BANK BRADESCO
Form 20-F
April 30, 2013

**UNITED STATES**

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

**FORM 20 F**

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2012**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 1 15250**

**OR**

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**BANCO BRADESCO S.A.**

**(Exact name of Registrant as specified in its charter)**

**BANK BRADESCO**

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

**Federative Republic of Brazil**

**(Jurisdiction of incorporation or organization)**

**Cidade de Deus S/N Vila Yara 06029 900 Osasco SP, Brazil**

**(Address of principal executive offices)**

**Luiz Carlos Angelotti (Managing Officer and Investor Relations Officer)**

**E mail: 4000.luiz@bradesco.com.br**

**Telephone: +55 11 3684 4011**

**Cidade de Deus S/N Vila Yara, 06029 900 Osasco SP, Brazil**

**(Name, telephone, e mail and/or facsimile number and address of company contact person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| American Depositary Shares, or ADSs (evidenced by American Depositary Receipts, or ADRs), each representing 1 preferred share | New York Stock Exchange |
| Preferred Shares | New York Stock Exchange* |
| American Depositary Shares, or ADSs (evidenced by American Depositary Receipts, or ADRs), each representing 1 common share | New York Stock Exchange |
| Common Shares | New York Stock Exchange* |

* Not for trading, but only in connection with the registration of ADSs pursuant to the requirements of the SEC.

**Securities registered or to be registered pursuant to Section 12(g) of the Act: None.**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.**

**Number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2012:**

| | |
|---|---|
| 1,909,762,290 | Common Shares, without par value |
| 1,907,650,491 | Preferred Shares, without par value |

**Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No**

**If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No**

**Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No**

**Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b 2 of the Exchange Act:**

**Large accelerated filer x Accelerated filer ¨ Non accelerated filer ¨**

**Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:**

**U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨**

**If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 ¨ Item 18**

**If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act).**

**¨ Yes x No**

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this annual report, the terms "Bradesco," the "Company," the "Organization," the "Bank," "we" or "us" refer to Banco Bradesco S.A., a *sociedade anônima* organized under the laws of Brazil and, unless the context otherwise requires, its consolidated subsidiaries. We are a full-service financial institution providing, directly or through our subsidiaries, a full range of banking, financial, purchasing consortium management, asset management, insurance, investment banking, pension plan (or pension) and capitalization bond services for all segments of the Brazilian market. Our operations are based primarily in Brazil.

All references herein to "*real*," "*reais*" or "R$" refer to the Brazilian real, the official currency of Brazil. References herein to "U.S. dollars," "dollar" and "US$" refer to United States dollars, the official currency of the United States of America (“USA”).

Our audited consolidated financial statements as of and for the years ended December 31, 2012, 2011 and 2010, with the corresponding notes, are included under "Item 18. Financial Statements" of this annual report and were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Until December 31, 2010, our consolidated financial statements were prepared in accordance with the United States generally accepted accounting principles ("U.S. GAAP"). U.S. GAAP differs in certain respects from IFRS.

This is the second time Bradesco files financial statements in accordance with IFRS, as issued by the IASB as part of its Form 20-F. However, for domestic reporting purposes, the adoption date of financial statements under IFRS as issued by the IASB was December 31, 2010. Therefore, the transition date of our financial statements was January 1, 2009. Thus, selected financial data presented in Item 3.A. (including the 2009 financial data) derives from our consolidated financial statements prepared in accordance with IFRS.

For certain purposes, such as reports for Brazilian shareholders, filings with the Brazilian Securities and Exchange Commission ("CVM") and determining dividend and federal income tax payments, we use accounting practices adopted in Brazil for financial institutions authorized to operate by the Brazilian Central Bank (Banco Central do Brasil), or the "Central Bank."

On March 31, 2013, the real/U.S. dollar exchange rate was R$2.0138 per US$1.00 based on the closing selling exchange rate reported by the Central Bank. The selling exchange rate as of December 31, 2012 was R$2.0435 per US$1.00. See "Item 3.A. Selected Financial Data-Exchange Rate Information" for more information regarding the exchange rates applicable to the Brazilian currency since 2007.

As a result of recent fluctuations in the real/U.S. dollar exchange rate, the closing selling commercial exchange rate at March 31, 2013 or at any other date may not be indicative of current or future exchange rates.

Some data related to economic sectors presented in this annual report was obtained from the following sources: Brazilian Association of Credit Card Companies and Services (*Associação Brasileira das Empresas de Cartão de Crédito e Serviços),* or ABECS; Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing*), or ABEL; Brazilian Association of Financial and Capital Markets Entities (*Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais*), or ANBIMA; Brazilian Health Insurance Authority (*Agência Nacional de Saúde Suplementar*), or ANS; Central Bank (*Banco Central do Brasil*), or BACEN; Brazilian Bank of Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES; National Association of Private Pension Plans and Life (*Federação Nacional de Previdência Privada e Vida*), or FENAPREVI; Getulio Vargas Foundation (*Fundação Getulio Vargas*), or FGV; and Private Insurance Superintendence (*Superintendência de Seguros Privados*), or SUSEP. We believe these sources are reliable, but we cannot take responsibility for the accuracy of this data.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

References in this annual report to the “common shares” and “preferred shares” are to our common shares and preferred shares, respectively, and together our "shares." References to “American Depositary Shares” or “ADSs” are to American Depositary Shares, each representing one preferred share. The ADSs are evidenced by American Depositary Receipts, or ADRs, issued pursuant to an Amended and Restated Deposit Agreement, dated as of July 22, 2009, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of ADSs evidenced by ADRs issued thereunder (the "Deposit Agreement").

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On March 13, 2012, we established an American Depositary Shares program for our common shares, with each common share ADS representing one common share, referred to as the "common share ADSs." The common share ADSs are evidenced by "common share ADRs," issued pursuant to a Deposit Agreement, dated as of March 13, 2012 by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (the "Common Share Deposit Agreement" and together with the Deposit Agreement, the "Deposit Agreements").

Unless indicated otherwise, references herein to American Depositary Shares, ADSs, American Depositary Receipts and ADRs refer only to those represented by our preferred shares.

Throughout this annual report, we may indicate that certain information is available at different websites operated by us. None of the information on the websites referred to or mentioned in this annual report is part of or is incorporated by reference herein.

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# FORWARD LOOKING STATEMENTS

This annual report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or "Exchange Act." These statements are based mainly on our current expectations and projections of future events and financial trends that currently affect or might affect our business. In addition to the items discussed in other sections of this annual report, there are many significant factors that could cause our financial condition and results of operation to differ materially from those set out in our forward-looking statements, including, but not limited to, the following:

- global economic conditions;
- economic, political and business conditions in Brazil and the markets in which we operate;
- risks of lending, credit, investments and other activities;
- our level of capitalization;
- cost and availability of funds;
- higher levels of delinquency by borrowers, credit delinquency and other delinquency events leading to higher impairment of loans and advances;
- loss of customers or other sources of income;
- our ability to execute our investment strategies and capital expenditure plans as well as to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse claims, legal or regulatory disputes or proceedings;
- inflation, depreciation of the *real* and/or interest rate fluctuations, which could adversely affect our margins;
- competitive conditions in the banking, financial services, credit card, asset management, insurance sectors and related industries;
- the market value of securities, particularly Brazilian government securities; and
- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax matters.

Words such as "believe," "expect," "continue," "understand," "estimate," "will," "may," "anticipate," "should," "intend," and other similar expressions are intended to identify forward looking statements. These statements refer only to the date on which they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or any other event.

In light of these risks and uncertainties, the forward looking statements, events and circumstances discussed in this annual report may not be accurate, and our actual results and performance could differ materially from those anticipated in our forward-looking statements. Investors should not make investment decisions based solely on the forward-looking statements in this annual report.

# PART I

# ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

# ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

# ITEM 3. KEY INFORMATION

**3.A. Selected Financial Data**

We present below our selected financial data prepared in accordance with IFRS as of and for the years ended December 31, 2012, 2011, 2010 and 2009. The data as of and for the years ended in 2012 and 2011 is derived from our consolidated financial statements, which were audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. The data for the year ended December 31, 2010, is derived from our consolidated financial statements which were audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. The data as of December 31, 2010 and 2009, and for the year ended December 31, 2009 is derived from our audited consolidated financial statements that are not included herein. For more information regarding the change in our independent auditors, see "Item 16.F. Change in Registrant Certifying Accountant."

The following selected financial data should be read together with the "Presentation of Financial and Other Information" and "Item 5. Operating and Financial Review and Prospects."

***Selected Financial Data***

| Year ended December 31, | US$ in thousands [1] | | R$ in thousands | | |
|---|---|---|---|---|---|
| 2012 | 2012 | 2011 | 2010 | 2009 | |
| **Data from the Consolidated Statement of Income** | | | | | |
| Interest and similar income | 41,282,012 | 83,133,716 | 82,367,272 | 63,772,183 | 55,165,229 |
| Interest and similar expenses | (19,684,552) | (39,640,751) | (46,755,986) | (31,000,892) | (27,974,717) |
| **Net interest income** | **21,597,461** | **43,492,965** | **35,611,286** | **32,771,291** | **27,190,512** |
| Fee and commission income | 6,376,594 | 12,841,186 | 10,868,311 | 9,421,485 | 7,866,601 |
| Fee and commission expenses | (18,071) | (36,391) | (33,978) | (26,947) | (19,219) |
| **Net fee and commission income** | **6,358,524** | **12,804,795** | **10,834,333** | **9,394,538** | **7,847,382** |
| Net gains/(losses) on financial instruments classified as held for trading | 1,047,826 | 2,110,113 | (608,270) | 2,212,733 | 5,983,781 |
| Net gains/(losses) on financial assets classified as available for sale | 941,491 | 1,895,974 | 365,302 | 754,416 | 757,255 |
| Net gains/(losses) of foreign currency transactions | (472,433) | (951,385) | 2,625,813 | (682,961) | (897,638) |
| Income from insurance and pension plans | 701,667 | 1,413,016 | 3,076,175 | 2,577,730 | 1,778,016 |
| Impairment of loans and advances | (5,715,652) | (11,510,179) | (8,296,151) | (5,756,125) | (10,809,611) |
| Personnel expenses | (5,788,272) | (11,656,422) | (11,150,970) | (8,794,017) | (7,334,164) |
| Other administrative expenses | (5,909,417) | (11,900,383) | (11,477,134) | (9,761,445) | (8,138,058) |
| Depreciation and amortization | (1,260,433) | (2,538,260) | (2,120,335) | (1,966,433) | (1,516,529) |
| Other operating income/(expenses) | (4,235,110) | (8,528,664) | (4,858,702) | (6,002,663) | (3,024,640) |
| **Income before income taxes and equity in the earnings of associates** | **7,265,653** | **14,631,570** | **14,001,347** | **14,747,064** | **11,836,306** |
| Equity in the earnings of associates | 432,348 | 870,662 | 682,122 | 577,053 | 728,867 |
| **Income before income taxes** | **7,698,001** | **15,502,232** | **14,683,469** | **15,324,117** | **12,565,173** |
| Income and social contribution taxes | (2,061,048) | (4,150,538) | (3,594,027) | (5,271,924) | (4,264,330) |
| **Net income for the year** | **5,636,952** | **11,351,694** | **11,089,442** | **10,052,193** | **8,300,843** |
| **Attributable to shareholders** | | | | | |
| Controlling | 5,607,096 | 11,291,570 | 10,958,054 | 9,939,575 | 8,283,007 |
| Non-controlling interest | 29,857 | 60,124 | 131,388 | 112,618 | 17,836 |

[1] Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$2.0138 per US$1.00, the Central Bank exchange rate on March 31, 2013. Such translations should not be construed as a representation that the Brazilian *real* amounts presented were or could be converted into U.S. dollars at that rate.

