

BANK BRADESCO  
Form 6-K  
February 01, 2013

---

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

---

**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 January, 2013  
Commission File Number 1-15250**

---

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

**BANK BRADESCO**  
(Translation of Registrant's name into English)

**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

---

## Table of Contents

**Table of Contents**

|   |           |
|---|-----------|
| <b>1 - Press Release</b>  | <b>3</b>  |
| Highlights  | 4         |
| Main Information  | 6         |
| Ratings   | 8         |
| Book Net Income vs. Adjusted Net Income                         | 8         |
| Summarized Analysis of Adjusted Income                          | 9         |
| Economic Scenario   | 22        |
| Main Economic Indicators  | 23        |
| Guidance  | 24        |
| Book Income vs. Managerial Income vs. Adjusted Income Statement | 25        |
| <b>2 - Economic and Financial Analysis</b>                      | <b>29</b> |
| Statement of Financial Position                                 | 30        |
| Adjusted Income Statement                                       | 31        |
| Financial Margin – Interest and Non-Interest                    | 31        |
| – Financial Margin – Interest                                   | 32        |
| • Loan Financial Margin – Interest                              | 34        |
| • Funding Financial Margin – Interest                           | 49        |
| • Securities / Other Financial Margin – Interest                | 54        |
| • Insurance Financial Margin – Interest                         | 54        |
| – Financial Margin – Non-Interest                               | 55        |
| Insurance, Pension Plans and Capitalization Bonds               | 56        |
| – Bradesco Vida e Previdência                                   | 63        |
| – Bradesco Saúde e Mediservice                                  | 65        |
| – Bradesco Capitalização  | 66        |
| – Bradesco Auto/RE  | 68        |
| Fee and Commission Income                                       | 70        |
| Personnel and Administrative Expenses                           | 76        |
| – Operating Coverage Ratio                                      | 79        |
| Tax Expenses  | 79        |
| Equity in the Earnings (Losses) of Unconsolidated Companies     | 80        |
| Operating Income  | 80        |
| Non-Operating Income  | 81        |
| <b>3 - Return to Shareholders</b>                               | <b>83</b> |
| Sustainability  | 84        |
| Investor Relations Area – IR                                    | 84        |
| Corporate Governance  | 85        |
| Bradesco Shares   | 85        |
| Market Capitalization   | 88        |
| Main Indicators   | 89        |
| Dividends / Interest on Shareholders' Equity                    | 90        |
| Weight on Main Stock Indexes                                    | 90        |
| <b>4 - Additional Information</b>                               | <b>91</b> |

|   |            |
|---|------------|
| Market Share of Products and Services   | 92         |
| Reserve Requirements/Liabilities  | 93         |
| Investments in Infrastructure, Information Technology and Telecommunications  | 94         |
| Risk Management   | 96         |
| Capital Adequacy Ratio  | 96         |
| <b>5 - Independent Auditor's Report</b>   | <b>97</b>  |
| Reasonable assurance report from independent auditors on the supplementary accounting information   | 98         |
| <b>6 - Consolidated Financial Statements, Independent Auditors' Report, Summary of the Audit Committee's Report and Fiscal Council's Report</b> | <b>101</b> |
| Financial Statements, Independent Auditor's Report, Summary of the Audit Committee's Report and Fiscal Council's Report                         | 102        |

### ***Forward-Looking Statements***

This Report on Economic and Financial Analysis contains forward-looking statements relating to our business. Such statements are based on management's current expectations, estimates and projections about future events and financial trends, which could affect our business. Words such as: "believes," "anticipates," "plans," "expects," "intends," "aims," "evaluates," "predicts," "foresees," "projects," "guidelines," "should" 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 customers or revenues; our capacity to sustain and improve performance; changes in interest rates which could, among other events, adversely affect our margins; competition in the banking sector, financial services, credit card services, insurance, asset management and other related sectors; government regulations and fiscal matters; disputes or adverse legal proceedings or rulings; as well as credit risks and other loan and investment activity risks.

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

Few numbers of this Report were submitted to rounding adjustments.

Therefore, amounts indicated as total in certain charts may not correspond to the arithmetic sum of figures preceding them.

Report on Economic and  
Financial Analysis – December  
2012

---



Press Release

## Highlights

The main figures of Bradesco in 2012 are presented below:

1. Adjusted Net Income<sup>(1)</sup> in 2012 stood at R\$11.523 billion (a 2.9% increase compared to the R\$11.198 billion recorded in the same period last year), corresponding to earnings per share of R\$3.02 and Return on Average Shareholders' Equity<sup>(2)</sup> of 19.2%.
2. Adjusted Net Income is composed of R\$7.936 billion from financial activities, representing 68.9% of the total, and R\$3.587 billion from insurance, pension plan and capitalization bond operations, which accounted for 31.1%.
3. On December 31, 2012, Bradesco's market capitalization stood at R\$131.908 billion<sup>(3)</sup>, up 23.3% over 2011.
4. Total Assets stood at R\$879.092 billion in December 2012, a 15.4% increase over 2011. Return on Total Average Assets was 1.4%.
5. The Expanded Loan Portfolio<sup>(4)</sup> stood at R\$385.529 billion in December 2012, up 11.5% during the same period in 2011. Operations with individuals totaled R\$117.540 billion (up 8.2% from December 2011), while operations with companies totaled R\$267,989 billion (up 13.1% from December 2011).
6. Assets under Management stood at R\$1.225 trillion, varying 20.1% from December 2011.
7. Shareholders' Equity stood at R\$70.047 billion in December 2012, up 26.0% from December 2011. Capital Adequacy Ratio stood at 16.1% in December 2012, 11.0% of which fell under Tier I
9. Financial Margin stood at R\$43.793 billion, up 11.4% in comparison with 2011.
10. The Delinquency Ratio over 90 days stood at 4.1% on December 31, 2012 (3.9% on December 31, 2011).
11. The Efficiency Ratio<sup>(5)</sup> improved by 1.5 p.p. (from 43.0% in December 2011 to 41.5% in December 2012), whereas the "adjusted-to-risk" ratio stood at 52.7% (53.0% in December 2011).
12. Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income totaled R\$44.308 billion in 2012, up 17.7% over 2011. Technical Reserves stood at R\$124.217 billion, up 19.8% from December 2011.
13. Investments in infrastructure, information technology and telecommunications amounted to R\$4.408 billion in 2012.
14. Taxes and contributions, including social security, paid or recorded in provision, amounted to R\$22.401 billion, of which R\$9.645 billion referred to taxes withheld and collected from third parties and R\$12.756 billion from Bradesco Organization activities, equivalent to 110.7% of Adjusted Net Income<sup>(1)</sup>.
15. Bradesco has an extensive customer service network in Brazil, comprising 8,467 Service Points, with 4,686 branches and 3,781 Service Branches - PAs. Customers can also use 1,456 PAEs - ATMs (Automatic Teller Machines) in companies, 43,053 Bradesco *Expresso* service points, 34,859 Bradesco *Dia & Noite* ATMs and 12,975 *Banco24Horas* ATMs.

Capital.

8. Interest on Shareholders' Equity and Dividends were paid and recorded in provision to shareholders at the amount of R\$3.895 billion from 2012 profit, of which R\$1.574 billion was paid as monthly and interim dividends and R\$2.321 billion was recorded in provision.

(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\$134.257 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-obligations in loan assignments (receivables-backed investment funds and mortgage-backed receivables), co-obligations in rural loan assignments, and operations bearing credit risk – commercial portfolio, which includes debentures and promissory notes; and (5) In the last 12 months.

Report on Economic and Financial  
Analysis – December 2012

---



Press Release

## Highlights

16. Payroll, plus charges and benefits, totaled R\$10.373 billion. Social benefits provided to the 103,385 employees of the Bradesco Organization and their dependents amounted to R\$2.523 billion, while investments in training and development programs totaled R\$132.596 million.

17. On November 14, Bradesco common shares were selected to compose the MSCI Brazil Index, based on which several investment decisions are made, as of December 2012.

18. On November 30, Bradesco was once again included in the BM&FBOVESPA's Corporate Sustainability Index (ISE), reflecting the returns of a grouping composed of the shares of companies characterized by the best performances in all of the dimensions measuring corporate sustainability.

19. Bradesco is the first and only Brazilian bank authorized by the Central Bank to use its own internally-developed market risk management models to calculate regulatory capital as of January 2013.

20. Major Awards and Acknowledgments in the period:

- Bradesco stood out with the best market value x shareholders' equity ratio at the end of 2012 among the publicly-held banks in Latin America and United States (*Economática*);
- Bradesco was elected the best Bank in Brazil and Latin America (*Latin Finance*);
- Bradesco was considered the best Brazilian Bank in the 2012 The Bank Awards edition (*The Banker* magazine);

21. With regards to sustainability, Bradesco divides its actions into three pillars: (i) Sustainable Finances, focused on banking inclusion, social and environmental variables for loan approvals and product offerings; (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 56-year history of extensive social and educational work, with 40 schools in Brazil. In 2012, it benefited 111,512 students in its schools, in Basic Education (from Kindergarten to High School and Vocational Training - High School Level), Education for Youth and Adults; and Preliminary and Continuing Qualification focused on the creation of jobs and generation of income. The nearly 47 thousand students in Basic Education are guaranteed free, quality education, uniforms, school supplies, meals and medical and dental assistance. Fundação Bradesco also aided another 365,430 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 118,595 people benefited from projects and actions in partnerships with Digital Inclusion Centers (CIDs), the Educa+Ação Program and Technology courses (*Educar e Aprender*– Educate and Learn). To meet its social commitments, Fundação Bradesco invested R\$374.213 million in 2012 in its educational activities. A R\$460.961 million investment is expected for 2013.

- Bradesco was considered the largest Brazilian private group by *Valor Grandes Grupos* ranking, which lists the 200 largest groups operating in the country. It also placed first among the 20 largest financial institutions ranking (*Valor Econômico* and *Valor Data* newspapers);
- Bradesco was highlighted in the Best at People Management survey in the special publication *Valor Carreira* (*Valor Econômico* newspaper, with technical support of Aon Hewitt; and
- The *Folha* Top of Mind award was granted to Bradesco and Bradesco Seguros (the latter for the 11<sup>th</sup> consecutive year) in Top Finances and Insurance categories, respectively (*Folha de S.Paulo* newspaper).

Press Release

**Main Information**

|   | 4Q12      | 3Q12      | 2Q12      | 1Q12      | 4Q11      | 3Q11     | 2Q11     | 1Q11     | Variation %<br>4Q12 4Q12<br>x x<br>3Q12 4Q11 |       |
|---|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|--|-------|
| Income Statement for the Period - R\$ million   |           |           |           |           |           |          |          |          |  |       |
| Book Net Income   | 2,893     | 2,862     | 2,833     | 2,793     | 2,726     | 2,815    | 2,785    | 2,702    | 1.1  | 6.1   |
| Adjusted Net Income   | 2,918     | 2,893     | 2,867     | 2,845     | 2,771     | 2,864    | 2,825    | 2,738    | 0.9  | 5.3   |
| Total Financial Margin  | 11,109    | 10,955    | 11,034    | 10,695    | 10,258    | 10,230   | 9,471    | 9,362    | 1.4  | 8.3   |
| Gross Loan Financial Margin   | 7,527     | 7,460     | 7,362     | 7,181     | 7,162     | 6,928    | 6,548    | 6,180    | 0.9  | 5.1   |
| Net Loan Financial Margin   | 4,317     | 4,157     | 3,955     | 4,087     | 4,501     | 4,149    | 4,111    | 3,820    | 3.8  | (4.1) |
| Allowance for Loan Losses (ALL) Expenses  | (3,210)   | (3,303)   | (3,407)   | (3,094)   | (2,661)   | (2,779)  | (2,437)  | (2,360)  | (2.8)  | 20.6  |
| Fee and Commission Income   | 4,675     | 4,438     | 4,281     | 4,118     | 4,086     | 3,876    | 3,751    | 3,510    | 5.3  | 14.4  |
| Administrative and Personnel Expenses   | (6,897)   | (6,684)   | (6,488)   | (6,279)   | (6,822)   | (6,285)  | (5,784)  | (5,576)  | 3.2  | 1.1   |
| Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income | 13,216    | 10,104    | 11,570    | 9,418     | 11,138    | 9,025    | 9,628    | 7,845    | 30.8   | 18.7  |
| Balance Sheet - R\$ million   |           |           |           |           |           |          |          |          |  |       |
| Total Assets  | 879,092   | 856,288   | 830,520   | 789,550   | 761,533   | 722,289  | 689,307  | 675,387  | 2.7  | 15.4  |
| Securities  | 315,487   | 319,537   | 322,507   | 294,959   | 265,723   | 244,622  | 231,425  | 217,482  | (1.3)  | 18.7  |
| Loan Operations <sup>(1)</sup>  | 385,529   | 371,674   | 364,963   | 350,831   | 345,724   | 332,335  | 319,802  | 306,120  | 3.7  | 11.5  |
| - Individuals   | 117,540   | 114,536   | 112,235   | 109,651   | 108,671   | 105,389  | 102,915  | 100,200  | 2.6  | 8.2   |
| - Corporate   | 267,989   | 257,138   | 252,728   | 241,181   | 237,053   | 226,946  | 216,887  | 205,920  | 4.2  | 13.1  |
| Allowance for Loan Losses (ALL)   | (21,299)  | (20,915)  | (20,682)  | (20,117)  | (19,540)  | (19,091) | (17,365) | (16,740) | 1.8  | 9.0   |
| Total Deposits  | 211,858   | 212,869   | 217,070   | 213,877   | 217,424   | 224,664  | 213,561  | 203,822  | (0.5)  | (2.6) |
| Technical Reserves  | 124,217   | 117,807   | 111,789   | 106,953   | 103,653   | 97,099   | 93,938   | 89,980   | 5.4  | 19.8  |
| Shareholders' Equity  | 70,047    | 66,047    | 63,920    | 58,060    | 55,582    | 53,742   | 52,843   | 51,297   | 6.1  | 26.0  |
| Assets under Management   | 1,225,228 | 1,172,008 | 1,130,504 | 1,087,270 | 1,019,790 | 973,194  | 933,960  | 919,007  | 4.5  | 20.1  |
| Performance Indicators (%) on Adjusted Net Income (unless otherwise stated)           |           |           |           |           |           |          |          |          |  |       |
|   | 3.02      | 2.98      | 2.97      | 2.96      | 2.93      | 2.91     | 2.82     | 2.72     | 1.3  | 3.1   |

Edgar Filing: BANK BRADESCO - Form 6-K

|   |         |         |         |         |         |        |         |         |       |       |  |
|---|---------|---------|---------|---------|---------|--------|---------|---------|-------|-------|--|
| Adjusted Net Income per Share - R\$ <sup>(2)</sup>  |         |         |         |         |         |        |         |         |       |       |  |
| Book Value per Common and Preferred Share - R\$   | 18.35   | 17,30   | 16.74   | 15.21   | 14.56   | 14.08  | 13.82   | 13.42   | 6.1   | 26.0  |  |
| Annualized Return on Average Shareholders' Equity <sup>(3) (4)</sup>  | 19.2    | 19.9    | 20.6    | 21.4    | 21.3    | 22.4   | 23.2    | 24.2    | (0.7) | (2.1) |  |
| Annualized Return on Average Assets <sup>(4)</sup>  | 1.4     | 1.4     | 1.4     | 1.5     | 1.6     | 1.7    | 1.7     | 1.7     | -     | (0.2) |  |
| Average Rate - Annualized (Adjusted Financial Margin / Total Average Assets - Purchase and Sale Commitments - Permanent Assets) | 7.6     | 7.6     | 7.9     | 7.9     | 7.8     | 8.0    | 7.8     | 8.2     | -     | (0.2) |  |
| Fixed Assets Ratio - Total Consolidated Combined Ratio - Insurance <sup>(5)</sup>   | 16.9    | 19.0    | 18.2    | 19.9    | 21.0    | 16.7   | 17.3    | 17.4    | (2.1) | (4.1) |  |
| Efficiency Ratio (ER) <sup>(2)</sup>  | 86.6    | 86.5    | 85.0    | 85.6    | 83.6    | 86.2   | 85.8    | 86.1    | 0.1   | 3.0   |  |
| Coverage Ratio (Fee and Commission Income/Administrative and Personnel Expenses) <sup>(2)</sup>                                 | 41.5    | 42.1    | 42.4    | 42.7    | 43.0    | 42.7   | 42.7    | 42.7    | (0.6) | (1.5) |  |
| Market Capitalization - R\$ million <sup>(6)</sup>  | 66.5    | 64.4    | 63.2    | 62.9    | 62.2    | 62.7   | 63.5    | 63.6    | 2.1   | 4.3   |  |
| Loan Portfolio Quality % <sup>(7)</sup>   | 131,908 | 113,102 | 104,869 | 113,021 | 106,971 | 96,682 | 111,770 | 117,027 | 16.6  | 23.3  |  |
| ALL / Loan Portfolio  | 7.3     | 7.4     | 7.4     | 7.5     | 7.3     | 7.3    | 6.9     | 7.0     | (0.1) | -     |  |
| Non-Performing Loans (>60 days <sup>(8)</sup> / Loan Portfolio)   | 5.0     | 5.1     | 5.1     | 5.1     | 4.8     | 4.6    | 4.5     | 4.4     | (0.1) | 0.2   |  |
| Delinquency Ratio (> 90 days <sup>(8)</sup> / Loan Portfolio)   | 4.1     | 4.1     | 4.2     | 4.1     | 3.9     | 3.8    | 3.7     | 3.6     | -     | 0.2   |  |
| Coverage Ratio (> 90 days <sup>(8)</sup> )  | 178.2   | 179.0   | 177.4   | 181.7   | 184.4   | 194.0  | 189.3   | 193.6   | (0.8) | (6.2) |  |
| Coverage Ratio (> 60 days <sup>(8)</sup> )  | 147.3   | 144.8   | 144.0   | 146.6   | 151.8   | 159.6  | 154.0   | 159.1   | 2.5   | (4.5) |  |
| Operating Limits % Capital Adequacy Ratio - Total Consolidated  | 16.1    | 16.0    | 17.0    | 15.0    | 15.1    | 14.7   | 14.7    | 15.0    | 0.1   | 1.0   |  |
| - Tier I  | 11.0    | 11.3    | 11.8    | 12.0    | 12.4    | 12.2   | 12.9    | 13.4    | (0.3) | (1.4) |  |
| - Tier II   | 5.1     | 4.7     | 5.2     | 3.0     | 2.7     | 2.5    | 1.8     | 1.6     |       |       |  |

