BANK BRADESCO
Form 20-F
June 30, 2009

As filed with the Securities and Exchange Commission on June 30, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 20-F
ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

Commission File Number: 1-15250

Banco Bradesco S.A.
(Exact name of Registrant as specified in its charter)

Bank Bradesco
(Translation of Registrant s name into English)

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)

Domingos Figueiredo de Abreu
(55 11 3684-4011)
Cidade de Deus S/N Vila Yara
06029-900 Osasco SP
Brazil
(Name, Telephone, Email 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 *

(*) Not for trading, but only in connection with the registration of ADSs pursuant to requirements of the New York Stock Exchange.

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 class of stock of Bradesco as of December 31, 2008:

1,534,805,958	Common Shares, without par value
1,534,900,221	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.

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 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.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

Yes No N/A

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. (Check one):

Large accelerated filer 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 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 No

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 on current expectations, estimates and projections about future events and financial trends that affect or may affect our business.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecas and similar expressions are used to identify forward-looking statements.

These statements are not guarantees of future performance, and are subject to certain risks, uncertainties and assumptions that are difficult to predict and that may be beyond our control. Our actual results could differ materially from those expressed or forecast in any forward-looking statements as a result of a variety of factors, including, but not limited to, the following:

- global economic conditions;
- general economic, political and business in Brazil;
- inflation, depreciation of the *real* and interest rate fluctuations in Brazil;
- credit, market and other risks related to financing activities;
- availability of funds and related funding costs;
- competition in the Brazilian banking market, particularly in the segments we operate;
- an increase in defaults by our clients, as well as an increase in our allowance for loan losses;
- our level of capitalization;
- our ability to maintain and improve our operating performance;
- the market value of Brazilian securities, particularly Brazilian government securities;
- changes in laws, regulations, taxation and governmental policies that relate to our activities;
- administrative and judicial proceedings involving us;
- the potential risk factors discussed below under Risk Factors.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this annual report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

In this annual report, the terms Bradesco, the Company, the Entity, the Bank, we or us refer to Banco Brac 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, insurance and private pension plan services to all segments of the Brazilian domestic market. Our operations are based primarily in Brazil.

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References herein to real, reais or R$ are to the Brazilian real, the official currency of Brazil. References herein to U.S. dollars or US$ are to United States dollars, the official currency of the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Item 18 of this annual report includes our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008, including the notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

For your convenience, certain amounts have been converted from *reais* to U.S. dollars. Unless otherwise indicated, these conversions have been calculated using the U.S. dollar selling rate at closing published by the Central Bank of Brazil, which we call the Central Bank, at June 12, 2009 of R$1.9301 per US$1.00. Therefore, you should not read these exchange rate conversions as representations that any such amounts have been, could have been or could be converted into U.S. dollars at those or any other exchange rates, or at that or any other date. See Key Information Exchange Rate Information for more information regarding the exchange rates applicable to the Brazilian currency since 2002.

The following table sets forth, for the dates indicated, the exchange rate of *reais* to U.S. dollars based on the noon buying rate in New York City as reported by the Federal Reserve Bank of New York and the U.S. dollar selling rate as reported by the Central Bank at closing:

Date	**Noon Buying Rate for U.S. dollars**	**Closing Selling Rate for U.S. dollars**
December 31, 2006	2.1342	2.1380
December 31, 2007	1.7790	1.7713
December 31, 2008	2.3416	2.3370
June 12, 2009	1.9214	1.9301

As a result of recent fluctuations in the *real*/U.S. dollar exchange rate, the closing selling exchange rate at June 12, 2009 or at any other date may not be indicative of current or future exchange rates.

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.

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

Selected Financial Data

We present below our selected financial data prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2004, 2005, 2006, 2007 and 2008. The data for each of the five years in the period ended December 31, 2008 is derived from our audited consolidated financial statements, which were audited by PricewaterhouseCoopers Auditores Independentes.

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto, Presentation of Financial and Other Information and Operating and Financial Review and Prospects.

Certain prior year amounts for the years ended December 31, 2004, 2005 and 2006 have been reclassified to conform to the years-ended December 31, 2007 and 2008 presentation standards. These reclassifications had no impact on our assets, liabilities, shareholders equity and net income.

	Year ended December 31,					
	2004	2005	2006	2007	2008	2008
		(R$ in millions)				(US$ in millions) [1]
Data from the Consolidated Statement of Income:						
Net interest income[2]	R$14,590	R$18,485	R$21,402	R$23,771	R$25,371	US$12,859
Provision for loan losses	(1,429)	(1,823)	(3,767)	(4,616)	(6,651)	(3,371)
Net interest income after provision for loan losses	13,161	16,662	17,635	19,155	18,720	9,488
Fee and commission income[2]	4,296	5,121	6,379	7,819	8,997	4,560
Insurance premiums	6,764	7,805	8,121	8,843	10,963	5,557
Pension plan income	374	377	791	555	710	360
Equity in the earnings of unconsolidated companies[3]	66	186	224	407	597	303
Other non-interest income [2][4]	2,768	4,051	4,338	6,257	2,228	1,129
Operating expenses [5]	(8,921)	(9,645)	(11,310)	(13,005)	(14,168)	(7,181)
Insurance claims	(4,822)	(5,501)	(6,124)	(6,012)	(7,391)	(3,746)
Changes in provisions for insurance, pension plans, certificated savings plans and pension investment						

contracts	(4,326)	(3,939)	(4,199)	(4,981)	(4,225)	(2,141)
Pension plan operating expenses	(751)	(505)	(560)	(478)	(482)	(244)
Insurance and pension plan selling expenses	(907)	(1,041)	(852)	(1,157)	(1,014)	(514)
Other non-interest expense [2] [6]	(3,762)	(4,819)	(5,693)	(6,106)	(8,187)	(4,151)
Income before income taxes and minority interest	3,940	8,752	8,750	11,297	6,748	3,420
Taxes on income	(601)	(2,431)	(2,273)	(3,352)	401	203
Minority interest	(12)	(11)	(15)	(37)	(131)	(66)
Net income	R$3,327	R$6,310	R$6,462	R$7,908	R$7,018	US$3,557

