BANK BRADESCO
Form 6-K
February 07, 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 February, 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 ___X___ 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 ___X____

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction No. 480 of December 7, 2009

10.1 - General financial and equity conditions

Directors should comment:

a) general financial and equity conditions

The directors understand that the Bank has all financial and asset conditions to ensure the compliance with obligations, guaranteeing the business expansion in the short- and long-terms.

The directors analysis is based on information from the last three financial statements at the balance sheet date and the last financial information disclosed, as follows:

2012

2012 posed a rather challenging scenario. It is important to evaluate the changes observed in the financial system, in view of the period experienced by the sector in the last years. Institutions have accordingly redoubled the attention they pay to the flow of operations, whereas also expanding the range of general services offered to customers.

In mid-2012 the world's major central banks unusually and forcefully renewed or extended the commitment to provide liquidity to markets, which has decisively contributed to reduce the risk of extreme events taking place in the international scenario. On the other hand, the need for fiscal adjustments in the US and Europe indicates a downward trend for the global growth in 2013.

Brazil is not immune to this global scenario, in spite of the improved macroeconomic fundamentals observed in the last years. Brazil, however, starts to reap the benefits of the larger room for maneuver it enjoys in comparison to other countries. The several incentive measures adopted over the last months have started producing visible effects regarding the resume of the economic activity, whereas certain relevant steps have been taken to improve infrastructure, adjust tax distortions and enhance the efficiency of the production sector, and these are significant topics for improving the economy growth.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.2.

In spite of Brazil's undeniable vocation to export, the main economic driving force has been and will continue to be the domestic demand, particularly the consumption by families and investments, which benefit from the upcoming great sports events to be held in the next three-year period. In this context and in view of the ongoing social mobility process and the readiness of Brazilian institutions in face of the new rules of capital limits and structure that should be implemented beginning 2013, the perspectives for the Brazilian banking system remain favorable.

For the Bradesco Organization, among the significant events highlighting the period, noteworthy were the following:

- **on March 5, start of activities of subsidiary Bradesco Securities Hong Kong Limited, in Hong Kong, China,** aimed at prospecting opportunities and distributing fixed- and non-fixed income products. Accordingly, Bradesco expands its international distribution channels, strengthening contacts with global investors present in that market, in addition to providing access to a new base of institutional investors;

- **on March 7, a 10% rise in the Monthly Dividends amount, paid per share to shareholders beginning May 2012,** in conformity with the Monthly Compensation System, from R$0.014541175 per share to R$0.015995293, for common shares, and from R$0.015995293 per share to R$0.017594822, for preferred shares. **On June 20**, the Board of Directors approved the **monthly payment of Interest on capital, in lieu of the Monthly dividends,** from August 2012;

- **on March 13, start of transactions involving ADRs – American Depositary Receipts indexed to common shares, on the New York Stock Exchange (NYSE), US.** The Program meets the demands of institutional investors, among them foreign investment funds, and with this measure, Bradesco has now both common and preferred shares traded in the US;

- **on August 30, launch of Bradesco Next – the bank of the future –,** a space at the forefront of innovation for introducing and experiencing new technologies, and customer products and services;

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.3.

• **on September 13, Bradesco was once again chosen to make up the Dow Jones Sustainability World Index**, a short list of the New York Stock Exchange gathering companies with the best sustainable development practices;

• **on November 14, Bradesco's ON common shares were chosen to make up the MSCI Brazil Ratio,** the leading provider of tools for supporting investment decision-making, in force from December 2012; and

• **on November 30, Bradesco was once again chosen to made up the Corporate Sustainability Index (ISE) of BM&FBovespa,** which reflects the return provided by a portfolio with shares of companies with the best performances at all levels measuring the corporate sustainability.

Book net income was R$11,381 billion for the year, corresponding to R$2.98 per share and annualized return of 19.0% on average Shareholders' Equity. The return on average total assets was 1.4%. Consolidated Shareholders' Equity amounted to R$70,047 billion and total assets stood at R$879,092 billion.

Loan Operations

Among Bradesco's basic strategic guidelines, we have credit democratization, by way of a diversified offer and more attractive interest rates, has increasingly boosted its volume of loans made directly or in partnership with other agents in the market, and other lines of credit for individuals, such as loans repaid, through its extensive Branches Network, points of service, sales representatives and the Customer Service Center 0800 call Loans.

- The balance at the end of the year was R$385,529 billion, for consolidated loan operations, under the expanded concept, which includes Advances on exchange contracts, sureties and endorsements, credit card and lease receivables, with an 11.5% increase in the period; and

- R $21,299 billion was the consolidated balance of allowance for doubtful accounts, taking into account an additional provision of R$4,010 billion exceeding that one required by the National Monetary Council (CMN) Resolution No. 2,682/99.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction №̲ 480 of December 7, 2009

.4.

Funding and Asset Management

Bradesco manages, on the whole, 25,693 million account holders, and 48,596 million savings account holders with a balance of R$69,042 billion, which accounts for 17.7% of the Brazilian Savings and Loans System (SBPE). At the end of the year, the Organization’s total funding and asset management reached R$1,225 trillion, a 20.1% increase as compared to the previous year.

• R$467,449 billion in demand deposits, time deposits, interbank deposits, Federal funds purchased and securities sold under agreements to repurchase and savings deposits, a 12.7% increase;

• R$441,832 billion in managed funds, comprising Investment funds, managed portfolios and third-party fund units, a 31.7% increase;

• R$168,735 billion, recorded in Foreign exchange portfolio, Borrowings and onlending, working capital, collection and payment of taxes and others, funds from issuance of securities and subordinated debt – domestic, and other funding, a 11.7% increase;

• R$124,217 billion in technical provisions for insurance, private pension plan funds and capitalization bonds, a 19.8% increase; and

- R$22,995 billion in Foreign funds, by way of public and private issuances, subordinated debt and securitization of future financial flows, which represented US$11,253 billion.

At the end of the 2012 fiscal year, Bradesco’s market value, taking into account the closing quotations of ON and PN common and preferred shares, was R$131,908 billion, a 23.3% increase as compared to the closing of the 2011 fiscal year. Taking into account only the closing quotation of PN shares (more liquid) at the same date, Bradesco’s market value was R$134,257 billion, a 14.4% increase as compared to the 2011 fiscal year. In the annual comparison, Ibovespa posed a 7.4% increase.

2011

In 2011, the real depreciated by 12.6% in relation to the US dollar, reaching R$1.8758 per US$1.00 on December 31, 2011 as compared to R$1.6662 per US$1.00 on December 31, 2010. The Central Bank of Brazil increases the basic interest rate from 10.75% in December 2010 to 11.00% in December 2011.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.5.

At the end of 2011, the global economic scenario continued to be characterized by signs of slowdown and risk, particularly the developed countries. Evidences of accommodation in American economy have been quickly counteracted by political efforts on the eve of 2012 presidential elections. In Europe, the experiment of a monetary and customs alliance that has not developed toward a political and fiscal alliance may require a greater effort of certain governments to address current constraints.

Being involved in the unprecedented and rising trend toward transparency that has characterized developed nations over the last few decades, at the same time favored by it, developing countries have been able to take appropriate preventive measures in good time to avoid the mistakes presumably made by the former, thus enabling faster and less painful adjustment for their exchange rate, fiscal and monetary policies.

In this situation, which has partly affected the most optimistic forecasts posed in early 2011, we may feel relatively at ease in relation to Brazil's record and potential performance on social and economic issues. With a historical landmark exceeding 50% of its population integrated to the middle class, the country has found in the foreign market a powerful ally to sustain growth in 2011/2012, although at levels lowers than those recorded in 2010. On the other hand, the world recognition of the full development of its democratic regime, freedom of speech, Law independence, and consumption expansion, has transformed Brazil in a preferential destination for direct foreign investments.

Among the most significant events of 2011 for Bradesco, the following stand out: a) we opened 1,009 new branches, taking our total number of branches and points of service to 9,063 all over Brazil, showing the wide coverage and robustness of our structure, our confidence in Brazil, and our determination to invest; b) we acquired shareholder control of Banco do Estado do Rio de Janeiro S.A. (BERJ), which enabled Bradesco to provide payroll services for state government employees, and mobilized our teams all over the country, to turn the registration of 400,000 new accounts into great momentum to expand the Bank's business in the state; and c) the incorporation of BSP Empreendimentos Imobiliários S.A., a subsidiary of the Bank, in order to consolidate management of the Bradesco Organization's real estate assets, with a portfolio of 840 properties. Other highlights in terms of recognition: a) Bradesco continued listing on the NYSE's Dow Jones Sustainability Index; b) BM&FBovespa's Corporate

Sustainability Index (ISE); and c) reputable consultants recognized “Bradesco” as Brazil's most valuable brand. Also significant was August's 10% increase in the value of the monthly dividends paid out by the Bank.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.6.

Book net income was R$11,028 billion for the year, corresponding to R$2.89 per share and annualized return of 21.0% on average Shareholders’ Equity. Return on average total assets at 1.6%, a 0.2 p.p. fall compared to previous year. Consolidated Shareholders’ Equity amounted to R$55,582 billion and total assets stood at R$761,533 billion.