Report on Economic and  
Financial Analysis – December  
2012

---

Press Release

**Main Information**

|                                  | <b>Dec12</b> | <b>Sept12</b> | <b>Jun12</b> | <b>Mar12</b> | <b>Dec11</b> | <b>Sept11</b> | <b>Jun11</b> | <b>Mar11</b> | <b>Variation %</b> |              |
|----------------------------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------------|--------------|
|                                  |              |               |              |              |              |               |              |              | <b>Dec12</b>       | <b>Dec12</b> |
|                                  |              |               |              |              |              |               |              |              | <b>x</b>           | <b>x</b>     |
|                                  |              |               |              |              |              |               |              |              | <b>Sept12</b>      | <b>Dec11</b> |
| Structural Information -         |              |               |              |              |              |               |              |              |                    |              |
| Units                            |              |               |              |              |              |               |              |              |                    |              |
| Service Points                   | 68,917       | 67,225        | 65,370       | 62,759       | 59,721       | 55,832        | 53,256       | 50,977       | 2.5                | 15.4         |
| - Branches                       | 4,686        | 4,665         | 4,650        | 4,636        | 4,634        | 3,945         | 3,676        | 3,651        | 0.5                | 1.1          |
| - PAs <sup>(9)</sup>             | 3,781        | 3,774         | 3,243        | 2,986        | 2,962        | 2,990         | 2,982        | 2,978        | 0.2                | 27.7         |
| - PAEs <sup>(9)</sup>            | 1,456        | 1,456         | 1,476        | 1,497        | 1,477        | 1,589         | 1,587        | 1,588        | -                  | (1.4)        |
| - Outplaced Bradesco             | 3,809        | 3,954         | 3,992        | 3,974        | 3,913        | 3,953         | 3,962        | 3,921        | (3.7)              | (2.7)        |
| Network ATMs <sup>(10)</sup>     |              |               |              |              |              |               |              |              |                    |              |
| - Banco24Horas Network           | 10,818       | 10,464        | 10,459       | 10,583       | 10,753       | 10,815        | 10,856       | 10,326       | 3.4                | 0.6          |
| ATMs <sup>(10)</sup>             |              |               |              |              |              |               |              |              |                    |              |
| - Bradesco Expresso              | 43,053       | 41,713        | 40,476       | 38,065       | 34,839       | 31,372        | 29,263       | 27,649       | 3.2                | 23.6         |
| (Correspondent Banks)            |              |               |              |              |              |               |              |              |                    |              |
| - Bradesco Promotora de          | 1,301        | 1,186         | 1,061        | 1,005        | 1,131        | 1,157         | 919          | 853          | 9.7                | 15.0         |
| Vendas                           |              |               |              |              |              |               |              |              |                    |              |
| - Branches / Subsidiaries        | 13           | 13            | 13           | 13           | 12           | 11            | 11           | 11           | -                  | 8.3          |
| Abroad                           |              |               |              |              |              |               |              |              |                    |              |
| ATMs                             | 47,834       | 47,542        | 47,484       | 47,330       | 46,971       | 45,596        | 45,103       | 44,263       | 0.6                | 1.8          |
| - Bradesco Network               | 34,859       | 35,128        | 35,226       | 35,007       | 34,516       | 33,217        | 32,714       | 32,514       | (0.8)              | 1.0          |
| - Banco24Horas Network           | 12,975       | 12,414        | 12,258       | 12,323       | 12,455       | 12,379        | 12,389       | 11,749       | 4.5                | 4.2          |
| Credit Cards - in million        | 93,1         | 93,0          | 95,3         | 93,8         | 91,4         | 90,1          | 89,0         | 87,4         | 0.1                | 1.9          |
| <sup>(11)</sup>                  |              |               |              |              |              |               |              |              |                    |              |
| Employees                        | 103,385      | 104,100       | 104,531      | 105,102      | 104,684      | 101,334       | 98,317       | 96,749       | (0.7)              | (1.2)        |
| Outsourced Employees             | 12,939       | 13,013        | 12,661       | 12,659       | 11,699       | 10,731        | 10,563       | 10,321       | (0.6)              | 10.6         |
| and Interns                      |              |               |              |              |              |               |              |              |                    |              |
| Customers - in millions          |              |               |              |              |              |               |              |              |                    |              |
| Checking accounts                | 25.7         | 25.6          | 25.6         | 25.4         | 25.1         | 24.7          | 24.0         | 23.5         | 0.4                | 2.4          |
| Savings Accounts <sup>(12)</sup> | 48.6         | 48.3          | 45.2         | 41.3         | 43.4         | 40.6          | 39.7         | 39.4         | 0.6                | 12.0         |
| Insurance Group                  | 43.1         | 42.4          | 41.9         | 40.8         | 40.3         | 39.4          | 38.0         | 37.0         | 1.7                | 6.9          |
| - Policyholders                  | 37.3         | 36.7          | 36.3         | 35.4         | 35.0         | 34.3          | 33.0         | 32.1         | 1.6                | 6.6          |
| - Pension Plan                   | 2.3          | 2.3           | 2.2          | 2.2          | 2.2          | 2.1           | 2.1          | 2.1          | -                  | 4.5          |
| Participants                     |              |               |              |              |              |               |              |              |                    |              |
| - Capitalization Bond            | 3.5          | 3.4           | 3.4          | 3.2          | 3.1          | 3.0           | 2.9          | 2.8          | 2.9                | 12.9         |
| Customers                        |              |               |              |              |              |               |              |              |                    |              |
| Bradesco Financiamentos          | 3.7          | 3.7           | 3.8          | 3.8          | 3.8          | 4.0           | 4.2          | 4.5          | -                  | (2.6)        |

(1) Expanded Loan Portfolio: includes sureties and guarantees, letters of credit, advances of credit card receivables, co-obligations in loan assignments (receivables-backed investment funds and mortgage-backed receivables), co-obligations in rural loan assignments and operations bearing credit risk –

commercial portfolio, covering debentures and promissory notes;

- (2) In the last 12 months;
- (3) Excluding mark-to-market effect of available-for-sale securities recorded under shareholders' equity;
- (4) Adjusted net income for the period;
- (5) Excludes additional reserves;
- (6) Number of shares (excluding treasury shares) multiplied by the closing price of common and preferred shares on the period's last trading day;
- (7) As defined by the Brazilian Central Bank (Bacen);
- (8) Credits overdue;
- (9) PA (Service Branch): a result from the consolidation of PAB (Banking Service Branch), PAA (Advanced Service Branch) and Exchange Branches, according to CMN Resolution 4,072/12; and PAE: ATM located in the premises of a company;
- (10) Including overlapping ATMs within the Bank's own network and the *Banco24Horas* network: 1,964 in December 2012; 2,039 in September 2012; 2,059 in June 2012; 2,050 in March 2012; 2,019 in December 2011; 2,040 in September 2011; 2,045 in June 2011; and 2,024 in March 2011;
- (11) The decreased credit card base in 3Q12 is due to the exclusion of idle cards; and
- (12) Number of accounts.

Press Release

**Ratings**

**Main Ratings**

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

  

|  |  | <b>Moody's Investors Service</b> |            |                                 |            |                       |            | <b>R&amp;I Inc. International Scale</b> |  |
|--|--|----------------------------------|------------|---------------------------------|------------|-----------------------|------------|---|--|
|  |  | <b>International Scale</b>       |            |                                 |            |                       |            |   |  |
| <b>Financial Strength / Individual Credit Risk Profile</b> |  | <b>Domestic Currency Deposit</b> |            | <b>Foreign Currency Deposit</b> |            | <b>Domestic Scale</b> |            | <b>Issuer Rating</b>                    |  |
|  |  | Long Term                        | Short Term | Long Term                       | Short Term | Long Term             | Short Term |   |  |
| C - / baa1   |  | A3                               | P - 2      | Baa2                            | P-2        | Aaa.br                | BR - 1     | BBB                                     |  |

  

| <b>Standard &amp; Poor's</b>                        |            |                          |            | <b>Austin Rating</b>          |            |                             |       |                       |  |
|---|------------|--------------------------|------------|-------------------------------|------------|-----------------------------|-------|-----------------------|--|
| <b>International Scale - Issuer's Credit Rating</b> |            |                          |            | <b>Domestic Scale</b>         |            | <b>Corporate Governance</b> |       | <b>Domestic Scale</b> |  |
| <b>Foreign Currency</b>                             |            | <b>Domestic Currency</b> |            | <b>Issuer's Credit Rating</b> |            | <b>Long Term</b>            |       | <b>Short Term</b>     |  |
| Long Term   | Short Term | Long Term                | Short Term | Long Term                     | Short Term |                             |       |                       |  |
| BBB   | A - 2      | BBB                      | A - 2      | brAAA                         | brA - 1    | brAA+                       | brAAA | brA - 1               |  |

**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:

|  | 12M12         | 12M11         | 4Q12         | R\$ million<br>3Q12 |
|--|---------------|---------------|--------------|---------------------|
| <b>Book Net Income</b>   | <b>11,381</b> | <b>11,028</b> | <b>2,893</b> | <b>2,862</b>        |
| <b>Non-Recurring Events</b>  | <b>142</b>    | <b>170</b>    | <b>25</b>    | <b>31</b>           |
| - Earnings from Extended Securities Terms                          | (2,282)       | -             | (166)        | (2,116)             |
| - Recording of Tax Credits - BERJ                                  | (1,389)       | -             | (1,389)      | -                   |
| - Gains from Sale of Serasa Shares                                 | (793)         | -             | (793)        | -                   |
| - Additional Technical Reserve due to Real Interest Rate Reduction | 2,116         | -             | -            | 2,116               |
| - Impairment of Assets <sup>(1)</sup>                              | 1,470         | 157           | 1,470        | -                   |
| - Full Goodwill Amortization - BERJ                                | 1,156         | -             | 1,156        | -                   |
| - Reversal of Provision for Tax Risks                              | -             | (2,126)       | -            | -                   |
| - Additional ALL   | -             | 1,006         | -            | -                   |
| - Labor Provision  | -             | 501           | -            | -                   |
| - Other <sup>(2)</sup>   | 232           | 512           | 37           | 52                  |
| - Tax Effects  | (368)         | 120           | (290)        | (21)                |
| <b>Adjusted Net Income</b>   | <b>11,523</b> | <b>11,198</b> | <b>2,918</b> | <b>2,893</b>        |
| <b>ROAE % <sup>(3)</sup></b>                                       | <b>19.0</b>   | <b>21.0</b>   | <b>19.7</b>  | <b>20.2</b>         |
| <b>ADJUSTED ROAE % <sup>(3)</sup></b>                              | <b>19.2</b>   | <b>21.3</b>   | <b>19.9</b>  | <b>20.4</b>         |

(1) 2012 and 4Q12 refer mainly to the impairment of: (i) Intangible Assets – Acquisition of Rights to Provide Banking Services, amounting to R\$527 million, as a result of the expected return revaluation of said rights; and (ii) Securities – Shares, classified as Available for Sale, amounting to R\$890 million, due to the adaptation of past share value to its fair value; and in 2011, to the impairment of Intangible Assets - Acquisition of Right to Provide Banking Services, amounting to R\$157 million;

(2) 2011 includes: (i) other operating provisions, basically civil provisions, in the amount of R\$570 million; and (ii) partial sale of Ibi Promotora, for R\$58 million. 3Q12 includes: civil provisions amounting to R\$52 million. 4Q12 and 2012 include basically:

(i) other operating provisions, net of reversals, basically civil provisions, in the amount of R\$36 million and R\$231 million, respectively; and

(3) Annualized.

Press Release

## Summarized Analysis of Adjusted Income

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

|  | R\$ million                      |               |                  |             |               |               |                  |            |
|--|----------------------------------|---------------|------------------|-------------|---------------|---------------|------------------|------------|
|  | <b>Adjusted Income Statement</b> |               |                  |             |               |               |                  |            |
|  |                                  |               | <b>Variation</b> |             |               |               | <b>Variation</b> |            |
|  | 12M12                            | 12M11         | 12M12 x          | 12M11       | 4Q12          | 3Q12          | 4Q12 x           | 3Q12       |
|  |                                  |               | Amount           | %           |               |               | Amount           | %          |
| <b>Financial Margin</b>  | <b>43,793</b>                    | <b>39,321</b> | <b>4,472</b>     | <b>11.4</b> | <b>11,109</b> | <b>10,955</b> | <b>154</b>       | <b>1.4</b> |
| - Interest   | 42,021                           | 37,670        | 4,351            | 11.6        | 10,678        | 10,603        | 75               | 0.7        |
| - Non-interest   | 1,772                            | 1,651         | 121              | 7.3         | 431           | 352           | 79               | 22.4       |
| ALL  | (13,014)                         | (10,237)      | (2,777)          | 27.1        | (3,210)       | (3,303)       | 93               | (2.8)      |
| <b>Gross Income from Financial Intermediation</b>                            | <b>30,779</b>                    | <b>29,084</b> | <b>1,695</b>     | <b>5.8</b>  | <b>7,899</b>  | <b>7,652</b>  | <b>247</b>       | <b>3.2</b> |
| Income from Insurance, Pension Plans and Capitalization Bonds <sup>(1)</sup> | 3,814                            | 3,370         | 444              | 13.2        | 955           | 1,029         | (74)             | (7.2)      |
| Fee and Commission Income  | 17,512                           | 15,223        | 2,289            | 15.0        | 4,675         | 4,438         | 237              | 5.3        |
| Personnel Expenses   | (12,186)                         | (11,061)      | (1,125)          | 10.2        | (3,142)       | (3,119)       | (23)             | 0.7        |
| Other Administrative Expenses  | (14,162)                         | (13,406)      | (756)            | 5.6         | (3,755)       | (3,565)       | (190)            | 5.3        |
| Tax Expenses   | (4,139)                          | (3,664)       | (475)            | 13.0        | (1,098)       | (1,038)       | (60)             | 5.8        |
| Equity in the Earnings (Losses) of Unconsolidated Companies                  | 148                              | 144           | 4                | 2.8         | 45            | 45            | -                | -          |
| Other Operating Income/ (Expenses)   | (4,214)                          | (3,401)       | (813)            | 23.9        | (1,130)       | (1,054)       | (76)             | 7.2        |
| <b>Operating Result</b>  | <b>17,552</b>                    | <b>16,289</b> | <b>1,263</b>     | <b>7.8</b>  | <b>4,449</b>  | <b>4,388</b>  | <b>61</b>        | <b>1.4</b> |
| Non-Operating Result   | (89)                             | 3             | (92)             | -           | (29)          | (20)          | (9)              | 45.0       |

Edgar Filing: BANK BRADESCO - Form 6-K

|                                  |               |               |            |            |              |              |           |            |
|----------------------------------|---------------|---------------|------------|------------|--------------|--------------|-----------|------------|
| Income Tax / Social Contribution | (5,872)       | (4,954)       | (918)      | 18.5       | (1,488)      | (1,455)      | (33)      | 2.3        |
| Non-controlling Interest         | (68)          | (140)         | 72         | (51.4)     | (14)         | (20)         | 6         | (30.0)     |
| <b>Adjusted Net Income</b>       | <b>11,523</b> | <b>11,198</b> | <b>325</b> | <b>2.9</b> | <b>2,918</b> | <b>2,893</b> | <b>25</b> | <b>0.9</b> |

(1) Income from Insurance, Pension Plans and Capitalization Bonds = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves of Insurance, Pension Plans and Capitalization Bonds - Retained Claims - Capitalization Bond Draws and Redemptions - Insurance, Pension Plan and Capitalization Bond Selling Expenses.

Press Release

## **Summarized Analysis of Adjusted Income**

### **Adjusted Net income and Profitability**

In the fourth quarter of 2012, Bradesco posted adjusted net income of R\$2,918 million, up 0.9%, or R\$25 million, on the previous quarter, mainly driven by: (i) greater fee and commission income arising from the increase in business volume, (ii) greater financial margin income, due to increased revenues from interest and non-interest installments; (iii) lower allowance for loan loss expenses; partially offset by: (iv) greater personnel and administrative expenses; and (v) increase of other operating expenses (net of other operating revenues).

In the year-over-year comparison, adjusted net income increased by R\$325 million, or 2.9%, in 2012, for Return on Average Shareholders' Equity (ROAE) of 19.2%.

Shareholders' Equity stood at R\$70,047 million in December 2012, up 26.0% over the same period of 2011. This increase is partially due to the surplus value of some securities reclassified from Held to Maturity to Available for Sale for adoption of CPCs 38 and 40 by the Insurance Group. The Capital Adequacy Ratio stood at 16.1%, 11.0% of which fell under Tier I Reference Shareholders' Equity.

Total Assets came to R\$879,092 million in December 2012, up 15.4% over December 2011, driven by the increase in operations and the expansion of business volume. Return on Average Assets (ROAA) remained stable at 1.4%.

Press Release

## Summarized Analysis of Adjusted Income

### Efficiency Ratio (ER)

The Efficiency Ratio in the last 12 months<sup>(1)</sup> improved by 0.6 p.p. for the fourth consecutive quarter, reaching 41.5% in the fourth quarter of 2012, the lowest recorded in the last ten quarters. The improvement was mainly driven by: (i) the growth in financial margin; and (ii) the increase in fee and commission income, which was mainly due to an increase in average business volume, resulting from investments in accelerated organic growth, which began in the second half of 2011, combined with the ongoing cost control efforts, the Efficiency Committee actions and investments in IT.

Quarterly ER was up 2.6 p.p. over the same period in the previous year, as a result of: (i) the control of administrative and personnel expenses, which remained virtually stable despite the strong organic growth recorded in the period; and (ii) greater fee and commission income and financial margin income, up by 14.4% and 8.3%, respectively.

The “adjusted to risk” ER, which reflects the impact of risk associated with loan operations<sup>(2)</sup>, reached 52.7% in the fourth quarter of 2012, a 0.4 p.p. increase over the previous quarter, mainly due to the abovementioned events and the delinquency ratio trend in the last quarter.

(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 2012 would be 44.6%; and

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



Press Release

## Summarized Analysis of Adjusted Income

### Financial Margin

The R\$154 million increase between the fourth quarter of 2012 and the third quarter of 2012 was mainly due to:

- greater gains from the non-interest margin, in the amount of R\$79 million, mainly due to higher gains from treasury/security margin; and
- a R\$75 million increase in interest-earning operations, mainly due to higher gains from (i) “Insurance” and (ii) “Loan” margins.

Financial margin posted a R\$4,472 million improvement between 2012 and 2011, for growth of 11.4%, mainly driven by:

- a R\$4,351 million increase in income from interest-earning operations due to an increase in business volume, mainly from:
  - (i) “Loans;” and (ii) “Securities/Other;” and
- greater income from the non-interest margin, in the amount of R\$121 million, due to higher “Insurance” gains.

Report on Economic and  
Financial Analysis – December  
2012

---

Press Release

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

|                         | R\$ million   |                    |                 |               |                    |                 |
|-------------------------|---------------|--------------------|-----------------|---------------|--------------------|-----------------|
|                         | 12M12         |                    |                 | 12M11         |                    |                 |
|                         | Interest      | Average<br>Balance | Average<br>Rate | Interest      | Average<br>Balance | Average<br>Rate |
| Loans                   | 29,530        | 284,173            | 10.4%           | 26,818        | 254,812            | 10.5%           |
| Funding                 | 4,225         | 333,483            | 1.3%            | 4,562         | 301,122            | 1.5%            |
| Insurance               | 3,183         | 113,304            | 2.8%            | 3,388         | 94,561             | 3.6%            |
| Securities/Other        | 5,083         | 293,294            | 1.7%            | 2,902         | 234,205            | 1.2%            |
| <b>Financial Margin</b> | <b>42,021</b> | -                  | <b>7.2%</b>     | <b>37,670</b> | -                  | <b>7.4%</b>     |
|                         | 4Q12          |                    |                 | 3Q12          |                    |                 |
|                         | Interest      | Average<br>Balance | Average<br>Rate | Interest      | Average<br>Balance | Average<br>Rate |
|                         | Interest      | Average<br>Balance | Average<br>Rate | Interest      | Average<br>Balance | Average<br>Rate |
| Loans                   | 7,527         | 294,694            | 10.6%           | 7,460         | 287,987            | 10.8%           |
| Funding                 | 997           | 333,304            | 1.2%            | 1,019         | 332,488            | 1.2%            |
| Insurance               | 912           | 121,638            | 3.0%            | 694           | 115,647            | 2.4%            |
| Securities/Other        | 1,242         | 307,457            | 1.6%            | 1,430         | 298,905            | 1.9%            |
| <b>Financial Margin</b> | <b>10,678</b> | -                  | <b>7.3%</b>     | <b>10,603</b> | -                  | <b>7.4%</b>     |

The annualized interest financial margin rate stood at 7.3% in the fourth quarter of 2012, down 0.1 p.p. on the previous quarter, mainly due to: (i) the reduction in the average “Loan” margin rate, which was impacted by the decrease in interest rates in effect, together with the change in the mix of the loan portfolio; and (ii) the increased average “Insurance” margin rate, as a result of the lower quarter-on-quarter IGP-M rate, which resulted in lower expenses with the adjustment for inflation of part of the technical reserves.





Press Release

## Summarized Analysis of Adjusted Income

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

In December 2012, Bradesco's loan portfolio totaled R\$385.5 billion, which was up 3.7% in the quarter, due to: (i) a 4.6% growth in Corporations; (ii) a 3.7% growth in Small and Medium-sized Entities (SMEs); and (iii) a 2.6% growth in Individuals.

In 2012, the loan portfolio increased 11.5%, driven by: (i) 15.0% growth in Corporations; (ii) 10.6% growth in SMEs; and (iii) 8.2% growth in Individuals.

To the Corporate segment, the products that posted the strongest growth in the last 12 months were: (i) real estate financing – corporate plan; and (ii) operations bearing credit risk – commercial portfolio. In the Individual segment, the main highlights were: (i) real estate financing; and (ii) payroll-deductible loans.

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

For more information, see Chapter 2 of this Report.

### Allowance for Loan Losses (ALL)

In the fourth quarter of 2012, ALL expenses stood at R\$3,210 million, down 2.8% from the previous quarter, even considering the 2.3% growth in the loan portfolio – as defined by Bacen in the period.

In the year-over-year comparison, ALL expenses came to R\$13,014 million, a 27.1% increase, mainly due to: (i) an 8.3% growth in loan operations - as defined by Bacen; and (ii) delinquency ratio trends in the period.

(1) Includes the recognition of exceeding ALL in the total amount of R\$1.0 billion.

## Summarized Analysis of Adjusted Income

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

The delinquency ratio over 90 days remained stable in the quarter, as a result of the delinquency trends in Individuals, offset by the change in the loan portfolio mix. It is worth highlighting SMEs and Corporations' slight decrease in delinquency ratio.

(1) As defined by Bacen.