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| Year ended December 31, | R$, except for number of shares | | | |
|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 |
| Data on Earnings and Dividends per Share [1] | | | | |
| Earnings per share [2] [3] [4] | | | | |
| Common | 2.83 | 2.74 | 2.52 | 2.12 |
| Preferred | 3.12 | 3.01 | 2.77 | 2.34 |
| Dividends/interest on equity per share [2] | | | | |
| Common | 0.97 | 0.93 | 0.85 | 0.73 |
| Preferred | 1.07 | 1.03 | 0.94 | 0.80 |
| Weighted average number of outstanding shares | | | | |
| Common | 1,909,848,315 | 1,908,948,826 | 1,880,830,018 | 1,856,653,104 |
| Preferred | 1,907,702,283 | 1,906,821,919 | 1,881,367,208 | 1,856,685,513 |

[1] Data on earnings and dividends per share reflects: (a) the split of our Capital Stock on January 22, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on December 18, 2009; and (b) the split of our Capital Stock on July 13, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on June 10, 2010. For comparison purposes, all share amounts have been retroactively adjusted for all periods to reflect the stock split;

[2] Holders of preferred shares are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders. For purposes of calculating earnings per share according to IFRS, we used the same criteria adopted for dividends per share. For a description of our two classes of shares. see "Item 10.B. Memorandum and Articles of Incorporation".

[3] None of our outstanding liabilities are exchangeable for or convertible into equity securities. Therefore, our diluted earnings per share do not differ from our earnings per share. Accordingly, our basic and diluted earnings per share are equal in all periods presented; and

[4] On December 17, 2010, the Special Shareholders´ Meeting voted in favor of a share capital increase of R$1,500 million, increasing share capital from R$28,500 million to R$30,000 million by issuing 62,344,140 new book-entry registered shares without par value, of which 31,172,072 were common and 31,172,068 preferred shares, at the price per share of R$24.06 through private subscription by shareholders from December 29, 2010 through January 31, 2011, in the proportion of 1.657008936% of the shareholder´s holdings as of the date of the meeting, which was paid in cash on February 18, 2011.

| Year ended December 31, | In US$ | | | |
|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 |
| **Dividends/interest on equity per share [1]** | | | | |
| Common | 0.47 | 0.50 | 0.51 | 0.42 |
| Preferred | 0.52 | 0.55 | 0.56 | 0.46 |

[1] Amounts stated in U.S. dollars have been translated from Brazilian *reais* at the exchange rate disclosed by the Central Bank at the end of each fiscal year.

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| As of December 31, | US$ in thousands (1) | | R$ in thousands | |
|---|---|---|---|---|
| | **2012** | **2012** | **2011** | **2010** |
| **Data from the Consolidated Statement of Financial Position** | | | | |
| **Assets** | | | | |
| Cash and balances with banks | 29,790,832 | 59,992,777 | 93,777,577 | 80,960,12 |
| Financial assets held for trading | 55,536,581 | 111,839,567 | 96,597,077 | 75,234,19 |
| Financial assets available for sale | 40,500,967 | 81,560,848 | 45,248,398 | 40,179,14 |
| Investments held to maturity | 1,845,105 | 3,715,673 | 4,110,987 | 3,394,30 |
| Assets pledged as collateral | 52,702,999 | 106,133,299 | 97,122,080 | 79,700,61 |
| Loans and advances to banks | 46,092,578 | 92,821,233 | 72,663,890 | 64,715,41 |
| Loans and advances to customers, net of impairment | 133,902,288 | 269,652,428 | 245,874,949 | 210,280,18 |
| Non-current assets held for sale | 264,705 | 533,062 | 445,351 | 412,14 |
| Investments in associated companies | 1,368,059 | 2,754,998 | 2,390,466 | 2,298,20 |
| Property and equipment | 2,250,648 | 4,532,355 | 4,267,218 | 3,669,28 |
| Intangible assets and goodwill | 3,851,259 | 7,755,665 | 7,216,697 | 5,412,08 |
| Taxes to be offset | 2,655,027 | 5,346,693 | 4,572,927 | 1,590,29 |
| Deferred income tax assets | 8,930,161 | 17,983,558 | 17,093,388 | 12,733,79 |
| Other assets | 18,156,988 | 36,564,543 | 30,705,887 | 22,374,24 |
| **Total assets** | **397,848,197** | **801,186,699** | **722,086,892** | **602,954,02** |
| **Liabilities** | | | | |
| Deposits from banks | 109,656,514 | 220,826,288 | 204,290,176 | 171,920,91 |
| Deposits from customers | 104,663,477 | 210,771,310 | 216,320,938 | 192,475,94 |
| Financial liabilities held for trading | 2,011,114 | 4,049,982 | 747,210 | 732,96 |
| Funds from securities issued | 25,599,411 | 51,552,093 | 41,630,969 | 17,809,76 |
| Subordinated debt | 17,306,443 | 34,851,714 | 26,910,091 | 26,314,94 |
| Insurance technical provisions and pension plans | 58,977,416 | 118,768,720 | 99,112,321 | 83,493,04 |
| Other provisions | 10,451,481 | 21,047,193 | 17,926,450 | 13,327,86 |
| Current income tax liabilities | 1,665,572 | 3,354,128 | 2,758,978 | 1,923,37 |
| Deferred income tax liabilities | 1,535,240 | 3,091,667 | 2,246,508 | 1,980,54 |
| Other liabilities | 30,552,793 | 61,527,214 | 50,761,157 | 41,816,08 |
| **Total liabilities** | **362,419,460** | **729,840,309** | **662,704,798** | **551,795,45** |
| **Equity** | | | | |
| Share capital | 14,946,867 | 30,100,000 | 30,100,000 | 28,500,00 |
| Treasury shares | (97,974) | (197,301) | (183,109) | (10,04 |
| Capital reserves | 17,863 | 35,973 | 35,973 | 87,14 |
| Revenue reserves | 16,977,546 | 34,189,383 | 26,732,531 | 19,481,98 |
| Additional paid-in capital | 35,006 | 70,496 | 70,496 | 70,49 |
| Other comprehensive income | 3,176,450 | 6,396,736 | 1,751,059 | 2,219,27 |
| Retained earnings | 269,352 | 542,422 | 632,096 | 702,38 |
| **Equity attributable to controlling shareholders** | **35,325,111** | **71,137,709** | **59,139,046** | **51,051,23** |
| **Non-controlling interest** | **103,625** | **208,681** | **243,048** | **107,33** |

| | | | | |
|---|---|---|---|---|
| **Total equity** | **35,428,737** | **71,346,390** | **59,382,094** | **51,158,56** |
| **Total liabilities and equity** | **397,848,197** | **801,186,699** | **722,086,892** | **602,954,02** |

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$2.0138 per U Central Bank exchange rate on March 31, 2013. Such translations should not be construed as a representation that *real* amounts presented have been or could be converted into U.S. dollars at that rate.

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**Exchange Rate Information**
In the past years, the exchange rate between the *real* and the U.S. dollar has experienced significant variation. From 2007 to mid-2008, the *real* appreciated against the U.S. dollar. In the second half of 2008, the *real* depreciated against the U.S. dollar, from R$1.5919 per US$1.00 on June 30, 2008 to R$2.3370 per US$1.00 on December 31, 2008, mainly due to the global economic crisis that began in mid-2008. In 2009, the *real* began to appreciate against the U.S. dollar, from R$2.3370 per US$1.00 on December 31, 2008 to R$1.7412 as of December 31, 2009. In 2010, the *real* continued to appreciate against the U.S. dollar and reached R$1.6662 on December 31, 2010. In 2011, the Brazilian real depreciated 12.6% against the U.S. dollar, reaching R$1.8758 on December 31, 2011. In 2012, the Brazilian real depreciated 8.9% against the U.S. dollar, reaching R$2.0435 on December 31, 2012. On March 31, 2013 the exchange rate was R$2.0138 per US$1.00. Under the current floating exchange-rate system, the *real* may be subject to fluctuations and depreciation or appreciation against the U.S. dollar and other currencies.

The following table sets forth the period end, average and high and low selling rates reported by the Central Bank at closing, expressed in *reais* per US$1.00 for the periods and dates indicated:

| Closing Selling Rate for U.S. dollars – R$ per US$1.00 | | | | |
|---|---|---|---|---|
| **Period** | **Period-End** | **Average [(1)]** | **Maximum [(1)]** | **Minimum [(1)]** |
| **2007** | 1.7713 | 1.9460 | 2.1380 | 1.7440 |
| **2008** | 2.3370 | 1.8287 | 2.3370 | 1.5666 |
| **2009** | 1.7412 | 2.0171 | 2.3784 | 1.7412 |
| **2010** | 1.6662 | 1.7575 | 1.8748 | 1.6662 |
| **2011** | 1.8758 | 1.6705 | 1.8758 | 1.5563 |
| **2012** | 2.0435 | 1.9524 | 2.1074 | 1.7092 |
| November | 2.1074 | 1.9448 | 2.1074 | 1.7092 |
| December | 2.0435 | 1.9524 | 2.1074 | 1.7092 |
| **2013** | | | | |
| January | 1.9883 | 2.0159 | 2.0435 | 1.9883 |
| February | 1.9754 | 2.0024 | 2.0435 | 1.9754 |
| March | 2.0138 | 2.0053 | 2.0435 | 1.9754 |
| April (until April 16, 2013) | 1.9903 | 2.0023 | 2.0435 | 1.9754 |

(1) Average, maximum and minimum of the month end rates from December of the previous period.
Source: Central Bank.

