provision for labor claims, totaling R\$120 million.

Economic and Financial Analysis

**Administrative and Personnel Expenses**

**Administrative Expenses**

In the fourth quarter of 2011, administrative expenses totaled R\$3,682 million, up by 8.1%, or R\$277 million from the previous quarter. Main variations were: (i) a R\$119 million expense with advertising and marketing; and (ii) higher expenses related to accelerated organic growth (e.g.: transportation, security and surveillance, maintenance and preservation of goods, etc.), which enabled the inauguration of 689 branches in the quarter, totaling 59,711 service points on December 31, 2011.

The year-on-year growth of R\$1,874 million, or 16.3%, is mainly due to: (i) higher expenses with outsourced services, in the amount of R\$479 million, basically related to variable expenses tied to business revenue/volume (correspondent units, Call Center and etc.); (ii) contract adjustments; and (iii) higher expenses related to accelerated organic growth, which expanded service points by 11,030 units, pointing out the inauguration of 1,009 branches in the period.

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

The coverage ratio over the last 12 months dropped by 0.5 p.p. in the quarter, as a result of: (i) the increase in personnel and administrative expenses, mainly originated by: (a) the impact of the collective bargaining agreement; and (b) the increase in expenses partly resulting from an increase in business volume and the expansion of service points, driven by accelerated organic growth that resulted in the expansion of 11,030 units, including the inauguration of 1,009 branches in the period; and partially offset by: (ii) the growth in fee and commission income.

**Tax Expenses**

The R\$139 million increase quarter on quarter in tax expenses essentially arises from higher PIS/Cofins expenses, due to the increase in tax expenses in the fourth quarter of 2011.

Year on year, tax expenses grew by R\$544 million, mainly due to: (i) higher expenses with ISS/PIS/Cofins taxes reflecting the increase in taxable income, especially financial margin and fee and commission income.

Economic and Financial Analysis

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

In the fourth quarter of 2011, equity in the earnings (losses) of unconsolidated companies stood at R\$53 million. The R\$12 million increase from the previous quarter was mainly due to greater results with the company IRB – Brasil Resseguros.

Year on year, the R\$17 million increase recorded in 2011 was mainly due to greater results from the companies IRB – Brasil Resseguros and Serasa.

**Operating Income**

Operating income in the fourth quarter of 2011 was R\$4,034 million, down 3.4%, or R\$140 million, from the third quarter of 2011, mainly impacted by: (i) a R\$537 million growth in personnel and administrative expenses; (ii) higher tax expenses amounting to R\$139 million; partially offset by: (iii) a R\$210 million increase in fee and commission income; (iv) lower allowance for loan loss expenses, in the amount of R\$118 million; (v) the increase in other operating income (net of other expenses), in the amount of R\$99 million; and (vi) a R\$69 million increase in operating income from Insurance, Pension Plans and Savings Bonds.

Year on year, the R\$2,001 million, or 14.0%, increase in 2011 is basically a result of (i) the R\$6,265 million increase in financial margin; (ii) the R\$1,851 million increase in fee and commission income; (iii) the R\$598 million increase in operating income from Insurance, Pension Plans and Savings Bonds, partially offset by: (iv) a R\$3,633 million increase in personnel and administrative expenses; (v) a R\$1,534 million increase in allowance for loan loss expenses; (vi) a R\$1,019 million increase in other operating expenses (net of other income); and (vii) a R\$544 million increase in tax expenses.



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**Non-Operating Income**

The R\$6 million variation between the fourth quarter of 2011 and 2010 is mainly due to greater losses from the sale of assets in the fourth quarter of 2011.

Comparing 2011 and 2010, the variation is mainly the result of greater non-operating expenses.

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Return to Shareholders

## Sustainability

The fourth quarter of 2011 was marked by a number of important events for Bradesco.

For the seventh consecutive time, the Bank was selected as a part of the Corporate Sustainability Index (ISE), of the Securities, Commodities and Futures Exchange (BM&FBovespa). In being selected, Bradesco's common (BBDC3) and preferred (BBDC4) shares were added to the index.

Bradesco signed the International Statement of Commitment by Financial Institutions on the Environment and Sustainable Development, formalizing its entrance into the United Nations Environment Programme - Finance Initiative (UNEP FI). The Statement affirms that economic development should be compatible with human well-being and environmental balance, in addition to establishing a commitment to adopting best practices to integrate social and environmental questions into business and operations in all markets.

Bradesco also attended the semi-annual conference organized by the United Nations Environment Programme – Finance Initiative (UNEP FI) in a unique and global partnership with the financial sector.

Bradesco, in a partnership with Fundação Amazonas Sustentável (FAS), participated in the 17<sup>th</sup> Conference of Parties (COP17) at the United Nations Climate Change Conference, held in the city of Durban, South Africa, in 2011.

For the third consecutive year, Bradesco participated in the Annual Equator Principles Meeting, in October, in the city of Washington D.C.,

The Bank organized the 2<sup>nd</sup> Technological Waste Collection Campaign at administrative buildings in the city of São Paulo and in Cidade de Deus, in the city of Osasco. A total of 6.7 metric tons of waste were sent to a company specializing in the reprocessing of equipment, turning the waste into raw material for the ceramic, glass and paint industries.

2011 marked the celebration of the tenth anniversary of the “International Year of Volunteers,” created by the United Nations (UN). Bradesco sponsored the initiative as a supporter and promoter of volunteer work. To promote the theme among its employees, Bradesco held the fourth Bradesco Volunteer Marathon, a solidarity competition focused on eco-efficiency. A total of 1,307 employees participated in the event, helping 37,196 people in 112 social institutions nationwide.

During 2011, Bradesco promoted a number of actions to support and guide its suppliers in incorporating sustainability into their business. In October, the Company held the 9<sup>th</sup> Bradesco Supplier Meeting, with the theme “A More Sustainable Supply Chain – How to Learn, How to Act?” The event, which brought together representatives of product and service suppliers from a number of segments, focused on providing a complete overview of the dimension of sustainability for Bradesco and invited entrepreneurs to engage in sustainable developments.



U.S.A. The event brought together representatives of more than 50 financial institutions that signed the commitment and focused on the process of revising the Equator Principles. Bradesco was an active participant in the process through its engagement in two work groups focused on evaluating opportunities for improvement to the Principles.

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**Investor Relations Area – IR**

Bradesco closed its 4Q11 event program with the APIMEC Meeting cycles in the cities of Vitória and Manaus. Throughout the year, Bradesco held 18 APIMEC meetings and one INI Meeting in every Brazilian region, attended by over 4 thousand people, among analysts, shareholders, customers and investors. All events were broadcast live over the internet with simultaneous translation into English, and were followed by more than 13 thousand viewers. The São Paulo event also included a transmission in *Libras* (Brazilian Sign Language), reinforcing the democratization of information.

A summary of all events and a replay of the entire meeting in São Paulo can be found at [www.bradesco.com.br/ri](http://www.bradesco.com.br/ri).

In 2011, Bradesco received, for the 2<sup>nd</sup> consecutive year, the “Best APIMEC Meeting in Quality” award for the meeting held in São Paulo. A qualified jury elects the best meeting, based on the answers of a questionnaire filled out by meeting participants. Bradesco’s efforts to organize these events were also recognized in 2011 by the Association of Capital Market Analysts and Investment Professionals (APIMEC) as the “Best APIMEC Meeting” in the Federal District and Northeast region.

In 2011 we expanded our participation in the *ExpoMoney* Circuit, the largest financial education fair in Latin America by six, taking the event to the cities of Recife, Florianópolis, São Paulo, Belo Horizonte, Rio de Janeiro and Porto Alegre. Participants attending these fairs had the opportunity to learn through lectures and interactive questionnaires prepared by Bradesco on the Macroeconomic Scenario, Strategies, Main Figures, Capital Markets and Sustainability.

**Service to Shareholders, Analysts and Investors**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Meetings with Investors	168	130	160
Conference Calls	210	77	59
Events in Brazil	24	17	16
Events Abroad	29	24	18
APIMEC Meetings (Association of Capital Market Analysts and Investment Professionals)	18	18	17
Videochats	4	4	4
INI (National Investors' Institute)	1	1	1
<b>Total</b>	<b>454</b>	<b>271</b>	<b>275</b>

## Corporate Governance

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 42 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, higher than the minimum limit of 25% set by Brazilian Corporate Law. Preferred shares are entitled to dividends 10% greater than those paid to common shares.

On March 10, 2011, all matters submitted to the Shareholders' Meetings were approved.

## Bradesco Shares

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

	In thousands					
	Dec11	Dec10	Dec09	Dec08	Dec07	Dec06
Common Shares	1,909,911	1,880,830	1,710,205	1,534,806	1,009,337	500,071
Preferred Shares	1,907,931	1,881,225	1,710,346	1,534,900	1,009,337	500,812
<b>Subtotal – Outstanding Shares</b>	<b>3,817,842</b>	<b>3,762,055</b>	<b>3,420,551</b>	<b>3,069,706</b>	<b>2,018,674</b>	<b>1,000,883</b>
Treasury Shares	6,953	395	6,535	163	2,246	758
<b>Total</b>	<b>3,824,795</b>	<b>3,762,450</b>	<b>3,427,086</b>	<b>3,069,869</b>	<b>2,020,920</b>	<b>1,001,641</b>

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

On December 31, 2011, Bradesco's capital stock was R\$30.1 billion, composed of 3,824,795 thousand shares (all book-entry shares with no par value), 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 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, the majority of the shareholders of which are members of Bradesco's Board of Directors, Statutory Board of Executive Officers and management-level employees.

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

	<b>Dec11</b>	<b>%</b>	<b>Ownership of Capital (%)</b>	<b>Dec10</b>	<b>%</b>	<b>Ownership of Capital (%)</b>
Individuals	336,104	89.87	23.53	340,115	89.95	24.19
Corporate	36,999	9.89	47.11	37,167	9.83	43.62
<b>Subtotal Domiciled in Brazil</b>	<b>373,103</b>	<b>99.76</b>	<b>70.64</b>	<b>377,282</b>	<b>99.78</b>	<b>67.81</b>
Domiciled Abroad	895	0.24	29.36	838	0.22	32.19
<b>Total</b>	<b>373,998</b>	<b>100.00</b>	<b>100.00</b>	<b>378,120</b>	<b>100.00</b>	<b>100.00</b>

On December 31, 2011, there were 373,103 shareholders domiciled in Brazil, accounting for 99.76% of total shareholders and holding 70.64%

of all shares, while a total of 895 shareholders are domiciled abroad, accounting for 0.24% of shareholders and holding 29.36% of shares.

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

	<b>In R\$ (unless otherwise stated)</b>					
	<b>4Q11</b>	<b>3Q11</b>	<b>Variation %</b>	<b>12M11</b>	<b>12M10</b>	<b>Variation %</b>
Earnings per Share	0.73	0.75	(2.7)	2.93	2.61	12.3
Dividends/Interest on Shareholders' Equity – Common Share (after Income Tax)	0.204	0.210	(2.9)	0.824	0.758	8.7
Dividends/Interest on Shareholders' Equity – Preferred Share (after Income Tax)	0.225	0.231	(2.6)	0.906	0.834	8.6
Book Value per Common and Preferred Share	14.56	14.08	3.4	14.56	12.77	14.0
Last Trading Day Price – Common Shares	25.29	22.94	10.2	25.29	25.70	(1.6)
Last Trading Day Price – Preferred Shares	30.75	27.71	11.0	30.75	32.65	(5.8)
Market Value (R\$ million) <sup>(2)</sup>	106,971	96,682	10.6	106,971	109,759	(2.5)
Market Value (R\$ million) - Most Traded Share <sup>(3)</sup>	117,399	105,792	11.0	117,399	122,831	(4.4)

(1) Adjusted for corporate events in the period;

(2) Number of shares (excluding treasury shares) x closing price for common and preferred shares on the last trading day of the period; and

(3) Number of shares (excluding treasury shares) x closing price for preferred shares on the last trading day of the period.

In 2011, Bradesco's preferred shares decreased 5.8% in comparison with the same period of 2010, while common shares also saw a loss of 1.6% in the same period. It is worth mentioning that the Ibovespa Index fell by 18.1% in the same period.

In the fourth quarter of 2011, Bradesco's preferred and common shares appreciated by 11.0% and 10.2%, respectively, while the Ibovespa index saw an appreciation of 8.5% in comparison with the third quarter of 2011.

Bradesco —

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## Main Indicators

**Market Capitalization (Common and Preferred Shares):** considers the closing price for common and preferred shares, multiplied by the respective number of shares (excluding treasury shares).

**Market Capitalization (Preferred Shares):** considers the closing price for preferred shares (most traded share), multiplied by the respective number of shares (excluding treasury shares).

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

**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.

Formula used: the amount received by shareholders as dividends and/or interest on shareholders' equity in the last 12 months divided by the closing price for preferred shares on the last trading day in the period.

**Weight in Main Stock Market Indexes**

Bradesco shares are components of Brazil's main stock indexes, including the Corporate Sustainability Index (ISE), the Special Tag-Along Stock Index (ITAG), the Special Corporate

Governance Stock Index (IGC) and the Financial Index (IFNC), which comprises banks, insurers and financial companies.

	%	<b>Dec11</b>
Ibovespa		3.6
IB rX - 50		7.3
IB rX - 100		7.4
Ifinanceiro (IFNC)		20.0
ISE		5.1
Special Corporate Governance Stock Index (IGC)		6.3
Special Tag-Along Stock Index (ITAG)		12.0
ICO2		10.6

**Dividends/Interest on Shareholders' Equity**

In 2011, R\$3,740 million were paid to shareholders as dividends and interest on shareholders' equity. This amount, after

Withholding Income Tax, accounts for 31.5% of book net income for the period.





Additional Information**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.