Loan Operations

Bradesco’s commitment to democratized access to credit through its diversified offering has increasingly boosted its volume of loans made directly or in partnership with other agents in the market, and other lines of credit for individuals, such as loans repaid, through its extensive Branches Network, points of service and the Customer Service Center 0800 call Loans.

- The balance at the end of the year was R$345,724 billion, for consolidated loan operations, under the expanded concept, with an 17.1% increase in the period; and

- R $19,540 billion was the consolidated balance of the allowance for doubtful accounts.

Funding and Asset Management

At the end of the year, the total funding and asset management reached R$1,020 trillion, a 16.9% increase as compared to the previous year, as follows:

- R$414,872 billion, an increase of 13.8%, in demand deposits, time deposits, interbank deposits, other deposits, Federal funds purchased and securities sold under agreements to repurchase and savings deposits;

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.7.

- R$335,370 billion in managed funds, comprising Investment funds, managed portfolios and third-party fund units, showing an increase of 13.4% on the same period of the previous year;

- R$151,081 billion, an increase of 32.0%, recorded in Foreign exchange portfolio, Borrowings and onlending, working capital, collection and payment of taxes and others, funds from issuance of securities and subordinated debt – domestic, and other funding;

- R$103,653 billion in technical provisions for insurance, private pension plan funds and capitalization bonds, showing an increase of 18.9% on the previous year; and

- R$14,814 billion in foreign funds, by way of public and private issuances, subordinated debt and securitization of future financial flows, which represented US$7,897 billion.

Bradesco’s market value on December 31, 2011 was R$106,971 billion. Bradesco’s common and preferred stock posted falls of 1.6% and 5.8% respectively in 2011 against 2010, taking the last quotation each year, adjusted for corporate events, except for distribution of earnings. Note that the Ibovespa stock index fell 18.1% over the same period.

2010

In 2010, the real appreciated by 4.3% in relation to the US dollar, reaching R$1.6662 per US$1.00 on December 31, 2010 as compared to R$1.7412 per US$1.00 on December 31, 2009. The Central Bank of Brazil increased the interest rate from 8.75% in December 2009 to 10.75% in December 2010.

The year of 2010 was characterized by the world economic growth recovery, although at a slower and uneven pace across the countries. If, on one hand, some developed countries will still have to overcome some difficulties generated by economic destabilization occurred in 2008/2009, on the other hand, there remains the clear perception that this scenario opens new opportunities for emerging countries, in particular for countries like Brazil, where the democratic environment is consolidated and the business sector has achieved a capacity consistent with such new challenges.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.8.

In spite of many challenges linked to long-term growth, Bradesco is prudently optimistic on perspectives for the next years. The Brazilian economy was already starting to present solid bases for growth recovery at the end of 2009, and confirmed this at the end of 2010, which was marked by a robust GDP expansion to the highest level since 1985.

In the political environment, 2010 was a year in which the full exercise of citizenship evidenced a deeply-rooted democratic system establishing freedom of speech and choice as a target.

Advances occurred according not only to economic indicators, but also to social indicators. In fact, improvements in people’s life quality, especially spending power, achievements that brought a large part of the population into the middle class, which is a significant statistical fact in the country’s history.

Among the most significant events of 2010, the following stand out: a) the expressive volume of credit operations that increased by 20.75% over 2009, and the recovery of overdue credits, which increased by 57.94% over the previous year; b) the expansion of Customer Service Network operating in all Brazilian municipalities through the opening of 178 new Branches; c) the reorganization of facilities abroad to meet properly the demands of the international market; d) Bradesco’s presence as the leading coordinator of Petrobras capitalization process, the greatest operation of the kind in Brazilian and world stock markets; e) the acquisition of the whole capital stock of Ibi Services in Mexico, in which partnership with local C&A was part of the deal; f) partnership with Banco do Brasil and Caixa Econômica Federal for creation and management of a Brazilian card brand - ELO; g) Bradesco’s permanence in the Dow Jones Sustainability World Index and in the Corporate Sustainability Index – ISE of BM&FBovespa; and h) from a socioenvironmental liability standpoint, the launch of the Corporate Code of Ethics of Bradesco Organization in Braille.

Book net income was R$10,022 billion for the year, corresponding to R$2.66 per share and annualized return of 22.7% on average Shareholders’ Equity. Annualized return on average total assets at 1.8% was unchanged compared to previous year. Consolidated Shareholders’ Equity amounted to R$48,043 billion and total assets stood at R$637,485 billion.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.9.

Loan Operations

Bradesco is working to democratize access to credit by continuously expanding and diversifying its offer, thus raising its volume of operations, including through direct financing and partnerships with market agents, as well as individual lines, such as Payroll Advance Loans through its extensive Branches Network, Points of Service and Banco Postal, and the Customer Service Center 0800 call Loans.

- The balance at the end of the year was R$274,227 billion, for consolidated loan operations, including advance on exchange contracts, sureties and endorsements, credit card and lease receivables with an 20.2% increase in the period; and

- R$16,290 billion was the consolidated balance of the allowance for doubtful accounts.

Funding and Asset Management

At the end of the year, the total funding and asset management reached R$872,514 billion, a 24.3% increase as compared to the previous year, as follows:

- R$364,698 billion in demand deposits, time deposits, interbank deposits, other deposits, Federal funds purchased and securities sold under agreements to repurchase and savings deposits;

- R$295,708 billion in managed funds, comprising Investment funds, managed portfolios and third-party fund units, showing an increase of 19.4% on the same period of the previous year;

- R$114,495 billion recorded in Foreign exchange portfolio, Borrowings and onlending, working capital, collection and payment of taxes and others, funds from issuance of securities and subordinated debt – domestic, and other funding;

- R$87,177 billion in technical provisions for insurance, private pension plan funds and capitalization bonds, showing an increase of 15.4% on the previous year; and

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.10.

- R$10,436 billion in Foreign funds, by way of public and private issuances, subordinated debt and securitization of future financial flows, which represented US$6,263 billion.

On December 31, 2010 market capitalization of Bradesco was R$109,759 billion, with emphasis on preferred share valuation of 12.1% in the year, as compared to 1.0% valuation of Ibovespa.

The following are comments about our key indicators:

I) Basel Index

Brazilian financial institutions are subject to methodology for capital metrics and levels based on a risk-weighted asset index. The parameters of this methodology resemble the international framework for minimum capital measurements adopted for the Basel Accord. In Brazil, the Central Bank of Brazil requires banks to have a minimum capital ratio in relation to total weighted assets of 11.0%, using definitions and calculations of reference equity for purposes of verifying compliance with its operational limits pursuant to National Monetary Council Resolutions Nos. 3,444/07 and 3,490/07.

The calculation of our Basel Index is shown below:

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.11.

In December 2012, Bradesco’s Reference Equity reached R$96,933 million, against a Required Reference Equity of R$66,057 million, thus making for a capital margin of R$30,876 million. Most of the requirement was due to the credit risk portion (local acronym PEPR), which accounted for 83.8% of risk-weighted assets, reflecting partially the expansion of lending in the period.

The Basel ratio rose 1.0 p.p. from 15.1% in December 2011, to 16.1% in December 2012. It should be highlighted as follows: (i) the eligibility of Subordinated Financial Notes to make up the Tier II, in the amount of R$13,455 million, which increase was basically offset by: (ii) the reduction due to maturities and rescheduling that occurred in the last five years of debt maturities, in the amount of R$2,447 million; (iii) the increase in the credit risk portion, partially arising from the expansion of the loan portfolio; and (iv) the increase in the market risk portion, partially arising from the effects of the Central Bank of Brazil’s Circular No. 3,568/11.

It is worth mentioning that in December 2012, only R$26,638 million of the total subordinated debt were used in the calculation of the Basel Index, given the respective maturity.

In December 2011, Bradesco’s Reference Equity reached R$71,476 million, against a Required Reference Equity of R$52,159 million, thus making for a capital margin of R$19,317 million. Most of the requirement was due to the credit risk portion (local acronym PEPR), which accounted for 90.9% of risk-weighted assets, reflecting partially the expansion of lending in the period.

The Basel ratio rose 0.4 p.p. from 14.7% in December 2010 to 15.1% in December 2011, impacted mainly by: (i) subordinated financial notes (Letras Financeiras) counted as Tier II capital, in the amount of R$9,402 million, and (ii) Central Bank of Brazil’s Circular No. 3,563/11 lowering capital requirements for certain lending and leasing transactions (revoking Circular No. 3,515/10) and shares of investment funds for open pension plans (local acronyms PGBL and VGBL) as of November 2011.

It is worth mentioning that in December 2011, only R$15,630 million of the total subordinated debt were used in the calculation of the Basel Index, given the respective maturity.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.12.

In December 2010, Bradesco's Reference Equity reached R$56,147 million, against a Required Reference Equity of R$41,892 million, thus making for a capital margin of R$14,255 million. Most of the requirement was due to the credit risk portion (local acronym PEPR), which accounted for 93% of risk-weighted assets, reflecting mainly expansion of lending in the period.