	Year ended December 31,					
	2004	2005	2006	2007	2008	2008
	(R$, except number of shares)					(US$ in millions)(1)
Data per Share (7):						
Earnings per share (8)(9)						
Common	R$1.11	R$2.05	R$2.09	R$2.50	R$2.18	US$1.10
Preferred	1.22	2.26	2.30	2.75	2.40	1.22
Dividends/ interest on shareholders equity per share (10)						
Common	0.44	0.62	0.70	0.89	0.80	0.41
Preferred	R$0.49	R$0.67	R$0.77	R$0.98	R$0.88	US$0.45
Weighted average number of outstanding shares:						
Common	1,435,596,690	1,465,770,912	1,470,575,223	1,504,008,900	1,531,358,621	-
Preferred	1,416,490,788	1,460,839,863	1,472,508,873	1,505,136,649	1,531,430,349	-

	Year ended December 31,					
	2004	2005	2006	2007	2008	2008
	(R$ in millions)					(US$ in millions) (1)
Data from the Consolidated Balance Sheet:						
Assets						
Cash and due from banks	R$2,690	R$3,447	R$4,748	R$5,485	R$9,416	US$4,772
Interest earning deposits in other banks	7,976	13,119	8,918	7,887	14,435	7,316
Federal funds sold and securities purchased under agreements to resell	19,435	10,985	14,649	40,601	46,950	23,796
Brazilian Central Bank compulsory deposits	20,209	21,686	23,461	31,813	26,384	13,373
Trading and available for sale securities, at fair value	43,197	55,658	86,614	88,799	121,804	61,735
Held to maturity securities	4,200	4,121	3,265	2,981	4,097	2,077
Loans(11)	63,500	83,311	98,724	133,137	174,835	88,614
Allowance for loan losses	(4,063)	(4,964)	(6,552)	(7,769)	(10,318)	(5,230)
Equity investees and other investments	708	397	527	761	881	447
Premises and equipment, net	2,946	2,721	3,000	3,547	4,263	2,161
Goodwill	262	332	667	883	1,286	652
Intangible assets, net (11)	1,792	1,554	2,163	2,917	3,138	1,590
Other assets (11)	14,227	14,227	19,087	23,467	38,119	19,320
Total assets	**177,079**	**206,594**	**259,271**	**334,509**	**435,290**	**220,623**

Liabilities						
Deposits	68,647	75,407	83,925	98,341	164,501	83,376
Federal funds purchased and securities sold under agreements to repurchase	16,532	22,886	42,875	69,015	74,730	37,876
Short term borrowings	8,272	7,066	5,709	7,989	13,849	7,019
Long term debt	19,653	23,316	30,122	38,915	47,255	23,951
Other liabilities	48,343	57,612	70,083	86,879	97,693	49,515
Total liabilities	161,447	186,287	232,714	301,139	398,028	201,737
Minority interest in consolidated subsidiaries	73	88	93	281	332	168
Shareholders Equity						
Common shares (12)	3,525	6,497	7,095	9,497	11,500	5,829
Preferred shares (13)	3,475	6,503	7,105	9,503	11,500	5,829
Capital stock	7,000	13,000	14,200	19,000	23,000	11,658
Total shareholders equity	15,559	20,219	26,464	33,089	36,930	18,718
Total liabilities and shareholders equity	**177,079**	**206,594**	**259,271**	**334,509**	**435,290**	**220,623**
Average assets (14)	162,891	188,091	227,898	289,456	376,546	190,849
Average liabilities (14)	148,814	170,677	206,466	261,552	342,178	173,430
Average shareholders equity (14)	R$14,012	R$17,357	R$21,323	R$27,731	R$33,180	US$16,817

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$1.9730 per US$1.00, the Central Bank exchange rate on May 29, 2009. Such translations should not be construed as a representation that the Brazilian *real* amounts presented have been or could be converted into U.S. dollars at that rate.

(2) The amounts R$14, R$16 and R$231 regarding balances for the years ended December 31, 2004, 2005 and 2006, respectively, were reclassified from the line item Fee and commission income to the line item Net interest income, and the amounts R$228, R$397 and R$535 regarding the balances for the years ended December 31, 2004, 2005 and 2006, respectively, were reclassified from the line item Other non-interest expense to the line item Net interest income. These reclassifications were implemented to allow the comparability of the financial statements as of and for the years ended December 31, 2004, 2005 and 2006 with the financial statements as of and for the years ended December 31, 2007 and 2008.
These reclassifications do not affect the amounts recorded as assets, liabilities, shareholders equity and net income.

(3) For more information on the results of equity investees, see Item 5. Operating and Financial Review and Prospects and note 9 to our consolidated financial statements in Item 18.

(4) Other non-interest income consists of trading income (losses), net realized gains on available-for-sale securities and other non-interest income.

(5) Operating expenses consist of salaries and benefits and administrative expenses.

(6)

Other non-interest expense consists of amortization of intangible assets, depreciation and amortization and other non-interest expense.