	Dec11	Sep11	Dec10	Sep10
<b>Banks – Source : Brazilian Central Bank (Bacen)</b>				
Demand Deposits	N/A	16.8	18.4	18.3
Savings Deposits	N/A	13.8	14.3	14.1
Time Deposits	N/A	14.7	13.0	13.5
Loan Operations <sup>(1)</sup>	12.1	12.3	12.4	12.5
Loan Operations - Vehicles Individuals (CDC + Leasing) <sup>(1)</sup>	16.4	16.3	17.7	18.0
Payroll-Deductible Loans <sup>(1)</sup>	11.2	11.2	10.9	10.6
Bradesco Collection (Balance)	N/A	26.3	26.7	28.4
Number of Branches	22.2	19.6	18.7	18.3
<b>Banks - Source: Federal Revenue Service/ Brazilian Data Processing Service (Serpro)</b>				
Federal Revenue Collection Document (DARF)	N/A	22.0	21.9	21.8
Brazilian Unified Tax Collection System Document (DAS)	N/A	17.3	17.3	17.1
<b>Banks – Source : Social Security National Institute (INSS)/Dataprev</b>				
Social Pension Plan Voucher (GPS)	N/A	14.6	14.8	14.6
Benefit Payment to Retirees and Pensioners	23.8	23.4	22.8	N/A
<b>Banks – Source : Anbima</b>				
Investment Funds + Portfolios	17.0	16.7	17.0	16.8
<b>Insurance, Pension Plans and Savings Bonds – Source: Insurance Superintendence (Susep) and National Agency for Supplementary Healthcare (ANS)</b>				
Insurance, Pension Plan and Savings Bond Premiums	N/A	24.9 <sup>(2)</sup>	24.7	24.7
Insurance Premiums (including Long-Term Life Insurance - VGBL)	N/A	25.0 <sup>(2)</sup>	24.9	24.9
Life Insurance and Personal Accident Premiums	N/A	16.5 <sup>(2)</sup>	17.3	17.0
Auto/Basic Lines (RE) Insurance Premiums	N/A	10.5 <sup>(2)</sup>	10.6	11.2
Auto/Optional Third-Party Liability (RCF) Insurance Premiums	N/A	14.1 <sup>(2)</sup>	14.1	14.7
Health Insurance Premiums	N/A	49.8 <sup>(2)</sup>	51.7	51.1
Income from Pension Plan Contributions (excluding VGBL)	N/A	29.2 <sup>(2)</sup>	27.2	27.1
Savings Bond Income	N/A	21.4 <sup>(2)</sup>	21.1	20.4
Technical Reserves for Insurance, Pension Plans and Savings Bonds	N/A	30.1 <sup>(2)</sup>	30.6	30.3
<b>Insurance and Pension Plans – Source: National Federation of Life and Pension Plans (Fenaprevi)</b>				
Income from VGBL Premiums	N/A	32.5 <sup>(2)</sup>	32.2	32.6
Income from Unrestricted Benefits Generating Plans (PGBL) Contributions	N/A	25.2 <sup>(2)</sup>	23.3	23.2
Pension Plan Investment Portfolios (including VGBL)	N/A	33.9 <sup>(2)</sup>	34.8	35.1
<b>Leasing – Source: Brazilian Association of Leasing Companies (ABEL)</b>				
Lending Operations	18.7 <sup>(3)</sup>	18.5	19.0	19.0

**Consortia – Source: Bacen**

Real Estate	27.2 <sup>(4)</sup>	26.6	29.4	27.2
Auto	24.7 <sup>(4)</sup>	24.8	25.4	24.8
Trucks, Tractors and Agricultural Implements	16.8 <sup>(4)</sup>	16.5	17.1	16.2

**International Area – Source: Bacen**

Export Market	20.4	20.9	24.7	25.4
Import Market	17.6	17.8	19.5	19.8

(1) Bacen data for December 2011 is preliminary;

(2) Reference date: July 2011;

(3) Reference date: October 2011; and

(4) Reference date: November 2011.

N/A – Not Available.

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Additional Information**Market Share of Products and Services**

Bradesco customers are provided with a wide range of options for consulting and carrying out their financial transactions, in addition to the ability to acquire products and services through high-tech means, such as ATMs, telephone (*Bradesco Fone Fácil*), the Internet and mobile phones (*Bradesco Celular*).

As part of our commitment to social responsibility, people with special needs can rely on a number of special services provided by the Bradesco *Dia & Noite* Customer Service Channels, such as:

- 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, by means of digital language in *Fone Fácil*; and
- Bradesco Celular for the visually impaired.

**Branch Network**

Region	Dec11		Market Share	Dec10		Market Share
	Bradesco	Market		Bradesco	Market	
North	279	974	28.6%	178	823	21.6%
Northeast	836	3,169	26.4%	536	2,778	19.3%
Midwest	346	1,584	21.8%	302	1,481	20.4%
Southeast	2,398	11,149	21.5%	2,056	10,599	19.4%
South	775	4,025	19.3%	556	3,741	14.9%
<b>Total</b>	<b>4,634</b>	<b>20,901</b>	<b>22.2%</b>	<b>3,628</b>	<b>19,422</b>	<b>18.7%</b>

**Compulsory Deposits/Liabilities**

%	Dec11	Sept11	Jun11	Mar11	Dec10	Sept10	Jun10	Mar10
<b>Demand Deposits</b>								
Rate <sup>(2)</sup> <sup>(6)</sup>	43	43	43	43	43	43	42	42
Additional <sup>(3)</sup>	12	12	12	12	12	8	8	8
Liabilities <sup>(1)</sup>	28	28	29	29	29	29	30	30
Liabilities (Microfinance)	2	2	2	2	2	2	2	2
Free	15	15	14	14	14	18	18	18
<b>Savings Deposits</b>								
Rate <sup>(4)</sup>	20	20	20	20	20	20	20	20
Additional <sup>(3)</sup>	10	10	10	10	10	10	10	10

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Liabilities	65	65	65	65	65	65	65	65
Free	5	5	5	5	5	5	5	5
<b>Time Deposits</b>								
Rate <sup>(3)</sup> <sup>(5)</sup>	20	20	20	20	20	15	15	15
Additional <sup>(3)</sup>	12	12	12	12	12	8	8	8
Free	68	68	68	68	68	77	77	77

(1) At Banco Bradesco, 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.;

(5) As of the calculation period from March 29, 2010 to April 1, 2010, with compliance as of April 9, 2010, liabilities are now exclusively in cash, and may be met using credits acquired as provided for by current legislation; 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.

Bradesco —

Additional Information

**Investments in Infrastructure, Information Technology and Telecommunication**

Information Technology is of great strategic importance to the Organization, enabling it to offer customers services characterized by speed and security in carrying out operations at all of its service points in Brazil or abroad. Therefore, decisions regarding technological evolution are guided by elements that seek to provide high-quality services, speed, convenience and security at all service points and via all electronic channels.

In 2011, Bradesco won the award for Best Internet Banking for Individuals in Brazil, from *Global Finance* magazine. The new Internet Banking was redesigned to offer innovative solutions in operation, technology and architecture of information. In addition to the new layout, the website provides easy-to-operate resources to carry out online transactions.

Another important indicator of Bradesco's position on the forefront of IT was the Intangible Assets Brazil award given to the Bank, for the fifth consecutive year, in the Intangible Assets: Information Technology and Internet category, organized by Grupo Padrão.

Our position as a pioneer was also highlighted by the option our customers now have (if bearers of biometric registration) to carry out transactions at ATMs using only their bank debit card and their biometric registration, without the need to provide the six-digit password or any other security devices.

Corporate management of non-structured information, began in 2011, seeks to radically reduce the use of paper in a number of processes, providing benefits such as quality and speed in accessing information and the mitigation of risks in the total recovery of information in the case of accidents, in addition to improving the operational efficiency of the Bank's back office work.

The IT improvement project, which mainly sought to provide for new system architecture, will provide great improvements as of 2012, including greater speed in serving business units, products and services and improved service quality.

Focused on the international market, we implemented a new technological platform to support business at our external units. The first stage of the project included Private Banking products, allowing for expansion to other wholesale banking areas.

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. Last year, Bradesco's processing capability grew by 33%, to a daily volume of 229 million transactions, while data storage capability increased 38%, allowing the Bank to offer more services and information to its customers.

Following the world's best practices, our customer service network remained highly accessible. In fact, it was expanded with the opening of more than 1,000 new branches, with complete IT and communication infrastructure. This environment is managed in order to make complex tasks simple and manageable, while maintaining low operating risk and the scalability needed to support the Bank's growth.

As a prerequisite for its continuous expansion in 2011, Bradesco invested R\$4,328 million in Infrastructure and IT/Telecommunications.

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

In 2011, the Bank also implemented a system for check clearing by image. This new process led to improvements in customer service by reducing the time needed to deliver copies of checks and for check clearing, as well as speeding up the crediting of funds to accounts.

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>R\$ million 2007</b>
Infrastructure	1,087	716	630	667	478
Information Technology/Telecommunications	3,241	3,204	2,827	2,003	1,621
<b>Total</b>	<b>4,328</b>	<b>3,920</b>	<b>3,457</b>	<b>2,670</b>	<b>2,099</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 by means of 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

### Capital Adequacy Ratio

In December 2011, Bradesco's Reference Shareholders' Equity amounted to R\$71,476 million, versus a Required Reference Shareholders' Equity of R\$52,159 million, resulting in a R\$19,317 million capital margin. This figure was mostly impacted by the credit risk portion (PEPR), representing 90.9% of the risk-weighted assets, resulting from the expansion in loan operations.

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.bradesco.com.br/ri](http://www.bradesco.com.br/ri).

The Capital Adequacy Ratio improved 0.4 p.p., from 14.7% in September 2011 to 15.1% in December 2011, mainly due to: (i) the eligibility of the Subordinated Financial Bills to be included under Tier II Capital in the fourth quarter of 2011, which amounted to R\$1,828 million; and (ii) the effects of Bacen Circular Letter 3,563/11, which set forth a decrease in capital requirements for certain loan and leasing operations (abrogation of Circular Letter 3,515/10) and investments in quotas of investment funds tied to pension plans (PGBL and VGBL).

	R\$ million							
<b>Calculation Basis</b>	<b>Dec11</b>	<b>Sept11</b>	<b>Jun11</b>	<b>Mar11</b>	<b>Dec10</b>	<b>Sept10</b>	<b>Jun10</b>	<b>Mar10</b>
<b>Reference Shareholders' Equity</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>52,906</b>	<b>56,062</b>
<b>Level I</b>	<b>58,714</b>	<b>56,877</b>	<b>55,110</b>	<b>53,240</b>	<b>49,897</b>	<b>48,081</b>	<b>46,284</b>	<b>47,821</b>
Shareholders' Equity	55,582	53,742	52,843	51,297	48,043	46,114	44,295	43,087



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Mark-to-Market Adjustments	2,765	2,781	1,947	1,660	1,678	1,590	1,752	1,347
Additional Provision	-	-	-	-	-	-	-	3,005
Reduction of Deferred Assets	(248)	(260)	(279)	(291)	(296)	(306)	(441)	(434)
Non-controlling Interest/Other	615	613	599	574	472	683	678	816
<b>Level II</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>	<b>6,856</b>	<b>8,469</b>
Mark-to-Market Adjustments	(2,765)	(2,781)	(1,947)	(1,660)	(1,678)	(1,590)	(1,752)	(1,347)
Subordinated Debt	15,630	14,844	9,491	8,469	8,051	9,669	8,608	9,816
<b>Deduction of Funding Instruments</b>	<b>(103)</b>	<b>(134)</b>	<b>(130)</b>	<b>(126)</b>	<b>(123)</b>	<b>(240)</b>	<b>(234)</b>	<b>(228)</b>
<b>Risk-weighted Assets</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>332,430</b>	<b>334,107</b>
<b>Required Reference Shareholders' Equity</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>	<b>36,567</b>	<b>36,752</b>
Credit Risk	47,422	47,183	43,324	40,775	38,938	36,426	34,754	34,872
Operating Risk	2,810	2,810	2,690	2,690	2,574	2,574	1,678	1,678
Market Risk	1,927	1,400	847	364	380	171	135	202
<b>Margin (Excess/ Reference Shareholders' Equity Insufficiency)</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>16,339</b>	<b>19,310</b>
<b>Leverage Margin</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>148,536</b>	<b>175,545</b>
<b>Capital Adequacy Ratio</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>	<b>15.9%</b>	<b>16.8%</b>

Bradesco —



Independent Auditors' Report

**Reasonable assurance report from independent auditors on the supplementary accounting 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 year ended December 31, 2011, 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 year ended December 31, 2011 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.

### **Conclusion**

Based on the procedures applied, the supplementary accounting information included in the Economic and Financial Analysis Report for the year ended December 31, 2011 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".

Report on Economic and Financial Analysis – December 2011

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**Reasonable assurance report from independent auditors on the supplementary accounting information**

**Other Information**

The supplementary accounting information for the year ended December 31, 2010 and prior periods was reviewed by other independent auditors and they issued report, dated January 28, 2011, which did not include any modification.

Osasco, January 30, 2012

Original report in Portuguese signed by

KPMG Auditores Independentes

CRC 2SP 014428/O-6

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Cláudio Rogélio Sertório

Accountant CRC 1SP 212059/O-0

Bradesco \_\_\_\_\_

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***Message to Shareholders***

Dear Shareholders,

At the close of 2011, the global economic outlook was marked by prospects of deceleration and risk, especially in the developed countries. Signs of improvement in the U.S. economy were quickly erased by political disputes on the eve of the 2012 presidential elections. In Europe, the experience of a monetary and customs union being unable to evolve into a political and fiscal union may require certain governments to expend greater effort on solving their current difficulties.

Involved in and, at the same time, benefiting from the growing wave of transparency sweeping through the developed world in recent decades, the developing economies were able to promptly adopt measures to prevent the supposed errors of their developed peers, leading to quicker and less onerous adjustments to their fiscal, monetary and exchange policies.

Within this scenario, one that partially affected the optimistic forecasts at the beginning of 2011, Brazil's social and economic potential and performance will almost certainly remain on an upward trajectory. Now that more than 50% of its population has joined the middle class, an unprecedented achievement, the country's domestic market will be a powerful ally in maintaining growth in 2011 and 2012, albeit at a slower pace than in 2010. In addition, global recognition of the maturity of Brazil's democratic regime, freedom of speech, independent judiciary and increasing consumption have made it a prime destination for direct foreign investments.

In regard to results, Bradesco recorded net income of R\$11.028 billion in 2011, up 10.04% on the previous year. Of this total, R\$3.740 billion was allocated to shareholders as dividends and interest on equity, equivalent to 31.50% (net of withholding tax) of adjusted annual net income. Once again, we cannot help but mention Grupo Bradesco de Seguros' contribution to this result, which came to 29.03%. In addition, the Organization contributed R\$19.159 billion to the government's coffers.

We also cannot forget the social and environmental initiatives of Fundação Bradesco, one of the largest private social and educational programs in Brazil. The Foundation maintains 40 schools, most of which in underprivileged regions, providing free, high-quality education and strengthening ethical values and civic responsibility. This includes the provision of learning materials, uniforms, meals and dental and medical assistance. In 2011, Fundação Bradesco had 112,081 enrolled students, in addition to benefitting 382,329 students through distance education (EaD), via the Virtual School, and another 134,764 students through partnership projects and actions.

The current year, which has faced a number of challenges from the start, could be marked by periods of greater volatility in Brazil, depending on the scenarios in the developed countries. However, this should have no undue impact on the growth trajectory of a fiscally responsible country, which has built up substantial foreign reserves, is keeping inflation under control and is anchored in the solid expansion of domestic demand. Focused on the domestic market through its extensive network of around 60,000 service points, Bradesco is fully prepared to take advantage of any business



For the Bradesco Organization, its 68<sup>th</sup> year was marked by substantial progress and a number of notable achievements, especially: a) the inauguration of 1,009 branches, bringing the total number of branches and service posts to 9,063 nationwide, underlining the extent and solidity of the Bank's structure and its confidence in Brazil, as well as its determination to continue investing; b) the acquisition of Banco do Estado do Rio de Janeiro S.A. - BERJ, which gave Bradesco responsibility for handling the state's civil service payroll and mobilized teams of employees throughout the country, transforming the registration of more than 400 thousand accounts into a platform for expanding the Bank's business in the state; and c) the creation of a new subsidiary, BSP Empreendimentos Imobiliários S.A., to consolidate management of the Organization's real estate assets, with a portfolio of 840 properties. Recognitions in 2011 included: a) Bradesco's continued inclusion in the NYSE's Dow Jones Sustainability Index; and b) the BM&FBOVESPA's Corporate Sustainability Index, as well as the appointment of the Bradesco brand as one of the most valuable in the country by a renowned consulting firm. Bradesco also increased its monthly dividends by 10% in August.

opportunities that may arise, in complete security and in line with its corporate strategy.

Finally, we would like to pay tribute to the work of our 104,684 dedicated employees, guided by the skilled and devoted leadership of our executives, in overcoming challenges and reaffirming our culture of success. We would also like to thank our customers and shareholders for the trust that we are so proud to have earned.

Cidade de Deus, January 30, 2012

**Lázaro de Mello Brandão**

**Chairman of the Board of Directors**

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## **Management Report**

We hereby present the consolidated financial statements of Banco Bradesco S.A. for the year ended December 31, 2011, pursuant to the accounting practices adopted in Brazil and applicable to institutions authorized to operate by the Brazilian Central Bank.