# 3.B. Capitalization and Indebtedness

Not applicable.

# 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

# 3.D. Risk Factors

***Macroeconomic risks***

***Our business and results of operations are materially affected by conditions in the global financial markets.***

There has been extreme volatility in the global capital and credit markets since 2008. This volatility has resulted in reduced liquidity and increased credit risk premiums for many market participants, in addition to a reduction in the availability and/or increased costs of financing, both for financial institutions and their customers. Increasing or high interest rates and/or widening credit spreads have created a less favorable environment for most of our businesses and may impair the ability of some of our clients to repay debt that they owe to us, and reduce our flexibility in planning for, or reacting to, changes in their operations and the financial industry overall. Accordingly, even though the Brazilian and global economies started to recover since the first half of 2009, our results of operations are likely to continue to be affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Since 2008, the continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy, Ireland and Portugal, has continued to reduce investor confidence globally, as has the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011. These ongoing events could negatively affect our ability and the ability of other Brazilian financial institutions to obtain financing in the global capital markets, as well as weakening the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. The bank does not have exposure to sovereign debt issued by the countries known as "PIIGS": Portugal, Ireland, Italy, Greece, and Spain.

***The Brazilian government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business.***

Our financial condition and results of operations are substantially dependent on Brazil’s economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government and volatile economic cycles.

In the past, the Brazilian government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil’s economy. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in response to the current or future Brazilian economic situation or how Brazilian government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

Our operations, financial condition and the market price of our shares, ADSs and common share ADSs may be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as:

- exchange rate fluctuations;
- base interest rate fluctuations;
- domestic economic growth;
- political, social or economic instability;
- monetary policies;
- tax policy and changes in tax regimes;
- exchange controls policies;
- liquidity of domestic financial, capital and credit markets;

- our customers' capacity to meet their other obligations with us;
- decreases in wage and income levels;
- increases in unemployment rates;
- macroprudential measures;
- inflation; and
- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

2012 was marked by a slower than expected economic recovery in Brazil, despite the number of government stimuli in place since 2011. This was largely influenced by the global financial markets crisis, which had a substantial impact on industrial production and business confidence. Furthermore, exceptional factors, such as the drought in the South and Northeast of Brazil in early 2012, affected the agricultural output in those regions and negatively impacted GDP growth in 2012. However, the adoption of new fiscal incentives, the continuing reduction in interest rates and currency depreciation provided for a gradual improvement in the domestic economy in the second half of 2012.

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***Currency exchange variations may have an adverse effect on the Brazilian economy and on our results and financial condition.***

Our business is impacted by fluctuations in the value of the *real*. Since October 2002, and more intensively since June 2004, the *real* has gained value against the dollar, with rare moments of depreciation (reaching R$1.5593 per US$1.00 on August 1, 2008). In 2009, the *real* remained to the trajectory of appreciation against the U.S. dollar (reaching R$1.7412/US$1.00 at the end of the year). In 2010, the *real* continued to appreciate against the U.S. dollar to reach R$1.6662/US$1.00 at the end of the year. In 2011, the exchange rate continued to fall until the middle of the year, reaching a nominal level of R$1.5345 per U.S. dollar on July 26, 2011. Since then, due to the deterioration of global economic conditions and the decision of the Central Bank Committee on Monetary Policy, or "COPOM", in August (in which the previous cycle of monetary tightening was reversed) the real began to depreciate and ended 2011 at R$1.8758 per U.S. dollar. In 2012, reflecting persisting risk aversion in the international markets and the continuing reduction in interest rates in Brazil throughout the first half of 2012, the real maintained a weakening trend, reaching R$2.0904 per U.S. dollar on June 28, 2012. The exchange rate remained fairly stable during the remainder of the year, ending 2012 at R$2.0435 per U.S. dollar.

As of December 31, 2012, the net balance of our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 2.6% of our total assets. When the Brazilian currency is devalued or if it depreciates, we incur losses on our liabilities denominated in, or indexed to, foreign currencies, such as our U.S. dollar denominated long term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our liabilities denominated in, or indexed to, foreign currencies significantly exceed our monetary assets denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large devaluation or depreciation of the Brazilian currency could materially and adversely affect our financial results and the market price of our shares, ADSs and common shares ADSs, even if the value of the liabilities has not changed in their original currency. In addition, our lending operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation or depreciation of the U.S. dollar may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

Conversely, when the Brazilian currency appreciates, we incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and experience decreases in our liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currencies significantly exceed our liabilities denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their original currency.

***If Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced.***

Brazil has, in the past, experienced extremely high rates of inflation. Brazil's rates of inflation, as measured by the General Price Index – Domestic Availability or "IGP-DI" (Índice Geral de Preços Disponibilidade Interna), reached 11.3%, 5.0% and 8.1% in 2010, 2011 and 2012, respectively. Inflation and governmental measures to combat inflation, which have in the past had significant negative effects on the Brazilian economy and contributed to increased economic uncertainty in Brazil and heightened volatility in the Brazilian securities markets, may have an adverse effect on us.

The memory of and potential for inflation is still present, despite the monetary stability achieved in the mid-1990s which intensified after 1999 with the adoption of an inflation targeting norms. There are still concerns that inflation levels might rise again in the future. This current system is a monetary regime which the Central Bank operates in order to assure that the effective rate of inflation keeps in line with a predetermined target, previously announced to the public.

Government measures to combat inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the base interest rate set by the COPOM (SELIC) may have an adverse effect on us by reducing demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on us by decreasing the interest income we earn on our interest-earning assets and lowering our revenues and margins.

Future Brazilian government actions, including the imposition of taxes, intervention in the foreign exchange market and actions to adjust or fix the value of the real, as well as any GDP growth beyond expected levels may trigger increases in inflation. If Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be affected and, if investor confidence lags, the price of our securities may fall. Inflationary pressures may also affect our ability to access foreign financial markets and may lead to counter-inflationary policies that may have an adverse effect on our business, financial condition, results of operations and the market value of our shares, ADSs and common share ADSs.

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***Changes in base interest rates by the COPOM may materially adversely affect our margins and results of operations.***

The COPOM establishes the base interest rates for the Brazilian banking system (SELIC). The base interest rate was 10.75%, 11.0% and 7.25% *per annum* as of December 31, 2010, 2011 and 2012, respectively. Changes in the base interest rate may adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and

- low base interest rates may diminish our interest income.

The COPOM adjusts the SELIC rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the SELIC rate set by the COPOM or how often such rate is adjusted.

***Developments and the perception of risk in Brazil and other countries, especially emerging market countries, may adversely affect the market price of Brazilian securities, including our shares, ADRs and common share ADRs ("American Depositary Receipts").***

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market price of our shares, ADRs and common share ADRs.

**The recent global financial crisis has had significant consequences worldwide, including Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which had, and may continue to have in the future, directly or indirectly, an adverse effect on our business, financial condition, results of operations, the market price of securities of Brazilian issuers, including ours, and our ability to finance our operations.**

***Risks relating to Bradesco and the Brazilian banking industry***

### *We may experience increases in our level of past due loans as our loans and advances portfolio becomes more seasoned.*

Our loans and advances portfolio has grown substantially since 2004, primarily as a result of the expansion of the Brazilian economy. Any corresponding increase in our level of non-performing loans and advances may lag behind the rate of loan growth, as loans typically do not become due within a short period of time after their origination. Levels of past due loans are higher among our individual clients than our corporate clients. From 2010 to 2012, our portfolio of loans and advances to customers increased by 28.4% and our level of impairment of loans and advances increased by 30.5%, basically driven by increases in the number of individual clients.

Beginning in mid-2008, weakening economic conditions in Brazil particularly impacted our individual clients as unemployment rates in Brazil began to rise. This led, consequently, to increases in our delinquency ratios. This trend worsened in 2009. In 2010, as a result of the improvement in Brazilian economic conditions, we experienced a decrease in our delinquency ratios, which led to a slight decrease in our impairment. In 2011, delinquency ratios showed a slight increase compared to 2010. This increase continued during 2012 mostly for operations with individuals and SMEs (small and medium enterprises). In 2012, our impairment of loans and advances increased 13.5% compared to 2011, while our portfolio of loans and advances to customers grew by 9.9% over that same period.

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Rapid loan growth may also reduce our ratio of non-performing loans to total loans until growth slows or the portfolio becomes more seasoned. Adverse economic conditions and a slower growth rate for our loans and advances to customers may result in increases in our impairment of loans and advances, charge-offs and our ratio of non-performing loans and advances to total loans and advances, which may have an adverse effect on our business, financial condition and results of operations.

***Adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner.***

Recent volatility and uncertainties in the credit and capital markets have generally decreased liquidity, with increased costs of funding for financial institutions and corporations. These conditions may impact our ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute our growth strategy. If we are forced to delay raising capital or pay unattractive interest rates in order to obtain capital, our financial condition and results of operations may be adversely affected.

***The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects.***

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our principal areas of operation from other large Brazilian and international banks and insurance companies, public and private.

Competition has increased as a result of recent consolidations among financial institutions in Brazil and as a result of regulations by the National Monetary Committee (*Conselho Monetário Nacional*), or “CMN”, that facilitate customers' ability to switch business between banks. The increased competition may materially and adversely affect us by, among other things, limiting our ability to retain our existing consumer base, increase our customer base and expand our operations, reducing our profit margins on banking and other services and products we offer, and limiting investment opportunities.

Additionally, Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than us, has grown and competition both in the banking and insurance sectors generally and in markets for specific products has increased. The privatization of publicly owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our customer base and expand our operations;

- reducing our profit margins on the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

***Losses on our investments in financial assets may have a significant impact on our results of operations and are not predictable.***

The value of certain of our investments in financial assets may decline significantly due to volatile financial markets and may fluctuate over short periods of time. As of December 31, 2012, investments in financial assets represented 24.1% of our assets, and realized investment gains and losses have had and will continue to have a significant impact on the results of our operations. The amounts of such gains and losses, which we record when investments in financial assets are sold, or in certain limited circumstances where they are marked to market or recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the fair value of the financial assets, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and our management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

***We may incur losses associated with counterparty exposures.***

We face the possibility that a counterparty will be unable to honor its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in complex markets where the risk of failure of counterparties is higher.

***Our trading activities and derivatives transactions may produce material losses.***

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could materially and adversely affect our future results of operations and cash flow.

***The Brazilian government regulates the operations of Brazilian financial institutions and insurance companies, and changes in existing laws and regulations or the imposition of new laws and regulations may negatively affect our operations and revenues.***

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory deposit/reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;

- solvency margins;
- minimum coverage; and
- mandatory provisioning policies.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect our operations and our revenues.