### Coverage Ratios<sup>(1)</sup>

The following graph presents the changes in coverage ratio of the ALL for loans overdue for more than 60 and 90 days. In December 2012, these ratios stood at 147.3% and 178.2%, respectively, pointing to a comfortable level of provisioning.

The ALL, totaling R\$21.3 billion in December 2012, was made up of: (i) R\$17.3 billion required by Bacen; and (ii) R\$4.0 billion in excess provisions.

(1) As defined by Bacen

Press Release

**Summarized Analysis of Adjusted Income****Income from Insurance, Pension Plans and Capitalization Bonds**

Net income for the fourth quarter of 2012 stood at R\$964 million (R\$837 million in the third quarter of 2012), growing 15.2% from the previous quarter, and with an annualized Return on Shareholders' Equity of 28.9%.

Net income for 2012 totaled R\$3.587 billion, up 12.1% year on year (R\$3.201 billion), with a 24.4% Return on Shareholders' Equity.

(1) Excluding additional provisions.

|   | R\$ million (unless otherwise stated) |         |         |         |         |         |         |         | Variation %       |                   |
|---|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|-------------------|-------------------|
|   | 4Q12                                  | 3Q12    | 2Q12    | 1Q12    | 4Q11    | 3Q11    | 2Q11    | 1Q11    | 4Q12<br>x<br>3Q12 | 4Q12<br>x<br>4Q11 |
| Net Income  | 964                                   | 837     | 881     | 905     | 860     | 780     | 800     | 761     | 15,2              | 12,1              |
| Insurance Written<br>Premiums, Pension Plan<br>Contributions and<br>Capitalization Bond<br>Income                                   | 13.216                                | 10.104  | 11.570  | 9.418   | 11.138  | 9.025   | 9.628   | 7.845   | 30,8              | 18,7              |
| Technical Reserves  | 124.217                               | 117.807 | 111.789 | 106.953 | 103.653 | 97.099  | 93.938  | 89.980  | 5,4               | 19,8              |
| Financial Assets  | 141.540                               | 133.738 | 128.526 | 122.147 | 116.774 | 110.502 | 106.202 | 102.316 | 5,8               | 21,2              |
| Claims Ratio  | 70,5                                  | 70,4    | 71,3    | 71,9    | 68,6    | 71,5    | 72,2    | 72,0    | 0,1               | 1,9               |
| Combined Ratio  | 86,6                                  | 86,5    | 85,0    | 85,6    | 83,6    | 86,2    | 85,8    | 86,1    | p.p.              | p.p.              |
| Policyholders /<br>Participants and<br>Customers (in thousands)   | 43.065                                | 42.363  | 41.898  | 40.785  | 40.304  | 39.434  | 37.972  | 37.012  | 1,7               | 6,9               |
| Employees   | 7.554                                 | 7.545   | 7.478   | 7.574   | 7.608   | 7.571   | 7.594   | 7.544   | 0,1               | (0,7)             |
| Market Share of<br>Insurance Written<br>Premiums, Pension Plan<br>Contributions and<br>Capitalization Bond<br>Income <sup>(1)</sup> | 24,7                                  | 24,3    | 24,8    | 23,4    | 25,6    | 24,9    | 25,0    | 23,2    | 0,4               | (0,9)             |
|   |                                       |         |         |         |         |         |         |         | p.p.              | p.p.              |

(1) The fourth quarter of 2012 includes the latest data released by Susep (November/12).  
Note: For comparison purposes, it excludes the effects of non-recurring events.

Report on Economic and  
Financial Analysis – December  
2012

---

Press Release

## Summarized Analysis of Adjusted Income

In the fourth quarter of 2012, the total revenue posted a 30.8% increase over the previous quarter, with highlight to the “Life and Pension Plan” segment, which was boosted by the higher concentration of private pension plan contributions in the period.

Net income for the fourth quarter of 2012 was up 15.2% over the previous quarter, mainly due to: (i) the 30.8% increase in revenue; (ii) the improved financial and equity income; (iii) the maintenance of claims ratio at the same levels of the previous quarter; and (iv) the increase in the administrative efficiency ratio.

Year on year, quarterly net income was up 12.1%, due to: (i) the 18.7% increase in revenue; (ii) the improved financial and equity income; and partially offset by: (iii) the 1.9 p.p. increase in claims ratio; and (iv) higher selling costs by 0.5 p.p.

In 2012, total revenue increased by 17.7% over 2011, which was driven by the performance of all segments, that posted an over two-digit growth in the period.

Net income for 2012 was up 12.1% over that of the previous year, due to: (i) a 17.7% increase in revenue; (ii) the focus on more profitable products; (iii) the maintenance of claims ratio at the same levels of the previous quarter; (iv) improved equity income; and (v) lower general and administrative expenses, despite the sector’s collective bargaining agreement in January 2012.

With regards to solvency, Grupo Bradesco de Seguros e Previdência complies with Susep and ANS rules, also complying with global standards (Solvency II), with a leverage of 2.2 times its Shareholders’ Equity in the period.

Bradesco

17

---

Press Release

## Summarized Analysis of Adjusted Income

### Fee and Commission Income

In the fourth quarter of 2012, fee and commission income came to R\$4,675 million, up R\$237 million, or 5.3%, over the previous quarter, due to the increase in business volume. This result was due to: (i) an increase in income from cards; (ii) greater gains from capital market operations (underwriting / financial advisory); (iii) an increase in income from checking accounts; and partially offset by lower income from: (iv) loan operations; and (v) fund management.

In the year-over-year comparison, the increase of R\$2,289 million, or 15.0%, in fee and commission income was mainly due to: (i) the performance of the credit card segment, driven by the growth in credit card base, revenue and transactions; (ii) higher income from checking accounts, which was a result of a better business volume and an increase in the checking account holder base, which posted net growth of 583 thousand accounts in the period; (iii) greater income from fund management, whose volume of assets and portfolios under management increased by 31.7% in the period; (iv) greater gains from capital market operations (underwriting / financial advisory); (v) greater income from collections; and (vi) greater income from loan operations, resulting from an increase in volume of contracted operations and surety and guarantee operations.

Report on Economic and  
Financial Analysis – December  
2012

---

Press Release

## Summarized Analysis of Adjusted Income

### Personnel Expenses

In the fourth quarter of 2012, the R\$23 million increase from the previous quarter was mainly composed of the variation in structural expenses, due to greater expenses with salaries, social charges and benefits, as a result of the raise in salary levels, as determined by the 2012 collective bargaining agreement.

In the year-over-year comparison, the R\$1,125 million increase is mainly due to the variation in structural expenses, resulting from increased expenses with salaries, social charges and benefits, due to: (i) raise in salary levels, as per 2011 and 2012 collective bargaining agreements; and (ii) net increase in number of employees in the second half of 2011, as a result of organic growth.

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.

Bradesco 19

---



Press Release

## **Summarized Analysis of Adjusted Income**

### **Administrative Expenses**

In the fourth quarter of 2012, the 5.3% increase in administrative expenses from the previous quarter was mainly a result of greater expenses with: (i) marketing and advertising, due to higher investments in actions targeting institutional positioning maintenance and support to offer loan products (real estate, vehicles, personal loan); and (ii) increase in business and service volume in the quarter.

In the year-over-year comparison, the 5.6% increase was mainly due to: (i) the increase in business and services volume in the period; (ii) contractual adjustments; and (iii) organic growth as of the second half of 2011, with the opening of 9,196 service points, mainly the increase to 8,214 Bradesco *Expresso* points, for a total of 68,917 service points on December 31, 2012; which was partially offset by lower expenses with: (iv) outsourced services; and (v) marketing and advertising.

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

Other operating expenses, net of other operating income, totaled R\$1,130 million in the fourth quarter of 2012, up R\$76 million over the previous quarter, and R\$813 million in comparison with 2011.

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

Report on Economic and  
Financial Analysis – December  
2012



## **Summarized Analysis of Adjusted Income**

### **Income Tax and Social Contribution**

In the quarter-on-quarter comparison, income tax and social contribution expenses had a slight increase of 2.3% in comparison with the previous quarter, mainly due to the fact that the taxable result increased in the period.

In the year-over-year comparison, the increase in these expenses is mainly the result of: (i) greater taxable result in the period; 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\$24,880 million in the fourth quarter of 2012, a R\$3,784 million increase from the previous quarter. This was mainly due to the appreciation of fixed-income securities due to mark-to-market accounting.

Press Release

## Economic Scenario

The fourth quarter of 2012 is considered to have marked the beginning of the global economic recovery, with the resumption of albeit modest growth following the lower development between July and September. At the beginning of 2013, the risk of an imminent recession in the United States was averted thanks to the Congressional agreement over the so-called fiscal cliff. However, the structural issues relating to public spending were not addressed, but put on hold for a few months, in an increasingly polarized political climate. The eurozone is showing signs of stabilization, given that the risk of a collapse has subsided and Germany's position vis-à-vis the peripheral nations has softened somewhat, and the same can be said for China, which is undergoing a smooth political transition and focusing economic growth more on the domestic market.

The risks to the global economy remain asymmetrically negative, but are manageable and currently regarded as being milder than those affecting most of 2012. Consequently, the prospects for the external aspects of Brazil's economy are favorable, whether from the point of view of trade, the absence of inflationary pressure, or abrupt reductions in international liquidity in the coming months.

The Brazilian economy also continues to recover at a modest pace, but it is already clear that the second half of 2012 was better than the first, thanks to the multiple stimulus measures introduced by means of various economic policy channels and instruments. The results of these stimuli are expected to become even more apparent in the coming quarters, resulting in greater economic growth in 2013 than estimated for 2012. In addition, certain atypical factors that affected the last few quarters are expected to dissipate, including the change in truck emission standards (and the resulting impact on production and sales), crop

The return to normal industrial and retail inventories in 2013 should permit the resumption of industrial production, against a backdrop of strong growth in family consumption, fueled by the expansion of jobs and income. The excellent domestic agricultural and livestock prospects are also worth emphasizing, as is their positive impact on the economies of small and medium-sized cities.

Brazil continues to make institutional progress, exemplified by the recent adoption of new policies addressing structural issues, such as infrastructure and reducing production costs. In the coming years, pre-salt exploration and the hosting of major sports events represent a privileged set of opportunities that are only available to a select group of nations. Given all these favorable prospects, it is vital to maintain the kind of healthy macroeconomic policies whose implementation over the past two decades has resulted in increased growth and a more equitable income distribution.

Bradesco is maintaining its positive long-term outlook for the country. With interest rates at an all-time low, the volume of credit is growing at rates that are both sustainable and risk-compatible, a factor that has set the national financial system apart from those in several other countries in the last few years. As a result of the intense and ongoing upward social mobility Brazil is experiencing – which despite creating challenges for producers and service providers, broadens the consumer base and increases business scale – the prospects for the banking and insurance sectors remain highly favorable.

failures in certain regions of the country, and the inventory adjustment in the residential real estate sector, as well as the increasing and often immeasurable chance of disruptions in the international economy, which jeopardized the decisions of the economic agents, particularly in regard to investments. None of these factors are expected to be present in 2013, which should help the stimulus measures to achieve their maximum effectiveness.

Report on Economic and  
Financial Analysis – December  
2012

---

Press Release

**Main Economic Indicators**

| <b>Main Indicators (%)</b>                             | <b>4Q12</b>  | <b>3Q12</b>   | <b>2Q12</b>  | <b>1Q12</b>  | <b>4Q11</b>  | <b>3Q11</b>   | <b>2Q11</b>  | <b>1Q11</b>  | <b>12M12</b> | <b>12M11</b> |
|--|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Interbank Deposit Certificate (CDI)                    | 1.70         | 1.91          | 2.09         | 2.45         | 2.67         | 3.01          | 2.80         | 2.64         | 8.40         | 11.60        |
| Ibovespa   | 3.00         | 8.87          | (15.74)      | 13.67        | 8.47         | (16.15)       | (9.01)       | (1.04)       | 7.40         | (18.11)      |
| USD – Commercial Rate                                  | 0.64         | 0.46          | 10.93        | (2.86)       | 1.15         | 18.79         | (4.15)       | (2.25)       | 8.94         | 12.58        |
| General Price Index - Market (IGP-M)                   | 0.68         | 3.79          | 2.56         | 0.62         | 0.91         | 0.97          | 0.70         | 2.43         | 7.83         | 5.10         |
| Extended Consumer Price Index (IPCA) –                 | 1.99         | 1.42          | 1.08         | 1.22         | 1.46         | 1.06          | 1.40         | 2.44         | 5.84         | 6.50         |
| Brazilian Institute of Geography and Statistics (IBGE) |              |               |              |              |              |               |              |              |              |              |
| Federal Government                                     | 1.36         | 1.36          | 1.48         | 1.48         | 1.48         | 1.48          | 1.48         | 1.48         | 5.79         | 6.04         |
| Long-Term Interest Rate (TJLP)                         |              |               |              |              |              |               |              |              |              |              |
| Reference Interest Rate (TR)                           | -            | 0.03          | 0.07         | 0.19         | 0.22         | 0.43          | 0.31         | 0.25         | 0.29         | 1.21         |
| Savings Account (Old Rule) <sup>(1)</sup>              | 1.51         | 1.53          | 1.58         | 1.70         | 1.73         | 1.95          | 1.82         | 1.76         | 6.48         | 7.45         |
| Savings Account (New Rule) <sup>(1)</sup>              | 1.26         | 1.40          | -            | -            | -            | -             | -            | -            | 3.17         | -            |
| Business Days (number)                                 | 62           | 64            | 62           | 63           | 62           | 65            | 62           | 62           | 251          | 251          |
| Indicators (Closing Rate)                              | <b>Dec12</b> | <b>Sept12</b> | <b>Jun12</b> | <b>Mar12</b> | <b>Dec11</b> | <b>Sept11</b> | <b>Jun11</b> | <b>Mar11</b> | <b>Dec12</b> | <b>Dec11</b> |
| USD – Commercial Selling Rate - (R\$)                  | 2.0435       | 2.0306        | 2.0213       | 1.8221       | 1.8758       | 1.8544        | 1.5611       | 1.6287       | 2.0435       | 1.8758       |
| Euro - (R\$)   | 2.6954       | 2.6109        | 2.5606       | 2.4300       | 2.4342       | 2.4938        | 2.2667       | 2.3129       | 2.6954       | 2.4342       |
| Country Risk (points)                                  | 142          | 166           | 208          | 177          | 223          | 275           | 148          | 173          | 142          | 223          |
| Basic Selic Rate Copom (% p.a.)                        | 7.25         | 7.50          | 8.50         | 9.75         | 11.00        | 12.00         | 12.25        | 11.75        | 7.25         | 11.00        |
| BM&F Fixed Rate (% p.a.)                               | 7.14         | 7.48          | 7.57         | 8.96         | 10.04        | 10.39         | 12.65        | 12.28        | 7.14         | 10.04        |

(1) Regarding the new savings account remuneration rule, it was defined that: (i) the existing deposits up to May 3, 2012 will continue to remunerate at TR + interest of 6.17% p.a.; and (ii) for deposits made as of May 4, 2012, the new rules are:

(a) if the Selic rate is higher than 8.5% p.a., the TR + interest of 6.17% p.a. remuneration will be maintained; and (b) when the Selic rate is equal to or lower than 8.5% p.a., the remuneration will be 70% of Selic rate + TR.

**Projections through 2015**

| <b>%</b>                               | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|-------------|
| USD - Commercial Rate (year-end) - R\$ | 2.10        | 2.15        | 2.23        |
| Extended Consumer Price Index (IPCA)   | 5.40        | 5.20        | 5.00        |
| General Price Index - Market (IGP-M)   | 5.00        | 4.50        | 4.50        |
| Selic (year-end)                       | 7.25        | 7.25        | 7.25        |

Edgar Filing: BANK BRADESCO - Form 6-K

|                              |          |      |      |
|------------------------------|----------|------|------|
| Gross Domestic Product (GDP) | 3.50     | 4.00 | 3.50 |
|                              | Bradesco | 23   |      |

---

Press Release

## Guidance

### Bradesco's Outlook for 2013

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>13 to 17%</b> |
| Individuals                              | 13 to 17%        |
| Companies                                | 13 to 17%        |
| <b>Financial Margin</b> <sup>(2)</sup>   | <b>7 to 11%</b>  |
| <b>Fee and Commission Income</b>         | <b>9 to 13%</b>  |
| <b>Operating Expenses</b> <sup>(3)</sup> | <b>4 to 8%</b>   |
| <b>Insurance Premiums</b>                | <b>12 to 15%</b> |

- (1) Expanded Loan Portfolio;
- (2) Under current criterion, Guidance for Interest Financial Margin; and
- (3) Administrative and Personnel Expenses.

Report on Economic and  
Financial Analysis – December  
2012

---



Press Release

**Book Income vs. Managerial Income vs. Adjusted Income Statement****Analytical Breakdown of Book Income vs. Managerial Income vs. Adjusted Income Statement****Fourth Quarter of 2012**

R\$ million

|   | <b>Book<br/>Income<br/>Statement</b> | <b>Reclassifications</b> |           |             |              |             |       | <b>4Q12<br/>Fiscal<br/>Hedge<br/>(7)</b> | <b>Managerial<br/>Income<br/>Statement</b> | <b>Non-recurring<br/>Events (8)</b> | <b>Adjusted<br/>Income<br/>Statement</b> |
|---|--------------------------------------|--------------------------|-----------|-------------|--------------|-------------|-------|--|--|-------------------------------------|--|
|   |                                      | (1)                      | (2)       | (3)         | (4)          | (5)         | (6)   |  |  |                                     |  |
| <b>Financial Margin</b>   | <b>11,769</b>                        | <b>(282)</b>             | <b>25</b> | <b>(63)</b> | <b>(817)</b> | -           | -     | <b>125</b>                               | <b>10,757</b>                              | <b>352</b>                          | <b>11,109</b>                            |
| ALL   | (3,432)                              | -                        | -         | -           | 313          | (92)        | -     | -  | (3,210)                                    | -                                   | (3,210)                                  |
| <b>Gross Income<br/>from Financial<br/>Intermediation</b>                     | <b>8,337</b>                         | <b>(282)</b>             | <b>25</b> | <b>(63)</b> | <b>(504)</b> | <b>(92)</b> | -     | <b>125</b>                               | <b>7,546</b>                               | <b>352</b>                          | <b>7,899</b>                             |
| Income from<br>Insurance,<br>Pension Plans and<br>Capitalization<br>Bonds (9) | 1,056                                | -                        | -         | -           | -            | -           | -     | -  | 1,056                                      | (101)                               | 955                                      |
| Fee and<br>Commission<br>Income   | 4,569                                | -                        | -         | -           | -            | -           | 107   | -  | 4,675                                      | -                                   | 4,675                                    |
| Personnel<br>Expenses   | (3,142)                              | -                        | -         | -           | -            | -           | -     | -  | (3,142)                                    | -                                   | (3,142)                                  |
| Other<br>Administrative<br>Expenses   | (3,658)                              | -                        | -         | -           | -            | -           | (131) | -  | (3,789)                                    | 34                                  | (3,755)                                  |
| Tax Expenses  | (1,093)                              | -                        | -         | -           | (11)         | -           | -     | (14)                                     | (1,118)                                    | 21                                  | (1,098)                                  |
| Equity in the<br>Earnings (Losses)<br>of Unconsolidated<br>Companies          | 45                                   | -                        | -         | -           | -            | -           | -     | -  | 45   | -                                   | 45                                       |
| Other Operating<br>Income/Expenses  | (4,240)                              | 282                      | (25)      | 63          | 515          | 39          | 24    | -  | (3,342)                                    | 2,211                               | (1,130)                                  |
| <b>Operating Result</b>   | <b>1,874</b>                         | -                        | -         | -           | <b>-(53)</b> | -           | -     | <b>111</b>                               | <b>1,932</b>                               | <b>2,517</b>                        | <b>4,449</b>                             |
| Non-Operating<br>Result   | 711                                  | -                        | -         | -           | -            | 53          | -     | -  | 764  | (793)                               | (29)                                     |
| Income Tax /<br>Social Contribution<br>and<br>Non-controlling<br>Interest     | 309                                  | -                        | -         | -           | -            | -           | -     | (111)                                    | 198  | (1,699)                             | (1,502)                                  |

|                   |              |   |   |   |   |   |   |   |              |           |              |
|-------------------|--------------|---|---|---|---|---|---|---|--------------|-----------|--------------|
| <b>Net Income</b> | <b>2,893</b> | - | - | - | - | - | - | - | <b>2,893</b> | <b>25</b> | <b>2,918</b> |
|-------------------|--------------|---|---|---|---|---|---|---|--------------|-----------|--------------|

- (1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item "Other Operating Expenses" to the item "Financial Margin;"
- (2) Interest Income/Expenses from the insurance segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
- (3) Interest Income/Expenses from the financial segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
- (4) Income from Loan Recovery classified under the item "Financial Margin," Expenses with Discounts Granted classified under the item "Other Operating Income/Expenses," and Expenses with Write-offs of Leasing Operations classified under the item "Financial Margin" were reclassified to the item "ALL Expenses - Allowance for Loan Losses," and Tax Expenses, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"
- (5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "Other Operating Income/Expenses;"
- (6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item "Other Operating Income/Expenses" were reclassified to the item "Fee and Commission Income;" and Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"
- (7) 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;
- (8) For more information see page 8 of this chapter; and
- (9) Income from Insurance, Pension Plans and Capitalization Bonds = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Capitalization Bond Draws and Redemption - Insurance, Pension Plan and Capitalization Bond Selling Expenses.