(7) Data per share reflects, on a retroactive basis: (a) the split of our capital stock on December 9, 2004, in which we issued two new shares for each existing share; (b) the split of our capital stock on November 11, 2005, in which we issued one new share for each existing share; (c) the split of our capital stock on March 12, 2007, in which we issued one new share for each existing share; (d) the split of one share for each two existing shares, which was approved by our shareholders on March 24, 2008; and (e) the reverse split of fifty shares to one and the simultaneous split in the proportion of one to fifty, which was approved by our shareholders on March 10, 2009.

(8) For purposes of calculating earnings per share in accordance with the U.S. GAAP, preferred shares are treated in the same manner as common shares. Holders of preferred shares are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to common shareholders. For a description of our two classes of shares, see Item 10. Additional Information Memorandum and Articles of Incorporation.

(9) None of our outstanding obligations are exchangeable for or convertible into equity securities. As a consequence, 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. See note 2(u) to our consolidated financial statements in Item 18.

(10) The amounts determined in U.S. dollars were converted into *reais* using the exchange rate on the date such dividend was paid.

(11) The amounts R$324, R$622 and R$789 regarding loan origination fees and costs and corresponding to the balances as of the years ended December 31, 2004, 2005 and 2006, respectively, were reclassified from the line item Other assets to the line item Loans, and the amounts R$224, R$260 and R$540 regarding intangible assets related to exclusive rights for rendering banking services and corresponding to the balances as of the years ended December 31, 2004, 2005 and 2006, respectively, were reclassified from the line item Other assets to the line item Intangible assets, net. These reclassifications were implemented to allow the comparability of the financial statements as of and for the years ended December 31, 2004, 2005 and 2006 with the financial statements as of and for the years ended December 31, 2007 and 2008. These reclassifications do not affect the amounts recorded as assets, liabilities, shareholders equity and net income.

(12) Common shares outstanding, no par value: (i) 1,534,805,958 authorized and issued at December 31, 2008; (ii) 1,009,337,030 authorized and issued at December 31, 2007; (iii) 500,071,456 authorized and issued at December 31, 2006; (iv) 489,450,004 authorized and issued at December 31, 2005; and (v) 238,351,329 authorized and issued on December 31, 2004. Data from 2004 to 2008 reflects (a) the reverse split of our shares at a 10,000:1 share ratio, which was approved by our shareholders on March 10, 2004 (as a result, we had 158,587,942 authorized and issued shares outstanding, no par value, as of December 31, 2003). The new shares began trading on the São Paulo Stock Exchange on March 22, 2004; (b) the split of our capital stock on December 9, 2004, in which we issued two new shares for each existing share; (c) the split of our capital stock on November 11, 2005, in which we issued one new share for each existing share; (d) the split of our capital stock on March 12, 2007, in which we issued one new share for each existing share; and (e) the split of one share for each two existing shares, which was approved by our shareholders on March 24, 2008.

(13) Preferred shares outstanding, no par value: (i) 1,534,900,221 authorized and issued at December 31, 2008; (ii) 1,009,336,926 authorized and issued at December 31, 2007; (iii) 500,811,468 authorized and issued at December 31, 2006; (iv) 489,938,838 authorized and issued at December 31, 2005; and (v) 236,081,796 authorized and issued on December 31, 2004. Data from 2004 to 2008 reflects (a) the reverse split of our shares at a 10,000:1 share ratio, which was approved by our shareholders on March 10, 2004 (as a result, we had 158,587,942 authorized and issued shares outstanding, no par value, as of December 31, 2003). The new shares began trading on the São Paulo Stock Exchange on March 22, 2004; (b) the split of our capital stock on December 9, 2004, in which we issued two new shares for each existing share; (c) the split of our capital stock on November 11, 2005, in which we issued one new share for each existing share; (d) the split of our capital stock on March 12, 2007, in which we issued one new share for each existing share; and (e) the split of one share for each two existing shares, which was approved by our shareholders on March 24, 2008.

(14) See Information on the Company Selected Statistical Information.

Preferred shareholders are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to our common shareholders.

Exchange Rate Information

From 2004 to 2007, the *real* appreciated against the U.S. dollar. During the first half of 2008, the *real* continued to appreciate against the U.S. dollar. In the second half of 2008, the *real* depreciated against the U.S. dollar, from R$1.5919 per U.S.$1.00 on June 30, 2008 to R$2.3130 per U.S.$1.00 on December 31, 2008. During the first five months of 2009, the *real* began to appreciate against the U.S. dollar, from R$2.3130 per U.S.$1.00 on December 31, 2008 to R$1.9730 on May 29, 2009. Under the current free convertibility exchange system, the *real* may undergo further depreciation or appreciation as compared with the U.S. dollar and other currencies.

The following table sets forth the period-end, average, high and low noon buying rate reported by the Federal Reserve Bank expressed in *reais* per US$1.00 for the periods and dates indicated:

Noon Buying Rate for U.S. dollars
R$ per US$1.00

Period	Period-End	Average (1)	High	Low
2004	R$2.6550	R$2.9131	R$3.2085	R$2.6510
2005	2.3340	2.4352	2.7755	2.1695
2006	2.1342	2.1774	2.3340	2.0900
2007	1.7790	1.9452	2.1342	1.7386
2008	2.3130	1.8267	2.3130	1.5660
December	2.3130	2.3954	2.6187	2.2905
2009				
January	2.3130	2.3079	2.3698	2.1895
February	2.3750	2.3230	2.3898	2.2375
March	2.3007	2.3161	2.4420	2.2371
April	2.1724	2.2027	2.2860	2.1617
May	R$1.9678	R$2.0689	R$2.1730	R$1.9678

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.
Source: Federal Reserve Bank of New York

On June 12, 2009, the noon buying rate reported by the Federal Reserve Bank of New York was R$1.9214 per US$1.00.