The Basel Index ended the period at 14.7%, thus showing a fall of 3.1 p.p. against December 2009, primarily due to: (i) the exclusion of R$3.0 billion of additional provisions in response No. 3,825/09, which revoked Resolution No. 3,674/08, both National Monetary Council, which allowed full additional provisions for doubtful accounts in the calculation of Tier I Reference Equity; and (ii) the R$4.9 billion reduction due to maturing subordinated debt and escalation of these debts in the last five years, which was offset by R$2.0 billion of new foreign debt eligible as Tier II capital.

It is worth mentioning that in December 2010, only R$8,051 million of the total subordinated debt were used in the calculation of the Basel Index, given the respective maturity.

II) Operating Efficiency Ratio (OER) and Operating Coverage Ratio

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction N̲º 480 of December 7, 2009

.13.

(1) It does not take into account profit sharing (PLR), which amounted to R$1,031 million in 2012, R$937 million in 2011 and R$809 million in 2010. Total Personnel expenses amounted to R$12,186 in 2012, R$11,061 million in 2011 and R$9,302 million in 2010;

(2) IEO = (Personnel expenses – PLR + Administrative expenses) / (Financial margin + Banking services fees + Income from insurance and pension plans + Equity in Earnings from affiliates + Other operating revenues – Other operating expenses); and

(3) Operating Coverage Ratio = (Banking services fees) / (Administrative expenses + Personnel expenses +PLR).

Operating Efficiency Ratio (OER)

A 2012-2011 comparison shows an improvement of 1.5 p.p. in the ratio, reaching 41.5% in the fourth quarter of 2012, which represented the lowest level in the last 10 quarters. This improvement is basically due to: (i) growth in the financial margin; and (ii) increase in banking service fees, which was affected by the increased average business volume, the result of the development of investments in accelerated organic growth started in the second half of 2011, aligned with the ongoing efforts to control expenses, including the actions taken by our Efficiency Committee, and IT investments.

A 2011 to 2010 comparison shows a 0.3 p.p. in the ratio. This increase is basically due to the faster pace of organic growth, particularly in the second half of 2011, impacting personnel and administrative expenses due to 11,030 new points of service, in particular 1,009 new branches.

Operating Coverage

Comparing 2012 to 2011, operational coverage ratio recorded an improvement of 4.3 p.p. in the period, mostly as a result of the increase in banking service fees, aligned with the ongoing efforts to control expenses, including the actions taken by our Efficiency Committee in the period.

Comparing 2011 to 2010, operational coverage ratio fell by 2.0 p.p. reflecting: (i) higher personnel and administrative expenses, basically due to: (a) the impact of collective bargaining; and (b) higher expenses incurred, partly due to growth of business and points of service, in particular the faster pace of organic growth that led to 11,030 new points of service and in particular new 1,009 branches in the period; which was partly offset by: (ii) evolution of revenues from services.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.14.

III) Main Loan Portfolio Indicators

Delinquency Rate > 90 days [1]

[1] Concept defined by the Central Bank of Brazil.

In December 2012, the total delinquency rate for loans overdue 90 days reached 4.1% of the loan portfolio, recording a 0.2 p.p. rise as compared to December 2011, basically due to the increase of: (i) 0.3 p.p. in the delinquency rate for micro, small and mid-size companies; and (ii) 0.1 p.p. in the individuals rate.

In December 2011, the total delinquency rate for loans overdue 90 days reached 3.9% of the loan portfolio, recording a 0.3 p.p. rise as compared to December 2010, basically due to: (i) the increase of 0.6 p.p. in the delinquency rate for individuals; and (ii) the increase of 0,5 p.p. in the delinquency rate for micro, small and mid-sized companies.

In December 2010, the total delinquency rate for loans overdue 90 days reached 3.6% of the loan portfolio, recording a 1.3 p.p. rise as compared to December 2009, basically due to: (i) the decrease of 1.9 p.p. in the delinquency rate for individuals; and (ii) the decrease of 1.4 p.p. in the delinquency rate for micro, small and mid-sized companies. In 2010 the good performance of this ratio was a result of favorable economic conditions in Brazil.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.15.

Coverage Ratios (1)

(1) Concept defined by the Central Bank of Brazil.

In December 2012, the coverage ratio of the Allowance for doubtful accounts in relation to loans overdue from 60 to 90 days reached 147.3% and 178.2%, respectively, indicating a comfortable level of provisions. The small reductions in the period reflect the increased delinquency.

The balance of the Allowance for doubtful accounts of R$21,299 million in December 2012 was composed of: (i) R$17,288 million of provisions required by the Central Bank of Brazil; and (ii) R$4,010 million of exceeding provisions.

In December 2011, the coverage ratio of the Allowance for doubtful accounts in relation to loans overdue from 60 to 90 days reached 151.8% and 184.4%, respectively, basically due to the nominal increase of overdue loans, which follow the growth of the loan portfolio, as well as the increased delinquency.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009 .16.

In December 2011 the balance of the Allowance for doubtful accounts reached R$19,540 million, a 20.0% increase, or R$3,250 million as compared to December 2010, composed of: (i) R$15,529 million of provisions required by the Central Bank of Brazil; and (ii) R$4,011 million of exceeding provisions.

It is worth mentioning that in the third quarter of 2011, an additional provision in the amount of R$1.0 billion was recognized, aimed at covering a possible worsening in the global economic scenario and possible effects in the Brazilian economy.

In December 2010, the coverage ratio of the Allowance for doubtful accounts in relation to loans overdue from 60 to 90 days reached 163.3% and 197.6%, respectively, with a 14.7 p.p. and 23.0 p.p. rise as compared to December 2009.

In December 2010 the balance of the Allowance for doubtful accounts reached R$16,290 million, with a small fall of 0.1%, or R$23.0 million, rise as compared to December 2009, composed of: (i) R$13,288 million of provisions required by the Central Bank of Brazil; and (ii) R$3,002 million of exceeding provisions.

b) capital structure and possibility of shares or fund shares being redeemed, stating: i) cases of redemption; ii) formula for calculating redemption value

When the directors analyze the tables below, they understand that the Banks's current capital structure is adequate and consistent with the business expansion strategy. The largest funding source for its operations is from third-party capital.

Capital Structure

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.17.

In December 2012, Bradesco’s capital was R$30.1 billion, composed of 3,824,795 thousand book-entry shares without par value, of which 1,912,398 thousand common shares and 1,912,397 thousand preferred shares.

In December 2011, Bradesco’s capital was R$30.1 billion, composed of 3,824,795 thousand book-entry shares without par value, of which 1,912,398 thousand common shares and 1,912,397 thousand preferred shares.

In December 2010, Bradesco’s capital was R$28.5 billion, composed of 3,762,450 thousand book-entry shares without par value, of which 1,881,225 thousand common shares and 1,881,225 thousand preferred shares.

Over the last three years, Bradesco has kept its proportion of capital held by third parties at around 92.0%, which is seen as a normal level for institutions in the financial intermediation business.

There are no ways of redeeming the company’s shares other than those legally stipulated.

c) capacity to pay financial commitments

The directors understand that the operations stated in the balance sheet at the periods stated below, for the three last fiscal years, evidence that Bradesco has a comfortable liquidity margin to comply with its short-term liabilities. It is worth mentioning that Bradesco’s asset and liability management policy is regularly reviewed to ensure sufficient liquidity to honor withdrawals, deposits, repay other obligations at maturity, extend loans or other forms of credit to the customers and meet its own needs of working capital for investment. The following table presents our consolidated balance sheet by maturity:

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.18.

Consolidated Balance Sheet by Maturity

d) financing sources used for working capital and investments in non-current assets

We highlight below the main sources of working capital and investments in non-current assets for the last three fiscal years:

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.19.

Deposits

Deposits are our most important source of funding. Our deposits balance over these years progressed in the following manner:

- In December 2012, the balance of our deposits decreased by 2.5% as compared to December 2011, mainly due to decreased funding volume in the form of time deposits; and

- In December 2011, the balance of our deposits increased approximately 12.4% as compared to December 2010, mainly due to increased funding volume in the form of time and saving deposits.

Deposits accounted for approximately 44.8% of all obligations in December 2012. Our deposits consist primarily of real-denominated, interest-bearing time and savings deposits and real-denominated, non-interest-bearing demand deposits. The decrease of R$20,105 million in time deposits, between 2012 and 2011, was basically a result of the new business opportunities offered to customers and the migration of funds to other investment sources, such as Financial notes and Debentures, thus giving rise to the rescheduling of average funding periods, which offset the increase of new volumes funded and the update of the deposit portfolio.

Savings deposits recorded an increase of 15.7%, mainly due to: (i) the larger funding volume, which was partially affected by the changes in the investment compensation rules; and (ii) the compensation of savings reserves.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.20.

Regarding demand deposits, there was an increase of R$5,291 million, or 16.0%, in the comparison between 2012 and 2011, mainly arising from improved funding, which in turn derived from an increase in the account holders base in the period.

In December 2012, we had 25.7 million account holders and 48.6 million savings accounts as compared to 25.1 million account holders and 43,4 million savings accounts in December 2011. In December 2010, we had 23.1 million account holders and 41.1 million savings accounts.

Debentures

The increases stated in the comparison between December 2012 and 2011 and between December 2011 and 2010 basically refer to the placement of these securities, used as a guarantee in repurchase agreements, which were impacted by the pace of the economic activity.