Press Release

**Book Income vs. Managerial Income vs. Adjusted Income Statement****Third Quarter of 2012**

|  | R\$ million   |                   |           |           |              |             |          |           |               |                       |               |
|--|---------------|-------------------|-----------|-----------|--------------|-------------|----------|-----------|---------------|-----------------------|---------------|
|  | Book          | Reclassifications |           |           |              |             |          | 3Q12      | Managerial    | Non-recurring         | Adjusted      |
|  | Income        | (1)               | (2)       | (3)       | (4)          | (5)         | (6)      | Fiscal    | Income        | Events <sup>(8)</sup> | Income        |
|  | Statement     |                   |           |           |              |             |          | Hedge     | Statement     |                       | Statement     |
|  |               |                   |           |           |              |             |          | (7)       |               |                       | Statement     |
| <b>Financial Margin</b>  | <b>13,842</b> | <b>(290)</b>      | <b>45</b> | <b>18</b> | <b>(615)</b> | <b>-</b>    | <b>-</b> | <b>70</b> | <b>13,070</b> | <b>(2,116)</b>        | <b>10,955</b> |
| ALL  | (3,552)       | -                 | -         | -         | 348          | (99)        | -        | -         | (3,303)       | -                     | (3,303)       |
| <b>Gross Income from Financial Intermediation</b>                            | <b>10,290</b> | <b>(290)</b>      | <b>45</b> | <b>18</b> | <b>(267)</b> | <b>(99)</b> | <b>-</b> | <b>70</b> | <b>9,767</b>  | <b>(2,116)</b>        | <b>7,652</b>  |
| Income from Insurance, Pension Plans and Capitalization Bonds <sup>(9)</sup> | (1,087)       | -                 | -         | -         | -            | -           | -        | -         | (1,087)       | 2,116                 | 1,029         |
| Fee and Commission Income  | 4,332         | -                 | -         | -         | -            | -           | 107      | -         | 4,438         | -                     | 4,438         |
| Personnel Expenses   | (3,119)       | -                 | -         | -         | -            | -           | -        | -         | (3,119)       | -                     | (3,119)       |
| Other Administrative Expenses  | (3,447)       | -                 | -         | -         | -            | -(118)      | -        | -         | (3,565)       | -                     | (3,565)       |
| Tax Expenses   | (1,021)       | -                 | -         | -         | (10)         | -           | -        | (8)       | (1,038)       | -                     | (1,038)       |
| Equity in the Earnings (Losses) of Unconsolidated Companies                  | 45            | -                 | -         | -         | -            | -           | -        | -         | 45            | -                     | 45            |
| Other Operating Income/Expenses  | (1,639)       | 290               | (45)      | (18)      | 277          | 20          | 11       | -         | (1,105)       | 52                    | (1,054)       |
| <b>Operating Result</b>  | <b>4,354</b>  | <b>-</b>          | <b>-</b>  | <b>-</b>  | <b>-(79)</b> | <b>-</b>    | <b>-</b> | <b>62</b> | <b>4,337</b>  | <b>52</b>             | <b>4,388</b>  |
| Non-Operating Result   | (99)          | -                 | -         | -         | -            | 79          | -        | -         | (20)          | -                     | (20)          |
| Income Tax / Social Contribution and   | (1,393)       | -                 | -         | -         | -            | -           | -        | (62)      | (1,455)       | (21)                  | (1,475)       |

Non-controlling  
Interest

|                   |              |   |   |   |   |   |   |              |           |              |
|-------------------|--------------|---|---|---|---|---|---|--------------|-----------|--------------|
| <b>Net Income</b> | <b>2,862</b> | - | - | - | - | - | - | <b>2,862</b> | <b>31</b> | <b>2,893</b> |
|-------------------|--------------|---|---|---|---|---|---|--------------|-----------|--------------|

- (1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item "Other Operating Expenses" to the item "Financial Margin;"
- (2) Interest Income/Expenses from the insurance segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
- (3) Interest Income/Expenses from the financial segment were reclassified from the item "Other Operating Income/Expenses" to the item "Financial Margin;"
- (4) Income from Loan Recovery classified under the item "Financial Margin," Expenses with Discounts Granted classified under the item "Other Operating Income/Expenses," and Expenses with Write-offs of Leasing Operations classified under the item "Financial Margin" were reclassified to the item "ALL Expenses - Allowance for Loan Losses," and Tax Expenses, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"
- (5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "Other Operating Income/Expenses;"
- (6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item "Other Operating Income/Expenses" were reclassified to the item "Fee and Commission Income;" and Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"
- (7) 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;
- (8) For more information see page 8 of this chapter; and
- (9) Income from Insurance, Pension Plans and Capitalization Bonds = Insurance, Pension Plan and Capitalization Bond Retained Premiums - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds – Retained Claims – Capitalization Bond Draws and Redemption - Insurance, Pension Plan and Capitalization Bond Selling Expenses.

Press Release

**Book Income vs. Managerial Income vs. Adjusted Income Statement****2012**

|  | R\$ million                 |                |                   |             |                |              |              |               |                        |                                   |  |                                 |
|--|-----------------------------|----------------|-------------------|-------------|----------------|--------------|--------------|---------------|------------------------|-----------------------------------|--|---------------------------------|
|  | 12M12                       |                |                   |             |                |              |              |               |                        |                                   |  |                                 |
|  | Book<br>Income<br>Statement | (1)            | Reclassifications |             |                |              |              | (6)           | Fiscal<br>Hedge<br>(7) | Managerial<br>Income<br>Statement | Non-recurring<br>Events <sup>(8)</sup> | Adjusted<br>Income<br>Statement |
|  |                             |                | (2)               | (3)         | (4)            | (5)          |              |               |                        |                                   |  |                                 |
| <b>Financial Margin</b>  | <b>47,690</b>               | <b>(1,029)</b> | <b>166</b>        | <b>(93)</b> | <b>(2,565)</b> | <b>29</b>    | <b>-</b>     | <b>1,360</b>  | <b>45,558</b>          | <b>(1,764)</b>                    | <b>43,793</b>                          |                                 |
| ALL  | (13,933)                    | -              | -                 | -           | 1,268          | (350)        | -            | -             | (13,014)               | -                                 | (13,014)                               |                                 |
| <b>Gross Income<br/>from Financial<br/>Intermediation</b>                                | <b>33,757</b>               | <b>(1,029)</b> | <b>166</b>        | <b>(93)</b> | <b>(1,297)</b> | <b>(321)</b> | <b>-</b>     | <b>1,360</b>  | <b>32,543</b>          | <b>(1,764)</b>                    | <b>30,779</b>                          |                                 |
| Income from<br>Insurance,<br>Pension Plans<br>and Capitalization<br>Bonds <sup>(9)</sup> | 1,798                       | -              | -                 | -           | -              | -            | -            | -             | 1,798                  | 2,015                             | 3,814                                  |                                 |
| Fee and<br>Commission<br>Income  | 17,070                      | -              | -                 | -           | -              | -            | 443          | -             | 17,512                 | -                                 | 17,512                                 |                                 |
| Personnel<br>Expenses  | (12,186)                    | -              | -                 | -           | -              | -            | -            | -             | (12,186)               | -                                 | (12,186)                               |                                 |
| Other<br>Administrative<br>Expenses  | (13,717)                    | -              | -                 | -           | -              | -            | (478)        | -             | (14,195)               | 34                                | (14,162)                               |                                 |
| Tax Expenses   | (4,050)                     | -              | -                 | -           | 39             | -            | -            | (149)         | (4,160)                | 21                                | (4,139)                                |                                 |
| Equity in the<br>Earnings (Losses)<br>of Unconsolidated<br>Companies                     | 148                         | -              | -                 | -           | -              | -            | -            | -             | 148                    | -                                 | 148                                    |                                 |
| Other Operating<br>Income/Expenses   | (8,985)                     | 1,029          | (166)             | 93          | 1,258          | 117          | 35           | -             | (6,619)                | 2,406                             | (4,214)                                |                                 |
| <b>Operating Result</b>  | <b>13,835</b>               | <b>-</b>       | <b>-</b>          | <b>-</b>    | <b>-(204)</b>  | <b>-</b>     | <b>1,211</b> | <b>14,842</b> | <b>2,712</b>           | <b>17,552</b>                     |  |                                 |
| Non-Operating<br>Result  | 499                         | -              | -                 | -           | -              | 204          | -            | -             | 703                    | (793)                             | (89)                                   |                                 |
| Income Tax /<br>Social<br>Contribution and<br>Non-controlling                            | (2,953)                     | -              | -                 | -           | -              | -            | -            | (1,211)       | (4,164)                | (1,777)                           | (5,940)                                |                                 |

Interest

|                   |               |   |   |   |   |   |   |   |               |            |               |
|-------------------|---------------|---|---|---|---|---|---|---|---------------|------------|---------------|
| <b>Net Income</b> | <b>11,381</b> | - | - | - | - | - | - | - | <b>11,381</b> | <b>142</b> | <b>11,523</b> |
|-------------------|---------------|---|---|---|---|---|---|---|---------------|------------|---------------|

(1) Expenses with Commission on the Placement of Loans and Financing were reclassified from the item “Other Operating Expenses” to the item “Financial Margin;”

(2) Interest Income/Expenses from the insurance segment were reclassified from the item “Other Operating Income/Expenses” to the item “Financial Margin;”

(3) Interest Income/Expenses from the financial segment were reclassified from the item “Other Operating Income/Expenses” to the item “Financial Margin;”

(4) Income from Loan Recovery classified under the item “Financial Margin,” Expenses with Discounts Granted classified under the item “Other Operating Income/Expenses,” and Expenses with Write-offs of Leasing Operations classified under the item “Financial Margin” were reclassified to the item “ALL Expenses - Allowance for Loan Losses,” and Tax Expenses, classified as “Other Operating Expenses, were reclassified under the item “Tax Expenses;”

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

(6) Income from Card Fees and Commissions, Insurance Premium Commissions and Insurance Policy Fees classified under the item “Other Operating Income/Expenses” were reclassified to the item “Fee and Commission Income;” and Credit Card Operation Interchange Expenses classified under the item “Other Operating Income/Expenses” were reclassified to the item “Other Administrative Expenses;”

(7) 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;

(8) For more information see page 8 of this chapter; and

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

Press Release

**Book Income vs. Managerial Income vs. Adjusted Income Statement****2011**

|  | R\$ million                 |              |            |              |                |             |          |                        |                                   |  |                                 |
|--|-----------------------------|--------------|------------|--------------|----------------|-------------|----------|------------------------|-----------------------------------|--|---------------------------------|
|  | 12M11                       |              |            |              |                |             |          |                        |                                   |  |                                 |
|  | Book<br>Income<br>Statement | (1)          | (2)        | (3)          | (4)            | (5)         | (6)      | Fiscal<br>Hedge<br>(7) | Managerial<br>Income<br>Statement | Non-recurring<br>Events <sup>(8)</sup> | Adjusted<br>Income<br>Statement |
| <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>-</b> | <b>1,793</b>           | <b>39,321</b>                     | <b>-</b>                               | <b>39,321</b>                   |
| ALL  | (12,083)                    | -            | -          | -            | 1,074          | (234)       | -        | -                      | (11,243)                          | 1,006                                  | (10,237)                        |
| <b>Gross Income<br/>from Financial<br/>Intermediation</b>                                | <b>28,128</b>               | <b>(513)</b> | <b>121</b> | <b>(611)</b> | <b>(785)</b>   | <b>(55)</b> | <b>-</b> | <b>1,793</b>           | <b>28,078</b>                     | <b>1,006</b>                           | <b>29,084</b>                   |
| Income from<br>Insurance,<br>Pension Plans<br>and Capitalization<br>Bonds <sup>(9)</sup> | 3,370                       | -            | -          | -            | -              | -           | -        | -                      | 3,370                             | -                                      | 3,370                           |
| Fee and<br>Commission<br>Income  | 14,778                      | -            | -          | -            | -              | -           | 445      | -                      | 15,223                            | -                                      | 15,223                          |
| Personnel<br>Expenses  | (11,560)                    | -            | -          | -            | -              | -           | -        | -                      | (11,560)                          | 501                                    | (11,061)                        |
| Other<br>Administrative<br>Expenses  | (13,018)                    | -            | -          | -            | -              | -           | (388)    | -                      | (13,406)                          | -                                      | (13,406)                        |
| Tax Expenses   | (3,680)                     | -            | -          | -            | 197            | -           | -        | (194)                  | (3,677)                           | 11                                     | (3,664)                         |
| Equity in the<br>Earnings (Losses)<br>of Unconsolidated<br>Companies                     | 144                         | -            | -          | -            | -              | -           | -        | -                      | 144                               | -                                      | 144                             |
| Other Operating<br>Income/Expenses   | (3,535)                     | 513          | (121)      | 611          | 588            | -           | (57)     | -                      | (2,001)                           | (1,402)                                | (3,401)                         |
| <b>Operating Result</b>  | <b>14,628</b>               | <b>-</b>     | <b>-</b>   | <b>-</b>     | <b>-</b>       | <b>(55)</b> | <b>-</b> | <b>1,599</b>           | <b>16,172</b>                     | <b>117</b>                             | <b>16,289</b>                   |
| Non-Operating<br>Result  | 4                           | -            | -          | -            | -              | 55          | -        | -                      | 60                                | (58)                                   | 3                               |
| Income Tax /<br>Social<br>Contribution and<br>Non-controlling<br>Interest                | (3,605)                     | -            | -          | -            | -              | -           | -        | (1,599)                | (5,205)                           | 109                                    | (5,094)                         |

|                   |               |   |   |   |   |   |   |   |               |            |               |
|-------------------|---------------|---|---|---|---|---|---|---|---------------|------------|---------------|
| <b>Net Income</b> | <b>11,028</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, classified as "Other Operating Expenses, were reclassified under the item "Tax Expenses;"

(5) Losses/Gains from the Sale of Foreclosed Assets/Investments classified under the item "Non-Operating Result" were reclassified to items "ALL Expenses - Allowance for Loan Losses" / "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;" and Credit Card Operation Interchange Expenses classified under the item "Other Operating Income/Expenses" were reclassified to the item "Other Administrative Expenses;"

(7) 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;

(8) For more information see page 8 of this chapter; and

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





## Economic and Financial Analysis

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

|   | <b>Dec12</b>   | <b>Sept12</b>  | <b>Jun12</b>   | <b>Mar12</b>   | <b>Dec11</b>   | <b>Sept11</b>  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Assets</b>   |                |                |                |                |                |                |
| <b>Current and Long-Term Assets</b>   | <b>864,279</b> | <b>840,295</b> | <b>815,063</b> | <b>773,896</b> | <b>746,090</b> | <b>710,210</b> |
| Cash and Cash Equivalents   | 12,077         | 12,944         | 13,997         | 25,069         | 22,574         | 10,000         |
| Interbank Investments   | 151,813        | 126,772        | 92,858         | 84,690         | 82,303         | 85,900         |
| Securities and Derivative Financial Instruments                               | 315,487        | 319,537        | 322,507        | 294,959        | 265,723        | 244,600        |
| Interbank and Interdepartmental Accounts                                      | 49,762         | 56,276         | 62,510         | 61,576         | 72,906         | 71,900         |
| Loan and Leasing Operations   | 267,940        | 262,748        | 258,242        | 250,201        | 248,719        | 241,800        |
| Allowance for Loan Losses (ALL)   | (21,299)       | (20,915)       | (20,682)       | (20,117)       | (19,540)       | (19,000)       |
| Other Receivables and Assets  | 88,499         | 82,933         | 85,631         | 77,518         | 73,405         | 74,900         |
| <b>Permanent Assets</b>   | <b>14,813</b>  | <b>15,993</b>  | <b>15,457</b>  | <b>15,654</b>  | <b>15,443</b>  | <b>12,000</b>  |
| Investments   | 1,865          | 1,907          | 1,889          | 2,076          | 2,052          | 1,700          |
| Premises and Leased Assets  | 4,678          | 4,500          | 4,523          | 4,551          | 4,413          | 3,800          |
| Intangible Assets   | 8,270          | 9,586          | 9,045          | 9,027          | 8,978          | 6,500          |
| <b>Total</b>  | <b>879,092</b> | <b>856,288</b> | <b>830,520</b> | <b>789,550</b> | <b>761,533</b> | <b>722,210</b> |
| <b>Liabilities</b>  |                |                |                |                |                |                |
| <b>Current and Long-Term Liabilities</b>                                      | <b>807,799</b> | <b>789,036</b> | <b>765,398</b> | <b>730,214</b> | <b>704,664</b> | <b>667,300</b> |
| Deposits  | 211,858        | 212,869        | 217,070        | 213,877        | 217,424        | 224,600        |
| Federal Funds Purchased and Securities Sold under<br>Agreements to Repurchase | 255,591        | 245,538        | 225,974        | 213,930        | 197,448        | 171,400        |
| Funds from Issuance of Securities   | 51,359         | 53,810         | 51,158         | 48,482         | 41,522         | 32,800         |
| Interbank and Interdepartmental Accounts                                      | 5,667          | 3,649          | 3,618          | 3,231          | 4,614          | 2,900          |
| Borrowing and Onlending   | 44,187         | 45,399         | 47,895         | 47,112         | 53,247         | 49,000         |
| Derivative Financial Instruments  | 4,001          | 4,148          | 3,568          | 2,703          | 735            | 1,700          |
| Reserves for Insurance, Pension Plans and Capitalization Bonds                | 124,217        | 117,807        | 111,789        | 106,953        | 103,653        | 97,000         |
| Other Liabilities   | 110,919        | 105,816        | 104,326        | 93,926         | 86,021         | 87,400         |
| <b>Deferred Income</b>  | <b>658</b>     | <b>619</b>     | <b>615</b>     | <b>646</b>     | <b>672</b>     | <b>600</b>     |
| <b>Non-controlling Interest in Subsidiaries</b>                               | <b>588</b>     | <b>586</b>     | <b>587</b>     | <b>630</b>     | <b>615</b>     | <b>600</b>     |
| <b>Shareholders' Equity</b>   | <b>70,047</b>  | <b>66,047</b>  | <b>63,920</b>  | <b>58,060</b>  | <b>55,582</b>  | <b>53,700</b>  |
| <b>Total</b>  | <b>879,092</b> | <b>856,288</b> | <b>830,520</b> | <b>789,550</b> | <b>761,533</b> | <b>722,210</b> |

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

|  | 4Q12          | 3Q12          | 2Q12          | 1Q12          | 4Q11          | 3Q11          | 2Q11         | 1Q11         | R\$<br>million |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|----------------|
| <b>Financial Margin</b>  | <b>11,109</b> | <b>10,955</b> | <b>11,034</b> | <b>10,695</b> | <b>10,258</b> | <b>10,230</b> | <b>9,471</b> | <b>9,362</b> |                |
| - Interest   | 10,678        | 10,603        | 10,518        | 10,222        | 9,985         | 9,669         | 9,167        | 8,849        |                |
| - Non-interest   | 431           | 352           | 516           | 473           | 273           | 561           | 304          | 513          |                |
| ALL  | (3,210)       | (3,303)       | (3,407)       | (3,094)       | (2,661)       | (2,779)       | (2,437)      | (2,360)      |                |
| <b>Gross Income from<br/>Financial Intermediation</b>                              | <b>7,899</b>  | <b>7,652</b>  | <b>7,627</b>  | <b>7,601</b>  | <b>7,597</b>  | <b>7,451</b>  | <b>7,034</b> | <b>7,002</b> |                |
| Income from Insurance,<br>Pension Plans and<br>Capitalization Bonds <sup>(1)</sup> | 955           | 1,029         | 953           | 877           | 933           | 864           | 788          | 785          |                |
| Fee and Commission Income  | 4,675         | 4,438         | 4,281         | 4,118         | 4,086         | 3,876         | 3,751        | 3,510        |                |
| Personnel Expenses   | (3,142)       | (3,119)       | (3,047)       | (2,878)       | (3,140)       | (2,880)       | (2,605)      | (2,436)      |                |
| Other Administrative<br>Expenses   | (3,755)       | (3,565)       | (3,441)       | (3,401)       | (3,682)       | (3,405)       | (3,179)      | (3,140)      |                |
| Tax Expenses   | (1,098)       | (1,038)       | (991)         | (1,012)       | (1,005)       | (866)         | (913)        | (880)        |                |
| Equity in the Earnings<br>(Losses) of Unconsolidated<br>Companies                  | 45            | 45            | 19            | 40            | 53            | 41            | 16           | 34           |                |
| Other Operating Income/<br>(Expenses)  | (1,130)       | (1,054)       | (1,035)       | (996)         | (808)         | (907)         | (764)        | (922)        |                |
| <b>Operating Result</b>  | <b>4,449</b>  | <b>4,388</b>  | <b>4,366</b>  | <b>4,349</b>  | <b>4,034</b>  | <b>4,174</b>  | <b>4,128</b> | <b>3,953</b> |                |
| Non-Operating Result   | (29)          | (20)          | (22)          | (18)          | 4             | 10            | (7)          | (4)          |                |
| Income Tax and Social<br>Contribution  | (1,488)       | (1,455)       | (1,461)       | (1,468)       | (1,241)       | (1,304)       | (1,271)      | (1,138)      |                |
| Non-controlling Interest   | (14)          | (20)          | (16)          | (18)          | (26)          | (16)          | (25)         | (73)         |                |
| <b>Adjusted Net Income</b>   | <b>2,918</b>  | <b>2,893</b>  | <b>2,867</b>  | <b>2,845</b>  | <b>2,771</b>  | <b>2,864</b>  | <b>2,825</b> | <b>2,738</b> |                |

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

**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  |            |
|---|------------------|---------------|---------------|---------------|--------------|------------|
|   | Financial Margin |               |               |               | Variation    |            |
|   | 12M12            | 12M11         | 4Q12          | 3Q12          | YTD          | Quarter    |
| Interest - due to volume                  |                  |               |               |               | 5,012        | 253        |
| Interest - due to spread                  |                  |               |               |               | (661)        | (178)      |
| - Financial Margin - Interest             | 42,021           | 37,670        | 10,678        | 10,603        | 4,351        | 75         |
| - Financial Margin - Non-Interest         | 1,772            | 1,651         | 431           | 352           | 121          | 79         |
| <b>Financial Margin</b>                   | <b>43,793</b>    | <b>39,321</b> | <b>11,109</b> | <b>10,955</b> | <b>4,472</b> | <b>154</b> |
| <b>Average Margin Rate <sup>(1)</sup></b> | <b>7.5%</b>      | <b>7.7%</b>   | <b>7.6%</b>   | <b>7.6%</b>   |              |            |

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

The fourth quarter of 2012 had a financial margin of R\$11,109 million, up 1.4%, or R\$154 million, when compared to the previous quarter. This variation was mainly due to: (i) higher non-interest margin, totaling R\$79 million, and (ii) a R\$75 million increase in interest margin.