The following table sets forth the period-end, average, high and low selling rate 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)	High	Low
2004	R$2.6544	R$2.9150	R$3.2051	R$2.6544
2005	2.3407	2.4341	2.7621	2.1633
2006	2.1380	2.1812	2.3407	2.0892
2007	1.7713	1.9460	2.1380	1.7440
2008	2.3370	1.8824	2.4689	1.5666
December	2.3370	2.3944	2.5004	2.3370
2009				
January	2.3162	2.3074	2.3803	2.1889
February	2.3784	2.3127	2.3916	2.2446
March	2.3152	2.3138	2.4218	2.2375
April	2.1783	2.2059	2.8999	2.1699
May	R$1.9730	R$2.0609	R$2.1476	R$1.9730

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.
Source: Central Bank

Capitalization and Indebtedness

Not applicable.

Risk Factors

Risks relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, may have an adverse effect on our business, financial condition, results of operations and the market price of our preferred shares and ADSs.

The Brazilian government has frequently intervened in the economy and occasionally made significant changes in policy and regulations. The Brazilian government s actions to control inflation and implement other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price and salary controls, currency devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and the market price of our preferred shares and ADSs may be adversely affected by, among others, the following factors and Brazilian government s response to these factors, among others:

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- political, social or economic instability;
- monetary policies;
- tax policy and changes in tax regimes;
- exchange controls policies;
- fluctuations in exchange rates;
- inflation;
- interest rates;
- liquidity of domestic financial, capital and credit markets;
- our customers ability to meet their other obligations with us;
- decreases in wage and income levels;
- increases in unemployment rates; and
- other political, diplomatic, social or economic developments in, or affecting, Brazil.

Uncertainty as to whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility of the Brazilian securities market and securities issued abroad by Brazilian companies. Changes in policies and regulations may adversely affect our business, financial condition, results of operations and the market price of our preferred shares and ADSs.

Inflation and Brazilian government s measures to curb inflation may have an adverse effect on the Brazilian economy, the Brazilian securities market, our business, financial condition, results of operations and the market price of our preferred shares and ADSs.

Brazil has historically experienced extremely high rates of inflation. As measured by the *Índice Geral de Preços Disponibilidade Interna* (General Price Index Domestic Availability), or IGP-DI, a general price inflation index published by the Fundação Getúlio Vargas, or FGV, Brazil had annual rates of inflation of 12.1% in 2004, 1.4% in 2005, 3.8% in 2006, 7.9% in 2007 and 9.1% in 2008. Inflation, along with certain Brazilian government s measures to combat inflation and public speculation about possible future Brazilian government s measures, has had significant negative effects on the Brazilian economy, and has contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market.

These measures 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 *Sistema Especial de Liquidação e Custódia* rate (Special Clearing and Settlement System rate), which we call the SELIC rate, the base interest rate established by the *Comitê de Política Monetária* (Brazilian Committee for Monetary Policy), which we call COPOM, 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.

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Future Brazilian government actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* 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 price of our preferred shares and ADSs.

Exchange variations may have an adverse effect on the Brazilian economy, the Brazilian securities market, our business, financial condition, results of operations and the market price of our preferred shares and ADSs.

In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden depreciations, periodic mini-depreciations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual foreign exchange markets. From time to time, there have been significant fluctuations in the exchange rate between the *real* and the U.S. dollar and other currencies. For example, on June 30, 2008, the foreign exchange rate between the real and the U.S. dollar was R$1.5919 per US$1.00, an appreciation by approximately 11.3% as compared with December 31, 2007. In the second half of 2008, the *real* depreciated against the U.S. dollar and was R$2.3370 per U.S.$1.00 on December 31, 2008. As a result of Central Bank s response to the global financial crisis, the *real* began to appreciate against the U.S. dollar during the first five months of 2009, and on May 29, 2009 the foreign exchange rate between the real and the U.S. dollar was R$1.9730 per US$1.00.

A significant amount of our financial assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar. When the *real* depreciates, we may 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, as well as our customers demand for credit denominated in, or indexed to, foreign currency may decrease. Conversely, when the value of the *real* appreciates against foreign currencies, we may incur losses on our monetary assets denominated in, or indexed to, foreign currencies. Any of these developments may adversely affect our business, financial condition, results of operations and the market price of our preferred shares and ADSs.

Developments and the perception of risk in other countries, especially in the United States and in emerging market countries, may have an adverse effect on the market price of Brazilian securities, including our preferred shares and ADSs, and limit our ability to finance our operations.

The market price of securities of Brazilian companies is influenced to varying degrees by economic and market conditions in other countries, including the United States and 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 price of securities of Brazilian issuers. Crises in, or economic policies of, other countries may diminish investor interest in securities of Brazilian issuers, including ours, and may limit our ability to finance our operations.

The recent global financial crisis has had significant consequences worldwide, including in 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 have, and may continue to have, directly or indirectly, an adverse effect on our business, financial condition, results of operation, the market price of securities issued by Brazilian companies, including our preferred shares and ADSs, and our ability to finance our operations.

Risks relating to us and the Brazilian Banking and Insurance Industries

Changes in existing laws and regulations or the imposition of new laws and regulations may have an adverse effect on us.

We are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern certain aspects of our operations, including the following:

- minimum capital requirements;
- compulsory deposit/reserve requirements;
- funding restrictions;
- lending limits and other credit restrictions;
- solvency margins;
- minimum coverage;
- mandatory policy provisions; and
- accounting and statistical requirements;

The regulatory structure governing Brazilian financial institutions and insurance companies is continuously evolving. Amendment of existing laws and regulations, change in the manner laws and regulations are currently enforced or interpreted or adoption of new laws or regulations may have an adverse effect on our business and results of operations.

The Brazilian banking and insurance markets are highly competitive.