Concerns over the need for fiscal adjustments in the developed countries intensified throughout the second half of 2011. The complexity of the issue and the difficulties involved in arriving at an adequate and politically viable solution increased the risk of the financial sector being contaminated by the problems facing the economy. The dwindling confidence of the agents in Europe and the USA reduced the pace of economic growth in the developing economies, increasing the risk of a global slowdown in 2012.

Brazil is better prepared to face the materialization of existing risks in the world scenario than it was three years ago at the peak of the 2008 crisis. It has much more anticyclical maneuvering room than many other countries and is well-regarded by the international community, which has led to its consolidation as one of the leading destinations for direct foreign investments. Even the domestic deceleration in recent months has not tempered the current positive outlook.

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 buoyant job market, while investments have benefited from the opportunities generated by pre-salt oil exploration and the sporting events in 2014 and 2016. With no signs of excessive income commitment by borrowers and with continuing

- **on August 29, the Bank announced a 10% increase in monthly dividends per share as of October 2011**, in compliance with the Monthly Remuneration System, from R\$0.013219250 to R\$0.014541175 for common shares, and from R\$0.014541175 to R\$0.015995293 for preferred shares;

- **on September 8, Bradesco was once again included in the Dow Jones Sustainability Index**, a select list prepared by the New York Stock Exchange comprising those companies with the best sustainable development practices; **and on November 25, the Bank was once again selected for inclusion in the BM&FBOVESPA's Corporate Sustainability Index – ISE**, consisting of those companies with the best corporate sustainability initiatives; and

- **on October 30, the creation of "BSP – Empreendimentos Imobiliários S.A."** sought to consolidate management of the Organization's real estate assets, with a portfolio of 840 properties. BSP will generate efficiency gains, streamline structures, reduce operating costs and provide opportunities for improving these assets.

### **1. Net Income for the Year**

In 2011, the results achieved and the remuneration paid to shareholders underline the success of the Bank's strategies in a scenario of uncertainty, backed by the improvement in business confidence, resulting in the continuation of sustainable growth. A detailed analysis of these numbers, including their origin and evolution, is available in the Economic and Financial Analysis Report section of the Company's website [bradesco.com.br/ri](http://bradesco.com.br/ri).

upward social mobility, the outlook for the Brazilian banking system also remains favorable, especially in the real estate segment, which has found ample room for sustainable growth on the back of sound economic fundamentals.

R\$11.028 billion in Net Income for the year, corresponding to Earnings per Share of R\$2.89 and a Return on Average Shareholders' Equity<sup>(\*)</sup> of 20.98%. The Return on Average Total Assets stood at 1.58%, versus 1.76% in the previous year.

The Bradesco Organization's period highlights are listed below:

- **on May 20, Bradesco acquired control of Banco do Estado do Rio de Janeiro S.A. – BERJ**, in an auction held by the BM&FBOVESPA – Securities, Commodities and Futures Exchange. The operation guaranteed Bradesco the right to provide services to the state of Rio de Janeiro in regard to the payment of civil service salaries, the payment of suppliers and the collection of state taxes, among others, between January 2012 and December 2014, thereby expanding the Bank's presence in the state and reaffirming its confidence in and partnership with its development. **The Extraordinary Shareholders' Meeting on November 3, 2011** approved the alteration of the bank's corporate name to **Banco BERJ S.A.**, a decision which was approved by the Brazilian Central Bank on the following day.

Bradesco

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R\$3.740 billion was allocated to shareholders in the form of monthly Dividends, and interim and supplementary Interest on Shareholders' Equity, which was included in the calculation of the mandatory dividends. Thus, R\$1.03 (R\$0.91 net of withholding tax) was attributed to each preferred share, which includes the additional 10%, and R\$0.93 (R\$0.82 net of withholding tax) was attributed to each common share. Dividends and interest on shareholders' equity represented 35.70% of adjusted net income for the year (31.50% net of withholding tax).

In order to leverage growth and profitability in keeping with previous years, Bradesco has concentrated on expanding its client base and consolidating its role as a "Complete Bank" in Brazil, with an active presence in all segments, exemplified by the consistent offer of more and better mass-market products and services, especially in the loan and insurance areas.

Bradesco's service network ended the year with 47,815 service points nationwide and 12 abroad, giving a total of 47,827, a 25.48% increase over 2010.

**Taxes and Contributions**

A substantial percentage of Bradesco's annual earnings, in direct proportion to its volume of operations, was paid to the federal government.

R\$10.032 billion in taxes and contributions, including social security contributions, paid or provisioned in the year.

R\$9.127 billion in taxes withheld and collected related to financial intermediation.

All in all, taxes originating in the Organization or collected on resources in transit through it came to a hefty R\$19.159 billion.

Together with the public's trust in the Bradesco brand, the Bank's convenience channels, including branches, service points, Bradesco Espresso outlets, 34,516 Bradesco Dia&Noite ATMs and 12,455 shared ATM's (Banco24Horas network and those shared with Banco do Brasil and Banco Santander), as well as Internet Banking, Bradesco Celular and Fone Fácil, ensure the efficient distribution of products, services and solutions, backed by excellent customer service.

In 2011, Bradesco began a bold network-expansion program, culminating in the opening of 1,009 new branches, always aiming to promote social and banking inclusion in Brazil, which is the key to its strategic plan. This was of vital importance, highlighting the Bank's market presence and its role in generating jobs and income, and underlining its belief in the country's future.

## 2. Corporate Strategy

While the global economy is undergoing a period of uncertainty, Brazil is currently much better positioned to face future risks.

We believe that Brazilian economic growth in 2012 and following years will continue to be driven by household consumption and investment. These components of GDP will benefit from increased income and employment, strong social mobility and opportunities from pre-salt and the 2014 and 2016 sporting events. Based on this scenario and in the face of the current international situation, Bradesco will continue to focus on the domestic market.

It has also been extremely active in financing the modernization of infrastructure, industry and commerce. At the same time, the country has become a highly attractive destination for foreign investments. Bradesco will continue to adopt efficient security criteria for ensuring a balance between increasing loans and reducing delinquency through the strict evaluation of loan granting procedures and the efficient daily collection of overdue payments through the Loan Recovery Program (PRC).

The Bank will maintain its strategic focus on its current operational segments, such as investment banking, capital markets, private banking and asset management. It will also continue to invest in credit cards, through Elo and Amex, as well as insurance, private pension plans and savings bonds through Grupo Bradesco Seguros.

Continuing with the expansion of its essential commercial areas, Bradesco operates on two fronts: finance and insurance (where it occupies a leading position), based on the Bank-Insurance model.

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Bradesco is also present in strategic overseas markets, providing support to foreign clients and investors who are increasingly interested in Brazil. Bradesco Securities in New York and London play a vital role in issuing and distributing securities in these important financial centers, while Banco Bradesco Europe provides asset management, private banking and trade finance services.

Another highlight is the Brazilian Elo brand, jointly implemented by Bradesco, Banco do Brasil and Caixa Econômica Federal, which has a strong presence in credit, debit and pre-paid cards for checking account holders and non-account holders.

The Bank also continuously invests in two fundamental banking operations – information technology and infrastructure, and human resources. The pursuit of new service channels, such as internet banking, self-service and cell phone mobility, with more service options, has generated customer service productivity gains, accompanied by greater comfort and security. Bradesco has invested R\$4.328 billion in innovating, upgrading and maintaining its IT environment, while investments in staff training programs totaled R\$161.495 million.

Bradesco's corporate culture is grounded in respect for the consumer, social and environmental responsibility, security and credibility, and its strategic plan is based on three main guidelines:

**3. Capital, Reserves and Subordinated Debt**

Banco Bradesco posted the following figures at year-end:

R\$30.100 billion in Subscribed and Paid-Up Capital Stock;

R\$25.482 billion in Equity Reserves; and

R\$55.582 billion in Shareholders' Equity, up 15.69% on the previous year, equivalent to 7.38% of Assets, which amounted to R\$753.337 billion, while Shareholders' Equity under Management stood at 7.38% of Consolidated Assets, which totaled R\$761.533 billion. Book Value per Share came to R\$14.56.

The Extraordinary Shareholders' Meeting (ESM) of March 10, 2011, ratified a capital increase of R\$1.5 billion to R\$30 billion, approved by the ESM of December 17, 2010, through the issue of 62,344,140 new registered, book-entry shares with no par value, comprising 31,172,072 common shares and 31,172,068 preferred shares, as well as a further increase to R\$30.1 billion, through any capitalization of reserves, without the issue of new shares. The operation was then ratified by the

a) to grow organically, always alert to potential acquisitions, associations and partnerships, fully committed to maintaining secure, high-quality products, solutions and services, and always seeking to improve its operating ratios and indicators;

b) to identify and evaluate the inherent risks of its activities, applying adequate controls and acceptable levels of risk to each operation; and

c) to operate in partnership with capital markets, conducting its business with total transparency, the highest ethical standards and adequate compensation for investors.

Brazilian Central Bank on March 18, 2011. As a result, the Bank's capital stock now comprises 3,824,794,581 shares, divided among 1,912,397,390 common and 1,912,397,191 preferred shares.

The Capital Adequacy Ratio stood at 15.03% of the consolidated financial result and 15.07% of the consolidated economic and financial result, substantially higher than the 11% minimum established by National Monetary Council Resolution 2,099/94, in conformity with the Basel Committee. In relation to Consolidated Reference Assets, the fixed asset ratio (maximum of 50%, in accordance with the Brazilian Central Bank) was 21.03% in the consolidated financial result and 48.37% in the consolidated economic and financial result.

Subordinated Debt at year-end totaled R\$26.910 billion (R\$6.404 billion abroad and R\$20.506 billion in Brazil), R\$15.630 billion of which was considered eligible as capital and included in Tier II of the Reference Assets adopted when calculating the ratios in the previous paragraph.

In compliance with Article 8 of Brazilian Central Bank Circular Letter 3,068/01, Bradesco declares that it has both the financial capacity and intent to hold until maturity those securities classified under "held-to-maturity securities." The Bank further declares that the operations of Banco Ibi S.A., its subsidiary, are in line with the strategic aims defined in the Business Plan, pursuant to Article 8, paragraph 3 of the Regulations attached to National Monetary Council Resolution 3,040/02.





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**4. Operating Performance**

**4.1 Funding and Asset Management**

Funds raised and managed totaled R\$1.020 trillion in 2011, 16.88% more than the previous year. All in all, the Bank manages 25.110 million checking accounts and 43.418 million savings accounts with a balance of R\$59.656 billion, representing 17.98% of the Brazilian Savings and Loan System – SBPE.

R\$414.872 billion in demand deposits, time deposits, interbank deposits, other deposits, open market and savings accounts, a 13.76% improvement over 2010.

R\$335.370 billion in assets under management, comprising investment funds, managed portfolios and third-party fund quotas, up by 13.41%.

R\$151.081 billion in the exchange portfolio, borrowings and onlendings, working capital, tax payments and collection and related charges, funds from the issue of securities and subordinated debt in Brazil, and other funding, a 31.95% increase.

R\$103.653 billion in technical reserves for insurance, supplementary private pension plans and savings bonds, up by 18.90%.

R\$14.814 billion in foreign funding, through public and private issues, subordinated debt and the securitization of future financial flows, equivalent to US\$7.897 billion.

R\$19.540 billion in the allowance for doubtful accounts, R\$4.011 billion more than the amount required by National Monetary Council Resolution 2,682/99.

**Mortgages**

Bradesco's 2011 Mortgage Portfolio was distinguished by the substantial volume of operations, reflecting its priority commitment to meeting the demands of homebuyers and giving added momentum to the construction industry, which is a major generator of jobs and a driver of social and economic development. Properties for sale by partner developers and brokers, together with related information, can be found on the website [bradescoimoveis.com.br](http://bradescoimoveis.com.br).

R\$14.907 billion in total funds allocated to this area, enabling the construction and acquisition of 76,346 properties, 63.31% more than in the previous year.

**Onlending**

Bradesco was one of the largest onlenders of BNDES funds in 2011, responsible for R\$13.227 billion (reference date: October 2011), or 19.48% of

all operations of this type. With R\$8,592 billion, or 21.37% of the total, the Bank was the country's leading lender to SMEs for the ninth consecutive year.

## 4.2 Loan Operations

Bradesco is fully committed to the democratization of credit. Its diversified offering has consistently increased the volume of its financing operations, either directly or in partnership with market agents, and of its individual lines, such as payroll-deductible loans, through its extensive branch, service point and Banco Postal network, as well as the 0800 toll-free Customer Service Center for Loans.

R\$31.427 billion in the onlending portfolios with internal and external funds, mainly allocated to SMEs. The number of contracts totaled 316,711.

R\$5.798 billion in guarantees provided to the BNDES, with R\$2.304 billion contracted in the year.

R\$345.724 billion in consolidated loan operations, in the expanded concept, pointing out the Advances on Exchange Contracts, Sureties and Guarantees, Credit Card Receivables and Leasing, up 17.12% on 2010.

### Rural Loans

As a traditional partner of the agriculture and cattle-raising sector, Bradesco invests in financing initiatives for crop production, processing and sale, contributing to the expansion of business and increasing the quality and yield of Brazil's agricultural produce. The Bank also offers support for domestic market supply and export growth. Information on agribusiness and loan products and services can be found on the [bradescorural.com.br](http://bradescorural.com.br) website.

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R\$15.499 billion in investments at year-end, representing 121,715 operations.

### **Consumer Financing**

The Bank has a substantial share of consumer financing operations geared towards the acquisition of new and used vehicles, including through partnerships, helping create jobs and fueling domestic market growth.

Inspired by social and environmental responsibility, the partnership with the *Programa Floresta do Futuro* of *Fundação SOS Mata Atlântica* (Fundação SOS Mata Atlântica Forest of the Future Program), together with the Ecofinancing line, involves the planting of native tree seedlings for each financed vehicle, aiming to reduce the impact of atmospheric greenhouse gas emissions.

R\$83.043 billion in consumer financing operations.

### **Lending Policy**

Bradesco's lending policy is based on businesses that demonstrate diversification and low concentration, are backed by appropriate guarantees and involve individuals and companies in good standing with proven payment capacity. Operations are carried out rapidly and securely, ensuring profitable and liquid asset investments.

### **4.3 Loan Collection and Recovery**

Based on differentiated negotiation policies and payment terms, the Bank makes use of several collection channels to recover overdue loans, including: call centers, bank payment slips, the internet, friendly collection companies and court collection offices. The Loan Recovery Program (PRC) includes several initiatives to improve results, exemplified in 2011 by 1,550 Business Rooms and 16,355 conciliation court hearings, interacting with the Court of Appeals of Brazil to intensify the process of renegotiating overdue loans.

R\$2.799 billion was recovered in 2011, up 4.57% on the previous year.

## **5. International Area**

On the international front, the Bradesco Organization offers a wide range of products and services through its offices in New York, London, Grand Cayman, Buenos Aires, Tokyo, Hong Kong, Luxembourg and Mexico, as well as an extensive network of correspondent banks. Bradesco Securities, in New York and London, Banco Bradesco Europe, in Luxembourg, and 26 specialized units in Brazil meet the demands of these strategic markets.

R\$6.235 billion in Advances on Exchange Contracts, from a total Export Financing Portfolio of US\$14.675 billion.

Lending authorization limits are imposed on each branch, in line with their size and the type of guarantee. Specialized credit scoring systems with specific security standards are employed to speed up and support the decision-making process, thereby minimizing risks. Loans that exceed branch authorization limits are resolved by the Credit Department and the Executive Credit Committees, located at the Company's headquarters.

US\$3.670 billion in Foreign Currency Import Financing.