Borrowing and Onlending

In the comparison between 2012 and 2011, the balance of Borrowings and Onlending recorded a fall of 17.0%, or R$9,061 million, basically due to the decrease of R$9,171 million in borrowings and onlending denominated and/or indexed to foreign currency, which balance decreased from R$17,340 million in December 2011 to R$8,169 million in December 2012, mainly due to: (i) the settlement of operations, being partially offset: (ii) the positive 8.9% foreign exchange variation in the period.

The variation of 39.4%, or R$15,050 million, in the 2011 fiscal year, when compared to 2010, was mainly due to: (i) the increase of R$9,344 million in borrowings and onlending denominated and/or indexed to foreign currency, which balance increased from R$7,996 million in December 2010 to R$17,340 million in December 2011, mainly due to new funding and the positive 12.6% foreign exchange variation in the period; and (ii) the increase of R$5,706 million in the volume of funds raised through borrowings and onlending – domestic, basically, by way of Finame and BNDES operations.

Funds from Issuance of Securities

Comparing December 2012 to December 2011, the growth of 23.7% or R$9,837 million in funds from securities issued was primarily from: (i) the increase in the volumes of operations with securities issued abroad, in the amount of R$5,778 million, caused by new issuances carried out in the period and by the positive foreign exchange variation of 8.9%; (ii) the increase in operations with Real estate credit notes, in the amount of R$2,086 million; (iii) the larger volume of operations with Agribusiness credit notes, in the amount of R$1,355 million; (iv) the new issuances of Financial notes, which balance increased by R$1,101 million; and partially offset: (v) by the decrease of R$483 million in the balance of Mortgage notes.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.21.

The variation of 134.9%, or R$23,848 million, in the 2011 fiscal year, when compared to 2010, was mainly due to: (i) new issues of financial notes (Letras Financeiras), the balance of which rose by R$19,300 million, from R$7,820 million in December 2010 to R$27,120 million in December 2011; (ii) a R$3,053 million increase in the volume of transactions in securities issued abroad, reflecting a favorable positive exchange rate variation of 12.6% and new issues placed in the period; (iii) a R$1,367 million increase in real estate credit notes transactions; (iv) a R$839 million increase in the volume of Agribusiness notes of credit; and partly offset by: (v) a reduction of R$743 million in the balance of debentures, due to their maturing.

Subordinated Debt

At December 31, 2012, subordinated debt totaled R$34,852 million (R$8,807 million abroad and R$26,045 million domestic). In the period, the amount of R$19,837 million of Subordinated debt (R$2,008 million abroad and R$17,829 million domestic) was issued.

In December 2011, Subordinated Debt totaled R$26,910 million (R$6,404 million abroad and R$20,506 million in Brazil). In the period, the amount of R$9,626 million of Subordinated debt (R$815 million abroad and R$8,811 million domestic) was issued.

In December 2010, Bradesco's Subordinated Debt totaled R$26,315 million (R$5,079 million abroad and R$21,236 million in Brazil). Issuance of subordinated notes in August 2010, in the amount of US$1.1 billion, stands out.

The tables below show the last three years' funding through subordinated debt securities:

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Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.22.

Subordinated Debt - 2012 and 2011

1) Early settlement of subordinated debt, in the amount of R$461,505 thousand, in February 2012, and maturity of subordinated debt operations in November 2012;

2) Early settlement of subordinated debt, in the amount of R$1,065,699 thousand in February 2012, and maturity of subordinated debt operations, in the amount of R$570,470 thousand in March 2012 and R$994,000 thousand in November 2012, respectively;

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.23.

3) Maturity of subordinated debt operations in April 2012;

4) Financial notes were issued, as follows: (i) R$362,979 thousand in January 2012; (ii) R$2,030,486 thousand in February 2012; (iii)R$ 859,438 thousand in March 2012; (iv) R$789,635 thousand in April 2012; (v) R$3,926,706 thousand in May 2012; (vi) R$16,008 thousand in June 2012; (vii) R$56,300 thousand in July 2012; (viii) R$30,060 thousand in August 2012; (ix) R$36,825 thousand in September 2012; (x) R$128,927 thousand in October 2012; (xi) R$300 thousand in November 2012; and (xii) R$25,135 thousand in December 2012, maturing in 2018:

5) Financial notes were issued, as follows: (i) R$23,633 thousand in July 2012; (ii) R$4,025 thousand in August 2012; (iii) R$922,816 thousand in October 2012; (iv) R$1,100,400 thousand in November 2012; and (v) R$1,066,700 thousand in December 2012, maturing in 2019;

6) Financial notes were issued, as follows: (i) R$1,197 thousand in January 2012, (ii) R$820 thousand in February 2012; (iii) R$435 thousand in March 2012; (iv) R$2,400 thousand in April 2012; (v) R$11,000 thousand in May 2012; (vi) R$10.662 thousand in June 2012; (vii) R$748 thousand in July 2012; (viii) R$8,000 thousand in August 2012; (ix) R$7.223 thousand in September 2012; (x) R$10,600 thousand in October 2012; and (xi) R$1,058 thousand in December 2012; maturing in 2022;

7) In March 2012, subordinated debt was issued abroad, in the amount of US$1,100,000 thousand, with a rate of 5.75% p.a. and maturity in January 2022; and

8) Financial notes were issued, as follows: (i) R$601 thousand in September 2012; R$5,000 thousand in October 2012; and R$901 thousand in December 2012; maturing in 2020.

Subordinated Debt - 2011 and 2010

1) Maturity of subordinated debt operations in the amount of R$3,981,022 thousand, as follows: (i) R$1,000,000 thousand in January 2011; (ii) R$1,171,022 thousand in February 2011; (iii) R$710,000 thousand in March 2011; and (iv) R$1,100,000 thousand in June 2011;

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009.

.24.

2) Early settlement of subordinated debt, as follows: (i) R$3,001,001 thousand in July 2011; and (ii) R$718,702 thousand in September 2011;

3) Financial notes were issued, as follows: (i) R$1,520,700 thousand in February 2011; (ii) R$944,662 thousand in June 2011; (iii) R$3,036,137 thousand in July 2011; (iv) R$1,217,106 thousand in August 2011; (v) R$857,008 thousand in September 2011; (vi) R$269,909 thousand in October 2011; and (vi) R$330,967 thousand in December 2011, respectively, maturing up to 2021;

4) Maturity of subordinated debt operations in December 2011;

5) Including dollar "s*wap*" cost, the rate rose to 10.15% per annum; and

6) In January 2011, subordinated debt was issued abroad, in the amount of US$500,000 thousand, with a rate of 5.90% p.a. and maturity in 2021.

e) financing sources for working capital and investments in non-current assets that it intends to use to cover liquidity deficits

The directors report that, as sources of funding for working capital and investments in non-current assets used for covering liquidity insufficiency, the Company may use the following resources: (i) Deposit Funding; (ii) Issuance of Debentures; (iii) Loans; (iv) Issuance of Securities; and (v) Capital contributed by controlling shareholders. It should be pointed out that Bradesco's Treasury Department acts as a support center for our business segments by managing the funding and liquidity positions and executing investment objectives in accordance with asset and liability management policies. It is also responsible for setting the rates for our different products, including interbank rates. The Treasury Department covers any funding shortfall through borrowing in the interbank market, investing any surpluses in liquid instruments in the interbank market.

In some limited circumstances we may obtain emergency funds from the Central Bank of Brazil through a transaction referred to as “discount.” A discount is a loan from the Central Bank of Brazil to a financial institution, that loan being guaranteed by Federal Government securities owned by the financial institution. The amount of Federal Government securities held by the financial institution as trading securities limits the amount of discount transactions. Bradesco did not enter into discount transactions for liquidity purposes.

f) indebtedness levels and characteristics of related debts, also describing: i) relevant loan and financing contracts; ii) other long-term relationships with financial institutions; iii) level of subordination among debts; iv) any restrictions binding the issuer, in particular in relation to limits on indebtedness and new debt, distribution of dividends, disposal of assets, issue of new securities, and transfer of controlling interest

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.25.

There are no loan and financing agreements or long-term relationships with financial institutions that we believe are relevant for Bradesco.

Financial institutions are subject to operating limits defined by the National Monetary Council and the Central Bank of Brazil for operating, according to provisions of the regulations in force, particularly Law No. 4,595/64, which sets forth the National Financial System.

Among the limits defined, noteworthy are as follows (i) Reference Equity consistent with the risks of its activity, (ii) fixed assets, which limits to 50% of the Reference Equity the total funds invested in Permanent Assets, (iii) exposure by costumer, which sets forth the maximum limit of 25% of the amount of Reference Equity of exposure by costumer, (iv) exposure in gold, foreign currency and in operations subject to foreign exchange variation, limited to 30% of the Reference Equity amount, and (v) minimum limits of realized capital and shareholders’ equity for operating.

Rules also bar financial institutions from carrying out certain operations, and noteworthy are as follows: (i) granting loans or advances to related companies, managers and relatives, and (ii) acquiring real estate not intended for own use.

g) limits for use of contracted financing

There are no limits for the use of contracted financing.

h) significant changes to each item of financial statements

Directors understand that the Bank has all financial and asset conditions to ensure the compliance with obligations, guaranteeing the business expansion.