In particular, the Brazilian government has historically enacted regulations affecting financial institutions in an effort to implement its economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil. These changes may adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments.

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***A majority of our common shares are held by one shareholder, whose interests may conflict with our other investors' interests.***

As of December 31, 2012, Fundação Bradesco directly and indirectly held 56.5% of our common shares. As a result, Fundação Bradesco has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's by-laws, members of our *Diretoria Executiva*, or of our Board of Executive Officers, and departmental officers that have been working at the Organization for more than ten years serve as members of the Board of Trustees of Fundação Bradesco. The Board of Trustees has no other members. Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by Fundação Bradesco which may be contrary to the interests of holders of common shares, and which may have a negative impact on the interests of holders of common shares. For more information on our shareholders, see "Item 7.A. Major Shareholders."

***Changes in regulations regarding reserve and compulsory deposit requirements and taxes may reduce operating margins.***

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank.

In May 2012 the Central Bank changed the rules related to the reserve requirement amounts, enabling the deduction of the balance of loan operations for financing and leasing of automobiles and light commercial vehicles from the amount of compulsory deposits to be reserved, as a way to encourage the granting of financing for acquisition of these assets. In June, September and November 2012, the rules related to the payment of reserve requirement were further amended, aiming at adjusting the criterion for defining the amount subject to reserve requirement and additional liabilities, as well as for remunerating the reserve account and the criteria which determine the eligibility of institutions that may deduct amounts subject to the reserve requirement.

In December 2012 the Central Bank established the possibility of deducting demand amounts subject to the reserve requirement in certain specified circumstances, as a way to encourage banks to grant credit for the acquisition of certain assets.

Compulsory deposits generally yield lower returns than our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;

- a portion of our compulsory deposits must be held in Brazilian government securities; and

- a portion of our compulsory deposits must finance a federal housing program, the Brazilian rural sector, low income customers and small enterprises under a program referred to as a "microcredit program."

As of December 31, 2012, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R$47.9 billion. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. For more information on compulsory deposits, see "Item 4.B. Business Overview-Deposit-taking activities."

***Changes in taxes and other fiscal assessments may adversely affect us.***

The Brazilian government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing portfolio of loans and advances.



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***The Brazilian Constitution used to establish a ceiling on loan interest rates, including bank loan interest rates, and the impact of the subsequent legislation regulating the subject is uncertain.***

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12% *per annum* ceiling on bank loan interest rates. However, since the enactment of the Constitution, this rate had not been enforced, as the regulation regarding the ceiling was pending. The understanding that this ceiling is not yet in force has been confirmed by *Súmula Vinculante* No. 7, a final binding decision enacted in 2008 by the Brazilian Supreme Court in accordance with such Court's prior understanding on this matter. Since 1988, several attempts were made to regulate the limitation on loan interest, and especially bank loan interest rates, but none of them were implemented nor have been confirmed by Brazilian superior courts.

On May 29, 2003, Constitutional Amendment No. 40 ("EC 40/03") was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian constitution. This amendment allows the Brazilian Financial System, to be regulated by specific laws for each sector of the system rather than by a single law relating to the system as a whole.

With the enactment of the new Civil Code (or Law No. 10,406/02), as amended, unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been related to the base rate charged by the National Treasury. Currently, this base interest rate is the SELIC rate, the base interest rate established by the COPOM, which was in March 2013, 7.25% *per annum*. However, there is presently some uncertainty as to whether the base interest rate would be the SELIC rate or the 12% *per annum* interest rate established in the Brazilian Tax Code should apply.

The impact of EC 40/03 and the provisions of the New Civil Code are uncertain at this time but any substantial increase or decrease in the interest rate ceiling could have a material effect on the financial condition, results of operations or prospects of Brazilian financial institutions, including us.

Additionally, certain Brazilian courts have issued decisions in the past limiting interest rates on consumer financing transactions that are considered abusive or excessively onerous in comparison with market practice. Brazilian courts' future decisions as well as changes in legislation and regulations restricting interest rates charged by financial institutions could have an adverse effect on our business.

***Our losses in connection with insurance claims may vary from time to time and differences between the losses from actual claims and underwriting and reserving assumptions may have an adverse effect on us.***

The results of our operations significantly depend upon the extent to which our actual claims are consistent with the assumptions we used to assess our potential future policy and claim liabilities and to price our insurance products. We seek to limit our responsibility and price our insurance products based on the expected payout of benefits, calculated using several factors, such as: assumptions for investment returns, mortality and morbidity, expenses, persistency, and certain macroeconomic factors, such as inflation and interest rates. These assumptions may deviate from our prior experience, including due to factors beyond our control such as natural disasters (floods, explosions and fires) and man-made disasters (riots, gang or terrorist attacks) or changes in mortality and morbidity rates as a result of advances in medical technology and longevity, among others. Therefore, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities, when these payments will need to be made, or whether the assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for payment of these liabilities. These amounts may vary from the estimated amounts, particularly when those payments do not occur until well in the future, which is the case with certain of our life insurance products. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our provisions, which may have an adverse effect on our cash flow.

***If our actual losses exceed our provisions on risks that we underwrite, we could be adversely affected.***

Our results of operations and financial condition depend upon our ability to accurately assess the actual losses associated with the risks that we underwrite. Our current provisions are based on estimates that rely on then-available information and that involve a number of features including recent loss experience, current economic conditions, internal risk rating, actuarial and statistical projections of our expectations of the cost of the ultimate settlement of claims, such as estimates of future trends in claims severity and frequency, judicial theories of liability, the levels of and/or timing of receipt or payment of premiums and rates of retirement, mortality, morbidity and persistency, among others. Accordingly, the establishment of provisions is inherently uncertain and our actual losses usually deviate, sometimes substantially, from such estimates. Deviations occur for a variety of reasons. For example, if we record our impairment of loans and advances based on estimates of incurred losses, it might not be sufficient to cover losses; an increased number of claims; or our costs could be higher than the costs we estimated. If actual losses materially exceed our provisions, we could be adversely affected.

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***We are jointly liable for claims of our customers if our reinsurers fail to meet their obligations under the reinsurance contracts.***

The purchase of reinsurance does not hold us harmless against our liability towards our clients if the reinsurer fails to meet its obligations under the reinsurance contracts. As a result, reinsurers' insolvency or failure to make timely payments under these contracts could have an adverse effect on us, given that we remain responsible before our policyholders.

***A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.***

Although we have high profile information security controls, and continue to invest in the infrastructure, operations and crisis management in place, our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly for a limited period of time or become temporarily disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as: electrical or telecommunications outages; breakdowns, systems failures or other events affecting third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services; events arising from local and larger-scale political or social matters and cyber attacks.

Cyber attacks and temporary interruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, could result in customer attrition, regulatory fines, penalties or intervention, reimbursement or other compensation costs.

**Risks relating to our shares, ADSs and common shares ADSs**

***The preferred shares and ADSs generally do not give their holders voting rights.***

Under Brazilian corporate law (Brazilian Law No. 6,404/76, as amended by Law No. 9,457/97 and Brazilian Law No. 10,303/01, which we refer to collectively as "Brazilian Corporate Law") and our Bylaws, holders of our preferred shares, and therefore of our ADSs, representing our preferred shares, are not entitled to vote at our shareholders' meetings, except in limited circumstances (see “Item 10.B. Articles of Association and Articles of Incorporation – Organization – Voting Rights,” for further information on voting rights). This means, among other things, that holders of ADSs are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies.

In addition, with respect to common share voting rights and the limited circumstances where preferred shareholders are able to vote, ADS and common share ADS holders may exercise voting rights with respect to our shares represented by ADSs and common share ADSs only in accordance with the provisions of the Deposit Agreements relating to the ADSs and common share ADSs. Although there are no provisions in Brazilian law or in our Bylaws that limit preferred or common share ADS holders' ability to exercise their voting rights through the depositary bank with respect to the underlying shares, there are practical limits to the ability of preferred or common share ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, our shareholders will either be notified directly or through notification published in Brazilian newspapers and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS and common share ADS holders, on the other hand, will not receive notice directly from us. Instead, in accordance with the Deposit Agreements, we will send notice to the depositary bank, which will, in turn, as soon as possible, mail the notice of such a meeting to holders of ADSs and common share ADSs with a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS and common share ADS holders must then instruct the depositary bank how to vote the shares represented by their ADSs or common share ADSs. Because of this extra procedural step involving the depositary bank, the process for exercising voting rights will take longer for ADS and common share ADS holders than for holders of our shares. ADSs and common share ADSs for which the depositary bank does not receive voting instructions in good time will not be able to vote at a meeting.

***The relative volatility and illiquidity of the Brazilian securities markets may substantially limit its ability to sell shares underlying the ADSs and common share ADSs at the price and time you desire.***

Investing in securities that trade in emerging markets such as Brazil often involves greater risk than investing in securities of issuers in more developed countries, and these investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller and less liquid than major securities markets, such as the United States, and may be more volatile. Although you are entitled to withdraw our shares underlying the ADSs or common share ADSs from the depositary bank at any time, your ability to sell our shares underlying the ADSs or common share ADSs at a price and time acceptable to you may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets such as the United States or other countries. The ten largest companies in terms of market capitalization accounted for 52.2% of the aggregate market capitalization of the BM&FBOVESPA in March 2013.

***Our shares, ADSs and common share ADSs are not entitled to a fixed or minimum dividend.***

Holders of our shares, ADSs and common share ADSs are not entitled to a fixed or minimum dividend. Pursuant to our Bylaws, our preferred shares are entitled to dividends 10% higher than those of our common shares. Although under our current Bylaws we are obligated to pay our shareholders at least 30% of our annual adjusted net income, the shareholders attending our annual general shareholders' meeting may decide to suspend this mandatory distribution of dividends if the Board of Directors advises that payment of the dividend is not compatible with our financial condition. Neither our Bylaws nor Brazilian law specifies the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, general Brazilian practice is that a company need not pay dividends if such payment would endanger the existence of the company or harm its normal course of operations.

On March 1, 2013 CMN Resolution No. 4,193 was issued in an effort to further implement the Basel III Accord in Brazil. Pursuant to such rules, a restriction of dividend and interest payments on equity may be imposed by the Central Bank in the event the additional capital requirements determined by the Central Bank are not complied with, in accordance with "Item 5.B. Liquidity and Capital Resources - Capital adequacy and leverage."

***As a holder of ADSs or common share ADSs you will have fewer and less well defined shareholders' rights than in the United States and certain other jurisdictions.***

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Brazil. Under Brazilian Corporate Law, you and the holders of our shares may have fewer and less well defined rights to protect your interests relative to actions taken by our Board of Directors or the holders of our common shares than under the laws of other jurisdictions outside Brazil.