US\$53.139 billion in Export Purchases, up 16.63% on 2010, for a market share of 20.37%.

US\$36.246 billion in Import Contracting, 4.37% more than the previous year, with a market share of 17.60%.

### **Loan Portfolio Quality**

At the end of 2011, there was a significant improvement in the loan quality of new borrowers, mainly due to the constant fine-tuning of the credit granting and monitoring models.

US\$11.130 billion in medium and long-term public and private offerings on the international market.

## **6. Bradesco Shares**

Highly liquid, Bradesco shares were traded in every trading session on the BM&FBovespa - Securities, Commodities and Futures Exchange, especially its preferred shares, which were among those with the highest participation weight in the Ibovespa Index, weighted at 3.55% at year-end.

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The Company's shares are also traded on the NYSE as Level 2 ADRs (American Depositary Receipts) and on the Madrid Stock Exchange as part of the Latibex Index.

In addition to the Ibovespa, Bradesco's shares are included in all the Brazilian stock indexes in which financial sector companies can be listed, including the Carbon Efficient Index (ICO2), the Corporate Sustainability Index (ISE), the Special Tag-Along Stock Index (ITAG), the Special Corporate Governance Stock Index (IGC), the Brazil Indexes (IBrX and IBrX50, for the most-traded shares), the Mid-Large Cap Index (MLCX) and the Financial Index (IFNC). Abroad, Bradesco is listed on the NYSE's Dow Jones Sustainability World Index and the Madrid Stock Exchange's FTSE Latibex Brazil Index.

R\$47.965 billion in annual traded volume on the BM&FBOVESPA, comprising 209.548 million common shares and 1.423 billion preferred shares.

US\$47.174 billion in annual traded ADR volume on the NYSE, representing 2.583 billion preferred shares.

EUR21.497 million were traded as DRs in the European market (Latibex – Madrid), representing 1.662 million preferred shares.

**7.2 Bradesco Empresas (Middle Market)**

With a high degree of specialization, Bradesco Empresas manages relations with economic groups with annual revenue of between R\$30 million and R\$250 million, offering structured operations and a broad portfolio of products and services.

R\$89.667 billion in total funds managed by the area, comprising 35,752 economic groups in all sectors of the economy.

**7.3 Bradesco Private Banking**

Targeting high-net-worth individuals, family holdings and holding companies with at least R\$3 million in net cash available for investment, Bradesco Private Banking offers its customers an exclusive line of products and services under the tailor-made and open architecture concept, including advice on the allocation of financial and non-financial assets in Brazil and abroad as well as advisory services for tax, succession and foreign exchange issues and structured operations.

**7.4 Bradesco Prime**

## 7. Market Segmentation

Bradesco's segmented approach to the market focuses on the quality of customer relations, permitting differentiated service and greater speed and increasing productivity gains. It also ensures greater flexibility and competitiveness in the execution of the business, enabling operations to be structured for individuals or companies in terms of quality and specialization.

Based on a modern concept of Bank/Customer relations, the Prime segment provides customized products and services and complete financial advice for individuals with a monthly income of R\$7 thousand or more or an investment capacity of R\$80 thousand or more. It also offers an exclusive customer service network – at the end 2011, there were 300 Bradesco Prime branches nationwide, in addition to 310 Bradesco Prime facilities in retail branches, fully equipped for privacy and comfort.

### 7.1 Bradesco Corporate

Bradesco Corporate specializes in services for major economic groups with annual revenue of more than R\$250 million. Its focus on long-term relationships constitutes an important advantage, resulting in the best solutions for clients and healthy results for the Organization. It maintains business units in all major Brazilian cities.

R\$276.497 billion in total funds managed by the area, comprising 1,307 economic groups.

### 7.5 Bradesco Varejo (Retail)

The nationwide retail segment seeks to provide dedicated, high-quality services for all segments of the population and striving to promote banking inclusion on a daily basis, thereby contributing to upward social mobility. The Bank therefore maintains an open-door policy, doing everything possible to further the democratization of banking products and services in order to reach the highest possible number of companies and individuals in all regions of the country. Bradesco Varejo focuses on individuals with a monthly income of up to R\$7 thousand and companies with annual revenue of up to R\$30 million. For companies and Exclusive Individual Clients, with monthly income of between R\$3 thousand and R\$7 thousand, it offers customized services, with financial solutions to fit every profile. The segment closed 2011 with more than 24 million account holders.



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### **7.6 Bradesco Expresso**

Bradesco Expresso enables the Bank to increase its share of the correspondent bank segment through partnerships with a wide variety of establishments, including supermarkets, drugstores, department stores, bakeries and other retail outlets, providing clients and the community with convenient service close to their home or workplace, after business hours and on weekends. At the close of 2011, there were 34,839 accredited establishments.

Since 1993, Bradesco Cartões has been issuing cards on behalf of SOS Mata Atlântica, AACD, APAE, Casas André Luiz and Amazonas Sustentável in order to encourage social and environmental initiatives, transferring part of the cards' annuities to philanthropic entities.

R\$89.624 billion in revenue from credit cards, up 18.61% on the previous year.

155.669 million credit and debit cards in circulation (91.327 million credit cards and 64.341 million debit cards), up by 7.20%.

## **8. Products and Services**

### **8.1 Bradesco Cartões (Cards)**

Bradesco offers the most complete line of credit cards in Brazil, including Visa, American Express, Elo and MasterCard, as well as several private label cards for exclusive use in affiliated networks.

R\$32.130 billion in loans generated by the card business, comprising loans to cardholders, advances to merchants and financing for cash and installment purchases, exceeding the end-of-2010 balance by 13.73%.

R\$5.097 billion in fee and commission income, mainly commission on debit and credit card purchases and other charges.

The launch of the new Brazilian brand Elo, in April 2011, increases customers' options, strengthens the Bank's portfolio and encourages the use of cards as a means of payment, thereby playing an important role in the replacement of checks and cash in commercial transactions.

### **8.2 Cash Management Solutions**

In January 2011, Bradesco Cartões acquired Visa International's shares in Alelo, increasing its stake from 45% to 50.01% and reinforcing its interest in

A specialized team, excellent service, advanced technology and pioneering processes have enabled Bradesco to offer customized solutions to all corporate segments, as well as for government bodies and public service concessionaires, for



companies operating in the card market.

accounts receivable and payable, and tax and fee collections.

Bradesco also entered into an operating agreement with Bank of America Merrill Lynch for the issue of corporate cards in the Brazilian market, to be distributed by the American bank to its clients in Brazil, especially employees of multinationals. For companies with employees in Brazil, the card will eliminate exchange expenses and permit the management of expenditures and direct communication with their accounting departments. This partnership has expanded Bradesco's presence in the corporate credit card segment, allowing it to offer personalized products to each target group.

On the service front, it is particularly worth mentioning Cobrança Registrada Bradesco, which has a 26.56% share of the collection segment; the processes for structuring productive chains, involving companies, their customers, suppliers, distributors and employees; and the Bradesco Franquias & Negócios program, which is designed to create a competitive and sustainable position for the franchise sector.

In the Private Label segment, Bradesco issues cards through operating agreements and joint ventures with retail chains in the consumer electronics, supermarket, department store, apparel, drugstore and cosmetics segments. These alliances are an important means of acquiring and expanding the customer base and providing access to banking products and services, as well as helping to cement customer loyalty

Companies can also rely on the Global Cash Management division, which offers customized cash management products and solutions through partnerships with 27 foreign banks on the international market

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126.469 million documents received pertaining to federal, state and municipal taxes and other contributions.

301.130 million documents received pertaining to electricity, water, gas and phone bills, 61.198 million of which paid via automatic debit from checking and savings accounts, a highly convenient system for clients.

789.691 million receipts via Bradesco collection, check custody, identified deposits and OCT (credit order by teleprocessing) services.

451.176 million payment operations through Pag-For Bradesco (book payments to suppliers), Bradesco Net Empresa and electronic tax payment systems, allowing companies to manage their accounts receivable.

### **8.3 Product and Service Solutions for Government Authorities**

Through exclusive service platforms located throughout Brazil, Bradesco offers customized products, services and solutions to executive, legislative and judicial bodies at federal, state and municipal levels, autonomous public agencies, public foundations, state-owned and mixed

### **8.4 Qualified Services for the Capital Markets**

With modern infrastructure and specialized professionals, Bradesco offers a broad range of capital market solutions and services, including asset bookkeeping (shares, BDRs - Brazilian Depositary Receipts, investment fund quotas, CRIs - certificates of real estate receivables, and debentures); qualified custody of securities; custody of shares for coverage of DRs - Depositary Receipts; controllership of investment funds (CVM Rule 409 funds and structured funds) and managed portfolios; investment fund trusteeships; offshore funds; custody and representation for foreign investors; agent bank services, depository services (trustee escrow accounts) and clearing services. According to ANBIMA's asset custody rankings, Bradesco has led the domestic segment since April 2007.

### **Custody and Controllership of Investment Funds and Portfolios under Management**

R\$795.837 billion in assets under custody for clients using the Bank's services, according to ANBIMA's ranking methodology.

R\$928.950 billion in investment funds and managed portfolios using controllership services, according to ANBIMA's ranking methodology.

companies, the armed forces (Army, Navy and Air Force), auxiliary forces (Federal, Military and Civil Police), notaries and registrars.

21 registered DR programs, with a market capitalization of R\$104.680 billion.

In 2011, Bradesco conducted business involving a financing portal for the pre-salt exploration supplier chain (Portal ProgreDir), in association with Petrobras; the right to process the payroll for the Rio de Janeiro state government and appellate court employees, which added around 500,000 new account holders to the Bank's customer base; consolidation of the Pernambuco state government payroll, comprising more than 210,000 account holders, and renewal of the agreement with the Amazonas state government for the payment of around 100,000 employees; and the pioneering Biometrics – Security in the Palm of your Hand product for the personal identification of INSS (Social Security) beneficiaries, facilitating the annual registration required by the institute. On a monthly basis, Bradesco makes INSS payments to 6,858 million retirees and pensioners, making it the largest payer among private banks.

### **Asset bookkeeping**

246 companies comprising Bradesco's share bookkeeping system, totaling 4.714 million shareholders.

190 companies with 259 issues comprising Bradesco's debenture bookkeeping system, with a current value of R\$193.083 billion.

The bradescopoderpublico.com.br website presents corporate payment, collection, HR and treasury solutions, with an exclusive area for civil servants and members of the armed forces.

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232 investment funds comprising Bradesco's quota bookkeeping system, with a current value of R\$36.451 billion.

34,839 Bradesco Expresso service points;

1,477 PAEs – in-company electronic service branches; and

13 registered BDR programs, with a market capitalization of R\$96.538 million.

3,913 External Bradesco Dia & Noite (Day&Night) ATMs and 10,753 shared ATMs (Banco24Horas and those shared with Banco do Brasil and Banco Santander, totaling 2,019).

**Depository (Escrow Account – Trustee)**

5,647 contracts, with a financial volume of R\$6.964 billion.

With a diverse range of equipment and large, modern ATM rooms that operate beyond business hours, Bradesco's branches are renowned for their practicality and comfort, facilitating and streamlining operations, in addition to saving time for account holders and users, without ever losing the personal contact and warmth that characterize Bradesco's customer relations and presence.

**9. Organizational Structure – Bradesco Customer Service Network**

Combining technology, professional specialization, efficiency and security, and present in all Brazilian regions and in several locations abroad, the Organization's service network stands side by side with its customers, providing excellent services in every area of operations. In 2011, Bradesco worked for accelerated organic growth, resulting in the opening of 1,009 new branches.

Strategically located throughout the country, Bradesco's Dia & Noite (Day & Night) ATM network totaled 34,516 machines at the close of 2011, 34,021 of which operating on weekends and holidays, offering quick and practical access to a wide range of products and services. The 12,455 shared ATMs simplify cash withdrawals, the issue of statements and balance consultations, loans, payments and fund transfers between accounts.

The sharing of ATMs with Banco do Brasil and Banco Santander, initiated in 2010, allowed Bradesco to enlarge its presence and coverage. In addition to reducing costs and increasing efficiency, the system allows customers to carry out their

Bradesco pioneered the use of biometric scanning in Brazil with the "Bradesco Security in the Palm of Your Hand" system, which identifies clients by the vein patterns in the palm of their hand. The system

transactions with greater practicality and convenience.

At the close of 2011, Bradesco's network was made up of 47,827 service points, distributed as follows:

7,586 Branches (Bradesco 4,610, Banco Bradesco Financiamentos 19, Banco Bankpar 2, Banco Bradesco BBI 1, Banco Bradesco Cartões 1 and Banco Alvorada 1), 1,347 PABs (Banking Service Branches) and 1,605 PAAs (Advanced Service Branches) in Brazil;

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

9 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 Services Co. Ltd. in Tokyo; Cidade Capital Markets Ltd. in Grand Cayman; Bradesco Trade Services Limited in Hong Kong; and Ibi Services, Sociedad de Responsabilidad Limitada in Mexico);

allows customers to perform ATM transactions with greater ease and speed, using only their hand and debit card, with no need to type a password. At the end of 2011, this technology was available at 24,119 terminals and had been used 304.145 million times throughout the year.

The visually or physically-impaired can also count on self-service options that have been specially adapted to their needs. In addition to Internet Banking and Bradesco Celular, the visually-impaired have access to bank statements and checkbook templates in Braille or extra-large print. The hard of hearing can make use of Fone Fácil, a personalized digital service – written communication -, while the Open your Account option on Bradesco's website offers content in Brazilian Sign Language (Libras). The Bank also offers the Bradesco Visual Mouse, which is controlled by head movements, for motor-impaired customers who are unable to use a conventional mouse.

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With state-of-the-art technology, the Bradesco Portal maintains a number of transactional and institutional sites that provide users with rapid and secure access to several different types of operation through the pioneering Bradesco Security Key, which even works on mobile phones.

In addition to the Company's website [bradesco.com.br](http://bradesco.com.br), which contains all the Bank's products, there are specific sites for the Bradesco Prime, Private, Empresas and Corporate segments. The Bank also provides products and services for executive, legislative and judicial bodies at the federal, state and municipal level through its Bradesco Government Authority website, with payment and reception solutions. There is also the Bradesco Net Empresa site, where companies can carry out more than 400 types of banking transaction, whose total security is guaranteed by digital certification and electronic signatures. In 2011, Bradesco launched a new version of its Internet Banking system, improving user experience with items that react when the mouse passes over them and more than 50 innovations, including the A Key – Quick Access, Smart Payment, which automatically recognizes the type of payment by the bar code, and Search, which is present on all pages.

In the credit area, the Loans and Financing site provides individual and corporate clients with Bradesco's complete credit portfolio, including detailed information on the modalities offered, together with simulators for calculating operations involving personal loans, overdraft facilities, consumer financing, leasing, mortgages, rural loans, Finame financing lines, auto insurance and others. Bradesco is also the only bank which allows

The Bradesco Celular mobile phone service allows customers to rapidly and securely access a number of financial services from wherever they may be, including balance consultations, bill scheduling and payments, transfers, loans and pre-paid cell phone recharges. They can also obtain information on products and services. Bradesco's mobile technology innovations, an important market differential, include the Bar Code Reader application for iPhone, Android and Windows Phone 7.5, as well as the cell phone Token, which is integrated with Bradesco Celular transactions.

Since May 2010, Bradesco has been offering the Mobile Bonus Account, in which the entire monthly fee paid by customers is converted into bonuses for pre-paid cell phones registered with the service.