We present below comments on the items the directors believe are important and relevant, stated in the Balance sheet and Statement of income.

Balance Sheet

In relation to significant changes in consolidated balance sheet items, the table below compares the most significant events in the following periods:

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.26.

Interbank Investments

The balance of interbank investments amounted to R$151,813 million in December 2012, which accounted for an increase of R$69,510 million, or 84.5%, as compared to December 2011, mainly due to the increase of R$66,497 million recorded in the portfolio of securities in relation to the financed position, and noteworthy were the National Treasury Notes and Bills.

The balance of interbank investments amounted to R$82.303 million in December 2011, which accounted for an increase of R$9.071 million, or 12,4%, as compared to December 2010, mainly due to the increase of R$13.155 million recorded in the portfolio of securities in relation to the financed position, and noteworthy were the National Treasury Notes.

Securities

In December 2012 securities represented 35.9% of our total assets (December 2011 - 34.9% and in December 2010 - 33.5%).

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.27.

In December 2012, the balance of securities increased 18.7% as compared to December 2011, mainly due to: (i) increase in our exposure in public securities; and (ii) growth of repurchase agreements.

In December 2011, the balance of securities increased 24.4% as compared to December 2010, mainly due to: (i) increase in our exposure in public securities; and (ii) growth of repurchase agreements.

Interbank and Interbranch Accounts

Interbank and interbranch accounts basically correspond to compulsory deposits with the Central Bank of Brazil and represented, in December 2012, 5.7% of our total assets (December 2011 – 9.6% and in December 2010 – 10.4%).

In the comparison between December 2012 and 2011, the 31.7% decrease basically refers to a decrease in our time deposit balances.

In the comparison between December 2011 and 2010, the 9.9% increase was mainly due to the growth of compulsory deposits on time deposits, which was a result of the larger volume funded.

Loan Operations and Leasing

In December 2012 loan and leasing operations represented 30.5% of our total assets (December 2011 – 32.7% and in December 2010 – 33.5%).

Comparing December 2012 with December 2011, the 7.7% evolution was basically due to a higher volume of transactions, in particular the following products targeting individual customers: (i) housing finance rose by 38.8%; and (ii) personal loans repaid from payroll deductions rose 16.6%. For the corporate segment, noteworthy was the (i) real estate financing – corporate plan, with a 37.0% growth; and (ii) export financing, with an increase of 22.4%.

Comparing December 2011 with December 2010, the 16.5% evolution was basically due to a higher volume of transactions, in particular the following products targeting individual customers: (i) real estate financing with an increase of 65.9%; (ii) BNDES/Finame onlending, which increase was 21.4%; and (iii) payroll advance loans with an increase of 18.7%. For the corporate segment, noteworthy was as follows: (i) real estate financing – corporate plan, with an increase of 42,7%; (ii) working capital, with a 20.5% growth; and (iii) export financing, with an increase of 37.7%.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.28.

Federal Funds Purchased and Securities Sold under Agreements to Repurchase

In December 2012, the balance of Federal funds purchased and securities sold under agreements to repurchase increased 29.4% as compared to December 2011. This increase was basically due to: (i) increase of R$66,069 million in operations with third-party portfolios; offset (ii) by the decrease of R$10,661 million in own portfolio.

In the comparison between December 2011 and 2010, the 15.1% increase in funding was basically due to (i) the increase of R$13.667 million in third-party portfolio operations; and (ii) increase of R$9,408 million in own portfolio, and noteworthy were public securities.

Provisions for Insurance, Pension Plan and Capitalization

In December 2012, the technical provisions for insurance, pension plan and capitalization recorded an increase of 19.8%, or R$20,564 million, mainly due to: (i) the increase of R$12,244 million in technical provisions for VGBL plan; and (ii) increase of R$2,486 million in technical provisions for PGBL plans.

In December 2011, the technical provisions for insurance, pension plan and capitalization recorded an increase of 18.9%, or R$16,476 million, mainly due to: (i) the increase of R$10,501 million in technical provisions for VGBL plan; and (ii) increase of R$2,161 million in technical provisions for PGBL plans.

We also highlight that the main funding sources: i) Deposits; ii) Debentures; iii) Loans and onlending; iv) Funds from securities issued; and v) Subordinated debt, which are commented on item 10.1 d).

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.29.

Statement of Income

We present below the financial information for the fiscal years ended December 31, 2012, 2011 and 2010. Noteworthy is that, in order to facilitate the better understanding, comparability and analysis of results, we will use the Statement of Managerial Income. For further information on the managerial adjustments made, we suggest that the Notice to the Market sent on July 3, 2009 be seen to.

(1) Basically refers, in 2012, to the impairment of: (i) Intangible Assets – Acquisition of right to provide banking services, in the amount of R$527 million, arising from reassessing the expected return on these rights; and (ii) Securities – Shares – classified in Available for Sale, in the amount of R$890 million, as a result of the adjustment of the historical share value to the actual reality of their fair value; and in 2011, to the impairment of intangible assets – acquisition of the right to provide banking services, in the amount of R$157 million;

(2) Includes, in 2012: (i) other operating provisions, net of reversals, basically, by civil provisions, in the amount of R$231 million in 2011: (i) other operating provisions, mostly by civil provisions, in the amount of R$570 million; and (ii) partial sale of Ibi Promotora, in the amount of R$58 million, and in 2010: (i) partial sale/ gain from investment capital (CPM Braxis/Fidelity/Other), in the amount of R$224 million; and (ii) REFIS (tax recovery program), in the amount of R$18 million; and

(3) Annualized.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.30.

(1) Return on average equity; and

(2) Return on average assets.

The adjusted net income for the 2012 fiscal year was R$11,523 million, which represented an increase of 2.9%, or R$325 million as compared to 2011. Return on equity (ROAE) for 2012 fell 2.1 p.p., reaching 19.2%. Return on average assets (ROAA) for 2012 fell 0.2 p.p., reaching 1.4%.

In 2011, the adjusted net income totaled R$11,198 million, which represented an increase of 14.2%, or R$1,394 million as compared to 2010. Return on equity (ROAE) for 2011 fell 0.9 p.p., reaching 21.3%. Return on average assets (ROAA) for 2011 fell 0.1 p.p., reaching 1.6%.

We comment below on the main captions impacting the results for the last three fiscal years:

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.31.

Financial Margin

The financial margin for 2012 reached R$43,793 million, recording a growth of 11.4%, or R$4,472 million, as compared to 2011, due to the following factors: (i) increase in the interest-bearing transactions, in the amount of R$4,351 million, arising from the increased business volume, and worth mentioning were “Loans” and “Securities/Other;” and (ii) better result achieved with the “non-interest” margin, in the amount of R$121 million, basically due to the larger gains in the “Insurance,” which is represented by non-fixed income results.

In 2011, the financial margin reached R$39,321 million, recording a growth of 19.0%, or R$6,265 million, as compared to 2010, due to the following factors: (i) increase in the interest-bearing transactions, in the amount of R$6,145 million, arising from the increased business volume, and worth mentioning were “Loans” and “Funding;” and (ii) better result achieved with the “non-interest” margin, in the amount of R$120 million, due to the larger gains in Treasury/Securities.

Allowance for Doubtful Accounts

In 2012 the expense on Allowance for doubtful accounts totaled R$13,014 million, recording an increase of 27.1%, or R$2,777 million, as compared to the previous year, which was mostly due to: (i) the increase in the volume of loan; and (ii) the behavior of delinquency in the period.

In 2011 the expense on Allowance for doubtful accounts totaled R$10,237 million, recording an increase of 17.6%, or R$1,534 million, as compared to the previous year, which was mostly due to: (i) the growth of loan operations; and (ii) the increase in delinquency, mainly for Individuals.

Result from Insurance, Pension Plan and Capitalization Operations

In 2012, the result from insurance, pension plan and capitalization operations reached R$3,814 million, recording an increase of 13.2%, or R$444 million as compared to the previous year.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.32.

In the annual comparison, a 17.7% increase was recorded for written premiums, pension plan contribution and income from capitalization bonds. This increase was due to the performance of all segments, which recorded over a two-figure growth.

Adjusted net income for 2012 was R$3,587 million, with an increase of 12.1% as compared to the same period of the previous year. This increase is due to: (i) the increase of 17.7% in billing; (ii) the focus on higher profitability products; (iii) maintenance of the loss ratio in the same levels of the previous year; (iv) improved equity result; and (v) decrease in general and administrative expenses, even with the increase related to the workers' collective bargaining agreement held in January 2012.

In 2011, the result from insurance, pension plan and capitalization operations reached R$3,370 million, recording an increase of 21.6%, or R$598 million as compared to the previous year.

In the comparison between 2011 and 2010, a 21.3% increase was recorded for written premiums, pension plan contribution and income from capitalization bonds. This increase was due to the performance of the "Life and pension plan," "health" and "capitalization" products, which rose 23.8%, 22.0% and 22.7%, respectively.

It should be pointed out that the adjusted net income for 2011 was R$3,201 million, with an increase of 10.2% as compared to the same period of the previous year. This increase is due to: (i) the increase of 21.3% in billing; (ii) decrease of 1.1 p.p. in loss ratio; (iii) improved financial and equity result; and partially offset by: (iv) increase in personnel expenses, mainly impacted by the workers' collective bargaining agreement held in January 2011.