Although Brazilian Corporate Law imposes restrictions on insider trading and price manipulation, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in certain other jurisdictions. In addition, in Brazil, self dealing and the preservation of shareholder interests may be less heavily regulated and regulations may not be as strictly enforced in Brazil as in the United States, which could potentially disadvantage you as a holder of our shares underlying ADSs or common share ADSs. For example, compared to Delaware general corporation law, Brazilian Corporate Law and practice have less detailed and well established rules and judicial precedents relating to review of management decisions under duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Delaware companies must hold 5.0% of the outstanding share capital of a corporation to have valid standing to bring shareholder derivative suits, while shareholders in Brazilian companies do not normally have valid standing to bring a class action.

***It may be difficult to bring civil liability causes against us or our directors and executive officers.***

We are organized under the laws of Brazil, and all of our directors and executive officers reside outside the United States. In addition, a substantial portion of our assets and most or all of the assets of our directors and executive officers are located in Brazil. As a result, it may be difficult for investors to effect service of process within the United States or other jurisdictions outside of Brazil on such persons or to enforce judgments against them, including any based on civil liabilities under the U.S. federal securities laws.

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***If we issue new shares or our shareholders sell shares in the future, the market price of your ADSs or common share ADSs may be reduced.***

Sales of a substantial number of shares, or the belief that this may occur, could decrease the market price of our shares, ADSs and common share ADSs by diluting our shares' value. If we issue new shares or our existing shareholders sell the shares they hold, the market price of our shares and therefore of our ADSs and common share ADSs, may decrease significantly.

***Payments on the ADSs or common share ADSs may be subject to U.S. withholding under FATCA***

In order to receive payments free of U.S. withholding tax under Sections 1,471 through 1,474 of the US Internal Revenue Code (commonly referred to as "FATCA"), we and financial institutions through which payments on the ADSs or common share ADSs are made may be required to withhold at a rate of up to 30% on all, or a portion of, payments in respect of the ADSs or common share ADSs made after December 31, 2016.

We may enter into an agreement with the U.S. Internal Revenue Service to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a ''United States Account'' of our company, (b) an investor does not consent, where necessary, to have its information disclosed to the U.S. Internal Revenue Service or (c) any investor or person through which payment on the ADSs or common share ADSs is made is not able to receive payments free of withholding under FATCA.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the ADSs or common share ADSs, we would have no obligation to pay such amount or otherwise indemnify a shareholder for any such withholding or deduction by us, a paying agent or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on these payments, investors may receive less interest or principal than expected.

An investor that is a "foreign financial institution" (as defined under the FATCA rules) but that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the U.S. Internal Revenue Service.

The United States is in the process of negotiating intergovernmental agreements to implement FATCA with a number of jurisdictions. Different rules than those described above may apply if our company or an investor is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA.

Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

***You may be unable to exercise preemptive rights relating to our shares.***

You will not be able to exercise preemptive rights relating to our shares underlying your ADSs or common share ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the ADSs or common share ADSs unless the rights are either registered under the Securities Act or are subject to an exemption from the registration requirements. We are not obligated to file a registration statement with respect to the shares or other securities relating to these rights, and we cannot assure you that we will file any such registration statement. Accordingly, you may receive only the net proceeds from the sale by the depositary bank of the rights received in respect of the shares represented by your ADSs or common share ADSs or, if the preemptive rights cannot be sold, they will be allowed to lapse. You may also be unable to participate in rights offerings by us, and your holdings may be diluted as a result.

***If you exchange your ADSs or common share ADSs for their underlying shares, you risk losing Brazilian tax advantages and the ability to remit foreign currency abroad.***

Brazilian law requires that parties obtain registration with the Central Bank in order to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the shares must obtain the necessary registration with the Central Bank for payment of dividends or other cash distributions relating to the shares or after disposition of the shares. If you exchange your ADSs or common share ADSs for the underlying shares, however, you may only rely on the custodian's certificate for five business days from the date of exchange. Thereafter, you must obtain your own registration in accordance with the rules of the Central Bank and the CVM, in order to obtain and remit U.S. dollars abroad after the disposition of the shares or the receipt of distributions relating to the shares. If you do not obtain a certificate of registration, you may not be able to remit U.S. dollars or other currencies abroad and may be subject to less favorable tax treatment on gains with respect to the shares. For more information, see "Item 10.D. Exchange Controls."

If you attempt to obtain your own registration, you may incur expenses or suffer delays in the application process, which could delay your receipt of dividends or distributions relating to the shares or the return of your capital in a timely manner. The custodian's registration and any certificate of foreign capital registration you may obtain may be affected by future legislative changes. Additional restrictions applicable to you, to the disposition of the underlying shares or to the repatriation of the proceeds from disposition may be imposed in the future.

# ITEM 4. INFORMATION ON THE COMPANY

## 4.A. History, Development of the Company and Business Strategy

***The company***

We were founded in 1943 as a commercial bank under the name "Banco Brasileiro de Descontos S.A." In 1948, we began a period of aggressive expansion, which led to our becoming the largest private sector (non government controlled) commercial bank in Brazil by the end of the 1960s. We expanded our activities nationwide during the 1970s and conquered urban and rural markets in Brazil. In 1988 we merged with our real estate finance, investment bank and consumer credit subsidiaries to become a multiple service bank and changed our name to Banco Bradesco S.A.

We are currently one of the largest banks in Brazil in terms of total assets. We offer a wide range of banking and financial products and services in Brazil and abroad to individuals, large, mid sized and small companies and major local and international corporations and institutions. We have the most extensive private sector branch and service network in Brazil, allowing us to reach a diverse customer base. Our products and services encompass banking operations such as loans and advances and deposit taking, credit card issuance, purchasing consortiums, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

According to information published in December 2012 by SUSEP and by ANS, we are the largest insurance, pension plan and capitalization bond group in Brazil on a consolidated basis in terms of insurance premiums, pension plan contributions and income from capitalization bonds. *Título de capitalização,* or "capitalization bond," refers to a type of savings account combined with periodic cash-prize draws.

In 2012, some of our subsidiaries ranked among the largest companies in Brazil in their respective markets, according to the sources cited in parentheses below, including:

• *Bradesco Seguros S.A.* ("Bradesco Seguros"), our insurance subsidiary, together with its subsidiaries, leader in terms of insurance premiums, equity and technical reserves (SUSEP and ANS):

–- *Bradesco Vida e Previdência S.A.* ("Bradesco Vida e Previdência"), Bradesco Seguros' subsidiary is the largest company in the market in terms of private pension plan contributions, investment portfolios and technical provisions (SUSEP);

-– *Bradesco Capitalização S.A.* ("Bradesco Capitalização"), Bradesco Seguros' subsidiary offers capitalization bonds. Bradesco Capitalização is the leading private company in the market in terms of revenue from the sale of capitalization bonds (SUSEP);

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-– *Bradesco Auto/RE Companhia de Seguros S.A.* ("Bradesco Auto/RE"), Bradesco Seguros' subsidiary is one of the largest companies in its segment, offering automobile insurance, property/casualty and liability products (SUSEP); and

–- *Bradesco Saúde S.A.* ("Bradesco Saúde"), Bradesco Seguros' subsidiary offers health insurance, including coverage of medical and hospital expenses. Bradesco Saúde has one of the largest networks of healthcare service providers and is the health insurance market leader (ANS).

- *Bradesco Leasing S.A. Arrendamento Mercantil* ("Bradesco Leasing"), is one of the leaders in terms of the present value of leasing portfolio (ABEL);

- *Bradesco Administradora de Consórcios Ltda.* ("Bradesco Consórcios"), market leader in the segments of real estate, automobiles, trucks and tractors, with 736,202 outstanding purchasing consortium quotas (Central Bank); and

- BRAM – Bradesco Asset Management, one of the leaders in the asset management sector, with R$287.4 billion in managed assets (ANBIMA).

We are also one of the leaders among financial institutions in underwriting debt securities, according to information published by ANBIMA.

As of December 31, 2012, we had, on a consolidated basis:

- R$801.2 billion in total assets;
- R$289.7 billion in total loans and advances;
- R$211.9 billion in total deposits;
- R$71.3 billion in equity, including non-controlling interest;
- R$118.8 billion in technical reserves for our insurance and pension plan business;
- R$37.3 billion in foreign trading financing;
- 37.3 million insurance policyholders;
- 25.7 million checking account holders;
- 48.6 million savings accounts;
- 3.5 million capitalization bonds holders;

- 2.3 million pension plan holders;

- 1,332 Brazilian and multinational corporations with affiliated companies in Brazil as ”Corporate” customers;

- an average of 20.3 million daily transactions, including 2.1 million in our 4,686 branches and 18.2 million through self-service outlets, mainly Automatic Teller Machines, or ATMs, the Internet, telephone and mobile services (*Fone Fácil* and *Bradesco Celular*);

- a nationwide network consisting of 4,686 branches and 5,237 special points of banking services located on the premises of selected corporate customers, 34,859 ATMs, and 12,975 shared ATMs under the Banco24Horas brand for cash withdrawals, obtaining statements and account balance information, loans, payments and transfers between accounts; and

- a total of 3 branches and 10 subsidiaries located in New York, London, the Cayman Islands, Tokyo, Buenos Aires, Luxembourg, Hong Kong and Mexico.

Since 2009, we have been doing business in every single one of the municipalities in Brazil. Our extensive banking network takes us closer to our customers, providing our managers with information on economically active regions and other key conditions for our business. This knowledge helps us to assess and limit risks in loans, among other risks, as well as to service the particular needs of our customers.

We are a business corporation organized under the laws of Brazil. Our headquarters are in Cidade de Deus, Vila Yara, 06029 900, Osasco, SP, Brazil, and its telephone number is (55-11) 3684-4011. Our New York Branch is located at 450 Park Avenue, 32nd floor, New York 10022-2605.

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***2011 and 2010 acquisitions***

In May 2011, Bradesco acquired 96.99% of the common shares and 95.21% of the preferred shares, corresponding to 96.23% of the capital stock of Banco do Estado do Rio de Janeiro S.A. (“BERJ”) from the Government of the State of Rio de Janeiro. As part of the acquisition, Bradesco also acquired the right to provide services to the Government of the State of Rio de Janeiro including: (i) its payroll, (ii) its supplier payroll, (iii) the collection of state taxes, among others, in the period from January 2012 to December 2014. This transaction expanded Bradesco’s presence in the State of Rio de Janeiro. A Special shareholders' meeting held in November 2011 voted to alter the name of Banco do Estado do Rio de Janeiro S.A – BERJ to Banco BERJ S.A. Bradesco's process of assuming control of BERJ was ratified by the Central Bank in November 2011. In May 2012 Bradesco acquired common and preferred shares issued by BERJ, held by its non-controlling shareholders, by way of a Unified Tender Offer (Unified OPA).