The banking and insurance markets in Brazil are highly competitive. We face significant competition, in the banking market, from other large Brazilian and international banks, both public and private, and, in the insurance market, from subsidiaries of financial institutions and companies affiliated with foreign insurance conglomerates.

The Brazilian banking market experienced a consolidation period in the 1990s, when a number of Brazilian banks were liquidated and several important state-owned and private banks were sold. Competition increased during this period as foreign banks, some with greater resources than we do, entered the Brazilian market through the acquisition of Brazilian financial institutions. The privatization of state-owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The opening of the Brazilian insurance market in June 1996 to foreign investment and a greater market consolidation in the last few years have increased competition. Multinational insurance conglomerates formed joint ventures with Brazilian insurance companies to enter the Brazilian insurance market. A significant portion of these insurance conglomerates has access to the international reinsurance market, which generally offers lower reinsurance rates than those available in the Brazilian reinsurance market. In addition, competition has intensified over the last years partly as a result of smaller insurance companies being merged into or acquired by competitors affiliated with Brazilian or multinational financial conglomerates with insurance or private pension business.

The increased competition, including by the acquisition of a bank or insurance company by our competitors, may have an adverse effect on us by, among other things, limiting our ability to increase our customers   base and to expand our operations, reducing our profit margins on banking, insurance and other services and products we offer, and increasing competition for investment opportunities.

Changes in reserve and compulsory deposit requirements may have an adverse effect on us.

The Central Bank has periodically changed the level of reserves and compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. For example, in December 2008, the Central Bank revoked and changed a number of compulsory deposit requirements in an attempt to reduce the impact of the global financial crisis. The Central Bank may increase the reserves and compulsory deposits requirements in the future or impose new reserve or compulsory deposit requirements. The compulsory deposits generally do not yield the same return as other investments and deposits because:

- a portion of compulsory deposits do not bear interest;
- a portion of compulsory deposits must be held in Brazilian federal government securities; and
- a portion of compulsory deposits must be used to finance government programs, including a federal housing program, rural sector subsidies and microcredit program.

Our compulsory deposits for demand deposits, savings deposits and time deposits were R$26.4 billion as of December 31, 2008. Any increase in the compulsory deposits requirements may reduce our ability to lend funds and make other investments and, as a result, may adversely affect us. For more detailed information on compulsory deposits, see Item 4. History and Development of the Company Banking Activity Deposit-taking Activities.

The interests of our controlling shareholders may conflict with your interests.

At December 31, 2008, Cidade de Deus - Companhia Comercial de Participações, which we call Cidade de Deus Participações, directly held 49% of our common shares, and Fundação Bradesco directly and indirectly held 50.34% of our common shares. As a result, these are controlling shareholders, who have power to elect our directors and officers and to determine the outcome of any action requiring shareholders approval, such as transactions with related parties, corporate reorganizations and timing and payment of dividends. In addition, under the Fundação Bradesco s bylaws, all of our directors, officers and departmental directors (who have been working at Grupo Bradesco for more than ten years), as well as all directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco. The board of trustees has no other members. For more information on our shareholders, see Item 7. Major Shareholders and Related Party Transactions Major Shareholders.

We may experience increases in our level of past due loans as our loan portfolio matures.

Our loan portfolio has grown substantially since 2004. Any corresponding rise in our level of past due loans may lag behind the rate of loan growth, as loans typically do not become due within a short period of time after their origination. From 2004 to 2008, our loan portfolio increased 175% and our level of past due loans increased by 225%. Rapid loan growth may also reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans, which may have an adverse effect on our business, financial condition and results of operations. In addition, if actual losses materially exceed our loan loss provisions, we could be adversely affected.

Losses on our investments in marketable securities may have an adverse effect on our results of operations.

Marketable securities represent a material portion of our assets, and realized investment gains and losses have had, and will continue to have, a significant impact on our results of operations. These gains and losses, which we record in our income statement when investments in securities are classified as trading, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and upon our investment policies. With securities classified as available for sale, unrealized gains and losses derived from mark-to-market are recorded as comprehensive income in shareholders equity until realization or other than temporary impairment has been identified, at which time the net gains (losses) are included in the income statement. We cannot predict the amount of realized gain or loss for any future period, and variations from period to period have no practical analytical value. 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.

If a ceiling on bank loan interest rates is enforced, it may have an adverse effect on our interest income and our ability to extend credit.

As promulgated in 1988, the Brazilian Constitution established a 12% per year ceiling on loan interest rates, including bank loan interest rates. This ceiling was not enforced, however, because the Brazilian Congress did not adopt the necessary implementing legislation. In May 2003, the relevant article was revoked pursuant to a constitutional amendment. Any significant changes in the restrictions on interest rates could have a substantial effect on our financial situation, results of operations and prospects.

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.

Our results of 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, 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 us.

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. Reasons for such deviation include that, since we record our loan loss provisions based on estimates of incurred losses, the allowance for loan losses might not be sufficient to cover losses; we might have 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.

The poor performance of our investment portfolio may adversely affect us.

Our results of operations depend largely on the returns on their investment portfolios to obtain a significant portion of their revenues and profits, which are subject to market risks and fluctuations. For example, investments in equity securities are subject to high levels of volatility, which may affect our ability to obtain proper investment returns, including possible losses on principal. We invest a significant portion of our assets in fixed income securities primarily issued by the Brazilian government, the yield of which varies in accordance with fluctuations in market interest rates. Interest rates are significantly affected by several factors, including governmental monetary policies, the political and economic environment both in Brazil and abroad and other factors beyond our control.