Banking Services Fees

In 2012, Banking services fees totaled R$17,512 million, recording an increase of 15.0%, or R$2,289 million, as compared to 2011, mainly due to: (i) the performance of the credit card segment, as a result of the increased credit card base, billing and transactions carried out; (ii) increase in income from current accounts, as a result of improved business and current account holders base, which recorded a net increase of 583,000 new accounts in the period; (iii) increase in income from funds management, which volume of funds and portfolio funded and managed rose 31.7% in the period; (iv) the larger gains from transactions in capital markets (underwriting/financial advisory); (v) increase in collection income; and (vi) larger income with credit operations, arising from the higher volume of operations contracted and those with endorsements and sureties in the period.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.33.

In 2011, Banking services fees totaled R$15,223 million, recording an increase of 13.8%, or R$1.851 million, as compared to 2010, mainly due to: (i) the performance of the credit card segment, as a result of the increased credit card base and billing; (ii) increase in income from current accounts, as a result of improved business and current account holders base, which recorded a net increase of 2.0 million new accounts in the period; (iii) larger income with loan operations, arising from the higher volume of operations contracted; (iv) larger income from collection and payments; and (v) increase in income from consortia management.

Personnel Expenses

In 2012, Personnel expenses reached R$12,186 million, recording an increase of 10.2%, or R$1,125 million as compared to the previous year, mainly due to variation in the "structural" portion, related to the increased expenses with earnings, social charges and benefits, impacted by: (i) increase in salary levels, according to 2011 and 2012 workers' collective bargaining agreements; and (ii) net increase in staff, concentrated in the second half of 2011, caused by the organic growth.

In 2011, Personnel expenses totaled R$11.061 million, recording an increase of 18.9%, or R$1.759 million, as compared to 2010, mainly due to: (i) the amount of R$1,281 million in the "structural" portion; related to: (a) rise in expenses on earnings, social charges and benefits, impacted by the increased salary levels; (b) net increase in staff by 9,436 employees; and (ii) "non-structural" portion, in the amount of R$478 million, which was basically due to: (a) higher expenses with profit sharing for managers and employees (PLR); and (b) higher expenses on the provision for labor claims.

Administrative Expenses

In 2012, Administrative expenses totaled R$14.162 million, recording an increase of 5.6%, or R$756 million, basically due to rise in expenses on: (i) growth in the volume of business and services in the period; (ii) contractual adjustments; and (iii) organic growth, from the second half of 2011, with the expansion of 9,196 service centers, and noteworthy was the increase of 8,214 "Bradesco Expresso," totaling 68,917 service centers at December 31, 2012; which was partially offset by lower expenses on: (iv) third-party services; and (v) advertising.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction №̲ 480 of December 7, 2009

.34.

In 2011, Administrative expenses totaled R$13,406 million, recording an increase of 16.3%, or R$1,874 million, basically due to rise in expenses on: (i) third-party services, mainly related to non-fixed expenses related to business revenue/ volume (ex: correspondent banks, call center, among others); (ii) contractual adjustments; and (iii) accelerated organic growth in the period, with the expansion of 11,030 new service centers, and noteworthy was the opening of 1,009 branches.

Tax Expenses

Increases in Tax expenses for both the comparative period between 2012 and 2011 and the period between 2011 and 2010 are basically due to the higher expenses on service tax and taxes on income (ISS/PIS/COFINS), arising from the rise in tax revenues, particularly, in the financial margin and banking services fees in these periods.

Other Operating Revenues and Expenses

In the comparison between 2012 and 2011, the increase in other operating expenses, net of other operating revenues by 23.9%, or R$ 813 million, was basically due to: (i) higher expenses on the recognition of operating provisions, and noteworthy were the tax and civil contingencies; (ii) sundry losses; and (iii) higher expenses on amortization of intangible assets by the acquisition of banking rights.

In the comparison between 2011 and 2010, the increase in other operating expenses, net of other operating revenues by 42.8%, or R$1,019 million, was basically due to: (i) higher expenses on the recognition of operating provisions, and noteworthy were the civil provisions; and (ii) higher expenses on amortization of intangible assets by the acquisition of banking rights.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.35.

10.2 - Operating and Financial Income

Directors should comment:

a) results of issuer's operations, in particular:

i) description of any major components of revenue

We highlight below our main operating revenues, which recorded an increase of R$11,305 million or 7.9% in the comparison between 2012 and 2011, mainly impacted by the increase in: (i) income from insurance retained premiums, pension plans and capitalization; (ii) income from loan and leasing operations; and (iii) banking services fees. In the comparison between 2011 and 2010, income recorded an increase of 28.0%, and noteworthy were as follows: (i) income from securities; (ii) income from loan and leasing operations; and (iii) income from insurance retained premiums, pension plans and capitalization.

Loan Operations and Leasing

Income from loan and leasing operations, the comparison between the 2012 and 2011 balances, increased 6.2%, or R$2,785 million, whereas in the comparison between 2011 and 2010, the increase was R$7,391 million or 19.7%, and these variations arise from the growth of our loan portfolio, and we break down below products and customers (Individuals and corporate):

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.36.

Includes:

(1) Credit assignment (FIDC): R$202 million in December 2012, R$514 million in December 2011 and R$408 million in December 2010;

(2) Credit assignment (CRI): R$149 million in December 2012, R$216 million in December 2011 and R$287 million in December 2010; and

(3) Credit assignment (FIDC): related to acquisition of assets: R$1 million in December 2012, R$2 million in December 2011 and R$8 million in December 2010; and rural credit assignment: R$101 million in December 2012, R$111 million in December 2011 and R$121 million in December 2010.

In the comparison between the 2012 and 2011 balances, operations with credit risk to Individuals recorded an increase of 8.2%, and the types which most contributed to this increase were as follows: (i) real estate financing; and (ii) payroll advance loans.

In the comparison between the 2011 and 2010 balances, loan operations for Individuals recorded an increase of 10.6%, and noteworthy were the products as follows: (i) real estate financing; (ii) BNDES/Finame onlending; and (iii) payroll advance loans.

Includes:

(1) Credit assignment (CRI): R$230 million in December 2012, R$285 million in December 2011 and R$312 million in December 2010;

(2) 91.3% of operations with endorsements and sureties of corporate customers are carried out with large companies (in December 2012);

(3) Operations with debentures and promissory notes; and

(4) Letters of credit: R$1,629 million in December 2012, R$1,754 million in December 2011 and R$1,501 million in December 2010.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.37.

In operations with credit risk to corporate customers, an increase of 13.1% was recorded in the comparison between the 2012 and 2011 balances. The largest highlights were the types as follows: (i) real estate financing – corporate plan; and (ii) export financing.

In the comparison between the 2011 and 2010 balances, loan and financing operations to corporate customers recorded an increase of 20.4%, and noteworthy were as follows: (i) real estate financing – corporate plan; (ii) export financing; and (iii) foreign operations.

Income from Securities, Derivatives and Foreign Exchange Operations

In the comparison between the 2012, 2011 and 2010 balances, the variations recorded in income from securities refer to the higher volume of operations with fixed-income securities.

Result from Compulsory Deposits

In the comparison between the 2012 and 2011 balances, the decrease of 37.5% in income was basically due to the decrease: (i) of 16.2% in time deposits; and (ii) interest rates (Selic).

In the comparison between the 2011 and 2010 balances, the increase of 111.4% in income was basically due to: (i) the increase of 21.5%, and 11.6%, in the balances of time deposits and savings deposits, respectively; and (ii) the macro prudential measures adopted by the Central Bank of Brazil.

Income from Insurance retained Premiums, Pension Plans and Capitalization, and Banking Services Fees

Regarding the variations in income from insurance retained premiums, pension plans and capitalization and banking services fees, the related comments are included in item 10.1 h.

ii) factors that materially affected the operating results

Directors report that no factors have occurred that might significantly affect the company's operating results in the last three fiscal years other than those described in item 10.1 h) and 10.2.a i.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.38.

b) variations in income from price changes, foreign exchange rates, inflation, changes in volumes and introduction of new products and services

Directors report that there were no significant variations in the issuer’s financial revenues or income attributable to changing prices of our main inputs and products, exchange rates, inflation, altered volumes or the introduction of new products and services for the years ended on December 31, 2012, 2011 and 2010.

c) impact of inflation, variation of prices of main inputs and products, and foreign exchange and interest rates on the issuer’s operating income and financial income

During periods of high interest rates, our financial income increases because the interest rates on our interest-earning assets are higher too. At the same time, we incur higher financial expenses since interest rates on interest-bearing liabilities are also higher. Changes in volumes of our assets and liabilities that incur interest also affect our revenues and expenses. For example, an increase in our interest income attributable to higher interest rates may be offset by a reduction in the volume of our outstanding loans.

Additionally, in the event of the Brazilian real depreciating, we: (i) incur losses on our liabilities denominated in/or indexed to, foreign currencies, such as our long-term debt denominated in dollars and foreign currency borrowings to the extent that the cost in Brazilian reais if the related financial expense is higher, and (ii) incur gains on our assets denominated to or indexed to, foreign currencies, such as our securities and dollar – geared loans, when revenue from these assets measured in Brazilian reais increases. Conversely, when the Brazilian real appreciates: (i) incur losses on assets denominated in/or indexed to, foreign currencies, and (ii) incur gains on our liabilities denominated in/or indexed to, foreign currencies.