Between 2012 and 2011, financial margin grew by 11.4%, or R\$4,472 million, as a result of (i) a R\$4,351 million increase in interest margin, of which: (a) R\$5,012 million corresponds to the increase in volume of operations; partially minimized by: (b) a R\$661 million decrease in spread; and (ii) a R\$121 million increase in non-interest financial margin, thanks to higher Insurance gains.

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

|         |                                     |        |       |       | R\$ million |         |
|---------|-------------------------------------|--------|-------|-------|-------------|---------|
|         | Interest Financial Margin Breakdown |        |       |       | Variation   |         |
|         | 12M12                               | 12M11  | 4Q12  | 3Q12  | YTD         | Quarter |
| Loans   | 29,530                              | 26,818 | 7,527 | 7,460 | 2,712       | 67      |
| Funding | 4,225                               | 4,562  | 997   | 1,019 | (337)       | (22)    |

|                                  |               |               |               |               |              |           |
|----------------------------------|---------------|---------------|---------------|---------------|--------------|-----------|
| Insurance                        | 3,183         | 3,388         | 912           | 694           | (205)        | 218       |
| Securities/Other                 | 5,083         | 2,902         | 1,242         | 1,430         | 2,181        | (188)     |
| <b>Interest Financial Margin</b> | <b>42,021</b> | <b>37,670</b> | <b>10,678</b> | <b>10,603</b> | <b>4,351</b> | <b>75</b> |

In the fourth quarter of 2012, interest financial margin stood at R\$10,678 million, for a R\$75 million increase over the third quarter of 2012. Year over year, interest financial margin increased by 11.6%, or R\$4,351 million.

Quarter over quarter, the business lines that most contributed to this result were: (i) "Loan;" and (ii) "Insurance;" year over year, the business lines that most contributed were: (i) "Loan;" and (ii) "Securities/Other."

Report on Economic and Financial  
Analysis – December 2012

---

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

The annualized interest financial margin rate stood at 7.3% in the fourth quarter of 2012, posting a slight 0.1 p.p. decrease in relation to the previous quarter, mainly due to: (i) the decrease in the average "Loan" margin rate, which was impacted by lower interest rates, combined with the change in the loan portfolio mix; and (ii) the increase in the average rate of the Insurance margin, due to the lower IGP-M when compared to the previous quarter, which resulted in a lower expense with adjustment for inflation of part of technical reserves.

**Interest Financial Margin - Annualized Average Rates**

|                                  | R\$ million   |                |             |               |                |             |
|----------------------------------|---------------|----------------|-------------|---------------|----------------|-------------|
|                                  | 12M12         |                |             | 12M11         |                |             |
|                                  | Interest      | Average        | Average     | Interest      | Average        | Average     |
|                                  |               | <b>Balance</b> | <b>Rate</b> |               | <b>Balance</b> | <b>Rate</b> |
| Loans                            | 29,530        | 284,173        | 10.4%       | 26,818        | 254,812        | 10.5%       |
| Funding                          | 4,225         | 333,483        | 1.3%        | 4,562         | 301,122        | 1.5%        |
| Insurance                        | 3,183         | 113,304        | 2.8%        | 3,388         | 94,561         | 3.6%        |
| Securities/Other                 | 5,083         | 293,294        | 1.7%        | 2,902         | 234,205        | 1.2%        |
| <b>Interest Financial Margin</b> | <b>42,021</b> | <b>-</b>       | <b>7.2%</b> | <b>37,670</b> | <b>-</b>       | <b>7.4%</b> |
|                                  |               |                |             |               |                |             |
|                                  | 4Q12          |                |             | 3Q12          |                |             |
|                                  | Interest      | Average        | Average     | Interest      | Average        | Average     |
|                                  |               | <b>Balance</b> | <b>Rate</b> |               | <b>Balance</b> | <b>Rate</b> |
| Loans                            | 7,527         | 294,694        | 10.6%       | 7,460         | 287,987        | 10.8%       |
| Funding                          | 997           | 333,304        | 1.2%        | 1,019         | 332,488        | 1.2%        |
| Insurance                        | 912           | 121,638        | 3.0%        | 694           | 115,647        | 2.4%        |
| Securities/Other                 | 1,242         | 307,457        | 1.6%        | 1,430         | 298,905        | 1.9%        |
| <b>Interest Financial Margin</b> | <b>10,678</b> | <b>-</b>       | <b>7.3%</b> | <b>10,603</b> | <b>-</b>       | <b>7.4%</b> |





## Economic and Financial Analysis

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

|                                  | Financial Margin - Loan  |               |              |              | R\$ million      |           |
|----------------------------------|--------------------------|---------------|--------------|--------------|------------------|-----------|
|                                  | 12M12                    | 12M11         | 4Q12         | 3Q12         | Variation<br>YTD | Quarter   |
|                                  | Interest - due to volume |               |              |              |                  | 3,051     |
| Interest - due to spread         |                          |               |              |              | (339)            | (104)     |
| <b>Interest Financial Margin</b> | <b>29,530</b>            | <b>26,818</b> | <b>7,527</b> | <b>7,460</b> | <b>2,712</b>     | <b>67</b> |
| Income                           | 51,236                   | 49,077        | 12,361       | 12,912       | 2,159            | (551)     |
| Expenses                         | (21,706)                 | (22,259)      | (4,834)      | (5,452)      | 553              | 618       |

In the fourth quarter of 2012, financial margin with loan operations reached R\$7,527 million, up R\$67 million or 0.9% over the previous quarter. The variation is the result of: (i) the R\$171 million increase in average business volume; and partially offset by: (ii) the R\$104 million decrease in average spread, basically reflecting lower interest rates.

Between 2012 and 2011, financial margin grew 10.1%, or R\$2,712 million, resulting from: (i) a R\$3,051 million increase in the volume of operations; and offset by: (ii) the decrease in average spread, amounting to R\$339 million, which was basically impacted by: (a) the change in the loan portfolio mix, due to greater share of the Corporate segment, which has lower margins and posted an increase of 11.6% over the last 12 months compared to the 8.2% growth of the Individuals segment in the same period; and (b) lower interest rates.

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

### **Loan Financial Margin - Net Margin**

The graph above presents a summary of loan activity. The Gross Margin curve 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, loan recoveries net of discounts granted in transactions and the result of the sale of foreclosed assets, among other items.

The net margin curve presents the result from loan interest income, net of ALL, which, in the fourth quarter of 2012, recorded a 3.8% increase compared to the third quarter of 2012, mainly due to: (i) the decrease in default costs; and (ii) the increase in business volume. Year over year, net margin was practically stable.

## Economic and Financial Analysis

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

The loan portfolio amounted to R\$385.5 billion in December 2012, up 3.7% in the quarter, led by Corporate segment (Corporations grew by 4.6%, whereas SMEs increased 3.7% in the period). Over the past twelve months, the loan portfolio increased 11.5%, led by Corporate portfolios, a growth of 15.0% in Corporations and 10.6% in SMEs.

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

For further information, refer to page 42 herein.

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

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

| Individuals                             | R\$ million    |                |                | Variation % |            |
|---|----------------|----------------|----------------|-------------|------------|
|   | Dec12          | Sept12         | Dec11          | Quarter     | 12M        |
| CDC / Vehicle Leasing                   | 31,099         | 31,860         | 32,986         | (2.4)       | (5.7)      |
| Credit Card                             | 20,921         | 18,850         | 18,633         | 11.0        | 12.3       |
| Payroll-Deductible Loans <sup>(1)</sup> | 20,757         | 19,956         | 17,807         | 4.0         | 16.6       |
| Personal Loans                          | 15,041         | 14,929         | 13,212         | 0.8         | 13.8       |
| Real Estate Financing <sup>(2)</sup>    | 10,060         | 9,452          | 7,248          | 6.4         | 38.8       |
| Rural Loans                             | 6,927          | 6,528          | 6,641          | 6.1         | 4.3        |
| BNDES/Finame Onlending                  | 5,775          | 5,628          | 5,336          | 2.6         | 8.2        |
| Overdraft Facilities                    | 2,989          | 3,198          | 2,746          | (6.6)       | 8.8        |
| Sureties and Guarantees                 | 683            | 685            | 856            | (0.3)       | (20.2)     |
| Other <sup>(3)</sup>                    | 3,289          | 3,450          | 3,206          | (4.7)       | 2.6        |
| <b>Total</b>                            | <b>117,540</b> | <b>114,536</b> | <b>108,671</b> | <b>2.6</b>  | <b>8.2</b> |

Including:

(1) Loan assignment (FIDC): R\$202 million in December 2012, R\$265 million in September 2012 and R\$514 million in December 2011;

(2) Loan assignment (CRI): R\$149 million in December 2012, R\$165 million in September 2012 and R\$216 million in December 2011; and

(3) Loan assignment (FIDC) for the acquisition of assets: R\$1 million in December 2012, R\$1 million in September 2012 and R\$2 million in December 2011; and rural loan assignment: R\$101 million in December 2012, R\$111 million in September 2012 and R\$111 million in December 2011.

Operations bearing credit risks for Individuals grew by 2.6% in the quarter, led by: (i) credit card; and (ii) real estate financing. In the last 12 months, the 8.2% growth was a result of better performance in: (i) real estate financing; and (ii) payroll-deductible loans.

Report on Economic and  
Financial Analysis – December  
2012

---

**Loan Financial Margin - Interest**

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

| Corporate  | R\$ million    |                |                | Variation % |             |
|--|----------------|----------------|----------------|-------------|-------------|
|  | Dec12          | Sept12         | Dec11          | Quarter     | 12M         |
| Working Capital  | 44,811         | 42,416         | 41,863         | 5.6         | 7.0         |
| BNDES/Finame Onlending   | 29,929         | 29,160         | 30,062         | 2.6         | (0.4)       |
| Operations Abroad  | 25,243         | 24,748         | 22,659         | 2.0         | 11.4        |
| Credit Card  | 13,942         | 13,984         | 13,533         | (0.3)       | 3.0         |
| Real Estate Financing - Corporate Plan <sup>(1)</sup>                | 12,674         | 12,059         | 9,253          | 5.1         | 37.0        |
| Export Financing   | 12,023         | 12,974         | 9,824          | (7.3)       | 22.4        |
| Overdraft Account  | 9,793          | 10,546         | 9,670          | (7.1)       | 1.3         |
| Vehicles - CDC   | 7,088          | 6,677          | 5,443          | 6.1         | 30.2        |
| Leasing  | 6,190          | 6,416          | 7,325          | (3.5)       | (15.5)      |
| Rural Loans  | 4,653          | 4,553          | 4,395          | 2.2         | 5.9         |
| Sureties and Guarantees <sup>(2)</sup>                               | 59,228         | 54,048         | 47,624         | 9.6         | 24.4        |
| Operations bearing Credit Risk - Commercial Portfolio <sup>(3)</sup> | 30,874         | 28,587         | 23,798         | 8.0         | 29.7        |
| Other <sup>(4)</sup>   | 11,542         | 10,970         | 11,605         | 5.2         | (0.5)       |
| <b>Total</b>   | <b>267,989</b> | <b>257,138</b> | <b>237,053</b> | <b>4.2</b>  | <b>13.1</b> |

Including:

(1) Loan assignment (CRI): R\$230 million in December 2012, R\$234 million in September 2012, R\$285 million in December 2011;

(2) A total of 91.3% of sureties and guarantees from corporate customers were contracted by corporations;

(3) Operations with debentures and promissory notes; and

(4) Letters of credit: R\$1,629 million in December 2012, R\$1,569 million in September 2012 and R\$1,754 million in December 2011.

Operations bearing credit risk for corporate customers grew by 4.2% in the quarter and 13.1% in the last 12 months. The main highlights in the quarter were: (i) sureties and guarantees; and (ii) operations bearing credit risk – commercial portfolio. In the last 12 months, the growth was led by: (i) real estate financing – corporate plan; and (ii) operations bearing credit risk – commercial portfolio.

**Expanded Loan Portfolio - Consumer Financing**

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

Consumer financing totaled R\$88.2 billion, up 2.6% in the quarter and 6.2% in the last 12 months. Growth was led by: (i) vehicle financing (CDC/Leasing) (R\$31.1 billion); and (ii) payroll-deductible loans (R\$20.8

billion), which together totaled R\$51.9 billion, accounting for 58.8% of the consumer financing balance. Given their guarantees and characteristics, these products provide a rather low level of credit risk to this group of operations.

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Breakdown of the Vehicle Portfolio**

|                          | R\$ million   |               |               | Variation %   |               |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
|                          | Dec12         | Sept12        | Dec11         | Quarter       | 12M           |
| <b>CDC Portfolio</b>     | <b>36,336</b> | <b>36,217</b> | <b>34,204</b> | <b>0.3</b>    | <b>6.2</b>    |
| Individuals              | 29,248        | 29,540        | 28,761        | (1.0)         | 1.7           |
| Corporate                | 7,088         | 6,677         | 5,443         | 6.2           | 30.2          |
| <b>Leasing Portfolio</b> | <b>4,774</b>  | <b>5,492</b>  | <b>8,223</b>  | <b>(13.1)</b> | <b>(41.9)</b> |
| Individuals              | 1,851         | 2,320         | 4,225         | (20.2)        | (56.2)        |
| Corporate                | 2,923         | 3,172         | 3,998         | (7.8)         | (26.9)        |
| <b>Finame Portfolio</b>  | <b>10,417</b> | <b>10,308</b> | <b>10,311</b> | <b>1.1</b>    | <b>1.0</b>    |
| Individuals              | 938           | 989           | 1,000         | (5.2)         | (6.2)         |
| Corporate                | 9,479         | 9,319         | 9,311         | 1.7           | 1.8           |
| <b>Total</b>             | <b>51,527</b> | <b>52,017</b> | <b>52,738</b> | <b>(0.9)</b>  | <b>(2.3)</b>  |
| Individuals              | 32,037        | 32,849        | 33,986        | (2.5)         | (5.7)         |
| Corporate                | 19,490        | 19,168        | 18,752        | 1.7           | 3.9           |

Vehicle financing operations (individual and corporate customers) totaled R\$51.5 billion in December 2012, presenting a decrease in quarter-over-quarter and year-over-year comparisons. Of the total vehicle portfolio, 70.5% corresponds to CDC, 20.2% to Finame and 9.3% to Leasing. Individuals represented 62.2% of the portfolio, while corporate customers accounted for the remaining 37.8%.

**Expanded Loan Portfolio Concentration - by Sector**

The share of each economic sector composing the loan portfolio had a slight variation. Services had the greatest growth, both in the quarter and in the last 12-month period.

| Activity Sector                       | R\$ million    |             |                |             |                |             |
|---------------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                                       | Dec12          | %           | Sept12         | %           | Dec11          | %           |
| <b>Public Sector</b>                  | <b>1,179</b>   | <b>0.3</b>  | <b>1,086</b>   | <b>0.3</b>  | <b>1,921</b>   | <b>0.6</b>  |
| <b>Private Sector</b>                 | <b>384,350</b> | <b>99.7</b> | <b>370,588</b> | <b>99.7</b> | <b>343,803</b> | <b>99.4</b> |
| <b>Corporate</b>                      | <b>266,810</b> | <b>69.2</b> | <b>256,052</b> | <b>68.9</b> | <b>235,131</b> | <b>68.0</b> |
| Industry                              | 83,880         | 21.8        | 82,531         | 22.2        | 75,841         | 21.9        |
| Commerce                              | 57,531         | 14.9        | 58,786         | 15.8        | 52,647         | 15.2        |
| Financial Intermediaries              | 7,138          | 1.9         | 6,617          | 1.8         | 4,624          | 1.3         |
| Services                              | 114,383        | 29.7        | 104,200        | 28.0        | 98,263         | 28.4        |
| Agriculture, Cattle Raising, Fishing, | 3,879          | 1.0         | 3,918          | 1.1         | 3,757          | 1.1         |

Forestry and Forest Exploration

|                    |                |              |                |              |                |              |
|--------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| <b>Individuals</b> | <b>117,540</b> | <b>30.5</b>  | <b>114,536</b> | <b>30.8</b>  | <b>108,672</b> | <b>31.4</b>  |
| <b>Total</b>       | <b>385,529</b> | <b>100.0</b> | <b>371,674</b> | <b>100.0</b> | <b>345,724</b> | <b>100.0</b> |

Report on Economic and  
Financial Analysis – December  
2012

---



## **Loan Financial Margin - Interest**

### **Changes in the Expanded Loan Portfolio**

Of the R\$39.8 billion growth in the loan portfolio over the last 12 months, new borrowers accounted for R\$31.9 billion, or 80.2%, representing 8.3% of the portfolio in December 2012.