Bradesco is also present in all the major social networks, such as Facebook and Twitter, in an effort to improve relations with its customers and the public at large. These interactive channels are used to publish information, news, tips, actions, products and services, in addition to resolving doubts and receiving and handling suggestions, complaints and compliments. Bradesco is the only Brazilian bank with a Verified Account on Twitter and is recognized in the social media market as a successful case, further underlining its capacity for relationships and innovation in both the real and the virtual world.

**10. Bradesco Companies**

individual customers to contract personal loans on-line.

Clients can also conduct all their investing activities easily, rapidly and securely, and can access all investment categories to research the detailed characteristics of each product. They are also provided with essential information on the financial market to facilitate their investment decisions.

The Fone Fácil Bradesco channel provides round-the-clock, seven-days-a-week telephone access to personalized electronic services, substantially expanding the range of opportunities for conveniently and securely conducting business, receiving information and using banking products and services.

## **10.1 Insurance, Private Pension and Savings Bonds**

With a history marked by financial solidity and product innovation in insurance, private pension plans and savings bonds, Grupo Bradesco de Seguros e Previdência continues to lead this sector in Brazil.

R\$3.201 billion in Net Income from the insurance, private pension plan and savings bond segment in 2011, with a Return on Average Equity (ROAE) of 26.00%.

R\$13.728 billion in Shareholders' Equity, 15.24% higher than in 2010.

R\$123.884 billion in Total Assets.

R\$112.979 billion in free investments and technical reserve coverage.

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R\$37.636 billion in revenue from insurance premiums, private pension plan contributions and savings bonds.

R\$23.171 billion in indemnifications, draws and redemptions paid by Grupo Bradesco Seguros.

### **10.2. BEM – Distribuidora de Títulos e Valores Mobiliários Ltda.**

Highly specialized in the fiduciary management of third-party funds in the institutional segment.

R\$106.873 billion under management on December 31, distributed through 708 investment funds, 2 managed portfolios and 11,232 investors.

### **10.3 Bradesco Leasing**

Among the sector leaders, Bradesco Leasing maintains business diversification strategies in the various market segments and implements operational agreements with major manufacturers and resellers. Its operations are fully integrated with the Bank's branch network and it specializes

### **10.5 Banco Bradesco Financiamentos S.A.**

Banco Bradesco Financiamentos offers consumer credit and leasing for vehicle acquisitions, as well as payroll deductible loans, to both Bradesco account holders and the general public, using its own funds or onlending facilities.

Supported by BF Promotora de Vendas Ltda., and under the Bradesco Financiamentos brand, it offers vehicle financing and/or leasing through an extensive nationwide network of 13,300 correspondent banks, including light vehicle, heavy vehicle and motorcycle concessionaires and resellers.

With the support of BP Promotora de Venda Ltda. (Bradesco Promotora), Bradesco Financiamento offers payroll-deductible loans to retirees and pensioners of the INSS social security system, civil servants, military personnel and employees of accredited private companies, as well as related products (insurance, savings bonds, cards, purchasing consortium plans, etc.). With 1,131 correspondent banks, Bradesco Promotora also operates in partnership with 3,185 Bradesco retail branches to prospect business in this segment.

R\$2.293 billion in Net Income in 2011.

R\$67.479 billion in Consolidated Assets.



primarily in the vehicle, aircraft and machinery and equipment sectors.

R\$35.443 billion in the Loan Portfolio.

R\$11.551 billion invested on December 31, 2011, with 28,158 operations contracted in the year.

#### **10.6 Banco BERJ S.A.**

423,800 leasing agreements in force at year-end, demonstrating the fragmented nature of the business.

#### **10.4 Bradesco Administradora de Consórcios Ltda.**

With significant competitive advantages and supported by the strength of the Bradesco brand and the Bank's service network, Bradesco Consórcios is present in all Brazilian municipalities and has consolidated its leadership of the real estate, auto and truck/tractor segments.

625,763 active quotas at year-end, with 247,532 new quotas sold.

R\$26.121 billion in revenue.



Banco BERJ S.A., formerly Banco do Estado do Rio de Janeiro S.A., was acquired by Bradesco at an auction conducted by the Rio de Janeiro state government on May 20, 2011. The bank is equipped to provide payroll-deductible loans, as well as leasing and consumer credit operations, and is fully capable of developing other financial operations and services. It also has the exclusive right to handle payroll services for state employees and the right to centralize tax collection for three years, from January 2012 to December 2014.

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**10.7 Banco Bradesco BBI S.A.**

The Organization's investment bank, Bradesco BBI, is responsible for originating and execution of mergers and acquisitions, origination, structuring and distributing operations in equity and fixed income. It also controls Bradesco Corretora de Títulos e Valores Mobiliários, Ágora Corretora de Títulos e Valores Mobiliários, BRAM - Bradesco Asset Management and Bradesco Securities Inc.

Bradesco BBI advises customers in M&A, share issues, the structuring and distribution of debt instruments, including debentures, promissory notes, real estate funds, receivables funds (FIDCs), mortgage-backed securities (CRIs) and bonds, both in Brazil and abroad, as well as structured corporate financing operations and project finance.

R\$111.805 billion from 183 advised transactions, in all products, in the 2011 fiscal year.

**BRAM - Bradesco Asset Management S.A. DTVM**

BRAM retains a prominent position in the asset management industry through fixed-income and equity funds, multimarket funds, overseas funds and real estate funds, among others. With its extensive experience and specialization, it provides services to several segments, including Bradesco Prime, Bradesco Empresas, Corporate, Private, Retail and

It was the first brokerage firm to provide customers with Direct Market Access (DMA), a pioneering service for routing orders via computer, allowing investors to place, buy and sell orders directly in the BM&FBOVESPA's derivatives markets. It also provides clients with investment and economic analyses, covers a broad range of companies and sectors, represents non-resident investors in Brazil in the financial and capital markets, administers investment clubs and provides custody services for companies and individuals.

R\$65.542 billion in traded volume on the BM&FBOVESPA in 2011, corresponding to 2,479,494 stock buy and sell orders for 56,627 investors.

12.807 million contracts traded on the BM&FBOVESPA's derivative markets, with traded volume of R\$1.141 trillion.

R\$10.958 billion in traded volume via the Home Broker electronic trading system, corresponding to 1,152,363 stock buy and sell orders.

71,197 clients registered in the Fungible Custody Portfolio at year-end.

**Ágora Corretora de Títulos e Valores Mobiliários S.A.**

Institutional Investors, as well as the International area.

R\$228.497 billion in assets under management at the close of 2011, distributed through 573 investment funds, 240 managed portfolios and 3,148,958 investors.

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

With a significant share of the stock and futures markets, Bradesco Corretora is recognized as one of the most important brokers in Brazil. It provides operational support for its customers through 16 Share Rooms in several Brazilian cities, trading desks, the Home Broker electronic system and the Bradesco Trading application for iPhones and iPads.

The exclusive Automatic Stock Trading System (SANA) enables small investors to increase their participation in the stock market, facilitating the sale of small lots of shares on the stock exchange through terminals at the branches.

Ágora Corretora handles all types of operations on the BM&FBOVESPA, offering a complete range of stock market products, as well as access to investment funds, commodities and futures, direct treasury services and investment clubs, in addition to a series of trading tools developed for each investor profile: Home Broker, Home Broker 2.0, Ágora Trade Pro and Ágora Mobile.

The [agorainvest.com.br](http://agorainvest.com.br) site gives clients access to exclusive content, such as sector and company reports, recommended portfolios and Ágora TV, which provides daily analysis of the domestic and international markets by its in-house team of analysts, as well as programs on individual company analyses and interviews with representatives of major corporations. Its relationship with its clients is marked by intense interactivity, including social networks and daily forums, chats and video chats on a variety of issues involving the financial market.

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R\$38.502 billion in traded volume handled by the Home Broker system, corresponding to 883,286 stock buy and sell orders.

### **Overseas Brokerages (Bradesco Securities, Inc. and Bradesco Securities UK Limited)**

Bradesco Securities, Inc., based in New York, provides services to the U.S. market, while Bradesco Securities UK Limited, based in London, provides services to the European market, involving stock brokering for ADRs and shares listed on the local exchanges. They also operate as broker-dealers in the distribution of public and private securities to international investors.

## **11. Corporate Governance**

Bradesco's presence in the Brazilian capital market began in 1946, when the Bank's shares were listed on the stock exchange (BBDC3 – common share and BBDC4 – preferred share), just over three years after it was founded. In 2001, it began trading on the NYSE (*American Depositary Receipts* – ADRs Level II – BBD) and on the Madrid Stock Exchange (Latibex - XBBDC). In the same year, it voluntarily adhered to the requirements of the BM&FBOVESPA's Level 1 Special Corporate Governance Segment

The Related Parties Transaction Policy consolidates the Company's procedures regarding this issue, in accordance with the rules issued by the regulatory agencies, aiming to ensure the utmost transparency, while the Material Act or Fact Disclosure Policy and Securities Trading Policy establish the highest standards of conduct, mainly in regard to its controlling shareholders and administrators.

Since 2009, material regarding Shareholders' Meetings has been published on Bradesco's website and sent to the BM&FBOVESPA and the Brazilian Securities and Exchange Commission (CVM) approximately 30 days before the meetings take place, versus the 15 days required by Brazilian law.

In July 2005, Bradesco received an AA rating (Excellent Corporate Governance Practices) from Austin Rating, which was raised to AA+ in December 2011, reflecting the improvement to and maturity of several of the Bank's corporate governance practices.

In accordance with CVM Rule 381/03, in 2011 the Bradesco Organization neither contracted from nor rendered services to KPMG Auditores Independentes that were not related to the external audit in an amount exceeding 5% of the total cost of this audit. This policy is designed to preserve the auditors' independence in accordance with generally accepted international criteria.

### 11.1. Internal Controls and Compliance

Bradesco's Management comprises the Board of Directors and Board of Executive Officers. Members of the Board of Directors are elected annually by the Annual Shareholders' Meeting, and in turn elect the members of the Board of Executive Officers in internal meetings.

The Fiscal Council, a non-permanent body, has been installed on an annual basis since 2002. The Annual Shareholders' Meeting of March 10, 2011 resolved to maintain the body, which is composed of three sitting members and three alternate members, with mandates until 2012. One sitting member and one alternate member are elected by the preferred shareholders.

The Bradesco Organization is constantly seeking to improve its governance practices, under the supervision of the Board of Directors, which is responsible for defining and monitoring overall strategies and overseeing internal controls, especially concerning risk management – an issue that is widely regarded as synonymous with sustainability in any organization.

In addition to 100% tag-along rights for common shareholders and 80% rights for preferred shareholders, Bradesco maintains a differentiated Dividend Policy that guarantees shareholders mandatory minimum dividends equivalent to 30% of adjusted net income, higher than the 25% minimum established by Law 6,404/76. In addition, preferred shareholders receive dividends 10% higher than those attributed to common shareholders.

The efficiency of the Organization's internal controls is sustained by three pillars: people, processes and technology. In this context, we rely on a group of dedicated, highly-trained professionals, well-defined and established processes and technology that meets our business requirements.

The Internal Controls and Compliance Policy and the Corporate Methodology are duly formalized and fully aligned with the main control frameworks, such as COSO (the Committee of Sponsoring Organizations of the Treadway Commission and COBIT (the Control Objectives for Information and Related Technology), which deal with business and technology aspects, respectively, and also complies with the requirements of National Monetary Council Resolution 2554/98, the PCAOB (Public Company Accounting Oversight Board) and Section 404 of the U.S. Sarbanes-Oxley Act.

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In compliance with the latter, the Company's 20-F, the report that certifies the adequacy of internal controls, together with the corresponding financial statements in US GAAP for the year ended December 31, 2010, were filed with the SEC in May 2011.

The task of ensuring effective internal controls is developed in conjunction with the areas responsible for managing the Organization's products, services and processes. These areas are subject to regular adherence tests and the results are reported to the Audit and Internal Control Committees, as well as the Board of Directors. In cases of non-compliance, corrective measures are applied and duly monitored.

These initiatives heighten the quality of operating processes and help propagate the importance of a control culture, in turn leading to improved best practices.

**Prevention of Money Laundering and the Financing of Terrorism**

Bradesco maintains specific policies, processes and systems to prevent and/or detect the use of its structure, products or services for the purpose of money laundering or financing terrorism.

A specialized area, independent from those that create or use the models, is responsible for this process. It provides reports of its activities and results to managers, Internal Auditors and the Integrated Risk Management and Capital Allocation Committee, in compliance with best practices, the guidelines of the New Capital Accord – Basel II and the requirements of the Brazilian Central Bank.

**Information Security**

Comprising a set of controls, procedures, processes, organizational structures, policies and regulations, Information Security seeks to ensure the confidentiality, integrity and availability of information.

The bases for the protection of informational assets are described in Bradesco's Information Security Policy and Regulations, which are in turn grounded in best international standards and practices, and constitute a platform for the development of the awareness and training programs, focusing on the protection of customers' data and the Organization's strategic information.

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



Significant investments are made in employee training, with programs in various formats, including informative brochures, videos, e-learning courses and on-site lectures for areas requiring these activities.

Suspicious or atypical cases are assessed by a commission that includes representatives from several areas and departments to ascertain whether the proper authorities should be informed.

The program is supported by the Executive Committee to Prevent Money Laundering and Terrorism Financing, which holds quarterly meetings to evaluate the work and the need (if any) to adopt measures in order to ensure that the Bank's procedures are aligned with the rules issued by the regulatory agencies and best national and international practices.

### **Independent Authentication of Models**

Internal business support models, whether based on statistical data or specialist knowledge, facilitate the approach to critical subjects, the fine-tuning of processes, and the standardization and streamlining of decisions within their particular context. These models are subject to a continuous process of critical analysis, ensuring quality and alignment with their objectives.

### **Integrated Management System**

In an effort to improve results and expand resource management capacity, Bradesco makes use of one of the most modern concepts for integrating organizational processes, Enterprise Resource Planning (ERP).

This system covers human resources, training, the purchase of materials and services, accounts payable, physical and tax receipts, fixed assets, bank accounting, availability control, works management, maintenance, audits and real estate. System users receive continuous training through on-site and e-learning programs. The ERP allows the Organization to standardize its processes, speeds up decision making and streamlines operational security, while minimizing operating costs and increasing productivity.

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### **11.2. Internal Audit**

Reporting directly to the Board of Directors, the General Inspectorate is an independent body responsible for the Organization's internal audit. It performs corporate inspections and consulting and auditing tasks in order to mitigate business and information technology risks while ensuring compliance with the various policies, norms, standards, procedures and internal and external regulations governing the area.

### **11.3. Information Disclosure and Transparency Policies**

In line with its market transparency principle, Bradesco publishes a number of periodicals. The *Cliente Sempre em Dia* newsletter, with a print-run of 400,000 copies, and *PrimeLine*, geared towards Bradesco Prime clients with a print-run of 200,000 copies, are published every two months, while the *Acionista Sempre em Dia* newsletter, with print-run of 38,000, and the periodicals *Revista Bradesco*, with a print-run of 3,000, are distributed on a quarterly basis. The Bank's Management Report and Sustainability Report are published annually and the Economic and Financial Analysis Report, which is a detailed compilation of the data most requested by readers interested in the area, is available on its investor relations website [bradesco.com.br/ri](http://bradesco.com.br/ri).

### **11.4. Investor Relations – IR**

The Investor Relations area ensures that the Bank retains direct relations with individual and corporate investors in Brazil and abroad. Its interactivity plays a fundamental role in Bradesco and benefits the entire market, enabling investors to form an

In order to disclose its performance, in 2011 the Bank held 18 Capital Market Professionals and Investors Association (APIMEC) meetings and one National Investors Institute (INI) Meeting, with over 4,000 participants, all of which were broadcast live over the internet, with simultaneous translation into English, attracting over 13,000 viewers. In addition to transmission via iPhones, iPads and Android-equipped phones, the Sao Paulo event was also broadcast in Libras (Brazilian Sign Language), increasing the democratization of information.