In 2012, the financial "interest" rate increased 11.6%, from R$37,670 million in 2011 to R$42,021 million in 2012. The increase of R$4,351 million in the income from interest transactions was mainly due to the increased business volume, and noteworthy were "Loans" and "Securities/Other." It is worth mentioning that the interest rate (CDI) decreased from 11.6% in 2011 to 8.4% in 2012, and this decrease provided smaller gains in "Funding" margins.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.39.

In 2011, income from interest-bearing transactions increased 19.5%, from R$ 31,525 million in 2010 to R$ 37,670 million in 2011. The increase of R$ 6,145 million in the income from interest transactions was mainly due to the increased business volume, and noteworthy were “Loans” and “Funding”. It is worth mentioning that the interest rate (CDI) increased from 9.8% in 2010 to 11.6% in 2011, and this increase provided higher gains in “Funding” margins.

10.3 - Events with Significant Effects (occurred and expected) on Financial Statements

Directors should comment on material effects that the events below have caused or are expected to cause for the issuer’s financial statements and results:

a) introduction or sale of operating segment

No operational segment was introduced or sold in the period.

b) creation, acquisition or sale of equity interest

For the Bradesco Organization, among the significant events highlighting the period, noteworthy were the following:

- On March 2012, Bradesco started the operations of subsidiary Bradesco Securities Hong Kong Limited, in Hong Kong, China, aimed at prospecting opportunities and distributing fixed- and non-fixed income products. Accordingly, Bradesco expands its international distribution channels, strengthening contacts with global investors present in that market, in addition to providing access to a new base of institutional investors.

c) unusual event or operations

In the period there were no unusual events or transactions involving the issuer, other than the extraordinary events stated in item 10.1.h, that caused or are expected to cause significant impacts on its results.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.40.

10.4 - Significant Changes in Accounting Practices – Reservation and Emphases in the Auditor's Opinion

Directors should comment:

a) significant changes in accounting practices

Directors report that no significant changes were made to the accounting practices we use in the fiscal years ended December 31, 2012, 2011 and 2010.

b) significant effects of changes in accounting practices

Directors emphasize that, even though no significant changes were made to our accounting practices, it is worth mentioning that, unlike other publicly-held companies that already adopt all CPCs, financial institutions, proceeding with the convergence process with the international financial reporting standards (IFRS), in addition to four pronouncements of the Accounting Pronouncements Committee (CPC), previously approved by the National Monetary Council, four new pronouncements were approved by the in 2012 and 2011. The other CPC pronouncements, interpretations and guidelines will only be applicable to financial institutions after approval.

It is currently not possible to estimate when National Monetary Council will approve the other CPC accounting pronouncements or if their adoption will be prospectively or retrospectively.

The eight CPC accounting pronouncements approved were as follows:

- Resolution Nº. 3,566/08 – Asset impairment (CPC 01);
- Resolution Nº. 3,604/08 – Statement of cash flows (CPC 03);
- Resolution Nº. 3,750/09 – Related party disclosures (CPC 05);
- Resolution Nº. 3,823/09 – Provisions, contingent liabilities and contingent assets (CPC 25);
- Resolution Nº. 3,973/11 – Subsequent events (CPC 24);
- Resolution Nº. 3,989/11 – Share-based payment (CPC 10);
- Resolution Nº. 4,007/11 – Accounting policies, changes in accounting estimates and errors (CPC 23); and
- Resolution Nº. 4,144/12 – Basic conceptual pronouncement (R1).

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.41.

Out of the pronouncements approved in 2011, CPCs 10 and 23 came into effect in the 2012 fiscal year. The CPC basic conceptual pronouncement, approved in 2012, also came into effect in 2012. These three pronouncements have not given rise to any change in the accounting practices adopted by the Bradesco Organization (as described in item 10.4.a of this Reference Form), or produced any effect in net income and shareholders' equity.

c) reservations and emphases in the auditor's opinion

There were no reservations and emphases in the auditor's opinion.

10.5 - Critical Accounting Policies

Directors should indicate and comment on critical accounting policies adopted by the issuer, exploring in particular accounting estimates made by management on matters that are uncertain and relevant to the description of the financial position and results, which require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax credits, long-lived assets, useful life of noncurrent assets, pension plans, adjustments to foreign currency conversion, environmental remediation costs, impairment testing criteria for assets and financial instruments.

Bradesco has disclosed critical risk factors and accounting policies, in conformity with the best international transparency and Corporate Governance practices, in relation to possible political and economic situations in the domestic and foreign markets, which may directly impact the day-to-day of operations and accordingly, the Bank's financial position.

Directors believe that the Bradesco's results are subject to accounting policies, assumptions and estimates. It is Management's responsibility to adopt fair accounting practices, in addition to using judgment while carrying out reasonable and conservative estimates to be used in the preparation of financial statements.

Regarding materiality, the items below describe the accounting policies deemed as critical, as well as the areas demanding better judgment and estimate or involving a high complexity level, which may affect our financial position and the result of our operations. The accounting estimates we carry out in this context cause us to make assumptions on issues involving uncertainties. For each case, should we have prepared other estimates or the changes in estimates occurred from period to period, significant impacts might have occurred on our financial position or the result of our operations.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.42.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is calculated in an amount sufficient to cover possible losses and take into account the rules and instructions issued by National Monetary Council and Central Bank of Brazil, together with the appraisals carried out by Management upon calculation of credit risks.

At the end of each period, the allowance for doubtful accounts is adjusted based on an analysis of our portfolio, including the estimate of losses in loan and leasing operations and other operations with credit characteristics.

In view of its nature, the determination of the allowance for doubtful accounts requires us to make judgments and assumptions related to our portfolios, both on individual and product-specific portfolio bases. Whenever we reassess the portfolio as a whole, a number of factors may affect the estimate of the probable losses, including which methodology we will adopt for measuring the historical delinquency rates and which historical period we will take into account to carry out such measurements. Other factors that may affect our judgment while we calculate the allowance for doubtful accounts include as follows:

- Brazilian general economic conditions and relevant conditions in the sector;
- previous experience with the debtor or the relevant economy sector, including the recent experience of losses;
- credit quality trends;

- values loan securities;
- volume, composition and growth of our portfolio;
- the Brazilian government's monetary policy; and
- any delays in receiving information necessary to evaluate operations or confirm existing impairment.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.43.

We use models to assist us in the analysis of our portfolios and calculate the required provision for losses. We use statistical factors to show losses and other risk indicators for groups of loans with similar risk characteristics to achieve an estimate of losses incurred by the portfolio and calculate the models. Although our models are often reviewed and improved, by their nature, they depend on our judgments made in relation to information and/or forecasts we receive. In addition, the Brazilian economy's volatility may lead to greater uncertainty in our models than one would expect in more stable macroeconomic environments. Therefore, our provision for doubtful debt may not be indicative of actual future losses.

The process to calculate the level of provision for doubtful debt requires a high judgment level. It is possible that others, taking into account the same information, may at any time reach reasonably different conclusions.

Classification of Securities and Derivatives

The classification of securities and derivatives is in three categories: held for trading, available for sale and held to maturity. This classification is based on the Management's intent, on the date the securities are acquired, of keeping or selling such securities. The accounting treatment to the securities we hold is dependent on how we classify them upon their acquisition.

Circumstantial changes may alter our strategy in relation to a specific security, which would require transfer between the three categories.

Evaluation of Securities and Derivatives

Financial instruments recorded at fair value in our consolidated financial statements largely consist of securities classified as: (i) held for trading; (ii) available for sale; and (iii) other trading assets, including derivatives. Fair value is defined as the value for which a position may be closed or sold in a transaction with an educated party willing to trade, on an arms' length basis.

We estimate the fair value by using the market prices, as available. We note that the price may be affected by the volume of shares transacted, and may also fail to reflect the "control premiums" under share agreements with shareholders, which holds significant investments. However, the Management believes that market prices are the best indicators of fair value.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.44.

At the determination of the fair value, when market prices are not available, the Management's judgment is made, as models depend on our judgment of weight assignable to different factors and the quality of information received. The factors used in these models include quotations by distributors, pricing models, prices of instruments with similar characteristics and discounted cash flows. Model-based pricing also uses information on interest rates, foreign exchange rates and volatility of options, whenever significant and available. Such as reliable market data while estimating the impact of keeping a large position is generally limited. We use likewise our judgment for estimating prices whenever there is no external parameter. If we make inaccurate assumptions or the model itself makes inaccurate correlations or assumptions, the amount of income or loss recorded for a specific asset or liability may be incorrect. Judgment should also determines whether a reduction in the fair value below the updated cost of a held-to-maturity or an available-for-sale security is not temporary, so that it would demand the possible recognition of impairment of the updated cost and that we may record this reduction as an expense. At that evaluation, if any devaluation is not temporary, the Management will decide which historic period should be considered and how severally a loss may be provisioned for.

These appraisal methods may lead Bradesco to have different results should the assumptions and estimates used fail to subsequently become real.