In July 2010, Bradesco announced the acquisition of 10.67% of the capital stock of Companhia Brasileira de Soluções e Serviços (“CBSS”) for R$141.4 million. In January 2011, Bradesco announced the acquisition of an additional 5.01% of CBSS's capital stock for R$85.8 million. As a result, Bradesco increased its total ownership interest in CBSS to 50.01%.

In July 2010, Bradesco concluded the acquisition of 2.09% of the capital stock of Cielo S.A. (“Cielo”), for a total consideration of R$431.7 million, increasing its ownership interest in Cielo to 28.65%.

In June 2010, Bradesco concluded the acquisition of the entire capital stock of the controlling group of Ibi Services S. de R.L. México ("Ibi México") and of RFS Human Management de R.L., a subsidiary of Ibi México. This transaction includes a partnership contract with C&A México S. de R.L. (C&A México) for a period of 20 years for the exclusive joint sale of financial products and services through C&A México chain stores.

***Other strategic alliances***

In 2012, Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários (BRAM) continued to develop its internationalization strategy with the launch of new funds intended for foreign investors. The company introduced a short-term fixed income fund in April 2012 and a Latin-American equities fund in December 2012. These new funds are now part of the family of investment funds called "Bradesco Global Funds," which was launched by Bradesco in September 2009. These funds are domiciled in Luxemburg and are marketed exclusively to foreign investors. Bradesco Global Funds is an umbrella structure that provides investors with a series of investment funds, each with different investment objectives.

In April 2011, we launched “Elo" in partnership with Banco do Brasil and Caixa Econômica Federal, a new Brazilian card flag that gives customers more choice and strengthens the Bank's portfolio. Accordingly, Elo Participações, a company incorporated by Bradesco and Banco do Brasil, now comprises certain businesses related to electronic means of payment, which include, as follows: (i) Elo Serviços S.A. (“Elo Serviços”), the owner and manager of the new Elo brand “Elo” of debit, credit and pre-paid cards; (ii) the activities of CBSS, which will be directly or indirectly integrated into Elo Participações (“Elo Participações”); and (iii) our ownership interest in IBI Promotora de Vendas Ltda. (“IBI Promotora”), which was sold to CBSS in September, 2011. Other businesses originally intended, but not yet finalized, are dependent upon the completion of ultimate documents and the compliance with applicable legal and regulatory formalities.

In August 2010, Bradesco Seguros, ZNT Empreendimentos S.A. ("ZNT") and Odontoprev signed a non-binding memorandum of understanding with BB Seguros S.A. ("BB Seguros"), for developing and marketing products in the dental market.

In February 2010, we entered into a non-binding memorandum of understanding with Banco do Brasil and Banco Santander S.A. ("Santander Brasil") to facilitate consolidation of operations of our respective networks of external self-service terminals (ATMs located outside branches).

***Divestments***

In November, 2012, we sold 308,676 shares of Serasa S.A (“Serasa”) to Experian Brasil Ltda. ("Experian Brasil"), a Brazilian subsidiary of Experian plc. The transaction generated income before taxes of R$793.3 million.

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In September 2010, the Organization announced the sale of its controlling interest in CPM Braxis SA (CPM) to Capgemini SA, reducing its interest in the total capital stock of CPM to 20%. In February 2012, after entry of new shareholders, the Organization's interest fell to 13.59%.

***Bradesco Expresso – Correspondent Bank***

Bradesco Expresso enables us to expand our share in the correspondent bank segment through partnerships with supermarkets, drugstores, department stores and other retail chains, ensuring presence in all Brazilian cities which are not served by the banking branch network.

The main services we offer through Bradesco Expresso are:

- receipt and submission of account applications;
- receipt and submission of loans, financing and credit card applications;
- withdrawals from checking accounts and savings accounts;
- Social Security National Service ("INSS") benefit payments;
- checking and savings account deposits;
- checking accounts, savings accounts and INSS balance statements;
- receipt of utility bills, bank charges and taxes; and
- prepaid mobile top-up.

In 2012, Bradesco Expresso network totaled 43,053 outlets, of which 8,214 were new outlets, with an average of 39.1 million monthly transactions or 1.8 million transactions per business day.

### *Business strategy*

The key elements of our strategy are: (i) to consolidate and expand our position as one of the leading financial institutions and insurance providers in Brazil; (ii) maximize shareholder value; and (iii) maintain high standards of corporate responsibility and sustainability.

We intend to pursue the following strategies to reach these goals:

***Consolidate and build upon our service network and brand as one of the leading financial institutions and insurance providers in Brazil, which offers a complete portfolio of products and services to all levels of society.***

We believe that our position as one of the leading financial institutions in Brazil, with a presence in all Brazilian regions through a broad network of distribution channels and with exposure to individuals of all income levels as well as large, mid sized and small businesses, will allow us to maintain the organic growth strategy. We will also continue to expand the insurance, pension and capitalization bonds business segment, in order to consolidate our leadership in this sector. As part of this strategy, we intend to increase the sales of our traditional banking, insurance, pension and capitalization bonds products through our wide branch network, our internet distribution services and other distribution channels. We are committed to investing significantly in our IT platform to support such growth. In addition, we intend to continue to leverage our relationships with corporate clients and high-income individuals to further develop our investment banking, private banking and asset management operations through Bradesco BBI, Banco Bradesco Europa, Bradesco Securities and other subsidiaries in Brazil and other key financial centers such as London, New York, Hong Kong and Tokyo.

***Maintain asset quality and operational risk levels.***

We are focused on sustainable growth to ensure our standards in relation to our asset quality and risk levels. We intend to maintain the quality of our loan portfolio by continuously improving our delinquency risk models, ensuring better results in credit granting and appropriate provisions for possible incurred losses. Our strategy involves maintaining our existing policy for our insurance business of careful evaluation of risk spreads through robust actuarial analysis, while entering into reinsurance agreements with well-known reinsurers to reduce exposure to large risks.

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With respect to risk management, we intend to continue our integrated approach that utilizes a centralized method for identifying, measuring, controlling, monitoring and mitigating credit, market, liquidity and operational risks. We intend to continue to use specialized risk management committees in relation to the adoption of institutional policies, operational guidelines and the establishment of limits for risk exposure in accordance with best international practices, with the aim of maintaining operational risk levels within adequate boundaries.

***Complement organic growth with strategic alliances and pursue selective acquisitions.***

To complement our organic growth strategy, we constantly seek opportunities for strategic alliances and selective acquisitions to consolidate our position as one of the leading financial institutions in Brazil and to expand our presence in growth markets such as consumer financing, investment banking, broker dealing and insurance. We believe our partnership with Banco do Brasil and Caixa Econômica Federal in relation to credit, debit and pre-paid cards for checking account holders and non-account holders is an example of such a growth opportunity. Similarly, our merger with Odontoprev has increased our presence in the segment of dental care plans enabling us to cement our leadership position in the insurance market. We will continue to focus on asset quality, potential operating synergies, sale and acquisition of know-how to maximize return for our shareholders.

***Focus on corporate responsibility and sustainability as core principles of our business.***

We believe that corporate responsibility and sustainability are fundamental to our operations and have incorporated the following three principles into our overall strategy: sustainable finance, responsible management and investments in social and environmental projects. We are always seeking to develop and incorporate sustainable finance concepts into the process of designing and managing our products and services and in our relationships with clients and suppliers. We believe our admission to the sustainability indexes of both the New York Stock Exchange and BM&FBOVESPA represents strong recognition of our success in implementing sustainability principles. As part of this strategy, we will continue to apply social-environmental risk analysis in financing and investment activities in accordance with international practices, including the Equator Principles which we signed up to in 2004. Corporate responsibility has always been one of our core principles as evidenced by the significant investments we have made in education since 1956 through Fundação Bradesco, which is present in every state in Brazil and the Federal District, with 40 schools primarily located in regions of high socioeconomic deprivation. Fundação Bradesco offers quality formal education, free of charge, to children and young people from early childhood to high school as well as professional high school education for young people and adults, as well as initial and continuing education for employment and income.

# 4.B. Business Overview

We operate and manage our business through two operational segments: (i) the banking segment and (ii) the insurance, pension and capitalization bonds segment.

The data about these segments was compiled from reports prepared for Management to assess performance and make decisions on allocating funds for investments and other purposes. Management uses various data, including financial data in conformity with the accounting practices adopted in Brazil and non-financial metrics compiled on different bases. Hence the segment data were prepared under accounting practices adopted in Brazil and the consolidated financial statements were compiled under International Financial Reporting Standards ("IFRS") as issued by the IASB. For further information on differences between the results on a consolidated basis and by segments, see "Item 5.A. Operating Results-Results of operations for the year ended December 31, 2012 compared with the year ended December 31, 2011" and "Item 5.A. Operating Results-Results of operations for the year ended December 31, 2011 compared with the year ended December 31, 2010."

As of December 31, 2012, according to the sources cited in parentheses below, we were:

• one of the leading banks in terms of savings deposits, with R$69.0 billion, accounting for 13.9% of Brazil's total savings deposits (Central Bank);

• one of the leaders in BNDES onlending, with R$12.4 billion in disbursements (BNDES);

- one of the leaders in leasing operations in Brazil, with a leasing portfolio of R$8.0 billion at present value (ABEL);

- one of Brazil's largest fund and portfolio managers, with R$441.8 billion in total managed assets, of which R$147.7 billion are held by our subsidiary, BEM Distribuidora de Títulos e Valores Mobiliários Ltda., or “BEM DTVM,” specialized in trust, custody and controllership of asset management services (ANBIMA);

- one of the largest credit card issuers in Brazil, with 93.1 million credit cards issued (Visa, American Express, Elo, MasterCard and private label cards) with sales on credit cards and private label of R$103.5 billion (ABECS);

- the leader in bank payment processing and collection services in Brazil (Central Bank);

- the leader in number of active quotas in managed purchaser consortiums for the three segments: real estate, with 196,991 quotas; automobiles, with 500,702 quotas, and trucks and tractors with 38,509 quotas (Central Bank);

- one of the leaders in automobile financing loans, with a market share of 15.4% (Central Bank);

- the leading bank in benefit payments from the Social Security Institute (Instituto Nacional do Seguro Social, or INSS), with over 7.4 million "INSS" retirees, beneficiaries and other pensioners, accounting for 24.6% of the total number of INSS beneficiaries (INSS); and

- Brazil's largest insurance and open pension fund operator with R$44.3 billion in total premiums, pension plan contributions and capitalization bond income (SUSEP and ANS).