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

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Changes in the Expanded Loan Portfolio - By Rating**

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

**Changes in the Extended Loan Portfolio by Rating from December 2011 to 2012  
New Customers from**

| Rating       | Total Loans as of<br>December 2012 |              | January to<br>December 2012 |              | Remaining Debtors as<br>of<br>December 2011 |              |
|--------------|------------------------------------|--------------|-----------------------------|--------------|---|--------------|
|              | R\$ million                        | %            | R\$ million                 | %            | R\$ million                                 | %            |
|              | AA - C                             | 360,474      | 93.5                        | 30,588       | 95.9  | 329,886      |
| D            | 7,598                              | 2.0          | 370                         | 1.1          | 7,228                                       | 2.0          |
| E - H        | 17,457                             | 4.5          | 950                         | 3.0          | 16,507                                      | 4.7          |
| <b>Total</b> | <b>385,529</b>                     | <b>100.0</b> | <b>31,908</b>               | <b>100.0</b> | <b>353,621</b>                              | <b>100.0</b> |

**Expanded Loan Portfolio - By Customer Profile**

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

| Customer Profile             | R\$ million    |                |                | Variation % |             |
|------------------------------|----------------|----------------|----------------|-------------|-------------|
|                              | Dec12          | Sept12         | Dec11          | Quarter     | 12M         |
| Corporations                 | 152,728        | 146,033        | 132,825        | 4.6         | 15.0        |
| SMEs                         | 115,261        | 111,106        | 104,228        | 3.7         | 10.6        |
| Individuals                  | 117,540        | 114,536        | 108,671        | 2.6         | 8.2         |
| <b>Total Loan Operations</b> | <b>385,529</b> | <b>371,674</b> | <b>345,724</b> | <b>3.7</b>  | <b>11.5</b> |

**Expanded Loan Portfolio - By Customer Profile and Rating (%)**

AA-C rated loans had a slight increase in comparison with the previous quarter and slightly decreased in the year-over-year comparison.

| Customer Profile | By Rating   |            |            |             |            |            |             |            |            |
|------------------|-------------|------------|------------|-------------|------------|------------|-------------|------------|------------|
|                  | Dec12       |            |            | Sept12      |            |            | Dec11       |            |            |
|                  | AA-C        | D          | E-H        | AA-C        | D          | E-H        | AA-C        | D          | E-H        |
| Corporations     | 98.7        | 0.9        | 0.4        | 98.8        | 0.8        | 0.5        | 99.0        | 0.5        | 0.5        |
| SMEs             | 91.3        | 3.1        | 5.6        | 91.2        | 3.1        | 5.7        | 91.8        | 2.8        | 5.4        |
| Individuals      | 88.9        | 2.3        | 8.8        | 88.8        | 2.4        | 8.8        | 89.0        | 2.2        | 8.8        |
| <b>Total</b>     | <b>93.5</b> | <b>2.0</b> | <b>4.5</b> | <b>93.4</b> | <b>2.0</b> | <b>4.6</b> | <b>93.7</b> | <b>1.7</b> | <b>4.6</b> |

Report on Economic and  
Financial Analysis – December  
2012

---

**Loan Financial Margin - Interest****Expanded Loan Portfolio - By Business Segment**

Below is the quarterly and yearly growth in the loan portfolio by business segment, which was led by the Prime, Middle Market and Retail segments.

| Business Segments                          | R\$ million    |              |                |              | Variation %    |              |             |
|--|----------------|--------------|----------------|--------------|----------------|--------------|-------------|
|  | Dec12          | %            | Sept12         | %            | Dec11          | %            | 12M         |
| Retail                                     | 108,631        | 28.2         | 104,405        | 28.1         | 94,125         | 27.2         | 15.4        |
| Corporate <sup>(1)</sup>                   | 158,474        | 41.1         | 152,850        | 41.1         | 143,396        | 41.5         | 10.5        |
| Middle Market                              | 49,271         | 12.8         | 46,693         | 12.6         | 44,191         | 12.8         | 11.5        |
| Prime                                      | 15,603         | 4.0          | 14,718         | 4.0          | 12,325         | 3.6          | 26.6        |
| Other / Non-account holders <sup>(2)</sup> | 53,551         | 13.9         | 53,008         | 14.2         | 51,687         | 14.9         | 3.6         |
| <b>Total</b>                               | <b>385,529</b> | <b>100.0</b> | <b>371,674</b> | <b>100.0</b> | <b>345,724</b> | <b>100.0</b> | <b>11.5</b> |

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

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

**Expanded Loan Portfolio - By Currency**

The balance of foreign currency-indexed and/or denominated loan and onlending operations (excluding ACCs - Advances on Foreign Exchange Contracts) totaled US\$15.1 billion in December 2012 (US\$15.0 billion in September 2012 and US\$14.8 billion in December 2011), a 0.7% and 2.0% increase, in dollars, in the quarter and in the last 12 months, respectively. In reais, these same foreign currency operations totaled R\$30.9 billion in December 2012 (R\$30.4 billion in September 2012 and R\$27.8 billion in December 2011), a 1.6% growth in the quarter and 11.2% in the last 12 months.

In December 2012, total loan operations, in reais, stood at R\$354.6 billion (R\$341.3 billion in September 2012 and R\$317.9 billion in December 2011), up 3.9% on the previous quarter and 11.5% over the last 12 months.

## Economic and Financial Analysis

**Loan Financial Margin - Interest****Expanded Loan Portfolio - by Debtor**

Credit exposure level among the 100 largest debtors was slightly higher from that in the previous year and the last quarter. The quality of the portfolio of the 100 largest debtors, rated as AA and A, improved in the quarter and slightly decreased in the last 12 months.

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

All operations bearing credit risk stood at R\$409.4 billion, up 3.7% in the quarter and 12.1% in the last 12 months.

|  | R\$ million    |                |                | Variation %   |               |
|--|----------------|----------------|----------------|---------------|---------------|
|  | Dec12          | Sept12         | Dec11          | Quarter       | 12M           |
| Loans and Discounted Securities Financing                              | 141,861        | 138,417        | 129,519        | 2.5           | 9.5           |
| Rural and Agribusiness Financing                                       | 101,361        | 99,631         | 92,149         | 1.7           | 10.0          |
| Leasing Operations   | 16,683         | 15,968         | 15,499         | 4.5           | 7.6           |
| Advances on Exchange Contracts   | 8,035          | 8,731          | 11,551         | (8.0)         | (30.4)        |
| Other Loans  | 6,348          | 7,360          | 6,235          | (13.8)        | 1.8           |
| <b>Subtotal Loan Operations <sup>(2)</sup></b>                         | <b>290,960</b> | <b>284,367</b> | <b>268,668</b> | <b>2.3</b>    | <b>8.3</b>    |
| Sureties and Guarantees Granted (Memorandum Accounts)                  | 59,911         | 54,732         | 48,479         | 9.5           | 23.6          |
| Operations bearing Credit Risk - Commercial Portfolio <sup>(3)</sup>   | 30,874         | 28,587         | 23,798         | 8.0           | 29.7          |
| Letters of Credit (Memorandum Accounts)                                | 1,629          | 1,569          | 1,754          | 3.8           | (7.1)         |
| Advances from Credit Card Receivables                                  | 1,454          | 1,623          | 1,879          | (10.4)        | (22.6)        |
| Co-obligation in Loan Assignment                                       | 582            | 666            | 1,017          | (12.6)        | (42.8)        |
| FIDC/CRI (Memorandum Accounts)   |                |                |                |               |               |
| Co-obligation in Rural Loan Assignment (Memorandum Accounts)           | 119            | 130            | 130            | (8.7)         | (8.7)         |
| <b>Subtotal of Operations bearing Credit Risk - Expanded Portfolio</b> | <b>385,529</b> | <b>371,674</b> | <b>345,724</b> | <b>3.7</b>    | <b>11.5</b>   |
| Other Operations Bearing Credit Risk <sup>(4)</sup>                    | 23,851         | 22,928         | 19,339         | 4.0           | 23.3          |
| <b>Total Operations bearing Credit Risk</b>                            | <b>409.380</b> | <b>394,602</b> | <b>365,063</b> | <b>(99.9)</b> | <b>(99.9)</b> |

- (1) In addition to the Expanded Portfolio, it includes other operations bearing credit risk;
- (2) As defined by Bacen;
- (3) Including debenture and promissory note operations; and
- (4) Including CDI operations, international treasury, swaps, forward currency contracts and investments in FIDC and CRI.

Report on Economic and Financial  
Analysis – December 2012

---

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

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

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

The portfolio's profile by flow of maturities remained stable year over year. The reduction in certain long-term portfolios was offset by the volume of payroll-deductible loan operations and real estate financing. Note that, due to their guarantees and characteristics, these operations are exposed to lower risk, in addition to providing favorable conditions to gain customer loyalty.

(1) As defined by Bacen.

Economic and Financial Analysis

**Loan Financial Margin - Interest**

**Loan Portfolio<sup>(1)</sup> - Delinquency over 90 days**

Total delinquency ratio over 90 days was stable in the quarter. Note the slight reduction in Corporations and SMEs which, however, did not change the average ratio, given that the Individuals delinquency ratio remained practically stable in 2012.

As shown in the graph below, the total delinquency ratio for operations overdue from 61 to 90 days had a slight decrease in the quarter and a slight increase over the last twelve months, mainly due to the change in the portfolio mix. Loans overdue from 61 to 90 days remained stable for individuals, whereas for corporate customers it posted a slight decrease. Year over year, the ratio remained stable both for individuals and corporate customers.

(1) As defined by Bacen.



## Loan Financial Margin - Interest

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

The ALL of R\$21.3 billion, representing 7.3% of the total portfolio, comprises the generic provision (customer and/or operation rating), the specific provision (non-performing loans) and the excess provision (internal criteria).

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

It is worth mentioning the assertiveness of adopted provisioning criteria, which is proven by: (i) analyzing historical data on recorded allowances for loan losses; and (ii) effective losses in the subsequent twelve-month period, i.e., for an existing provision of 7.3% of the portfolio<sup>(1)</sup>, in December 2011, the effective gross loss in the subsequent twelve-month period was 4.5%, meaning the existing provision exceeded the loss over the subsequent twelve-month period by more than 60%, as shown in the graph below.

(1) As defined by Bacen.

Economic and Financial Analysis

**Loan Financial Margin - Interest**

Analysis in terms of loss, net of recovery, shows a significant increase in the coverage margin. In December 2011, for an existing provision of 7.3% of the portfolio<sup>(1)</sup>, the net loss in the subsequent twelve-month period was 3.4%, meaning that the existing provision covered the loss in the subsequent 12 months by more than 113%.

(1) As defined by Bacen.

Report on Economic and  
Financial Analysis – December  
2012

---

## **Loan Financial Margin - Interest**

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

The Non-performing Loan ratio (operations overdue for over 60 days) posted a slight decrease in the quarter-over-quarter comparison. Coverage ratios for the allowance for loans overdue from 60 to 90 days stood at very comfortable levels.

(1) As defined by Bacen; and

(2) Loan operations overdue for over 60 days and that do not generate revenue appropriation on an accrual basis.

## 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>Dec12</b>                  | <b>Sept12</b>  | <b>Dec11</b>   |
| <b>Total Loan Operations <sup>(1)</sup></b>                    | <b>290,960</b>                | <b>284,367</b> | <b>268,668</b> |
| - Individuals  | 116,404                       | 113,308        | 106,972        |
| - Corporate  | 174,556                       | 171,058        | 161,696        |
| <b>Existing Provision</b>                                      | <b>21,299</b>                 | <b>20,915</b>  | <b>19,540</b>  |
| - Specific   | 11,182                        | 10,897         | 9,875          |
| - Generic  | 6,106                         | 6,007          | 5,654          |
| - Excess   | 4,010                         | 4,011          | 4,011          |
| Specific Provision / Existing Provision (%)                    | 52.5                          | 52.1           | 50.5           |
| Existing Provision / Loan Operations (%)                       | 7.3                           | 7.4            | 7.3            |
| AA - C Rated Loan Operations / Loan Operations (%)             | 91.5                          | 91.5           | 91.9           |
| D Rated Operations under Risk Management / Loan Operations (%) | 2.5                           | 2.5            | 2.2            |
| E - H Rated Loan Operations / Loan Operations (%)              | 6.0                           | 6.0            | 5.9            |
| D Rated Loan Operations  | 7,427                         | 7,192          | 5,847          |
| Existing Provision for D Rated Loan Operations                 | 2,039                         | 1,982          | 1,572          |
| D Rated Provision / Loan Operations (%)                        | 27.5                          | 27.6           | 26.9           |
| D - H Rated Non-Performing Loans                               | 16,414                        | 16,262         | 14,592         |
| Existing Provision/D - H Rated Non-Performing Loans (%)        | 129.8                         | 128.6          | 133.9          |
| E - H Rated Loan Operations                                    | 17,382                        | 17,032         | 15,796         |
| Existing Provision for E - H Rated Loan Operations             | 15,296                        | 14,999         | 13,859         |
| E - H Rated Provision / Loan Operations (%)                    | 88.0                          | 88.1           | 87.7           |
| E - H Rated Non-Performing Loans                               | 13,404                        | 13,017         | 11,949         |
| Existing Provision/E - H Rated Non-Performing Loan (%)         | 158.9                         | 160.7          | 163.5          |
| Non-Performing Loans <sup>(2)</sup>                            | 14,455                        | 14,447         | 12,870         |
| Non-Performing Loans <sup>(2)</sup> / Loan Operations (%)      | 5.0                           | 5.1            | 4.8            |
| Existing Provision / Non-Performing Loans <sup>(2)</sup> (%)   | 147.3                         | 144.8          | 151.8          |
| Loan Operations Overdue for over 90 days                       | 11,955                        | 11,684         | 10,598         |
| Existing Provision/Operations Overdue for over 90 days (%)     | 178.2                         | 179.0          | 184.4          |

(1) As defined by Bacen; and

(2) Loan operations overdue for over 60 days and that do not generate revenue appropriation on an accrual basis.

Report on Economic and  
Financial Analysis – December  
2012

---

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

|                                  | <b>Financial Margin - Funding</b> |              |             |              | <b>R\$ million</b>       |                |
|----------------------------------|-----------------------------------|--------------|-------------|--------------|--------------------------|----------------|
|                                  | <b>12M12</b>                      | <b>12M11</b> | <b>4Q12</b> | <b>3Q12</b>  | <b>Variation<br/>YTD</b> | <b>Quarter</b> |
| Interest - due to volume         |                                   |              |             |              | 410                      | 2              |
| Interest - due to spread         |                                   |              |             |              | (747)                    | (24)           |
| <b>Interest Financial Margin</b> | <b>4,225</b>                      | <b>4,562</b> | <b>997</b>  | <b>1,019</b> | <b>(337)</b>             | <b>(22)</b>    |

Quarter over quarter, interest funding financial margin decreased 2.2%, or R\$22 million. The variation was due to: (i) the R\$24 million decrease in average spread, reflecting lower interest rate (Selic) in the period; partially offset by: (ii) the slight increase in the volume of transactions, in the amount of R\$2 million.

In 2012, interest funding financial margin was R\$4,225 million against the R\$4,562 million in 2011, down by 7.4% or R\$337 million, mainly driven by: (i) the R\$747 million decrease in average spread, partially impacted by lower interest rate (Selic); and partially offset by: (ii) gains from average business volume, totaling R\$410 million.

## Economic and Financial Analysis

**Funding Financial Margin - Interest****Loans x Funding**

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

Bradesco depends little 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 loans using its own funding.

| <b>Funding vs. Investments</b>  | <b>R\$ million</b> |                |                | <b>Variation %</b> |                   |
|---|--------------------|----------------|----------------|--------------------|-------------------|
|   | <b>Dec12</b>       | <b>Sept12</b>  | <b>Dec11</b>   | <b>Quarter</b>     | <b>12M</b>        |
| Demand Deposits   | 38,412             | 33,627         | 33,121         | 14.2               | 16.0              |
| Sundry Floating   | 3,428              | 4,735          | 2,322          | (27.6)             | 47.6              |
| Savings Deposits  | 69,042             | 65,540         | 59,656         | 5.3                | 15.7              |
| Time Deposits + Debentures <sup>(1)</sup>   | 163,832            | 168,702        | 173,904        | (2.9)              | (5.8)             |
| Financial Bills   | 28,221             | 31,234         | 27,120         | (9.6)              | 4.1               |
| Other   | 23,799             | 21,311         | 18,671         | 11.7               | 27.5              |
| <b>Customer Funds</b>   | <b>326,733</b>     | <b>325,149</b> | <b>314,794</b> | <b>0.5</b>         | <b>3.8</b>        |
| (-) Reserve Requirements/Available Funds <sup>(2)</sup>                                 | (58,291)           | (63,459)       | (81,096)       | (8.1)              | (28.1)            |
| <b>Customer Funds Net of Compulsory Deposits</b>  | <b>268,442</b>     | <b>261,690</b> | <b>233,698</b> | <b>2.6</b>         | <b>14.9</b>       |
| Onlending   | 32,744             | 31,832         | 32,832         | 2.9                | (0.3)             |
| Foreign Lines of Credit   | 11,161             | 16,360         | 11,930         | (31.8)             | (6.4)             |
| Funding Abroad  | 51,411             | 45,057         | 47,207         | 14.1               | 8.9               |
| <b>Total Funding (A)</b>  | <b>363,759</b>     | <b>354,939</b> | <b>325,667</b> | <b>2.5</b>         | <b>11.7</b>       |
| <b>Loan Portfolio/Leasing/Cards (Other Receivables)/Acquired CDI (B) <sup>(3)</sup></b> | <b>335,917</b>     | <b>330,530</b> | <b>305,868</b> | <b>1.6</b>         | <b>9.8</b>        |
| <b>B/A (%)</b>  | <b>92.3</b>        | <b>93.1</b>    | <b>93.9</b>    | <b>(0.8) p.p.</b>  | <b>(1.6) 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 CDI to rebate from reserve requirements and debentures.

Report on Economic and  
Financial Analysis – December  
2012

---



## Funding Financial Margin - Interest

### Main Funding Sources

The following table presents changes in main funding sources:

|  | R\$ million    |                |                | Variation % |            |
|--|----------------|----------------|----------------|-------------|------------|
|  | Dec12          | Sept12         | Dec11          | Quarter     | 12M        |
| Demand Deposits                                  | 38,412         | 33,627         | 33,121         | 14.2        | 16.0       |
| Savings Deposits                                 | 69,042         | 65,540         | 59,656         | 5.3         | 15.7       |
| Time Deposits                                    | 104,022        | 113,379        | 124,127        | (8.3)       | (16.2)     |
| Debentures <sup>(1)</sup>                        | 59,810         | 55,323         | 49,777         | 8.1         | 20.2       |
| Borrowing and Onlending                          | 44,186         | 45,399         | 53,247         | (2.7)       | (17.0)     |
| Funds from Issuance of Securities <sup>(2)</sup> | 51,359         | 53,810         | 41,522         | (4.6)       | 23.7       |
| Subordinated Debts                               | 34,852         | 34,507         | 26,910         | 1.0         | 29.5       |
| <b>Total</b>                                     | <b>401,683</b> | <b>401,585</b> | <b>388,360</b> | <b>-</b>    | <b>3.4</b> |

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

(2) Including: Financial Bills, on December 31, 2012, amounting to R\$28,221 million (R\$31,234 million on September 30, 2012 and R\$27,120 million on December 31, 2011).

### Demand Deposits

Demand deposits amounted to R\$38,412 million in the fourth quarter of 2012, a 14.2% increase quarter over quarter and 16.0% on the same period in 2011, mainly due to the improved funding resulting from the seasonal effect in the quarter and the increased account holder base in the period.

(1) Additional installment is not included.

### Savings Deposits

Savings deposits increased 5.3% in the quarter-over-quarter comparison and 15.7% in the last 12 months, mainly as a result of: (i) greater funding volume, partially influenced by the changes in the investment remuneration rules; and (ii) the remuneration of savings account reserve.

Bradesco is always increasing its savings accounts base and posted net growth of 5.2 million new savings accounts over the last 12 months.

The new savings remuneration rule determines that:

(i) the existing account savings up to May 3, 2012 will continue to remunerate at TR + 0.5% p.m.; and

(ii) for deposits made as of May 4, 2012, the new rules are: (a) if the Selic rate is higher than 8.5% p.a., the TR + 0.5% p.m. remuneration will be maintained; and (b) when the Selic rate is equal to

or lower than 8.5% p.a., the remuneration will be  
70% of Selic rate + TR.

Bradesco

51

---

Economic and Financial Analysis

## **Funding Financial Margin - Interest**

### **Time Deposits**

In the fourth quarter of 2012, time deposits totaled R\$104,022 million, decreasing by 8.3% quarter over quarter and 16.2% on the same period of the previous year.

Such performance is basically due to the new business opportunities offered to customers and the migration of funds to other investment sources, such as Financial Treasury Bills and Debentures, thereby extending average funding terms, which offset the increase of new funding and the restatement of the deposit portfolio.

### **Debentures**

On December 31, 2012, Bradesco's debentures amounted to R\$59,810 million, an 8.1% increase in the quarter-over-quarter comparison and a 20.2% increase over the last 12 months.

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

### **Borrowing and Onlending**

The quarter-over-quarter R\$1,213 million reduction was mainly due to: (i) a decreased foreign-currency-denominated and/or indexed borrowing and onlending, from R\$10,267 million in September 2012 to R\$8,169 million in December 2012, mainly driven by the settlement of operations; and partially offset by: (ii) the R\$885 million increase in the volume of funds raised through loans and onlending in Brazil, especially through BNDES and Finame operations.

Year over year, the balance fell 17.0%, or R\$9,061 million, mainly due to the R\$9,171 million decrease in foreign-currency-denominated and/or indexed borrowing and onlending, from R\$17,340 million in December 2011 to R\$8,169 million in December 2012, mainly due to: (a) the settlement of operations; partially offset by: (b) the exchange gain of 8.9% in the period.