Throughout the year, Bradesco held 168 internal and external meetings with analysts, 210 conference calls and 29 events abroad, as well as 165 communications with investors via the Fale com o RI (Contact the IR Department) service on the website. To disclose its annual results, it maintained the video chat model.

On November 21, the Company held a "Bradesco Day" at the New York Stock Exchange to mark the tenth anniversary of its ADR trading.

### **11.5. Bradesco Ombudsman**

Created in 1985, five years before the issue of the new Consumer Defense Code, to register and handle complaints and suggestions from the Bank's clients, *Alô Bradesco* was the financial market's first communications channel with the general public.

This has now been refined by the creation of an Ombudsman's Department, which provides an extra channel for maintaining open and direct dialogue with clients and users, underlining the Bank's commitment to ensuring customer satisfaction and recognizing client tendencies and demands.

472,745 contacts registered in 2011.

accurate assessment of the Bank, as well as giving the Institution important insights into the opinions and performance of the financial community.

The Company's IR website [bradesco.com.br/ri](http://bradesco.com.br/ri) which is available in Portuguese and English and is segmented for each investor profile, provides shareholders, investors and market analysts with clear, timely and extensive information, including corporate profile, historical data, ownership structure, management reports, financial results and APIMEC meetings, as well as other information of interest to the financial market.

## **12. Integrated Risk Management**

### **12.1 Risk Management**

Given the growing complexity of products and services and the globalization of the Organization's business, risk management has become a highly strategic activity, which must be constantly enhanced to keep pace with the dynamism of the markets.

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The Organization exercises corporate risk control in an integrated and independent manner, preserving and valuing collegiate decision-making and developing and implementing methodologies, models, measurement and control tools, supported by Statutory and Executive Committees, including the Audit Committee. It also ensures that all employees, from the business areas to the Board of Directors, are aware of these mechanisms.

The management process ensures that risks can be proactively identified, measured, mitigated, monitored and reported as required in line with the complexity of the Organization's financial products and activity profile.

**12.2 Credit Risk**

Credit risk management is a continuous and evolutionary process of mapping, developing, measuring and diagnosing through models, instruments and procedures; it requires a high degree of discipline and control when analyzing operations in order to preserve the integrity and independence of processes. Credit risk management considers all aspects related to the granting of loans, such as concentration, guarantees and terms, on which the quality of the portfolio is based.

The liquidity risk management process involves monitoring the composition of available funds on a daily basis, ensuring compliance with minimum liquidity levels and drawing up a contingency plan for stress situations. The control and monitoring of positions is conducted on a centralized basis.

**12.5 Operational Risk**

The management of operational risk is essential for the generation of added value. This risk is controlled in a centralized manner through identification, measurement, planned mitigation and follow up on a consolidated basis and in each Organization company.

One of the most important mitigation mechanisms is business continuity management, which comprises a series of structured plans to be adopted in crisis situations to ensure the recovery and continuity of business and the prevention of losses.

**12.6 Risk Factors and Critical Accounting Policies**

Bradesco discloses its risk factors and critical accounting practices, in accordance with

The Organization continuously maps all activities that could generate exposure to credit risk, measuring and classifying each in terms of probability and magnitude, identifying their managers and planning for mitigation. Control is exercised on a centralized and standardized corporate basis.

international best corporate governance practices and US GAAP in the Reports and Spreadsheets – SEC Reports section of its IR website [bradesco.com.br/ri](http://bradesco.com.br/ri). These factors include potential political and economic situations in local and international markets that could have a direct impact on the Bank's day-to-day operations and, consequently, its financial situation.

### 12.3 Market Risk

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

All the activities of all the Organization's companies exposed to market risk are controlled on a centralized, corporate basis.

### 12.4 Liquidity Risk

The Market Risk and Liquidity Management Policy, together with the resulting rules and procedures, defines minimum liquidity levels, including considerations of stress scenarios, the types of financial instrument in which funds should be applied and the operational strategy to be adopted, if needed.

### 13. Intangible Assets

*Bradesco closed 2011 with a market capitalization of R\$106.971 billion, equivalent to 1.92 times its book shareholders' equity of R\$55.582 billion. This substantial difference is due to the strength of its intangible assets, which, although not reflected in the balance sheet, are perceived and evaluated by investors.*

*Bradesco's strategic planning always seeks the best results, setting realistic and conservative goals that take into consideration: the value of the Bradesco brand; best corporate governance and culture practices; the scale of its businesses; the various relationship channels with its different target groups; an innovative information technology policy; the broad diversification of its products, services and solutions and the coverage and reach of the Customer Service Network, which is present in all of Brazil's municipalities and abroad; a dynamic and responsible social and environmental responsibility policy; a robust human resources policy that: a) ensures solid relations between all employees and consequently increases the level of mutual trust; b) indicates the opportunities for professional recognition and development; c) substantially reduces the staff turnover rate and associated costs; and d) cultivates a long-term vision at all levels of the Organization. All of these factors are inextricably linked to sustainability.*



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### **13.1. Bradesco Brand**

Bradesco is ranked sixth among the world's most valuable bank brands, according to a ranking by the consulting firm Brand Finance, a global specialist in the evaluation and management of intangible assets, published by *The Banker* magazine; is among the world's strongest brands, according to *Bloomberg News*, one of the most important international financial news agencies; is ranked first among the 10 most valuable brands in terms of social networks by Brand Finance; and was appointed the most valuable brand in Brazil for the fifth consecutive year, being valued at R\$31.2 billion, according to a traditional ranking by Superbrands, a Brand Finance subsidiary.

By taking advantage of the latest technological innovations, the increasing investments in training have allowed the Bank to expand its educational resources to include on-site or distance learning through video courses, brochures, e-learning, videoconferences, etc. One especially important initiative is TreiNet – Training by Internet/Intranet, a distance-learning tool with extensive coverage. In 2011, 1,277,513 employees took part in the program, underlining its importance and the extent of its coverage.

The assistance benefits aimed at improving the quality of life, well-being and safety of employees and their dependents benefited 202,846 individuals at year-end. These included:

- Healthcare plans;
- Dental plans;
- Private pension and retirement plans;
- Group life and personal accident insurance;
- Group auto insurance; and
- 0800 Viva Bem – a service channel providing employees and their dependents with assistance

### **13.2. Human Resources**

The Organization's Human Resource Management Policy is based on recognizing employees' performance and increasing their potential for achievement through intensive training. Bradesco has 104,684 employees in all, 86,263 of which work for the Bank and 18,421 work for affiliated companies.

The aim is to ensure the professional growth of its employees through respect, transparency and an emphasis on personal development through investments in training programs, especially courses on operational, technical and behavioral issues, thereby improving service quality and excellence.

Teams of specialized instructors supported by robust infrastructure further the pursuit of knowledge in issues related to the market needs, economic scenarios and the demands posed by technological advances.

In order to ensure that its employees keep abreast of the latest advances, the Organization promotes managerial development programs through specialization courses, as well as graduate courses and MBAs in economics, business administration and law, in partnership with consulting firms, universities and business schools.

In 2011, Bradesco continued with its Advanced Development Program through which executives are given leave to study at top universities abroad in order to develop their technical and personal potential, thereby guaranteeing the continuous improvement of management processes by adding the latest global knowledge and spreading it among the other employees.

with private, professional, family or emotional issues, 24 hours a day, 7 days a week. Calls are free and 100% confidential.

For the twelfth consecutive year, Bradesco figured among the 100 Best Companies to Work For in Brazil, according to an *Época* magazine survey compiled by Great Place to Work, one of the world's most important working environment consulting firms. Bradesco was also considered the best financial institution to work for in the country for the thirteenth time by the 2011 edition of the *Guia Você S/A Exame Best Companies to Work For* yearbook, based on a study by the Fundação Instituto de Administração (FIA), which selects the companies based on a survey of their employees. The Bank was also included in the *Guia Você S/A* list of Best Companies to Begin a Career.

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It was also considered one of the 150 Best Companies in Personnel Management Practices for the second consecutive year, and was ranked among the 50 Most Psychologically Healthy Companies, doing especially well in the Employee Growth category, by *Gestão & RH* magazine. For the fifth consecutive year, Bradesco was ranked among the 100 Companies with the Best Organizational Human Development Index (IDHO) in 2011, with an excellent Sustainability rating. For the eighth consecutive year, it was listed among the Best in People Management by *Valor Carreira* magazine, a *Valor Econômico* publication, being ranked in first place for companies with over 10 thousand employees. Once again, it was awarded the São Paulo Diversity Seal, in the *Pleno 2011* category, by the São Paulo state government, which recognizes organizations whose human resources policies consider race, ethnicity, age and deficiency issues, among others.

R\$161.495 million invested in training programs, with 2,040,892 participations.

R\$941.999 million invested in the Food Program, with the daily supply of 123,372 meals and 140,042 meal vouchers.

4.676 million medical and hospital consultations.

563,769 dental service consultations.

The CEO's Blog was created in 2009 as an internal and interactive channel to promote the exchange of information and opinions between employees and the CEO's office. The blog discusses issues of particular importance to the Organization and the country and is available through the Intranet.

**13.3 Information Technology**

Information technology is one of the central pillars of the Organization's strategy. Decisions on technological evolution are based on factors that seek to provide high-quality services, ensuring security, speed and convenience at all service points and electronic channels.

Bradesco's technological environment is up to date and fully equipped to meet the growth in business volume and customer transactions. In 2011, the processing capacity of the Bank's computers increased by 33%, given a daily volume of 229 million transactions. Data storage increased by 38%, allowing for even greater availability of service and business information.

In accordance with best global practices, the Bradesco service network, which grew by more than 1,000 branches in 2011, is equipped with complete IT and communications infrastructure in an environment that is designed to transform the complex into the simple and manageable, while maintaining the low operating risk and scalability needed to support the Bank's growth.

## Internal Communications

Through a series of notices, the Organization's employees receive information on the policies, guidelines and operational procedures to be adopted. The Bradesco Intranet is another important instrument that should only be used to perform work-related activities, always observing the security criteria, which are set forth in the Corporate Information Security Policies and Regulations, as well as the Rules and Procedures for Using and Accessing the Intranet.

TV Bradesco is an outstanding internal communications channel at every level, informing, integrating and motivating the Bank's employees. *Revista Interação* (Interaction Magazine), which is delivered to each employee, and the daily newsletter *Sempre em Dia* (Always Up-to-Date), both of which are also available on the Intranet, help with this task.

The *TI Melhorias* (IT Enhancement) project, whose main front is the construction of a new service-oriented systems architecture, will result in a series of benefits as of 2012, including faster service in the business units, as well as higher quality products and services.

The corporate management of unstructured information, which began in 2011, seeks to reduce the use of paper in a number of processes.

Also in 2011, the Bank began to clear checks by image, which greatly improved customer service. On the international market, the Bank implemented a new technological platform to support the business of its overseas units.

R\$4.328 billion invested in IT maintenance, expansion and innovation.

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### **14. Marketing**

Bradesco's communications initiatives *Presença* (Presence), adopted in 2009, and *Lado a Lado* (Side by Side), introduced in 2010, remained active throughout 2011. The idea is to explore the delivery of a number of products and services to demonstrate how Bradesco is always present and working side-by-side with its customers.

In the media, the brand continued to mark its presence in the daily lives of millions of Brazilians. It began the year with a campaign to publicize its various service channels and show that it will be working side-by-side with people during the summer. Throughout the year, its *Perguntas* (Questions) campaign showed that it had the solutions to meet the needs and resolve the doubts of its individual and corporate customers, while its campaign to open more than a thousand branches in Brazil during the year demonstrated its presence in the remotest municipalities and underlined its commitment to the country's future.

Bradesco supported and sponsored a series of social and cultural events throughout 2011 which helped enrich Brazilian culture, including traditional festivals, carnivals, regional festivals, concerts and plays. On the social and environmental responsibility front, it sponsored forums, fairs and conferences and promoted community financial education meetings.

It also launched a campaign to reinforce its position as a sponsor of Brazilian sporting activities which included a film and advertisements, in addition to demonstrating its support for six sports federations. Launched during transmission of the Panamerican games, the campaign marked the beginning of an initiative that will last until 2016, when the Olympic Games, which Bradesco sponsors as a bank and insurer, come to Rio de Janeiro.

For the 16<sup>th</sup> consecutive year, Grupo Bradesco Seguros presented the city of Rio de Janeiro with its traditional "Christmas Tree" on Rodrigo de Freitas lake. With the theme *Um presente para a família brasileira* (A present for the Brazilian family), the "tree," which is already part of the city's calendar of tourist attractions, embodied the principles of social and environmental responsibility, being powered by a biodiesel generator.

288 regional, industry and/or professional events held nationwide, including trade fairs, seminars, congresses and cultural/community events, received Bradesco's support in 2011.

### **15. Sustainability at Bradesco Organization**

Ever since it was founded, the Bradesco Organization has been committed to the social and economic development of Brazil. Issues such as education, banking inclusion and best practices in regard to sustainable business development have always been part of its day-to-day activities.

The Organization has been investing in the education of children and teenagers since 1956, when Fundação Bradesco was founded. In 2011, as part of its sustainability strategy, it began holding financial education lectures in the communities where it operates, in Rio de Janeiro and São Paulo, covering such topics as household budgets, spending controls, the correct use of credit cards and debt negotiations. Offering access to banking services, insurance, pension plans and education for underprivileged populations is parts of the Bank's business strategy, which is based on the concept of growth with sustainable development and respect for stakeholders. All of our actions in this area are focused on three pillars: sustainable finances, responsible management and social and environmental investments. Sustainability initiatives

Bradesco's end-of-year film, entitled *Acreditar* (Believe), adopted an emotional and inspirational tone to put across the message that "Living is the best sport." With images of children involved in sports such as basketball, judo, swimming, running and soccer, the film shows that they have to believe in themselves and those around them in order to overcome life's challenges. The Bank emphasized the importance of believing in people, friends, family and the country and reaffirmed its presence side-by-side with the Brazilian people, no matter what the situation.

are evaluated by the Executive Sustainability Committee, comprising a member of the Board of Directors, executives and departmental heads.

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As a result of its commitment to sustainable development, Bradesco has been included in a number of indicators with high market credibility. For the sixth consecutive year, it was included in the NYSE's Dow Jones Sustainability Index, which is made up of companies with the best sustainable development performance. Since 2010, it has been part of the BM&FBOVESPA's Carbon Efficient Index (ICO2), comprising companies that monitor their greenhouse gas emissions as part of their concern for global warming, and for the seventh consecutive year it was included in the BM&FBOVESPA's Corporate Sustainability Index (ISE), which consists of those companies with the best corporate sustainability indicators.

Having adhered to the Equator Principles since 2004, in 2011 the Organization took part in discussions in London and Washington to revise the commitment, as a result of which the signatory financial institutions undertook to adopt criteria for evaluating the risk and social and environmental impact of the projects they finance. To do so, Bradesco was aided by the Loan and Market Relations Departments.

BRAM - Bradesco Asset Management evaluates social, environmental and corporate governance questions in its investment analysis, adhering the UN's Principles for Responsible Investment (PRI), when making investment decisions.

As part of its sustainability strategy, Bradesco joined the United Nations Environment Programme – Finance Initiative (UNEP-FI). The initiative establishes a commitment to adopt best practices in order to integrate social and environmental issues into business decisions and operations in all markets.