Additionally, Bradesco was recognized as one of the world’s strongest banks, according to a survey conducted by Bloomberg News. The Bank ranks $13^{th}$ among 20 financial institutions in the world, and it is the only bona fide Brazilian institution listed in the ranking. Bradesco was also recognized as the “best company for you to start a career,” in the Retention of Young Talents category of Você S/A magazine, in partnership with Fundação Instituto de Administração – FIA. Bradesco was granted the *Award for Excellence* 2012 by Euromoney magazine in the *Best Bank in LatAm* and *Best Bank in Brazil* categories. The Bank was also granted the *Deals of the Year Awards* from Latin Finance magazine and the “Best Investor Relations of the Financial Sector” award, promoted by *IR magazine*, RI magazine and the Brazilian Institute of Investor Relations (IBRI).

***Main subsidiaries***

The following is a simplified chart of our principal subsidiaries in the financial and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2012 (all of which are consolidated in our financial statements in "Item 18. Financial Statements"). With the exception of Banco Bradesco Argentina, which was incorporated in Argentina, all of these principal subsidiaries were incorporated in Brazil. For more information regarding the consolidation of our principal subsidiaries, see Note 2a to our consolidated financial statements in "Item 18. Financial Statements."

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***Revenues per business segment***

The following table summarizes our main gross revenues by segment for the periods indicated.

| **Years Ended December 31,** | **R$ in thousands** | | |
|---|---|---|---|
| | **2012** | **2011** | **2010** |
| **Banking** | | | |
| Loans and advances [1] | 54,433,883 | 52,890,045 | 43,574,580 |
| Fees and commissions | 13,885,450 | 11,989,868 | 10,450,714 |
| **Insurance and pension plans** | | | |
| Premiums retained from insurance and pension plans | 40,176,745 | 34,315,543 | 27,994,116 |

(1) Includes industrial loans, financing under credit cards, overdraft loans, trade financing and foreign loans.

For further details of our segments, see "Item 5.A. Operating Results" and Note 5 of our consolidated financial statements in "Item 18. Financial Statements."

We do not break down our revenues by geographic regions within Brazil, and less than 10.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

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***Banking***

We have a diverse customer base that includes individuals and small, midsized and large companies in Brazil. Historically, we have cultivated a stronger presence among the broadest segment of the Brazilian market, middle- and low-income individuals. In 1999, we set up our corporate department to serve corporate customers with annual revenues of R$250 million or more, and our private banking department to serve our individual customers with minimum net assets of R$3 million. In 2002, we created *Bradesco Empresas* (Middle Market) to cater for corporate customers with annual revenues of R$30 to R$250 million, in other to expand our business in the middle corporate market. In 2003, we launched Bradesco Prime, which offers services to individual customers who either have a monthly income of at least R$9,000 or R$100,000 available for immediate investment. Bradesco Varejo is our division for corporate customers with annual revenues of less than R$30 million and individual customers with monthly income of less than R$9,000. For more information, see "Distribution channels" and "Specialized distribution of products and services."

The following diagram shows the breakdown of our banking activities as of December 31, 2012:

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Form 20-F

The following table shows selected financial data for our banking segment for the periods indicated:

| Year ended December 31, | R$ in thousands 2012 | 2011 | 2010 |
|---|---|---|---|
| **Statement of Income data** | | | |
| Net interest income | 39,181,426 | 31,379,722 | 28,223,501 |
| Impairment of loans and advances | (10,925,404) | (9,275,421) | (6,354,670) |
| Other income/(expenses) [1] | (20,301,375) | (13,063,262) | (12,497,956) |
| **Income before income taxes** | **7,954,647** | **9,041,039** | **9,370,875** |
| Income and social contribution taxes | (273,930) | (1,305,702) | (2,416,284) |
| **Net income for the year** | **7,680,717** | **7,735,337** | **6,954,591** |
| Net income attributable to controlling shareholders | 7,672,233 | 7,724,917 | 6,943,764 |
| Net income attributable to non-controlling interest | 8,484 | 10,420 | 10,827 |
| **Statement of Financial Position data** | | | |
| Total assets | 750,410,472 | 657,903,426 | 548,664,554 |
| **Selected results of operations data** | | | |
| **Interest and similar income** | | | |
| Loans and advances to banks | 6,758,555 | 8,469,093 | 6,759,299 |
| Loans and advances to customers | 47,675,328 | 44,420,954 | 36,815,282 |
| Financial assets | 17,013,594 | 15,913,414 | 9,828,935 |
| Compulsory deposits with the Central Bank | 3,808,229 | 6,112,337 | 2,869,307 |
| Other financial interest income | 37,540 | 40,774 | 35,707 |
| **Interest and similar expenses** | | | |
| Deposits from banks | (18,563,193) | (23,215,922) | (14,065,917) |
| Deposits from customers | (11,224,649) | (14,974,545) | (11,296,932) |
| Funds from securities issued | (3,439,647) | (2,598,702) | (699,640) |
| Subordinated debt | (2,884,331) | (2,787,681) | (2,022,540) |
| **Net interest income** | **39,181,426** | **31,379,722** | **28,223,501** |
| **Net fee and commission income** | **13,885,450** | **11,989,868** | **10,450,714** |

Note: Data presented above includes income from related parties of other segments before elimination.
[1] For additional information, see "Item 5.A. Operational Results".

We have a segmented customer base and we offer the following range of banking products and services in order to meet the needs of each segment:

- deposit-taking with clients, including checking accounts, savings accounts and time deposits;
- loans and advances (individuals and companies, real estate financing, microcredit, onlending BNDES funds, rural credit, leasing, among others);

- credit cards, debit cards and pre-paid cards;
- management of receipts and payments;
- asset management;
- services related to capital markets and investment banking activities;
- intermediation and trading services;
- custody, depositary and controllership services;
- international banking services; and
- purchasing consortiums.

***Deposit-taking with clients***

We offer a variety of deposit products and services to our customers through our branches, including:

- Non-interest-bearing checking accounts, such as:

- **Easy Account** (*Conta Fácil*) – customers have a checking account and a savings account under the same bank account number, using the same card for both accounts;

- **Click Account** (*Click Conta*) – no-fee checking account for minors (from 11 to 17 years old), with exclusive website and debit card, automatic pocket money service and free online courses, among other benefits;

- **Academic Account** (*Conta Universitária*) – low fee checking account for college students, with subsidized credit conditions, exclusive website and free online courses, among other benefits; and

- **Cell Phone Bonus Account** (*Conta Bônus Celular*) – monthly checking account fees are awarded as bonus for the customers' prepaid cell phone.

- traditional savings accounts, which currently earn the Brazilian reference rate, or *taxa referencial*, known as the "TR," plus 6.2% annual interest in the case the SELIC rate is higher than 8.5% *per annum* or TR plus 70% of the SELIC rate if the SELIC rate is lower than 8.5% *per annum*;

- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* – or "CDBs"), and earn interest at a fixed or floating rate; and

- deposits exclusively from financial institutions, which are represented by Interbank Deposit Certificates *(certificados de depósito interbancário* – or "CDIs"*)*, and earn the interbank deposit rate.

As of December 31, 2012, we had 25.7 million checking account holders, 24.2 million of which were individual account holders and 1.5 million corporate account holders. As of the same date, we had 48.6 million savings accounts.

The following table shows a breakdown of our deposits by type of product on the dates indicated:

| **December 31,** | **R$ in thousands, except %** | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | **2011** | | **2010** | |
| **Deposits from customers** | | | | | | |
| **Demand deposits** | **37,684,126** | **17.9%** | **32,535,978** | **15.0%** | **35,775,239** | **18.6%** |
| *Reais* | 37,216,483 | 17.7% | 32,090,220 | 14.8% | 35,389,537 | 18.4% |
| Foreign currency | 467,643 | 0.2% | 445,758 | 0.2% | 385,702 | 0.2% |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Savings deposits** | **69,041,721** | **32.8%** | **59,656,319** | **27.6%** | **53,435,652** | **27.8%** |
| *Reais* | 69,041,721 | 32.8% | 59,656,319 | 27.6% | 53,435,652 | 27.8% |
| **Time deposits** | **104,045,463** | **49.4%** | **124,128,641** | **57.4%** | **102,157,837** | **53.1%** |
| *Reais* | 80,846,398 | 38.4% | 104,114,818 | 48.1% | 94,723,153 | 49.2% |
| Foreign currency | 23,199,065 | 11.0% | 20,013,823 | 9.3% | 7,434,684 | 3.9% |
| **Total deposits from customers** | **210,771,310** | **100.0%** | **216,320,938** | **100.0%** | **191,368,728** | **99.4%** |
| **Others** | **-** | **-** | **-** | **-** | **1,107,220** | **0.6%** |
| **Total** | **210,771,310** | **100.0%** | **216,320,938** | **100.0%** | **192,475,948** | **100.0%** |

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We offer our customers certain additional services, such as:

- "identified deposits," which allow our customers to identify deposits made in favor of a third party by using a personal identification number; and

- real-time "banking transfers" from a checking or savings account to another checking or savings account, including accounts at other banks.

***Loans and advances to customers***

The following table shows loans and advances to customers in Brazil broken down by type of product and period:

| **December 31,** | | **R$ in thousands** | |
|---|---|---|---|
| | **2012** | **2011** | **2010** |
| **Loans and advances to individuals outstanding by type of operation** | | | |
| Other loans and advances to individuals | 69,096,406 | 58,014,635 | 48,769,011 |
| Housing loans | 22,302,967 | 15,930,568 | 10,186,535 |
| Onlending BNDES/Finame | 35,703,861 | 35,398,656 | 29,554,340 |
| Other corporate loans and advances | 91,079,090 | 85,760,876 | 71,611,871 |
| Rural loans | 11,580,061 | 11,036,251 | 10,179,753 |
| Leasing | 8,035,454 | 11,550,838 | 16,365,943 |
| Credit cards | 22,646,420 | 20,252,191 | 18,474,095 |
| Import and export financings | 29,245,863 | 25,577,600 | 20,494,370 |
| **Total** | **289,690,122** | **263,521,615** | **225,635,918** |

The following table summarizes concentration for our outstanding loans and advances to customers by borrower on the dates shown:

| **December 31,** | **2012** | **2011** | **2010** |
|---|---|---|---|
| **Borrower size** | | | |
| Largest borrower | 0.9% | 0.9% | 1.2% |
| 10 largest borrowers | 5.2% | 5.2% | 5.8% |
| 20 largest borrowers | 8.1% | 8.6% | 9.1% |
| 50 largest borrowers | 12.9% | 14.0% | 14.6% |
| 100 largest borrowers | 16.9% | 18.1% | 18.5% |

Our loans and advances to customers, mostly consumer credit, corporate and agricultural-sector loans, totaled R$289.7 billion as of December 31, 2012.