The occurrence of large and/or unexpected claims may force us to liquidate securities at an unfavorable time, which may result in capital losses. If we do not structure our investment portfolio so that it is appropriately matched with our insurance liabilities, we may be forced to liquidate investments prior to maturity at a significant loss in order to cover such liabilities. Large investment losses could significantly decrease our asset base and adversely affect our financial condition and results of operations, which in turn could impair our ability to underwrite new insurance policies. We cannot ensure that we will not experience a significant decline in investment yields, which may have an adverse effect on us.

We are jointly liable for claims of our clients 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 insured.

Our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative.

We have aggressively pursued the use of the Internet for banking and other services to our clients and expect to continue to do so. However, the market for our Internet products is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how fast, this market will grow. Moreover, if we fail to adapt effectively to growth and change in the Internet market and technology, our business, competitiveness, or results of operations could be materially affected.

The Internet may prove not to be a viable Brazilian commercial marketplace for a number of reasons, including a lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, or the lack of necessary development and commercialization of performance improvements.

To the extent that higher bandwidth Internet access becomes more widely available, we may be required to make significant changes to the design and content of our online network in order to compete effectively. Failure to effectively adapt to these or any other technological developments could adversely affect our business.

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. Each such derivatives transaction protects 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 adversely materially affect our future liquidity, our net income and therefore the value of the preferred shares and ADSs. For further information about our market risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk. In the past three years the ratio of our trading securities to our total assets, as measured at December 31 of each year, has been as high as 24.2% and could be greater in the future.

Risks Relating to the Preferred Shares and 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, 15 holders of our preferred shares, and therefore of our ADSs, are not entitled to vote at our shareholders meetings, except in limited circumstances. This means, among other things, that you, as a holder of ADSs, are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies.

In addition, in the limited circumstances where the preferred shareholders are able to vote, holders may exercise voting rights with respect to the preferred shares represented by ADSs only in accordance with the provisions of the deposit agreement relating to the ADSs. There are no provisions under Brazilian law or under our bylaws that limit ADS holders ability to exercise their voting rights through the depositary bank with respect to the underlying preferred shares. However, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, our preferred shareholders will either receive notice directly from us or through publication of notice in Brazilian newspapers and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreement, we will provide the notice to the depositary bank, which will in turn, as soon as practicable thereafter, mail to holders of ADSs the notice of such meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary bank how to vote the shares represented by their ADSs. Because of this extra procedural step involving the depositary bank, the process for exercising voting rights will take longer for ADS holders than for holders of preferred shares. ADSs for which the depositary bank does not receive timely voting instructions will not be voted at any meeting.

Except in limited circumstances, ADS holders are not able to exercise voting rights attaching to the ADSs.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the preferred shares underlying the 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 other countries, and these investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid and can be more volatile than the major securities markets, such as the United States. Although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so 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 in other countries. The ten largest companies in terms of market capitalization represented 55.4% of the aggregate market capitalization of the BOVESPA as of March 31, 2009.

The preferred shares and ADSs do not entitle you to a fixed or minimum dividend.

Holders of our preferred shares and 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 assigned to our common shares. Although under our current bylaws we are generally obligated to pay our shareholders at least 30% of our annual net adjusted income, our shareholders, acting at our annual shareholders meeting, have the discretion to suspend this mandatory distribution of dividends if the Board of Directors advises them that the 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 threaten the existence of the company as a going concern or would harm its normal course of operations.

As a holder of 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 the preferred 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, self-dealing and the preservation of shareholder interests may not be as regulated, and regulations may not be as enforced, in Brazil as in the United States, which could potentially disadvantage you as a holder of the preferred shares underlying ADSs. For example, when compared to Delaware general corporation law, Brazilian Corporate Law and practice have less detailed and well-established rules and judicial precedents relating to the review of management decisions against 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% of the outstanding share capital of a corporation to have standing to bring shareholders derivative suits, and shareholders in Brazilian companies ordinarily do not have standing to bring a class action.

It may be difficult to enforce civil liabilities against us or our directors and officers.

We are organized under the laws of Brazil, and all of our directors and 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 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 in any action based on civil liabilities under the U.S. federal securities laws.

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

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

You may be unable to exercise preemptive rights relating to the preferred shares.

You will not be able to exercise the preemptive rights relating to the preferred shares underlying your 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 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, 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 for preferred shares, you risk losing the ability to remit foreign currency abroad and Brazilian tax advantages.

Brazilian law requires that parties obtain registration with the Central Bank in order to be allowed to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the preferred shares will obtain the necessary registration with the Central Bank for the payment of dividends or other cash distributions relating to the preferred shares or upon the disposition of the preferred shares. If you exchange your ADSs for the underlying preferred 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 Central Bank and the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission), which we call CVM, rules, in order to obtain and remit U.S. dollars abroad upon the disposition of the preferred shares or distributions relating to the preferred 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 preferred shares. For more information, see Item 10. Additional Information ¯ 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 ability to receive dividends or distributions relating to the preferred shares or the return of your capital in a timely manner. The custodian s registration and any certificate of foreign capital registration you obtain may be affected by future legislative changes. Additional restrictions applicable to you, the disposition of the underlying preferred shares or the repatriation of the proceeds from disposition may be imposed in the future.

Item 4. Information on the Company.

History and Development of the Company

We are one of the largest private-sector banks (non-government-controlled) 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, small to mid-sized companies and major local and international corporations and institutions. We have the most extensive private-sector branch and service network in Brazil, which permits us to reach a diverse client base. Our services and products encompass banking operations such as lending and deposit-taking, credit card issuance, consortiums, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

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According to information published by the *Superintendência de Seguros Privados* (the Superintendency of Private Insurance, known as SUSEP) and by the *Agência Nacional de Saúde Suplementar* (the National Agency of Supplemental Health, known as ANS), we are the largest insurance, pension plan and *títulos de capitalização* group in Brazil on a consolidated basis in terms of insurance premiums, pension plan contributions and income from certificated savings plans. According to the annual publication of Fundacion Mapfre in Spain, Grupo Bradesco de Seguros e Previdência was the greatest insurance and pension plan group in Latin America in 2007. *Títulos de capitalização,* which we call certificated savings plans, is a type of savings account that is coupled with periodic drawings for prizes.