Report on Economic and  
Financial Analysis – December  
2012

---

## **Funding Financial Margin - Interest**

### **Funds for the Issuance of Securities**

Funds from issuance of securities totaled R\$51,359 million, a 4.6% or R\$2,451 million decrease in the quarter, mainly due to: (i) the decreased inventory of Financial Bills, from R\$31,234 million in September 2012 to R\$28,221 million in December 2012, mainly due to the redemptions and maturities of these securities, beginning in May 2012; and partially offset by: (ii) the greater volume of Mortgage Bonds, in the amount of R\$418 million.

When compared to 2011, this year's growth of 23.7%, or R\$9,837 million, was mainly the result of: (i) the increase in volume of securities issued abroad, in the amount of R\$5,778 million, a result of new issuances carried out in the period and exchange gains of 8.9%; (ii) the higher volume of Mortgage Bonds, in the amount of R\$2,086 million; (iii) the higher volume of Letters of Credit for Agribusiness, in the amount of R\$1,355 million; (iv) new issuances of Financial Bills, which increased by R\$1,101 million; and partially offset by: (v) the R\$483 million decrease in the balance of Collateral Mortgage Notes.

### **Subordinated Debt**

Subordinated Debt totaled R\$34,852 million in December 2012 (R\$8,807 million abroad and R\$26,045 million in Brazil). In the last 12 months, Bradesco issued R\$19,837 million (R\$2,008 million abroad and R\$17,829 million in Brazil).

Additionally, note that, in the fourth quarter of 2012, Bacen authorized the use of Subordinated Financial Bills amounting to R\$2,206 million (R\$273 million in the third quarter of 2012) to compose Tier II of the Capital Adequacy Ratio, of which only R\$26,638 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  |  |
|----------------------------------|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--|
|                                  | 12M12                               | 12M11        | 4Q12         | 3Q12         | Variation    |              |  |
|                                  |                                     |              |              |              | YTD          | Quarter      |  |
| Interest - due to volume         |                                     |              |              |              | 1,024        | 35           |  |
| Interest - due to spread         |                                     |              |              |              | 1,157        | (223)        |  |
| <b>Interest Financial Margin</b> | <b>5,083</b>                        | <b>2,902</b> | <b>1,242</b> | <b>1,430</b> | <b>2,181</b> | <b>(188)</b> |  |
| Income                           | 31,647                              | 33,956       | 6,862        | 7,110        | (2,309)      | (248)        |  |
| Expenses                         | (26,564)                            | (31,054)     | (5,620)      | (5,680)      | 4,490        | 60           |  |

Quarter over quarter, interest financial margin from Securities/Other was down by R\$188 million, mainly due to: (i) the R\$223 million decrease in average spread; and partially offset by: (ii) the increase in business volume, which accounted for R\$35 million.

In 2012, interest financial margin from Securities/Other stood at R\$5,083 million, versus R\$2,902 million recorded in 2011, up 75.2%, or R\$2,181 million. This result was due to: (i) an R\$1,157 million increase in the average spread; and (ii) an increase in the volume of operations which affected the result in R\$1,024 million.

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

|                                  | Financial Margin - Insurance |              |            |            |              | R\$ million |  |
|----------------------------------|------------------------------|--------------|------------|------------|--------------|-------------|--|
|                                  | 12M12                        | 12M11        | 4Q12       | 3Q12       | Variation    |             |  |
|                                  |                              |              |            |            | YTD          | Quarter     |  |
| Interest - due to volume         |                              |              |            |            | 527          | 45          |  |
| Interest - due to spread         |                              |              |            |            | (732)        | 173         |  |
| <b>Interest Financial Margin</b> | <b>3,183</b>                 | <b>3,388</b> | <b>912</b> | <b>694</b> | <b>(205)</b> | <b>218</b>  |  |
| Income                           | 10,875                       | 10,310       | 2,329      | 3,206      | 565          | (877)       |  |
| Expenses                         | (7,692)                      | (6,922)      | (1,417)    | (2,512)    | (770)        | 1,095       |  |

In the quarter-over-quarter comparison, interest financial margin from insurance operations increased R\$218 million, or 31.4%, mainly due to: (i) a R\$173 million increase in average spread, as a result of the decreased IGP-M rate in the quarter, making lower the expense with the adjustment for inflation of part of technical reserves; and (ii) the increase in the volume of operations, amounting to R\$45 million.

In the year-over-year comparison, interest financial margin from insurance operations was down 6.1%, or

R\$205 million, due to: (i) the R\$732 million loss in average spread, as a result of: (a) the IGP-M rate trend in the periods; and (b) the dividend distribution in the period; and partially offset by: (ii) the increase in volume of operations, amounting to R\$527 million.

Report on Economic and  
Financial Analysis – December  
2012

-

-



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

|                  | <b>Non-Interest Financial Margin</b> |              |             |             | <b>R\$ million</b> |                |
|------------------|--------------------------------------|--------------|-------------|-------------|--------------------|----------------|
|                  | <b>12M12</b>                         | <b>12M11</b> | <b>4Q12</b> | <b>3Q12</b> | <b>Variation</b>   |                |
|                  |                                      |              |             |             | <b>YTD</b>         | <b>Quarter</b> |
| Funding          | (291)                                | (294)        | (73)        | (72)        | 3                  | (1)            |
| Insurance        | 368                                  | 214          | 102         | 84          | 154                | 18             |
| Securities/Other | 1,695                                | 1,731        | 402         | 340         | (36)               | 62             |
| <b>Total</b>     | <b>1,772</b>                         | <b>1,651</b> | <b>431</b>  | <b>352</b>  | <b>121</b>         | <b>79</b>      |

The non-interest financial margin in the fourth quarter of 2012 stood at R\$431 million versus R\$352 million from the previous quarter. Year over year, non-interest margin increased R\$121 million.

Main variations were a result of:

- “Insurance,” which is represented by gains/loss from equity securities. The variations in the periods are associated with market conditions, which enabled greater/lower gain opportunity; and
- “Securities/Other,” whose R\$62 million quarter-over-quarter increase and R\$36 million year-over-year decrease were due to the Treasury/Securities result in the periods.

## Economic and Financial Analysis

**Insurance, Pension Plans and Capitalization Bonds**

Below is the analysis of the Statement of Financial Position and Income Statement of Grupo Bradesco Seguros e Previdência:

**Consolidated Statement of Financial Position**

|  | Dec12          | Sept12         | R\$ million<br>Dec11 |
|--|----------------|----------------|----------------------|
| <b>Assets</b>  |                |                |                      |
| <b>Current and Long-Term Assets</b>                                    | <b>150,710</b> | <b>142,288</b> | <b>124,438</b>       |
| Securities   | 141,540        | 133,738        | 116,774              |
| Insurance Premiums Receivable  | 1,979          | 1,995          | 1,753                |
| Other Loans  | 7,191          | 6,555          | 5,911                |
| <b>Permanent Assets</b>  | <b>3,661</b>   | <b>3,456</b>   | <b>3,241</b>         |
| <b>Total</b>   | <b>154,371</b> | <b>145,744</b> | <b>127,679</b>       |
| <b>Liabilities</b>   |                |                |                      |
| <b>Current and Long-Term Liabilities</b>                               | <b>133,935</b> | <b>127,194</b> | <b>111,027</b>       |
| Tax, Civil and Labor Contingencies                                     | 2,523          | 2,266          | 2,042                |
| Payables on Insurance, Pension Plan and Capitalization Bond Operations | 367            | 340            | 363                  |
| Other Liabilities  | 6,828          | 6,781          | 4,969                |
| Insurance Technical Reserves   | 10,397         | 10,217         | 8,074                |
| Life and Pension Plan Technical Reserves                               | 108,371        | 102,425        | 91,008               |
| Capitalization Bond Technical Reserves                                 | 5,449          | 5,165          | 4,571                |
| <b>Non-controlling Interest</b>  | <b>637</b>     | <b>631</b>     | <b>647</b>           |
| <b>Shareholders' Equity</b>  | <b>19,799</b>  | <b>17,919</b>  | <b>16,005</b>        |
| <b>Total</b>   | <b>154,371</b> | <b>145,744</b> | <b>127,679</b>       |

**Consolidated Income Statement <sup>(1)</sup>**

|   | 12M12    | 12M11    | 4Q12    | R\$ million<br>3Q12 |
|---|----------|----------|---------|---------------------|
| Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income | 44,308   | 37,636   | 13,216  | 10,104              |
| Premiums Earned from Insurance, Pension Plan Contribution and Capitalization Bond     | 22,514   | 19,100   | 6,126   | 5,763               |
| Financial Result from the Operation   | 3,443    | 3,411    | 991     | 757                 |
| Sundry Operating Income   | 1,047    | 1,001    | 232     | 203                 |
| Retained Claims   | (12,942) | (11,167) | (3,472) | (3,282)             |
| Capitalization Bond Draws and Redemptions   | (3,382)  | (2,651)  | (982)   | (891)               |

Edgar Filing: BANK BRADESCO - Form 6-K

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Selling Expenses                              | (2,374)      | (1,912)      | (636)        | (592)        |
| General and Administrative Expenses           | (2,025)      | (2,084)      | (584)        | (519)        |
| Other Operating Income/Expenses               | (353)        | (277)        | (142)        | (64)         |
| Tax Expenses                                  | (482)        | (476)        | (136)        | (108)        |
| <b>Operating Result</b>                       | <b>5,446</b> | <b>4,945</b> | <b>1,397</b> | <b>1,268</b> |
| Equity Result                                 | 475          | 316          | 162          | 127          |
| Non-Operating Result                          | (41)         | (37)         | (12)         | (10)         |
| <b>Income before Taxes and Profit Sharing</b> | <b>5,880</b> | <b>5,224</b> | <b>1,547</b> | <b>1,385</b> |
| Income Tax and Contributions                  | (2,139)      | (1,816)      | (547)        | (506)        |
| Profit Sharing                                | (75)         | (60)         | (17)         | (19)         |
| Non-controlling Interest                      | (79)         | (147)        | (19)         | (23)         |
| <b>Net Income</b>                             | <b>3,587</b> | <b>3,201</b> | <b>964</b>   | <b>837</b>   |

(1) For comparison purposes, non-recurring events are not considered.

Report on Economic and  
Financial Analysis – December  
2012

---

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

|                        | R\$ million |            |            |            |            |            |            |            |
|------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|
|                        | 4Q12        | 3Q12       | 2Q12       | 1Q12       | 4Q11       | 3Q11       | 2Q11       | 1Q11       |
| Life and Pension Plans | 570         | 493        | 494        | 493        | 535        | 486        | 470        | 442        |
| Health                 | 167         | 133        | 148        | 151        | 181        | 132        | 200        | 201        |
| Capitalization Bonds   | 103         | 86         | 91         | 104        | 87         | 86         | 79         | 86         |
| Basic Lines and Other  | 124         | 125        | 148        | 157        | 57         | 76         | 51         | 32         |
| <b>Total</b>           | <b>964</b>  | <b>837</b> | <b>881</b> | <b>905</b> | <b>860</b> | <b>780</b> | <b>800</b> | <b>761</b> |

**Performance Ratios**

|  | %    |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|
|  | 4Q12 | 3Q12 | 2Q12 | 1Q12 | 4Q11 | 3Q11 | 2Q11 | 1Q11 |
| Claims Ratio <sup>(1)</sup>                  | 70.5 | 70.4 | 71.3 | 71.9 | 68.6 | 71.5 | 72.2 | 72.0 |
| Expense Ratio <sup>(2)</sup>                 | 11.6 | 11.3 | 11.1 | 11.1 | 11.1 | 10.5 | 10.8 | 10.0 |
| Administrative Expenses Ratio <sup>(3)</sup> | 4.2  | 5.0  | 4.3  | 5.0  | 4.5  | 5.8  | 5.4  | 6.1  |
| Combined Ratio <sup>(4) (5)</sup>            | 86.6 | 86.5 | 85.0 | 85.6 | 83.6 | 86.2 | 85.8 | 86.1 |

(1) Retained Claims/Earned Premiums;

(2) Selling Expenses/Earned Premiums;

(3) Administrative Expenses/Net Written Premiums;

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

(5) Excluding additional reserves.

Note: For comparison purposes, the non-recurring events' effects are not considered.

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

In the fourth quarter of 2012, total revenue grew 30.8% compared to the previous quarter, led by the “Life and Pension Plan” segment, which was driven by higher concentration of private pension contributions in the period.

Production in 2012 posted a 17.7% increase comparing to the same period in the previous year, driven by the performance of all segments, which had more than a two-digit growth.

Economic and Financial Analysis

**Insurance, Pension Plans and Capitalization Bonds**

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

Report on Economic and  
Financial Analysis – December  
2012

---

**Insurance, Pension Plan and Capitalization Bonds**

**Retained Claims by Insurance Line**

Bradesco 59

---

Economic and Financial Analysis

## **Insurance, Pension Plan and Capitalization Bonds**

### **Insurance Expense Ratio by Insurance Line**

Report on Economic and  
Financial Analysis – December  
2012

---



**Insurance, Pension Plans and Capitalization Bonds**

**Efficiency Ratio**

General and Administrative Expenses/Revenue

Quarter over quarter, the efficiency ratio decreased 0.8 p.p., mainly due to the 30.8% increase in revenue for the period.

Bradesco 61

---

Economic and Financial Analysis

## **Insurance, Pension Plans and Capitalization Bonds**

### **Insurance Technical Reserves**

Report on Economic and  
Financial Analysis – December  
2012

---

**Bradesco Vida e Previdência**

|   | <b>R\$ million (unless otherwise stated)</b> |             |             |             |             |             |             |             |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <b>4Q12</b>                                  | <b>3Q12</b> | <b>2Q12</b> | <b>1Q12</b> | <b>4Q11</b> | <b>3Q11</b> | <b>2Q11</b> | <b>1Q11</b> |
| Net Income  | 570  | 493         | 494         | 493         | 535         | 486         | 470         | 442         |
| Premium and Contribution Income <sup>(1)</sup>                  | 8,053  | 5,002       | 6,737       | 5,009       | 6,886       | 4,708       | 5,493       | 4,059       |
| - Income from Pension Plans and VGBL                            | 6,976  | 3,988       | 5,816       | 4,090       | 5,926       | 3,829       | 4,713       | 3,317       |
| - Income from Life/Personal Accidents Insurance Premiums        | 1,077  | 1,014       | 921         | 919         | 960         | 879         | 780         | 742         |
| Technical Reserves  | 108,371                                      | 102,425     | 98,199      | 93,861      | 91,008      | 84,788      | 81,991      | 78,547      |
| Investment Portfolio  | 117,418                                      | 110,182     | 106,102     | 100,366     | 96,047      | 91,806      | 88,255      | 85,182      |
| Claims Ratio  | 37.4   | 34.6        | 43.5        | 41.3        | 38.3        | 44.4        | 47.4        | 43.6        |
| Expense Ratio   | 23.3   | 21.2        | 19.2        | 21.3        | 19.1        | 18.5        | 19.2        | 19.2        |
| Combined Ratio  | 68.1   | 60.8        | 68.4        | 70.8        | 66.1        | 71.3        | 75.4        | 71.9        |
| Participants / Policyholders (in thousands)                     | 25,837                                       | 25,295      | 25,257      | 24,534      | 24,582      | 24,051      | 23,109      | 22,698      |
| Premium and Contribution Income Market Share (%) <sup>(2)</sup> | 29.2   | 28.8        | 29.9        | 27.5        | 33.1        | 31.6        | 32.0        | 28.1        |
| Life/AP Market Share - Insurance Premiums (%) <sup>(2)</sup>    | 17.8   | 17.8        | 17.4        | 17.3        | 17.6        | 16.9        | 16.3        | 16.0        |

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

(2) 4Q12 includes the latest data released by Susep (November 2012).

Note: For comparison purposes, the non-recurring events are not considered.

Due to its solid structure, a policy of product innovation and customer trust, Bradesco Vida e Previdência leads the segment with a 29.2% market share in terms of pension plan and VGBL income in the period (source: Susep).

Net income for the fourth quarter of 2012 was 15.6% higher than the result posted in the previous quarter, mainly as a result of: (i) the 61.0% increase in revenues; (ii) the increase in the financial result; (iii) the improved administrative efficiency ratio; partially offset by: (iv) the 2.8 p.p. increase in “Life” product claims ratio; and (v) the 2.1 p.p. increase in selling costs.

Net income for 2012 was 6.1% higher than the net income posted in the previous year, mainly due to: (i) the 17.3% increase in revenues; (ii) the 4.2 p.p. decrease in “Life” product claims ratio; (iii) reduced general and administrative expenses, partially offset by: (iv) the 3.8 p.p. in selling costs.



Economic and Financial Analysis

## **Bradesco Vida e Previdência**

Bradesco Vida e Previdência's technical reserves stood at R\$108.4 billion in December 2012, made up of R\$103.2 billion from the "Pension Plans and VGBL" product and R\$5.2 billion from "Life," "Personal Accidents" and "Other Lines" products, up 19.1% over December 2011. The Pension Plan and VGBL Investment Portfolio totaled R\$111.3 billion in November 2012, equal to 33.6% of all market funds (source: Fenaprevi).

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

In December 2012, the number of Bradesco Vida e Previdência customers grew by 5.1% compared to December 2011, surpassing a total of 2.3 million pension plan and VGBL plan participants and 23.5 million personal accident participants.

This impressive growth was fueled by the strength of the Bradesco brand and the improvement of selling and management policies.

**Bradesco Saúde e Mediservice**

|                                 | <b>R\$ million (unless otherwise stated)</b> |             |             |             |             |             |             |             |
|---------------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                 | <b>4Q12</b>                                  | <b>3Q12</b> | <b>2Q12</b> | <b>1Q12</b> | <b>4Q11</b> | <b>3Q11</b> | <b>2Q11</b> | <b>1Q11</b> |
| Net Income                      | 167  | 133         | 148         | 151         | 181         | 132         | 200         | 201         |
| Net Written Premiums            | 2,727  | 2,498       | 2,338       | 2,251       | 2,170       | 2,114       | 2,016       | 1,940       |
| Technical Reserves              | 5,582  | 5,466       | 4,128       | 4,072       | 3,984       | 3,942       | 3,848       | 3,708       |
| Claims Ratio                    | 85.3   | 86.9        | 86.1        | 86.4        | 83.4        | 87.3        | 87.7        | 87.6        |
| Expense Ratio                   | 5.1  | 5.0         | 4.9         | 4.8         | 4.7         | 4.4         | 4.3         | 4.2         |
| Combined Ratio                  | 98.5   | 99.9        | 96.9        | 97.9        | 96.1        | 98.9        | 99.6        | 100.0       |
| Policyholders (in thousands)    | 3,964  | 3,873       | 3,707       | 3,627       | 3,458       | 3,384       | 3,244       | 3,144       |
| Written Premiums                | 47.5   | 46.8        | 46.9        | 46.7        | 47.9        | 47.5        | 47.4        | 49.4        |
| Market Share (%) <sup>(1)</sup> |  |             |             |             |             |             |             |             |

(1) 4Q12 considers the latest data released by ANS (November 2012).

Note: For comparison purposes, the non-recurring events are not considered.

Net income for the fourth quarter of 2012 increased by 25.6% comparing to the previous quarter, mainly due to: (i) the 9.2% increase in revenue; (ii) the 1.6 p.p. decrease in claims; (iii) improved financial result; (iv) decrease in general and administrative expenses; and partially offset by: (v) the decrease in equity income.

Net income for 2012 was down 16.1% over the same period of the previous year, due to: (i) the decrease in financial result, driven by the payment of dividends amounting to R\$900 million in December 2011; (ii) the decrease in equity income, partially offset by: (iii) the 19.1% increase in revenue; (iv) the maintenance in the claims ratio, which remained at the same levels of 2011; and (v) improved administrative efficiency ratio.

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

Approximately 57 thousand companies in Brazil have Bradesco Saúde insurance and Mediservice plans. Of the 100 largest companies in Brazil in terms of revenue, 50 are Bradesco Saúde and Mediservice customers (source: *Exame* magazine's Best and Major Companies (*Melhores e Maiores*) ranking, July 2012).

## Economic and Financial Analysis

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

Together, the two companies have over 3.9 million customers. The high share of corporate policies in the overall portfolio (95.1% in December 2012) shows the companies' high level of specialization and customization in the corporate segment, a major advantage in today's supplementary health insurance market.