***Loans and advances to consumers***

Our significant volume of individual loans enables us to avoid concentration on any individual loans on the performance of our portfolio and helps build customer loyalty. They consist primarily of:

- short-term loans, extended through our branches to checking account holders and, within certain limits, through our ATM network. These short-term loans are on average repaid in four months with an average interest rate of 6.6% per month as of December 31, 2012;

- vehicle financings are on average repaid in fifteen months with an average interest rate of 1.3% per month as of December 31, 2012; and

- overdraft loans on checking accounts (or "*Cheque Especial*"), which are on average repaid in one month, at interest rates varying from 8.1% to 8.8% per month as of December 31, 2012.

We also provide revolving credit facilities and traditional term loans. As of December 31, 2012, we had outstanding advances, vehicle financings, consumer loans and revolving credit totaling R$69.1 billion, or 23.9% of our portfolio of loans and advances as of that date. On the basis of loans outstanding on that date, we had a 12.9% share of the Brazilian consumer loan market, according to information published by the Central Bank.

Banco Bradesco Financiamentos ("Bradesco Financiamentos") offers direct-to-consumer credit and leasing for the acquisition of vehicles and payroll-deductible loans to the public and private sectors in Brazil.

Together with BF Promotora de Vendas Ltda. ("BF Promotora"), under the "Bradesco Financiamentos" brand, we offer financing and/or leasing for vehicles through our extensive network of correspondents in Brazil, which includes retailers and dealers of light vehicles, trucks and motorcycles.

Under the “Bradesco Promotora” brand, we offer payroll-deductible loans to social security retirees and pensioners, public-sector employees, military personnel and private-sector companies sponsoring plans, and other aggregated products (insurance, capitalization bonds, cards, purchasing consortiums, and others).

***Real estate financing***

As of December 31, 2012, we had 69,857 outstanding real estate loans. We reached a 35.1% market share of units financed through loans granted to real estate developers and builders by financial entities, according to data provided by the Central Bank. As of December 31, 2012, the aggregate outstanding amount of our real estate loans amounted to R$22.3 billion, representing 7.7% of our portfolio of loans and advances.

Real estate financing is made through the Housing Finance System – SFH *(Sistema Financeiro Habitacional)*, by the Housing Mortgage Portfolio – CHH *(Carteira Hipotecária Habitacional)* or by the Commercial Mortgage Portfolio – CHC *(Carteira Hipotecária Comercial)*. Loans from SFH or CHH feature variable-installment repayments and annual interest rates ranging from 8.9% to 11.0% plus TR, or 13.0% from CHC.

Residential SFH and CHH loans are to be repaid within 30 years and commercial loans within 10 years.

Our individual loans made for construction purposes are repaid within 360 months, with 24 months to completion of construction, a 2-month grace period and the remainder for repaying the loan. Payments are made at the interest rate of 10.5% *per annum* plus TR variation for real estate falling into the SFH rules, or interest rates of 11.0% *per annum* plus TR variation for real estate falling into the CHH.

We also extend corporate financing for builders under the SFH. These loans are for construction purposes and typically specify 36 months for completion of construction work and repayments starting within 36 months after official registration of the building. These loans are charged the TR plus an annual interest rate of 12 to 13% during the construction stage for SFH loans, and TR plus an annual interest rate of 14%

for CHH loans.

Central Bank regulations require us to provide real estate financing in the amount of at least 65% of the balance of our savings accounts. In addition to real estate financing, mortgage notes, charged-off real estate financing, and other financings can be used to satisfy this requirement. We generally do not finance more than 80% of the purchase price or the market value of a property, whichever is lower.

In November and December 2012, the Central Bank authorized and defined the conditions for the issuance of real estate credit notes through Investment banks.

***Microcredit***

We extend microcredit to low-income individuals and small companies, in accordance with Central Bank regulations requiring banks to use 2% of their cash deposits to provide microcredit loans. We started providing microcredit loans in August 2003. As of December 31, 2012, we had 83,778 microcredit loans outstanding, totaling R$80.3 million.

In accordance with Central Bank regulations, most microcredit loans are charged at a maximum effective interest rate of 2% per month. However, microcredit loans for certain types of business or specific production have a maximum effective interest rate of 4% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R$2,000 for individuals in general, (ii) R$5,000 for individuals developing certain professional, commercial or industrial activities or for micro companies, and (iii) R$40,000 for microcredit loans in certain segments. In addition, microcredit loans must be not for less than 120 days, and the origination fee must be 2.0% to 3.0% of the loan value.

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***BNDES onlending***

The Brazilian government has a program to provide government-funded long-term loans with below-market interest rates to sectors of the economy that it has targeted for development. We borrow funds under this program from either (i) BNDES, the federal government's development bank, or (ii) *Agência Especial de Financiamento Industrial* (Finame), or "Finame," the equipment financing subsidiary of BNDES. We then on-lend these funds to borrowers in targeted sectors of the economy. We determine the spread on the loans based on the borrowers' credit. Although we bear the risk for these BNDES and Finame onlending transactions, they are always secured.

According to BNDES, we disbursed R$12.4 billion, 67.6% of which was loaned to micro, small and medium-sized companies in 2012. Our BNDES onlending portfolio totaled R$35.7 billion as of December 31, 2012, and accounted for 12.3% of our portfolio of loans and advances at that date.

***Other local commercial loans***

We provide traditional loans for the ongoing needs of our corporate customers. We had R$91.1 billion of outstanding other local commercial loans, accounting for 31.4% of our portfolio of loans and advances as of December 31, 2012. We offer a range of loans to our Brazilian corporate customers, including:

- short-term loans of 29 days or less;
- working capital loans to cover our customers' cash needs;
- guaranteed checking accounts and corporate overdraft loans;
- discounting trade receivables, promissory notes, checks, credit card and supplier receivables, and a number of other receivables;
- financing for purchase and sale of goods and services;
- corporate real estate financing;
- investment lines for acquisition of assets and machinery; and
- guarantees.

These lending products generally bear an interest rate of 0.8% to 8.3% per month.

### *Rural loans*

We extend loans to the agricultural sector by financing demand deposits, BNDES onlendings and our own funds, in accordance with Central Bank regulations. As of December 31, 2012, we had R$11.6 billion in outstanding rural loans, representing 4.0% of our portfolio of loans and advances. In accordance with Central Bank regulations, loans arising from compulsory deposits are paid a fixed rate. The annual fixed rate was 5.5% as of December 31, 2012. Repayment of these loans generally coincides with agricultural harvest and principal is due when a crop is sold, except for BNDES onlending for rural investment which is repaid within five years with repayments on a semi-annual or annual basis. As security for such loans, we generally obtain a mortgage on the land where the agricultural activities being financed are conducted.

Since July 2012, Central Bank regulations require us to use at least 34% of the annual average (from June through May) of our checking account deposits to provide loans to the agricultural sector. By the end of June, if we do not reach 34%, we must deposit the unused amount in a non-interest-bearing account with the Central Bank or pay a penalty of 40% of this amount.

### *Leasing*

According to ABEL, as of December 31, 2012, our leasing companies were among the sector leaders, with a 19.5% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2012 was R$41.3 billion.

As of December 31, 2012, we had 319,721 outstanding leasing agreements totaling R$8.0 billion, representing 2.8% of our portfolio of loans and advances.

The Brazilian leasing market is dominated by large banks and both domestic- and foreign-owned companies affiliated with vehicle manufacturers. Brazilian lease contracts generally relate to motor vehicles, computers, industrial machinery and other equipment.

Most of our leases are financial (as opposed to operational). Our leasing operations primarily involve the leasing of trucks, cranes, aircraft and heavy machinery. As of December 31, 2012, 66.8% of our outstanding leases were vehicle leases, compared with 56.7% in the Brazilian leasing market as a whole.

We conduct our leasing operations through our primary leasing subsidiary, Bradesco Leasing and also through Bradesco Financiamentos.

We obtain funding for our leasing operations primarily by issuing debentures and other securities in the domestic market.

As of December 31, 2012, Bradesco Leasing had R$67.7 billion of debentures outstanding in the domestic market. These debentures will mature in 2028 and bear monthly interests at the interbank interest rate ("CDI rate").

### *Terms of leasing agreements*

Financial leases represent a source of medium and long-term financing for Brazilian customers. Under Brazilian law, the minimum term of financial leasing contracts is 24 months for transactions relating to products whose average life of five years or less, and 36 months for transactions for those with an average useful life of five years or more. There is no legal maximum term for leasing contracts. As of December 31, 2012, the remaining average maturity of contracts in our lease portfolio was approximately 51 months.

## Credit cards

In 1968, Bradesco was the first bank to issue credit cards in Brazil, and as of December 31, 2012, we were one of Brazil's largest card issuers with a base of 93.1 million credit and private-label cards. We offer Visa, American Express, Elo, MasterCard credit and private label cards, which are accepted in over 200 countries.

We signed an agreement with *Claro* (mobile network operator) to operate in the mobile payment segment (M-Payment). Among other initiatives, we and Claro launched the virtual wallet (prepaid card operated via mobile phone) and the use of NFC (Near Field Communication) technology in transactions via mobile phone. In December 2012, we started to issue debit cards with NFC technology for the Prime Segment customers, in addition to announcing the development of the same NFC technology for mobile phones.

We earn revenues from our credit card operations through:

- fees on purchases carried out in commercial establishments;
- issuance fees and annual fees;
- interest on credit card balances;
- interest and fees on cash withdrawals through ATMs; and
- interest on cash advances to cover future payments owed to establishments that accept credit cards.

We offer our customers the most complete line of credit cards and related services, including:

- cards issued for use restricted to Brazil;
- credit cards accepted nationwide and internationally;
- credit cards directed toward high net worth customers, such as Gold, Platinum and Infinite/Black from Visa, American Express and MasterCard brands;

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- cards that combine credit and debit features in a single card, which may be used for traditional banking transactions and shopping;

- corporate credit cards accepted nationwide and internationally;

- co-branded credit cards, which we offer through partnerships with companies;

- "affinity" credit cards, which we offer through associations, such as sport clubs and non-governmental organizations;

- "*CredMais*" credit cards for employees of our payroll processing customers, which have more attractive revolving credit fees, and "*CredMais INSS*" credit cards for INSS pensioners and other beneficiaries with lower financing interest rates;

-