In 2008, 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., our insurance subsidiary, which we call Bradesco Seguros, together with its subsidiaries, in terms of insurance premiums, shareholders equity and technical reserves (SUSEP and ANS);

- Bradesco Vida e Previdência S.A., Bradesco Seguros subsidiary, which we call Bradesco Vida e Previdência, is the largest company in the market in terms of private pension plan contributions, life and personal accident insurance premiums, investment portfolios and technical provisions (SUSEP);

- Bradesco Capitalização S.A., Bradesco Seguros subsidiary, which we call Bradesco Capitalização, offers certificated savings plans. Bradesco Capitalização is the leading private company in the market in terms of revenue from the sale of certificated savings plans (SUSEP);

- Bradesco Auto/RE Companhia de Seguros S.A., Bradesco Seguros subsidiary, which we call Bradesco Auto/RE, offers automobile insurance, basic lines and liability products;

- Bradesco Saúde S.A., Bradesco Seguros subsidiary, which we call Bradesco Saúde, offers health insurance coverage, including medical and hospital expenses. Bradesco Saúde has one of the largest networks of healthcare service providers and is the leader in the health insurance market (ANS); and

- Bradesco Dental S.A., Bradesco Seguros subsidiary, which we call Bradesco Dental, offers dental insurance. It is one of the leading insurance companies operating in the dental insurance segment in terms of dental insurance policies (*Agência Nacional de Saúde Suplementar*, a Brazilian regulator of private insurers known as ANS), and is backed by the largest insurance conglomerate in Latin America (Fundación Mapfre, 2007) with over 15 years of experience in the area;

Bradesco Leasing S.A. Arrendamento Mercantil, which we call Bradesco Leasing, in terms of the present value of leasing accounts (*Associação Brasileira das Empresas de Leasing* (Brazilian Association of Leasing Companies), known as ABEL);

Bradesco Administradora de Consórcios Ltda., which we call Bradesco Consórcios, in terms of the total number of outstanding consortium shares (Central Bank); and

Banco Finasa BMC S.A., which we call Banco Finasa BMC, in terms of automobile financing loans (Central Bank).

We are also one of the leaders among private-sector financial institutions in third-party resource management and in underwriting debt securities, according to information published by *Associação Nacional de Bancos de Investimento* (the National Association of Investment Banks, known as ANBID).

For information on other private-sector and public-sector (government-controlled) financial institutions in Brazil, see Regulation and Supervision Principal Financial Institutions.

As of December 31, 2008, we had, on a consolidated basis:

- R$435.3 billion in total assets;
- R$174.8 billion in total loans;
- R$164.5 billion in total deposits;
- R$36.9 billion in shareholders equity;
- R$63.8 billion in insurance claim technical reserves, pension plans, certificated savings plans and pension investment contract operations;
- R$27.5 billion in foreign trading financing;
- 23 million insurance policyholders;
- 20.1 million checking account holders;
- 35.8 million savings accounts;
- 2.5 million of certificated savings plan holders;
- 1,204 of Brazilian and multinational groups of affiliated companies in Brazil as corporate customers;
- a daily average of 14.1 million daily transactions, including 2.3 million in our 3,359 branches and 11.8 million through self-service outlets, mainly Automatic Teller Machines, which we call ATMs, the Internet, *Fone Fácil* and Bradesco Celular;
- a nationwide network consisting of 3,359 branches, 29,218 ATMs and 3,738 special banking service posts and outlets located on the premises of selected corporate clients, as well as 5,306 *Banco24Horas* ATMs that allow our customers to use their debit cards to access both their checking and savings accounts to withdraw funds, obtain statements and consult account balances; and
- a total of five branches and seven subsidiaries located in New York, London, the Cayman Islands, the Bahamas, Japan, Argentina, Luxembourg and Hong Kong.

Although our client base includes individuals of all income levels as well as large, midsized and small businesses, the lower to middle income citizens of Brazil have traditionally formed the backbone of our clientele. Since the 1960s, we have been a leader in this retail banking market in Brazil. This segment still has great potential for development and provides us with higher margins than other segments, such as corporate credit operations and securities trading, where we face greater price competition.

Our large banking network allows us to be closer to our customers, which, in turn, permits our managers to have personal and direct knowledge about our customers, economically active regions and other conditions relevant to our business. This knowledge helps us in assessing and limiting credit risks in credit operations, among other risks, as well as in servicing the particular needs of our clients. Approximately 14.1 million transactions are executed through our Bradesco network every day.

4B. Business Overview

We organize our operations into two main areas: (i) banking services; and (ii) insurance services, pension plans and certificated savings plans. See note 26 to our consolidated financial statements in Item 18 for additional segment information. The following diagram provides summary information for our two business areas at and for the year ended December 31, 2008, by segment.