**Bradesco Capitalização**

|  | R\$ million (unless otherwise stated) |       |       |       |       |       |       |       |
|--|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|
|  | 4Q12                                  | 3Q12  | 2Q12  | 1Q12  | 4Q11  | 3Q11  | 2Q11  | 1Q11  |
| Net Income                                     | 103                                   | 86    | 91    | 104   | 87    | 86    | 79    | 86    |
| Capitalization Bond Income                     | 1,089                                 | 1,013 | 937   | 795   | 798   | 849   | 751   | 649   |
| Technical Reserves                             | 5,449                                 | 5,165 | 4,886 | 4,663 | 4,571 | 4,329 | 4,096 | 3,891 |
| Customers (in thousands)                       | 3,459                                 | 3,426 | 3,358 | 3,228 | 3,097 | 3,024 | 2,888 | 2,794 |
| Premium Income Market Share (%) <sup>(1)</sup> | 23.3                                  | 22.8  | 22.2  | 21.2  | 21.6  | 21.4  | 21.3  | 21.2  |

(1) 4Q12 considers the latest data released by Susep (November 2012).

Net income for the fourth quarter of 2012 grew 19.8% when comparing to the third quarter, due to: (i) the 7.5% increase in revenues from capitalization bonds; and (ii) improved financial result.

Net income for 2012 grew 13.6% when comparing to net income for 2011, mainly due to: (i) the 25.8% increase in revenues from capitalization bonds; (ii) an improved management efficiency ratio; and partially offset by: (iii) the decrease in the financial result, driven by the payment of dividends amounting to R\$300 million in December 2011.

## Bradesco Capitalização

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

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

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

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

The portfolio is composed of 22.0 million active bonds, of which: 37.3% are Traditional Bonds sold in the branch network and at Bradesco *Dia & Noite* service channels, up 14.3% over December 2011; and 62.7% are incentive bonds (assignment of drawing rights), such as partnerships with Bradesco Vida e Previdência and Bradesco Auto/RE, which were up 5.2% over December 2011. Given that the purpose of this type of capitalization bond is to add value to the associated company product 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 stated)</b> |             |             |             |             |             |             |             |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <b>4Q12</b>                                  | <b>3Q12</b> | <b>2Q12</b> | <b>1Q12</b> | <b>4Q11</b> | <b>3Q11</b> | <b>2Q11</b> | <b>1Q11</b> |
| Net Income                                     | 10   | 42          | 26          | 49          | 33          | 50          | 44          | 39          |
| Net Written Premiums                           | 1,014  | 1,239       | 1,208       | 967         | 983         | 1,042       | 1,061       | 871         |
| Technical Reserves                             | 4,577  | 4,508       | 4,345       | 4,148       | 3,920       | 3,853       | 3,828       | 3,688       |
| Claims Ratio                                   | 63.7   | 63.9        | 64.2        | 64.7        | 65.9        | 61.3        | 61.0        | 68.1        |
| Expense Ratio                                  | 17.8   | 18.7        | 18.8        | 18.4        | 18.2        | 17.4        | 17.6        | 17.2        |
| Combined Ratio                                 | 109.6  | 105.8       | 104.1       | 107.4       | 108.2       | 104.1       | 97.9        | 110.2       |
| Policyholders (in thousands)                   | 3,871  | 3,968       | 3,826       | 3,801       | 3,694       | 3,632       | 3,567       | 3,330       |
| Premium Income Market Share (%) <sup>(1)</sup> | 10.2   | 10.5        | 10.5        | 9.8         | 10.1        | 10.4        | 10.5        | 9.7         |

(1) 4Q12 considers the latest data released by Susep (November 2012).

Net income for the fourth quarter of 2012 was down by 76.2% from the previous quarter, due to: (i) the 18.2% decrease in revenues; (ii) higher operating expenses, mainly with tax contingencies, amounting to R\$30 million; and (iii) lower equity result.

Net income for 2012 was 23.5% lower than that posted in the same period in 2011, mainly due to: (i) higher operating expenses, mainly with tax contingencies, amounting to R\$30 million; and (ii) lower financial result.

In the Property Insurance segment, the focus on “Bradesco Corporate” large brokers and customers was maintained. This results in renewal of the main accounts, whether in leadership or participation in co-insurance. Also note the excellent performance of the “Engineering Risks” segment: the partnership with Banco Bradesco’s Real Estate Loan area has enabled new insurance contracts from its customer base.

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

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

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

For better service, Bradesco Auto/RE currently has 23 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.

Report on Economic and  
Financial Analysis – December  
2012

---

## **Bradesco Auto/RE**

### **Number of Policyholders at Auto/RE**

Mass insurance targets individuals, self-employed professionals and SMEs. The launch of new products combined with the continuous improvement to methods and systems has contributed to growth in the customer base, which increased by 4.8% in the last 12 months, to a total of 3.9 million customers.

It is worth pointing out that we continued with a strong strategy for the Residential Insurance segment, with a 25% growth in premiums from January to December 2012 (higher than the market growth), totaling more than 2 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>12M12</b>  | <b>12M11</b>  | <b>4Q12</b>  | <b>3Q12</b>  | <b>R\$ million</b>       |                |
|--|---------------|---------------|--------------|--------------|--------------------------|----------------|
|  |               |               |              |              | <b>Variation<br/>YTD</b> | <b>Quarter</b> |
| Card Income                                | 6,025         | 5,097         | 1,652        | 1,527        | 928                      | 125            |
| Checking Account                           | 3,245         | 2,786         | 866          | 826          | 459                      | 40             |
| Fund Management                            | 2,172         | 1,949         | 550          | 562          | 223                      | (12)           |
| Loan Operations                            | 2,080         | 1,983         | 517          | 538          | 97                       | (21)           |
| Collection                                 | 1,314         | 1,214         | 340          | 338          | 100                      | 2              |
| Consortium Management                      | 613           | 527           | 161          | 159          | 86                       | 2              |
| Underwriting / Financial Advisory Services | 517           | 298           | 198          | 94           | 219                      | 104            |
| Custody and Brokerage Services             | 483           | 420           | 124          | 122          | 63                       | 2              |
| Payments                                   | 319           | 312           | 81           | 80           | 7                        | 1              |
| Other                                      | 745           | 637           | 184          | 193          | 108                      | (9)            |
| <b>Total</b>                               | <b>17,512</b> | <b>15,223</b> | <b>4,675</b> | <b>4,438</b> | <b>2,289</b>             | <b>237</b>     |

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

## **Fee and Commission Income**

### **Card Income**

Card income stood at R\$1,652 million in the fourth quarter of 2012, up 8.2% from the previous quarter, mainly due to the increase in the volume of transactions in the period and growth of revenue.

Year over year, card service revenues stood at R\$6,025 million, up 18.2% or R\$928 million, mainly due to an increase in revenue from purchases and services, resulting from the increase in card revenue, active base and number of transactions in the period.

In addition, the credit card base decreased in the third and fourth quarters of 2012, due to the exclusion of idle cards.

Economic and Financial Analysis

## Fee and Commission Income

### Checking Account

In the fourth quarter of 2012, fee and commission income from checking accounts increased 4.8% in comparison with the previous quarter, mainly due to: (i) the net increase of 68 thousand new checking accounts; and (ii) the expansion of the portfolio of services provided to our customers.

Year over year, income grew by R\$459 million, or 16.5%, mainly due to: (i) the expansion of the checking account customer base, which posted a net increase of 583 thousand current accounts (500 thousand individual customers and 83 thousand corporate customers); and (ii) the expansion of the customer service portfolio.

### Loan Operations

In the fourth quarter of 2012, income from loan operations amounted to R\$517 million, down 3.9% in comparison with the previous quarter, mainly due to the impact in the tariff adjustment, partially offset by increased income from "Sureties and Guarantees," up 6.9% on the third quarter of 2012, impacted by the 9.5% increase in the volume of these operations.

Year over year, the 4.9% increase was mainly the result of: (i) greater income from collateral, up 21.0%, mainly deriving from the 23.6% growth in the volume of Sureties and Guarantees; and (ii) an increase in volume of other operations in the period.





## Economic and Financial Analysis

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

In the fourth quarter of 2012, income from fund management stood at R\$550 million, down R\$12 million from the previous quarter, mainly due to the decreased number of business days in the quarter, partially offset by the 9.2% growth in the volume of funds and portfolios raised and managed.

Year over year, the R\$223 million or 11.4% increase was mainly due to: (i) increases in funds and portfolios, which grew by 31.7%; and (ii) the 7.4% increase in the Ibovespa index in the period, impacting income from managed funds and portfolios pegged to equities.

The highlight was the investments in third-party funds, which grew by 43.9% in the period, followed by the 30.2% increase in fixed-rate funds and the 8.2% increase in equity funds.

| <b>Shareholders' Equity</b>            | <b>R\$ million</b> |                |                | <b>Variation %</b> |             |
|--|--------------------|----------------|----------------|--------------------|-------------|
|  | <b>Dec12</b>       | <b>Sept12</b>  | <b>Dec11</b>   | <b>Quarter</b>     | <b>12M</b>  |
| Investment Funds                       | 397,933            | 366,451        | 310,104        | 8.6                | 28.3        |
| Managed Portfolios                     | 33,875             | 29,924         | 17,997         | 13.2               | 88.2        |
| Third-Party Fund Quotas                | 10,024             | 8,068          | 7,269          | 24.2               | 37.9        |
| <b>Total</b>                           | <b>441,832</b>     | <b>404,443</b> | <b>335,370</b> | <b>9.2</b>         | <b>31.7</b> |
| <b>Asset Distribution</b>              | <b>R\$ million</b> |                |                | <b>Variation %</b> |             |
|  | <b>Dec12</b>       | <b>Sept12</b>  | <b>Dec11</b>   | <b>Quarter</b>     | <b>12M</b>  |
| Investment Funds – Fixed Income        | 369,287            | 338,495        | 283,633        | 9.1                | 30.2        |
| Investment Funds – Equities            | 28,646             | 27,956         | 26,471         | 2.5                | 8.2         |
| Investment Funds – Third-Party Funds   | 8,782              | 6,854          | 6,103          | 28.1               | 43.9        |
| <b>Total - Investment Funds</b>        | <b>406,715</b>     | <b>373,305</b> | <b>316,207</b> | <b>8.9</b>         | <b>28.6</b> |
| Managed Portfolios - Fixed Income      | 24,573             | 21,305         | 10,550         | 15.3               | 132.9       |
| Managed Portfolios – Equities          | 9,302              | 8,619          | 7,447          | 7.9                | 24.9        |
| Managed Portfolios - Third-Party Funds | 1,242              | 1,214          | 1,166          | 2.3                | 6.5         |
| <b>Total - Managed Funds</b>           | <b>35,117</b>      | <b>31,138</b>  | <b>19,163</b>  | <b>12.8</b>        | <b>83.3</b> |
| x                                      |                    |                |                |                    |             |
| Total Fixed Income                     | 393,860            | 359,800        | 294,183        | 9.5                | 33.9        |

Edgar Filing: BANK BRADESCO - Form 6-K

|                         |                |                |                |            |             |
|-------------------------|----------------|----------------|----------------|------------|-------------|
| Total Equities          | 37,948         | 36,575         | 33,918         | 3.8        | 11.9        |
| Total Third-Party Funds | 10,024         | 8,068          | 7,269          | 24.2       | 37.9        |
| <b>Overall Total</b>    | <b>441,832</b> | <b>404,443</b> | <b>335,370</b> | <b>9.2</b> | <b>31.7</b> |

Bradesco 73

---

Economic and Financial Analysis

## **Fee and Commission Income**

### **Cash Management Solutions (Payments and Collection)**

In the fourth quarter of 2012, income from payments and collection slightly increased in comparison with the previous quarter, mainly due to new businesses and increase in the number of processed documents in the period.

Year over year, the 6.9% or R\$107 million increase was mainly due to the greater volume of processed documents, up from 1,750 million in 2011 to 1,931 million in 2012.

### **Consortium Management**

In the fourth quarter of 2012, income from consortium management increased by 1.3% over the previous quarter, mainly due to the segment expansion. On December 31, 2012, Bradesco had 736 thousand active quotas (707 thousand active quotas on September 30, 2012), ensuring a leading position in all the segments it operates (real estate, auto and trucks/tractors).

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

Year over year, there was a 16.3% increase, resulting from: (i) the growth in the volume of bids; (ii) the increase in average ticket; and (iii) the increase in sales of new quotas, from 626 thousand net quotas sold on December 31, 2011 to 736 thousand active quotas on December 31, 2012, an increase of 110 thousand net quotas.

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



## **Fee and Commission Income**

### **Custody and Brokerage Services**

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

Year over year, the 15.0% increase in income reflected: (i) the behavior of the capital market in the period, which impacted revenue from brokerage services; and (ii) the increase in custody services, with a R\$177 billion gain in assets under custody.

### **Underwriting / Financial Advisory Services**

The R\$104 million increase in the quarter-over-quarter comparison mainly refers to increased gains with capital market operations in the fourth quarter of 2012, particularly underwriting operations. Furthermore, changes in this income are often the result of capital markets' volatile performance.

Year over year, there was an increase of R\$219 million, mainly as a result of a greater business volume of underwriting and financial advisory operations in 2012.

## Economic and Financial Analysis

**Personnel and Administrative Expenses**

| Personnel and Administrative Expenses              | 12M12          | 12M11          | 4Q12           | 3Q12           | R\$ million    |              |
|--|----------------|----------------|----------------|----------------|----------------|--------------|
|  |                |                |                |                | Variation YTD  | Quarter      |
| <b>Personnel Expenses</b>                          |                |                |                |                |                |              |
| <b>Structural</b>                                  | <b>9,906</b>   | <b>8,798</b>   | <b>2,569</b>   | <b>2,548</b>   | <b>1,108</b>   | <b>21</b>    |
| Payroll/Social Charges                             | 7,427          | 6,632          | 1,917          | 1,916          | 795            | 1            |
| Benefits   | 2,479          | 2,166          | 652            | 632            | 313            | 20           |
| <b>Non-Structural</b>                              | <b>2,280</b>   | <b>2,263</b>   | <b>573</b>     | <b>571</b>     | <b>17</b>      | <b>2</b>     |
| Management and Employee Profit Sharing             | 1,335          | 1,321          | 342            | 328            | 14             | 14           |
| Provision for Labor Claims                         | 650            | 663            | 152            | 167            | (13)           | (15)         |
| Training   | 132            | 161            | 32             | 38             | (29)           | (6)          |
| Termination Costs                                  | 163            | 118            | 47             | 38             | 45             | 9            |
| <b>Total</b>                                       | <b>12,186</b>  | <b>11,061</b>  | <b>3,142</b>   | <b>3,119</b>   | <b>1,125</b>   | <b>23</b>    |
| <b>Administrative Expenses</b>                     |                |                |                |                |                |              |
| Outsourced Services                                | 3,407          | 3,610          | 846            | 897            | (203)          | (51)         |
| Communication                                      | 1,662          | 1,579          | 421            | 416            | 83             | 5            |
| Depreciation and Amortization                      | 1,231          | 1,094          | 316            | 306            | 137            | 10           |
| Data Processing                                    | 1,115          | 934            | 308            | 277            | 181            | 31           |
| Transportation                                     | 867            | 784            | 225            | 215            | 83             | 10           |
| Advertising and Marketing                          | 799            | 938            | 276            | 208            | (139)          | 68           |
| Rental   | 781            | 666            | 211            | 192            | 115            | 19           |
| Financial System Services                          | 656            | 516            | 168            | 162            | 140            | 6            |
| Asset Maintenance                                  | 608            | 558            | 169            | 148            | 50             | 21           |
| Security and Surveillance                          | 428            | 333            | 111            | 112            | 95             | (1)          |
| Leased Assets                                      | 362            | 357            | 78             | 87             | 5              | (9)          |
| Materials  | 323            | 379            | 78             | 75             | (56)           | 3            |
| Water, Electricity and Gas                         | 254            | 227            | 66             | 58             | 27             | 8            |
| Trips  | 139            | 161            | 38             | 34             | (22)           | 4            |
| Other  | 1,531          | 1,270          | 443            | 377            | 261            | 66           |
| <b>Total</b>                                       | <b>14,162</b>  | <b>13,406</b>  | <b>3,755</b>   | <b>3,565</b>   | <b>756</b>     | <b>190</b>   |
| <b>Total Personnel and Administrative Expenses</b> | <b>26,348</b>  | <b>24,467</b>  | <b>6,897</b>   | <b>6,684</b>   | <b>1,881</b>   | <b>213</b>   |
| <b>Employees</b>                                   | <b>103,385</b> | <b>104,684</b> | <b>103,385</b> | <b>104,100</b> | <b>(1,299)</b> | <b>(715)</b> |
| <b>Service Points</b>                              | <b>68,917</b>  | <b>59,721</b>  | <b>68,917</b>  | <b>67,225</b>  | <b>9,196</b>   | <b>1,692</b> |

In the fourth quarter of 2012, total personnel and administrative expenses came to R\$6,897 million, up 3.2% in comparison with the previous quarter. Year over year, Personnel and Administrative Expenses amounted to R\$26,348 million, up 7.7% over the same period of the previous year.

**Personnel Expenses**

In the fourth quarter of 2012, personnel expenses came to R\$3,142 million, a 0.7% or R\$23 million variation from the previous quarter, mainly driven by the variation in “structural” expenses, which was due to higher expenses with payroll, social charges and benefits, resulting from raise in salaries, as determined by the 2012 collective bargaining agreement.

Report on Economic and  
Financial Analysis – December  
2012

---

## **Personnel and Administrative Expenses**

### **Personnel Expenses**

Year over year, the R\$1,125 million increase mainly reflects the structural expenses totaling R\$1,108 million, mainly related to the increase in expenses with payroll, social charges and benefits, impacted by: (i) raise in salary levels, as determined by the 2011 and 2012 collective bargaining agreements; and (ii) net increase in number of employees in the second half of 2011 as a result of organic growth.



Economic and Financial Analysis

## Personnel and Administrative Expenses

### Administrative Expenses

In the fourth quarter of 2012, administrative expenses came to R\$3,755 million, up 5.3%, or R\$190 million, from the previous quarter, mainly due to greater expenses with: (i) marketing and advertising, in the amount of R\$68 million, due to higher investments in actions targeting institutional positioning maintenance and support to offer loan products (real estate, vehicles, personal loan); and (ii) increase in business and service volume in the quarter.

Year over year, the 5.6%, or R\$756 million, increase was mainly due to: (i) increase in businesses and service volume in the period; (ii) contractual adjustments; and (iii) organic growth expenses as of the second half of 2011, with the opening of 9,196 service points, mainly the opening of 8,214 *Bradesco Expresso* points, for a total of 68,917 service points on December 31, 2012; and partially offset by lower expenses with: (iv) outsourced services, mainly related to the end of the partnership with Empresa Brasileira de Correios e Telégrafos (ECT) in December 2011 (Postal Bank); and (v) marketing and advertising. In the last 12 months, the inflation rates Extended Consumer Price Index (IPCA) and General Market Price Index (IGP-M) stood at 5.8% and 7.8% respectively.

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

In the quarter, the coverage ratio over the last 12 months maintained its improvement with a 2.1 p.p. growth, mainly due to an increase in fee and commission income, combined with ongoing cost control efforts, including actions of our Efficiency Committee in the period.

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

It is worth noting that 66.5% is the best rate over the last twelve quarters.

### **Tax Expenses**

The quarter-over-quarter and year-over-year changes were mainly the result of higher ISS/PIS/Cofins expenses, basically reflecting the higher taxable income, especially those periods' financial margin and fee and commission income.

Economic and Financial Analysis

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

In the fourth quarter of 2012, equity in the earnings (losses) of unconsolidated companies stood at R\$45 million, remaining stable in comparison with the previous quarter.

Year over year, the R\$4 million increase recorded was mainly due to greater results from the unconsolidated company IRB - Brasil Resseguros, partially mitigated by lower results with the unconsolidated company Integritas.

### **Operating Income**

Operating income in the fourth quarter of 2012 was R\$4,449 million, up R\$61 million from the previous quarter, mainly impacted by (i) the increase in fee and commission income, amounting to R\$237 million; (ii) higher financial margin, amounting to R\$154 million; (iii) lower allowance for loan loss expenses, in the amount of R\$93 million; offset by: (iv) the R\$213 million increase in personnel and administrative expenses; (v) the increase in other operating income (net of other income), in the amount of R\$76 million; (vi) the decrease in operating income from Insurance, Pension Plans and Capitalization Bonds, in the amount of R\$74 million; and (vii) the increase in tax expenses, in the amount of R\$60 million.

Year over year, the R\$1,263 million, or 7.8%, increase is basically a result of: (i) the R\$4,472 million increase in financial margin; (ii) the R\$2,289 million increase in fee and commission income; (iii) the R\$444 million increase in operating income from Insurance, Pension Plans and Capitalization Bonds, partially offset by: (iv) a R\$2,777 million increase in allowance for loan loss expenses; (v) a R\$1,881 million increase in administrative and personnel expenses; (vi) a R\$813 million increase in other operating expenses (net of other income); and (vii) a R\$475 million increase in tax expenses.