Bradesco has been publishing its Sustainability Report on an annual basis since 2006, based on the GRI – Global Reporting Initiative guidelines. This report is a valuable instrument for disclosing the Organization's main sustainable development initiatives. For further information, go to [bancodoplaneta.com.br](http://bancodoplaneta.com.br).

**Fundação Bradesco**

Fundação Bradesco, the Organization's pioneering social investment vehicle which runs one of the largest private social and educational programs in Brazil and the world, has 40 schools which are located in all Brazilian states, including the Federal District, mostly in socially and economically underprivileged regions.

In 2011, the Foundation had 112,081 students enrolled in its schools in the following areas: 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. In addition to a formal education, the more than 50,000 students enrolled in the Foundation's basic education system also receive uniforms, school supplies, meals, and medical and dental assistance free of charge.

A total of 382,329 students also completed at least one of the distance learning courses available on the Virtual School e-learning portal, while a further 134,764 benefited from partnership projects and initiatives, including the Digital Inclusion Centers

(CIDs), the Educa+Ação program and technology courses (*Educar* and *Aprender*).

The quality of Bradesco's personnel management was recognized by a number of publications, including Guia Você S/A Exame Best Companies to Work For yearbook and the 100 Best Companies to Work for in Brazil guide, published by *Época* magazine in partnership with the Great Place to Work institute. It was also included in the list of the 100 Companies with the Best Organizational Human Development Index (IDHO) and the Best Companies in People Management by *Valor Carreira* magazine, a *Valor Econômico* publication.

The pass rate at the Fundação Bradesco schools averaged 95.15% in 2011.

The Foundation's high-school level vocational training courses are in line with the prevailing technical education model in Brazil and are divided among the following subjects: natural resources (agriculture and cattle raising); industrial control and processes (electronics); information and communications (IT), and management and business (administration). In addition to technical information, the courses provide an education focused on constant learning and updating.

Concerned with the rational use of natural resources and in line with the Guidelines of the Eco-efficient Management Program, the Organization has an entire area dedicated to managing electricity and water consumption. The Program also covers other initiatives, including recycling, the appropriate disposal of technological waste and the use of certified paper, refilled ink cartridges and furniture made of certified wood.

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One of Fundação Bradesco's main concerns is to produce creative, productive and entrepreneurial citizens and it therefore offers training and vocational courses for workers at a variety of levels. There are a wide range of courses with flexible and customized curriculums that aim to provide the students with a foundation for starting up their own businesses or taking advantage of better jobs and opportunities in the market. These include printing technology, agriculture and cattle raising, business administration, information technology, fashion, leisure and development, all of which are designed to increase ties with regional markets and the specific interests of the communities in question.

In order to facilitate the insertion of high school students into the labor market, Fundação Bradesco participates in the National Young Apprentice Program, which is also supported by the Bradesco Organization, during which employees become educators and tutors in the youths' development process.

Created in partnership with Banco Bradesco, the Educa+Ação Program enables Fundação Bradesco to share the positive results of its literacy courses with public schools, using the same experience, teaching methods and learning materials. In 2011, the program included 127 schools in 14 cities in the states of São Paulo and Mato Grosso do Sul, benefiting nearly 24 thousand students and 956 teachers.

For the ninth consecutive year, National Volunteer Action Day, held on March 20, mobilized more than 35 thousand volunteers from all the Foundation's units, who performed over 830 thousand services in the areas of citizenship, education, leisure, sports and the environment at more than 160 sites, including the Digital Inclusion Centers (CIDs).

Fundação Bradesco helps improve the quality of life of the communities where it operates, making it a socially responsible investment in the best sense of the term. It also represents a unique means of distributing the wealth generated by the Bradesco Organization, given that most of its resources derive from its status as a Bradesco shareholder.

R\$291.892 million in investments by Fundação Bradesco in 2011, with R\$385.473 million programmed for 2012 to finance educational benefits for: a) 111,170 students enrolled in the Foundation's schools, in basic education, youth and adult education, and preliminary and continuing vocational training; b) around 300 thousand students who will complete at least one of the distance-learning courses on offer (EaD); and c) 83 thousand people through partnership projects and initiatives, including the Digital Inclusion Centers (CIDs), the Educa+Ação program and technology courses (*Educar* and *Aprender*).

R\$3.534 billion, in present value, invested by Fundação Bradesco to finance its activities in the last ten years.

R\$241.001 million in other investments by the Bradesco Organization in 2011, in social projects focusing on education, the arts, culture, sports, health, sanitation, combating hunger and food safety.

**Bradesco Sports and Education Program**

Fundação Bradesco uses the CIDs to promote digital inclusion in the needy communities surrounding its schools, some of which are indigenous communities. They also function as learning and professional training centers and are engaged in promoting social responsibility and entrepreneurship, in addition to strengthening engagement and instilling a sense of civic duty.

The Program to Promote Computer Use by the Visually Impaired, created in 1998, has already trained 11,549 individuals, ensuring the social inclusion of thousands of people. Fundação Bradesco also develops initiatives in several other areas, including environmental education, finance and taxes, work and consumption, sexuality and personal care, prevention of drug abuse and the responsible use of the internet. These programs draw on the support of various partners specializing in preparing educators and educational materials, including Canal Futura, SOS Mata Atlântica, the Military Police, BM&FBOVESPA S.A. – Securities, Commodities and Futures Exchange, and the Federal Revenue Service.

Aiming to encourage citizenship and social inclusion among children and teenagers, the Bradesco Sports and Education Program has been promoting the practice of sporting activities for more than 24 years, together with initiatives related to education, health, and well-being.

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The Program maintains 21 Training and Specialist Centers in Osasco (SP) to teach women's basketball and volleyball in the Sports Development Center, Fundação Bradesco schools, Sports Centers and private and public schools. Every year, more than 2 thousand girls aged between from 8 and 18 take part in the program, reinforcing the Organization's commitment to a country that is ever more accepting of valuing talent, effort and the full exercise of citizenship.

- The most valuable brand in Brazil for the fifth consecutive year, according to the traditional ranking by Superbrands, a Brand Finance subsidiary. In the global ranking of 500 companies, Bradesco was placed 28<sup>th</sup>;

- The largest private-capital corporate group in Brazil, according to the annual publication *Grandes Grupos*, published by *Valor Econômico* newspaper;

**16. Recognition**

**Ratings** – In 2011, Bradesco received the highest ratings attributed to Brazilian banks from domestic and international ratings agencies:

- Management & Excellence – M&E maintained Bradesco's AAA+ Sustainability Rating, the highest score possible. Bradesco has received an AAA+ rating since 2006, when it became the first Brazilian bank to be evaluated in all areas of sustainability. The survey covers 592 points in strategic areas;

- Fitch Ratings raised Bradesco's long-term foreign currency rating from BBB to BBB+, its long-term domestic currency rating from BBB+ to A- and its short-term domestic currency rating from F2 to F1. Bradesco Seguros' Insurer Financial Strength Rating was raised from BBB+ to A-;

- Moody's Investors Service raised Bradesco's long-term foreign currency deposit rating from Baa3 to **Baa2**, with a positive outlook, its short-term foreign currency deposit rating from Prime-3 to

- Elected by *Consumidor Moderno* magazine as the company that best relates to its customers in the Banking, Credit Card and Insurance categories;

- Elected the company with the 4<sup>th</sup> Best Social and Environmental Responsibility Practices in the world and the only Brazilian company among the top 15, according to *Newsweek* magazine's World's Greenest Companies ranking;

- Considered one of the 100 most sustainable companies in the world, according to the 7<sup>th</sup> edition of the Global 100 ranking, prepared by *Corporate Knights* magazine;

- One of the strongest banks in the world, according to a study by Bloomberg News, the leading global financial news agency;

- Sixth place in a ranking of the ten largest banks in the United States and Latin America in terms of market capitalization, according to *Economática*;

**Prime-2**, and its long-term foreign currency senior debt rating from Baa2 to **Baa1**, with a positive outlook; and

- The Japanese credit risk classification agency R&I – Rating and Investment Information, Inc., raised Bradesco's issuer rating from **BBB-** to **BBB**.

**Rankings** – In 2011 Bradesco was honored by several important domestic and international publications:

- The 6<sup>th</sup> most valuable brand in the global banking sector, according to a survey by the consulting firm Brand Finance, known as the Brand Finance Global Banking 500 - 2011, published in *The Banker* magazine. This is the first time that a bank from a developing economy has reached this position;

- Elected Publicly-Held Company of 2010 by the Association of Capital Market and Investment Professionals – APIMEC, which unites analysts of publicly held companies in Brazil

- Elected among best the financial institutions for employees to begin their career with, according to a survey by *Você S/A* magazine, of the Exame Group, conducted in association with Fundação Instituto de Administração – FIA and Cia. de Talentos. This survey, the only one of its kind in the world, evaluates the working environment and personnel management policies for employees at the beginning of their career;

- Elected Best Company in Customer Service in 2010 by a survey conducted by *Exame* magazine in association with the Ibero-Brazilian Relationship Institute (IBRC), which lists the best companies in customer service in the country. This is the second consecutive year that the Bradesco Organization has won this title. Bradesco is also the Bank with the best internet services;

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- Outstanding performance in a survey by the Brazilian Consumer Rights Institute (IDEC), which evaluates financial institutions' customer relations practices and policies. The Bank did exceptionally well in the Customer Relations, Advertising and Collection categories, underlining its commitment to excellent customer service and ethical behavior in regard to the sale of products and services;
- Recognized, for the 12<sup>th</sup> consecutive year, by the Association of Capital Market Analysts and Investment Professionals (APIMEC), for its commitment to transparency and excellent relations with market analysts and investors, as well as its highly organized approach to its APIMEC - SP meetings;
- BRAM – Bradesco Asset Management won the Top Management Award from *ValorInveste* magazine, a *Valor Econômico* publication, in recognition of the best fund managers in the country, according to a survey by Standard & Poor's, the largest risk classification agency in the world. Bradesco also did exceptionally well in the Star Ranking published in the same edition, which listed the best investment funds in the fixed income, equities and mixed allocation categories; and
- Grupo Bradesco Seguros, the largest insurance group in Brazil, was recognized by the 2011 edition of *Exame* magazine's *Melhores e Maiores* yearbook and by *IstoÉ Dinheiro* magazine's *As Melhores da Dinheiro* yearbook in the Insurance, Pension Plan and Health categories. It was also elected the top insurance company in Brazil for the
- IT Executive of the Year Award, in the IT Governance and Adoption of Emerging Technologies categories, promoted by *Information Week* magazine;
- E-Learning Brasil award, in the National Reference category, by MicroPower;
- Best Internet Banking for Individuals in Brazil Award, from the American magazine *Global Finance*;
- Top of Mind Internet 2011 Award, in the Teens and Lan House categories, by Uol and DataFolha;
- Top of Mind award, as the most remembered bank in the Bank and Savings categories, in a survey conducted by DataFolha among thousands of people throughout Brazil. Bradesco Seguros won the award in the Insurance category, while Bradesco Saúde was one of the most remembered in the Health Plan category;
- Professionals of the Year award, granted to Grupo Bradesco de Seguros for the *Vai Que* advertising campaign, in the National Campaign category, awarded by Rede Globo.

5<sup>th</sup> consecutive year by the 2011 edition of the *Valor 1000* yearbook, led by Bradesco Saúde, considered the largest company in the health segment, Bradesco Vida e Previdência, ranked number one in the life and pension plan segment, and Bradesco Capitalização, considered the largest private company in the savings bond segment.

**Awards** – The Organization won 73 awards from independent sources in 2011 in recognition of the quality of its products and services:

- Elected Best in Personnel Management among companies with more than 10 thousand employees by *Valor Carreira* magazine, based on a survey by Aon Hewitt;

**Certifications** – A Management System is an interconnection of parts, elements or units that ensures the functioning and management of an organized structure, thereby contributing to operational excellence and results. The Bradesco Organization has received the following certifications for its Management System:

- **SA8000 – Social Responsibility**

This certificate recognizes respect for employees and working relations, children's rights, the fight against child labor, and the maintenance of a safe and healthy workplace. In 2011, the certification was expanded to cover more than 19 thousand employees and approximately 5.5 thousand third-party service providers.

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- **ISO 14001 – Environmental Management and OHSAS 18001 – Occupational Health and Safety**
- **ISO 20.000 – Management of IT Service Delivery**

ISO 14001 recognizes management systems that help achieve environmental goals, especially initiatives for reducing the generation of solid waste from construction work and input consumption and for controlling the risk of occupational incidents and illnesses. Bradesco was the first financial institution in Brazil to receive this certification, for the Avenida Paulista building, in Sao Paulo, and the Information Technology Center, in Cidade de Deus, in Osasco.

- **ISO 14064 –Measurement and Reporting of Greenhouse Gas Emissions**

This certification covers the entire Bradesco Organization and includes direct and indirect emissions from the importing of electricity and other indirect emissions from companies whose operations Banco Bradesco S.A. controls.

- **GoodPriv@cy – Data Protection and Privacy**

Fifteen of Bradesco's products and services have received this certificate, which guarantees the adoption of internationally established data protection and privacy standards.

- **ISO 9001 – Quality Management**

Bradesco holds a certification for the "Processing of Transaction Routines and Services, File Transfers, Printing of Customer Documents and Reports, Data Communication, Software Installation and Support in User Equipment.

Our achievements in 2011 have strengthened our work over the last 68 years, in an economic environment that has not always been favorable, and consolidated the Organization's positioning in the various segments of the domestic financial market. Above all, these results reflect the success of our efforts to promote the development of Brazil, in which banking inclusion plays an essential role in reducing inequality and improving the living standards of the population. We would like to thank our shareholders and customers for their support and trust and our employees and other collaborators for their dedicated and efficient work.

Cidade de Deus, January 30, 2012

## **The Board of Directors and the Board of Executive Officers**

At the end of 2011, 208 of the Organization's products and services had been granted this quality certificate. This management system seeks to continuously improve processes and business performance in order to increase customer satisfaction while considering the needs of all stakeholders.

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

- **ISO 27001 – Information Security Management**

Bradesco holds two certifications for logic security processes, seeking to guarantee access codes for applications on the Bank's internal network in the Security and Contingency Management area, in addition to certifications of infrastructure, storage and operations in the Information Technology Building – CTI.