Tax Income and Social Contribution

The value determination of income tax and social contribution is complex, and therefore our evaluation is based on the analysis of our deferred fiscal assets and liabilities and income tax and social contribution payable. In general, our evaluation requires us to estimate the future amounts of deferred fiscal assets and income tax and social contribution payable. Evaluating the possibility of any deferred fiscal assets to be realized is subjective and involves evaluations and assumptions the origin of which is uncertain. Realization of deferred fiscal assets is subject to changes to future fiscal rates and the development of our tax planning strategies. Evaluations and assumptions may change over the time as a result of unforeseen events or circumstances, and thereby change our judgment at the determination of the amount of our fiscal liabilities.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.45.

We continuously monitor and evaluate the impact of new tax laws on our liabilities, as well as new events likely to affect the evaluations and assumptions of our analysis of the possibility of deferred fiscal assets realization.

A significant judgment is required for the determination of the probability of a position on income tax and social contribution be sustained under examination, even after the result of any legal or administrative proceedings, on the basis of technical merits. An additional judgment is then required to determine the amount of benefit eligible to be recognized in our consolidated financial statements.

Impairment

The balances of securities classified as available for sale and held to maturity, in addition to non-financial assets (except for deferred tax credits), are reassessed at least on a yearly basis, to determine where there is any indication of impairment. When a loss is identified, we recognize an expense in income for the year. This occurs when the carrying amount of the asset exceeds its recoverable value.

We use a number of judgments to calculate the recoverable value, and accordingly we estimate the value of the most variable assets subject to impairment testing.

Technical Provisions for Insurance, Pension Plan and Capitalization

Technical provisions are liabilities representing estimates of the amounts to be due in a certain point in the future in favor of our customers, stakeholders, insured parties or their beneficiaries. Such actuarial hypotheses are based on our experience and are periodically reviewed to the industry standards, with the objective of ensuring actuarial credibility. However, significant changes to experience or hypotheses may require us to make a provision for future losses expected for a certain product, and make provisions for premium or contribution shortage. These provisions are set forth in short- or long-term agreements to forecast expected future losses.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

46.

For insurance, future claims to be paid include provisions for group and individual life, health, contingency, liability and damage insurance. These benefits are computed using actuarial hypotheses for mortality rates, incapacity, expiry date, investment performance, inflation, expenses, and others. For long-term insurance agreements, when the actuarial hypotheses in a specific policy or group of policies are fulfilled, they will not be changed during the validity time of the policy. Liabilities recognized for claims include provisions for incurred but not reported claims and provisions for unsettled claims. We recognize claims as they occur. However, costs of claims occurred in a specific period will not be clearly recognized until we receive, process and pay such indemnities. We determine the liability amount through actuarial methods based on history of claim payments to estimate claim liabilities. Methods to determine such estimates and establish the values of the technical provisions are reviewed and updated on a regular basis. The resulting adjustments are recognized in income for the respective period.

For pension plans, future benefits to be paid to participants or their beneficiaries include provisions for retirement, pension and redemptions, with actuarial hypotheses that take into account factors such as survivorship, interest rates, and disability, among others.

For capitalization operations, future payments to our customers include provisions for redemptions and raffles. These are calculated on the monetarily adjusted nominal values of the securities.

Accounting Provisions and Contingent Liabilities

We make accounting provisions taking into consideration our legal advisors’ opinion, the nature of proceedings, their similarity with previous proceedings, their complexity and the Court’s award, whenever the loss is considered likely to occur, which would lead to a possible allocation of funds to settle the obligations, and when related amounts are quite securely measurable.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction №̱ 480 of December 7, 2009

.47.

Contingent liabilities classified as eventual losses are not recognized for accounting purposes and should only be mentioned in explanatory notes when they are individually significant, while those classified as remote require no provisions or disclosure.

We continuously monitor the legal proceedings under way to evaluate, among other things: (i) their nature and complexity; (ii) process development; (iii) the opinion of our legal advisors; and (iv) our experience in similar proceedings. Upon determining whether a loss is likely to occur and estimating its value, we also consider:

a) the probability of loss derived from claims occurred on or before the date of financial statements, which were identified by us after the date of such statements but before their publication; and

b) the need to disclose claims or events occurred after the date of financial statements, but before their publication.

10.6 - Internal Controls relating to Preparation of Financial Statements – Levels of Efficiency and Deficiency and Recommendations in the Auditor's Report

In relation to internal controls used to ensure that reliable financial statements are prepared, the directors should comment:

a) ***the level of efficiency of such controls, indicating eventual deficiencies and actions taken to correct them***

There were no eventual deficiencies, and consequently no actions were taken in the preparation of the Bradesco’s consolidated financial statements for the years ended on December 31, 2012, 2011 and 2010.

The Organization has a department managing internal control processes and an Internal Controls and Compliance Committee to advise the Board of Directors on fulfillment of its duties related to adoption of strategies, policies and measures for the dissemination of its culture of internal controls, risk mitigation and compliance with the regulations applicable.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction № 480 of December 7, 2009

.48.

Based on a policy defined and approved by the Board of Directors, the Organization also keeps all components of the internal controls system up-to-date in order to mitigate the potential losses caused by its risk exposure and to strengthen its Corporate Governance processes and procedures. The effectiveness of the Organization's internal controls is based on our people- processes-technology tripod. In this context, our skilled professional staff is working exclusively with previously determined processes using appropriate technology for business needs.

Our Policy for Internal Controls and Compliance, and our Corporate Methodology, are properly formalized and aligned with the leading frameworks for controls, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and Control Objectives for Information and Related Technology (COBIT), covering the Business and Technology aspects respectively, pursuant to National Monetary Council Resolution No. 2,554/98, the Public Company Accounting Oversight Board (PCAOB), and Sarbanes-Oxley Section 404.

Internal controls are developed in conjunction with the various business areas managing the Organization's services, products and processes, and adherence tests are applied at the required intervals, and results reported to Bradesco's Audit and Internal Controls and Compliance Committees and to its Board of Directors. In cases of non-compliance, the appropriate corrective measures are taken and duly monitored.

These measures taken as a whole translate into enhanced quality for operational processes and dissemination of the importance of the culture of controls while ratifying improvements for best practices.

It is important to highlight the benefits at the corporate level from complying with the above-cited Law, which include disseminating the importance of a culture of control, improvements in the quality of operating and administrative processes, the robustness of the associated controls and improvements in requirements aimed at maintaining Corporate Governance best practices.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.49.

b) deficiencies and recommendations on internal controls included in the independent auditor’s report

In view of our stock of knowledge and the studies conducted by the independent auditor to assess our internal controls structure, designed to ensure the adequacy of Bradesco’s financial statements, the auditor’s report contains no faults or recommendations in relation to internal controls that could significantly affect our financial statements.

10.7 - Use of Proceeds from Public Offerings for Distribution and any Deviations

If the issuer has made a public offering for distribution of securities, the directors should comment:

a) how funds derived from the offering were used;

b) whether there were important deviations between the effective application of funds and the proposed application disclosed in leaflets on the respective distribution

c) if deviations occurred, the reasons for such deviations

There were no public offerings of distribution of securities in the years ended 2012, 2011 and 2010.

10.8 - Material Items not shown in Financial Statements

Directors should describe material items not shown in the issuer's financial statements, and state:

a) assets and liabilities directly or indirectly held by the issuer, which are not included in the balance sheet (off-balance sheet items), such as: i) operational leases, assets and liabilities; ii) portfolios of written-off accounts receivable for which the entity has risks and responsibilities, indicating the respective liabilities; iii) forward purchase and sale agreements for products and services; iv) uncompleted construction contracts; v) contracts of future receipt of financing;

b) other items omitted from the financial statements

No significant items were omitted from the accounting statements.

Directors/officers' comments on the Company in terms of Reference Form Item 10, pursuant CVM Instruction Nº 480 of December 7, 2009

.50.

10.9 - Comments on Material Items not shown in Financial Statements

In relation to each of the items omitted from the financial statements referred to in item 10.8, the directors should comment:

a) how such items change or may eventually change revenues, expenses, operating result, financial expenses or other items of the issuer's financial statements

b) nature and purpose of operation

c) nature and amount of obligations and rights generated for the issuer under the operation

No significant items were omitted from the accounting statements.

10.10 - Business Plan

Directors should state and comment the principal elements of the issuer's business, specifically exploring the following topics:

a) investments, including: i) quantitative and qualitative description of investments in progress or expected; ii) sources of financing of investments; iii) existing disinvestments in progress or expected;

In 2012, Bradesco continued to invest in the expansion of its network, taking the total number of points of service to 68,917 (in addition to branches, this total includes: service branches (local acronym PAs); ATMs (local acronym PAEs); ATMs outside our own network; the shared network of pooled ATMs; Bradesco Expresso POSs; Bradesco Sales Promotion, and foreign branches or subsidiaries).

We would highlight Bradesco Expresso's growth of 23.6% on the previous year to reach a total of 43,053 points of service by end-2012.

Funding for the above-mentioned investments was sourced from the Organization's own working capital, basically shareholder equity.

2013

Our estimated IT infrastructure investment for 2013 is about R$4.8 billion, which is approximately 9.0% more than 2012's (R$4.4 billion). We would also highlight our plans to open 49 branches.