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Report on Economic and Financial  
Analysis - December 2011

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

<b>Assets</b>	<b>2011</b>		<b>2010</b>
	<b>December</b>	<b>September</b>	<b>December</b>
<b>Current assets</b>	<b>562,506,507</b>	<b>523,934,140</b>	<b>448,412,103</b>
<b>Cash and cash equivalents (Note 6)</b>	<b>22,573,846</b>	<b>10,018,083</b>	<b>15,737,880</b>
<b>Interbank investments (Notes 3d and 7)</b>	<b>80,409,064</b>	<b>84,183,100</b>	<b>71,941,920</b>
Investments in federal funds purchased and securities sold under agreements to repurchase	71,526,347	76,028,087	66,178,702
Interbank deposits	8,883,970	8,156,717	5,764,604
Allowance for loan losses	(1,253)	(1,704)	(1,386)
<b>Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)</b>	<b>224,554,220</b>	<b>194,946,379</b>	<b>152,314,736</b>
Own portfolio	131,896,960	125,507,723	108,767,706
Subject to repurchase agreements	73,902,952	64,860,406	39,687,170
Derivative financial instruments (Notes 3f, 8e II and 32b)	755,178	2,630,271	1,543,924
Subject to the Brazilian Central Bank	8,500,046	1,901	-
Underlying guarantee provided	2,101,308	1,887,281	2,259,646
Securities subject to unrestricted repurchase agreements	7,397,776	58,797	56,290
<b>Interbank accounts</b>	<b>71,300,080</b>	<b>70,741,214</b>	<b>65,260,837</b>
Unsettled payments and receipts	33,170	976,599	52,653
Restricted credits (Note 9):			
- Compulsory deposits - Brazilian Central Bank	71,210,757	69,707,946	65,197,019
- National treasury - rural loans	578	578	578
- National Housing System (SFH)	3,238	1,763	6,094
Correspondent banks	52,337	54,328	4,493
<b>Interdepartmental accounts</b>	<b>1,076,713</b>	<b>688,693</b>	<b>563,840</b>
Internal transfer of funds	1,076,713	688,693	563,840
<b>Loan operations (Notes 3g, 10 and 32b)</b>	<b>112,208,345</b>	<b>109,423,126</b>	<b>97,358,996</b>
Loan operations:			
- Public sector	642,055	959,838	640,088
- Private sector	123,256,396	119,643,000	105,968,093
Allowance for loan losses (Notes 3g, 10f, 10g and 10h)	(11,690,106)	(11,179,712)	(9,249,185)
<b>Leasing operations (Notes 2, 3g, 10 and 32b)</b>	<b>5,470,640</b>	<b>5,840,364</b>	<b>7,049,715</b>
Leasing receivables:			
- Public sector	4,571	6,810	9,553
- Private sector	10,582,854	11,146,582	13,274,780
Unearned income from leasing	(4,463,540)	(4,675,714)	(5,516,071)
Allowance for leasing losses (Notes 3g, 10f, 10g and 10h)	(653,245)	(637,314)	(718,547)
<b>Other receivables</b>	<b>42,876,830</b>	<b>46,523,599</b>	<b>36,799,702</b>
Receivables on sureties and guarantees honored (Note 10a-3)	10,241	8,944	5,759
Foreign exchange portfolio (Note 11a)	9,893,051	13,999,732	9,445,491
Receivables	671,821	608,478	480,980
Securities trading	2,213,190	1,861,361	540,998
Specific loans	2,193	2,226	1,747

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Insurance premiums receivable	2,322,922	2,347,850	1,917,062
Sundry (Note 11b)	28,471,268	28,321,699	25,052,823
Allowance for other loan losses (Notes 3g, 10f, 10g and 10h)	(707,856)	(626,691)	(645,158)
<b>Other assets (Note 12)</b>	<b>2,036,769</b>	<b>1,569,582</b>	<b>1,384,477</b>
Other assets	1,044,399	676,040	681,242
Provision for losses	(522,405)	(221,693)	(247,053)
Prepaid expenses (Notes 3i and 12b)	1,514,775	1,115,235	950,288
<b>Long-term receivables</b>	<b>183,583,922</b>	<b>186,303,873</b>	<b>177,370,555</b>
<b>Interbank investments (Notes 3d and 7)</b>	<b>1,894,062</b>	<b>1,779,775</b>	<b>1,290,114</b>
Interbank investments	1,894,062	1,779,775	1,290,114

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

**Consolidated Balance Sheet – R\$ thousand**

Assets	2011		2010
	December	September	December
<b>Securities and derivative financial instruments (Notes 3e, 3f, 8 and 32b)</b>	<b>41,169,373</b>	<b>49,675,235</b>	<b>61,203,254</b>
Own portfolio	34,406,424	28,992,647	26,423,150
Subject to repurchase agreements	6,053,058	19,836,301	34,332,159
Derivative financial instruments (Notes 3f, 8e II and 32b)	163,659	173,735	66,461
Privatization currencies	81,328	82,397	87,658
Underlying guarantees provided	464,904	590,155	293,826
<b>Interbank accounts</b>	<b>528,685</b>	<b>521,249</b>	<b>501,610</b>
Restricted credits (Note 9):			
- SFH	528,685	521,249	501,610
<b>Loan operations (Notes 3g, 10 and 32b)</b>	<b>107,156,705</b>	<b>102,441,369</b>	<b>85,604,960</b>
Loan operations:			
- Public sector	399,481	440,743	319,862
- Private sector	112,869,947	108,226,547	90,237,928
Allowance for loan losses (Notes 3g, 10f, 10g and 10h)	(6,112,723)	(6,225,921)	(4,952,830)
<b>Leasing operations (Notes 2, 3g, 10 and 32b)</b>	<b>5,053,182</b>	<b>5,645,598</b>	<b>7,876,326</b>
Leasing receivables:			
- Public sector	-	-	3,991
- Private sector	10,584,266	11,625,666	15,669,034
Unearned income from leasing	(5,157,314)	(5,561,638)	(7,075,344)
Allowance for leasing losses (Notes 3g, 10f, 10g and 10h)	(373,770)	(418,430)	(721,355)
<b>Other receivables</b>	<b>26,923,447</b>	<b>25,470,895</b>	<b>20,570,618</b>
Receivables	36,476	27,085	14,006
Securities trading	218,459	333,316	324,547
Sundry (Note 11b)	26,671,260	25,113,336	20,234,661
Allowance for loan losses (Notes 3g, 10f, 10g and 10h)	(2,748)	(2,842)	(2,596)
<b>Other assets (Note 12)</b>	<b>858,468</b>	<b>769,752</b>	<b>323,673</b>
Other assets	565	565	565
Prepaid expenses (Notes 3i and 12b)	857,903	769,187	323,108
<b>Permanent assets</b>	<b>15,442,123</b>	<b>12,051,355</b>	<b>11,702,072</b>
<b>Investments (Notes 3j, 13 and 32b)</b>	<b>2,051,717</b>	<b>1,721,028</b>	<b>1,576,790</b>
Interest in unconsolidated companies:			
- In Brazil	1,377,255	1,192,374	1,153,337
Other investments	937,472	791,664	686,579
Allowance for losses	(263,010)	(263,010)	(263,126)
<b>Premises and equipment (Notes 3k and 14)</b>	<b>4,412,633</b>	<b>3,811,582</b>	<b>3,762,070</b>
Premises	1,204,813	1,179,256	1,111,812
Other assets	8,721,606	7,927,748	7,744,067
Accumulated depreciation	(5,513,786)	(5,295,422)	(5,093,809)
<b>Leased assets (Note 14)</b>	<b>210</b>	<b>1,058</b>	<b>4,061</b>
Leased assets	8,578	8,946	13,944

Accumulated depreciation	(8,368)	(7,888)	(9,883)
<b>Intangible assets (Notes 3I and 15)</b>	<b>8,977,563</b>	<b>6,517,687</b>	<b>6,359,151</b>
Intangible assets	14,656,406	11,932,227	10,771,479
Accumulated amortization	(5,678,843)	(5,414,540)	(4,412,328)
<b>Total</b>	<b>761,532,552</b>	<b>722,289,368</b>	<b>637,484,730</b>

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

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

<b>Liabilities</b>	<b>2011</b>		<b>2010</b>
	<b>December</b>	<b>September</b>	<b>December</b>
<b>Current liabilities</b>	<b>467,011,126</b>	<b>433,890,594</b>	<b>397,234,106</b>
<b>Deposits (Notes 3n and 16a)</b>	<b>132,108,336</b>	<b>139,898,063</b>	<b>125,595,059</b>
Demand deposits	33,120,757	31,861,863	36,224,557
Savings deposits	59,656,319	56,583,682	53,435,652
Interbank deposits	506,045	367,653	256,284
Time deposits (Notes 16a and 32b)	38,825,215	51,084,865	34,571,351
Other deposits	-	-	1,107,215
<b>Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)</b>	<b>160,814,898</b>	<b>135,493,085</b>	<b>136,886,423</b>
Own portfolio	92,262,194	95,349,584	84,891,447
Third-party portfolio	57,751,033	36,250,448	44,084,563
Unrestricted portfolio	10,801,671	3,893,053	7,910,413
<b>Funds from issuance of securities (Notes 16c and 32b)</b>	<b>14,508,443</b>	<b>9,942,359</b>	<b>4,930,632</b>
Mortgage and real estate notes, letters of credit and others	13,877,269	9,403,322	3,646,915
Debentures (Note 16c-1)	-	-	742,906
Securities issued abroad	631,174	539,037	540,811
<b>Interbank accounts</b>	<b>681,787</b>	<b>479,448</b>	<b>40,069</b>
Correspondent banks	681,787	479,448	40,069
<b>Interdepartmental accounts</b>	<b>3,932,282</b>	<b>2,494,774</b>	<b>3,749,535</b>
Third-party funds in transit	3,932,282	2,494,774	3,749,535
<b>Borrowing (Notes 17a and 32b)</b>	<b>15,760,057</b>	<b>11,724,375</b>	<b>7,229,447</b>
Borrowing abroad	15,760,057	11,724,375	7,229,447
<b>Onlending in Brazil - official institutions (Notes 17b and 32b)</b>	<b>11,218,989</b>	<b>11,709,671</b>	<b>9,328,600</b>
National treasury	56,455	67,642	36,660
Brazilian Development Bank (BNDES)	4,430,487	5,011,301	3,642,975
Caixa Econômica Federal – Federal savings bank (CEF)	18,079	17,529	46,248
Fund for financing the acquisition of industrial machinery and equipment (Finame)	6,712,720	6,613,199	5,602,717
Other institutions	1,248	-	-
<b>Onlending abroad (Notes 17b and 32b)</b>	<b>83,998</b>	<b>64,292</b>	<b>5,663</b>
Onlending abroad	83,998	64,292	5,663
<b>Derivative financial instruments (Notes 3f, 8e II and 32b)</b>	<b>451,433</b>	<b>1,581,784</b>	<b>596,106</b>
Derivative financial instruments	451,433	1,581,784	596,106
<b>Technical reserves for insurance, pension plans and savings bonds (Notes 3o and 21)</b>	<b>82,059,465</b>	<b>75,871,532</b>	<b>67,102,574</b>
<b>Other liabilities</b>	<b>45,391,438</b>	<b>44,631,211</b>	<b>41,769,998</b>
Collection of taxes and other contributions	337,691	3,021,262	300,296
Foreign exchange portfolio (Note 11a)	3,123,287	7,091,181	5,632,311
Social and statutory	2,352,511	1,920,747	2,158,225
Tax and social security (Note 20a)	4,775,106	5,193,410	4,607,222
Securities trading	2,551,279	2,532,060	1,033,920

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Financial and development funds	1,521	323	270
Subordinated debts (Notes 19 and 32b)	7,509,427	3,081,126	8,000,110
Sundry (Note 20b)	24,740,616	21,791,102	20,037,644
<b>Long-term liabilities</b>	<b>237,653,174</b>	<b>233,420,961</b>	<b>191,375,883</b>
<b>Deposits (Notes 3n and 16a)</b>	<b>85,315,891</b>	<b>84,765,897</b>	<b>67,605,540</b>
Interbank deposits	13,742	2,269	19,160
Time deposits (Notes 16a and 32b)	85,302,149	84,763,628	67,586,380
<b>Federal funds purchased and securities sold under agreements to repurchase (Notes 3n and 16b)</b>	<b>36,633,328</b>	<b>35,964,490</b>	<b>34,610,737</b>
Own portfolio	36,633,328	35,948,008	34,595,548
Unrestricted portfolio	-	16,482	15,189

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Financial Statements, Independent Auditors' Report, Summary  
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**Consolidated Balance Sheet – R\$ thousand**

<b>Liabilities</b>	<b>2011</b>		<b>2010</b>
	<b>December</b>	<b>September</b>	<b>December</b>
<b>Funds from issuance of securities (Notes 16c and 32b)</b>	<b>27,013,719</b>	<b>22,936,291</b>	<b>12,743,319</b>
Mortgage and real estate notes, letters of credit and others	19,235,015	15,323,987	7,926,919
Funds from debentures (Note 16c-1)	-	-	221
Securities issued abroad	7,778,704	7,612,304	4,816,179
<b>Borrowing (Notes 17a and 32b)</b>	<b>1,497,384</b>	<b>1,515,502</b>	<b>760,460</b>
Borrowing abroad	1,497,384	1,515,502	760,460
<b>Onlending in Brazil - official institutions (Notes 17b and 32b)</b>	<b>24,686,508</b>	<b>24,043,635</b>	<b>20,872,055</b>
BNDES	8,627,613	8,467,336	8,116,358
CEF	50,952	53,622	40,096
Finame	16,007,340	15,522,046	12,714,980
Other institutions	603	631	621
<b>Derivative financial instruments (Notes 3f, 8e II and 32b)</b>	<b>283,138</b>	<b>142,661</b>	<b>133,594</b>
Derivative financial instruments	283,138	142,661	133,594
<b>Technical reserves for insurance, pension plans and savings bonds (Notes 3o and 21)</b>	<b>21,593,528</b>	<b>21,227,239</b>	<b>20,074,517</b>
<b>Other liabilities</b>	<b>40,629,678</b>	<b>42,825,246</b>	<b>34,575,661</b>
Tax and social security (Note 20a)	16,146,584	14,970,770	12,581,493
Subordinated debts (Notes 19 and 32b)	19,400,664	23,099,334	18,314,836
Sundry (Note 20b)	5,082,430	4,755,142	3,679,332
<b>Deferred income</b>	<b>671,330</b>	<b>622,272</b>	<b>360,355</b>
Deferred income	671,330	622,272	360,355
<b>Non-controlling interest in subsidiaries (Note 22)</b>	<b>615,258</b>	<b>613,440</b>	<b>471,536</b>
<b>Shareholders' equity (Note 23)</b>	<b>55,581,664</b>	<b>53,742,101</b>	<b>48,042,850</b>
Capital:			
- Domiciled in Brazil	29,684,780	29,696,304	29,478,012
- Domiciled abroad	415,220	403,696	521,988
Unrealized capital	-	-	(1,500,000)
Capital reserves	11,441	11,441	62,614
Profit reserves	26,732,531	24,908,925	19,481,986
Asset valuation adjustments	(1,079,199)	(1,095,156)	8,299
Treasury shares (Notes 23d and 32b)	(183,109)	(183,109)	(10,049)
<b>Shareholders' equity managed by the Parent Company</b>	<b>56,196,922</b>	<b>54,355,541</b>	<b>48,514,386</b>
<b>Total</b>	<b>761,532,552</b>	<b>722,289,368</b>	<b>637,484,730</b>

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



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

		2011		2010	
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	December	December	
<b>Revenues from financial intermediation</b>	<b>23,524,165</b>	<b>25,326,959</b>	<b>90,981,562</b>	<b>70,660,261</b>	
Loan operations (Note 10j)	12,135,148	12,253,075	46,182,879	37,621,180	
Leasing operations (Note 10j)	398,671	311,581	1,598,279	2,238,171	
Operations with securities (Note 8h)	6,604,519	8,501,704	26,234,954	16,960,870	
Financial income from insurance, pension plans and savings bonds (Note 8h)	2,847,640	2,386,598	10,194,307	9,326,041	
Derivative financial instruments (Note 8h)	(200,290)	(640,820)	(669,073)	971,246	
Foreign exchange operations (Note 11a)	158,766	784,613	1,214,800	530,036	
Compulsory deposits (Note 9b)	1,560,135	1,710,064	6,141,846	2,905,053	
Sale or transfer of financial assets	19,576	20,144	83,570	107,664	
<b>Financial intermediation expenses</b>	<b>15,669,252</b>	<b>20,539,720</b>	<b>62,853,325</b>	<b>43,804,515</b>	
Federal funds purchased and securities sold under agreements to repurchase (Note 16e)	10,074,058	11,126,389	39,979,564	27,668,328	
Adjustment for inflation and interest on technical reserves for insurance, pension plans and savings bonds (Note 16e)	2,045,254	1,582,155	6,712,688	6,083,511	
Borrowing and onlending (Note 17c)	591,465	3,924,434			