As of December 31, 2008, according to the sources cited in parentheses below, we were:

- the leader among private-sector banks in savings deposits, with 18.0% of all savings accounts in Brazil and R$37.8 billion on deposit (Central Bank);

- the largest provider of insurance and private pension plans, with R$21.7 billion in net premiums written and revenues from private pension plans (SUSEP);

- the leader among the largest on-lender banks in BNDES loans targeting micro-, small- and medium-sized companies for the 6th consecutive year (BNDES), with 45.6% of total loans we disbursed to micro-, small- and medium-sized companies and having a presence in 91.6% of operations targeted at micro, small and medium-sized companies and at individuals;

- one of the leaders in Brazilian leasing operations, with R$20.5 billion outstanding (ABEL);

- one of the leaders in the placement of debt instruments in Brazil, during 2008 (ANBID);

- one of the largest private-sector fund and portfolio administrators and managers in Brazil, with R$187.2 billion in total third-party assets under administration and management, representing over 15% of the total Brazilian market (ANBID);

- one of the largest credit card issuers in Brazil, with 20.4 million credit cards (Visa, American Express and MasterCard and 13.3 million private label cards) and a credit cards revenue of R$39.7 billion and R$4.5 billion in private label cards (Bradesco, Fidelity National Information Services, Inc., which we call Fidelity National, Leader S.A. Administradora de Cartões de Crédito, which we call Leader Card, American Express, Deib Otoch S.A., which we call Lojas Esplanada, Lojas Colombo S.A. Comércio de Utilidades Domésticas, which we call Lojas Colombo, and GBarbosa Comercial Ltda., which we call GBarbosa);

- one of the largest debit card issuers in Brazil, with 48.0 million debit cards issued, and income of R$21.2 billion from our debit card business (VISA);

- the leader in bank collection services in Brazil, with a market share of 30.1% (Central Bank);

- the leader in marketing of quotas of consortia in the following three segments: real estate with 139,841 quotas, automobile with 183,840 quotas and trucks and tractors with 22,288 quotas (Central Bank);

- one of the leaders in car loan customer financing with a market share of 23.2% (Central Bank); and

- the leader among private-sector banks in benefit payments under the *Instituto Nacional do Seguro Social* (the National Social Security Institute), known as INSS, social security program, having service payments to more than 5.104 million retirees, beneficiaries and pensioners of the INSS, accounting for 19.6% of the total number of INSS beneficiaries (INSS).

The following table summarizes our gross revenues by business area for the periods indicated.

The sum of the segments shown in the table below may not correspond to the amounts shown on a consolidated basis, as they do not take into account immaterial activities or inter-segment transactions.

	For the Years Ended December 31,		
	2006	**2007**	**2008**
		(R$ in millions)	
Banking:			
Loan operations:			
Housing loans	R$217	R$323	R$528
Agriculture-related loans	690	862	1,014
Leasing	653	908	2,393
Other loans[1]	19,417	20,515	29,727
Total	**20,977**	**22,608**	**33,662**
Fees and commissions:			
Asset management fees	617	743	758
Collection fees	751	859	959
Credit card fees	929	1,273	1,696
Fees charged on checking account services	1,879	2,108	1,794
Fees for receipt of taxes	237	237	219
Financial guarantees	290	321	387
Interbank fees	143	197	330
Consortium administration	202	256	318
Other services	702	1,000	1,422
Total	**5,750**	**6,994**	**7,883**
Insurance and pension plans:[2]			
Insurance premiums:			

Health	3,918	4,246	5,259
Life and accident	1,779	1,822	2,799
Automobile, property and liability	2,424	2,775	2,905
Total	**8,121**	**8,843**	**10,963**
Pension plan income	**R$791**	**R$555**	**R$710**

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

(2) This does not include private pension investment contracts. See Insurance, Pension Plans and Certificated Savings Plans.

We do not break down our revenues by geographic market within Brazil, and less than 10.0% of our revenues come from international operations. For more information on our international operations, see Item 4. Information on the Company 4B. Business Overview Banking Activity International Banking. For a discussion of our principal capital expenditures from 2006 through 2008, see Item 5. Operating and Financial Review and Prospects Capital Expenditures.

The following is a simplified chart of our principal material subsidiaries in the financial and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2008 all of which are consolidated in our financial statements in Item 18. With the exception of Banco Bradesco Argentina, which is incorporated in Argentina, all of these material subsidiaries are incorporated in Brazil. For more information regarding the consolidation of our material subsidiaries, see note 1(a) to our consolidated financial statements in Item 18.

History

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 commercial bank in Brazil by the end of the 1960s. We expanded our activities nationwide during the 1970s, entering into urban and rural Brazilian markets. 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.

Recent Events

Our subsidiary, Columbus Holdings, S.A., along with BB Banco de Investimento S.A., Banco Santander (Brasil) S.A., Santander Investimentos em Participacões S.A., Visa International Service Association and certain other shareholders are offering a total of 477,674,330 common shares (representing 35% of the capital stock) of Companhia Brasileira de Meios de Pagamento, or VisaNet to: (i) the public in Brazil pursuant to an offering registered in Brazil; (ii) qualified institutional buyers in the United States, as defined in Rule 144A, pursuant to exemptions from registration under the Securities Act and the rules thereunder; and (iii) non-U.S. institutional investors and other investors outside the United States and Brazil in accordance with Regulation S under the Securities Act. Banco Bradesco BBI S.A. is one of the underwriters, global coordinators and bookrunners of the transaction. Bradesco Securties Inc. will act as agent on behalf of Banco Bradesco BBI S.A. for securities placed outside Brazil.

In addition, Banco Bradesco BBI S.A. has an option, exercisable by joint decision of the underwriters, to place up to an additional 71,651,149 common shares of VisaNet to cover over-allotments. The selling shareholders have the right, in a joint decision with the underwriters, to sell an aggregate of additional common shares representing up to 20% of VisaNet s common shares initially offered.

The offer was priced on June 25, 2009. It is expected that VisaNet s common shares will be delivered on or about the third business day after the date of the final offering memorandum.

Recent Acquisitions

In April 2009, we acquired through Bradesco Seguros 20% of the voting capital and total capital stock of Integritas, a holding company of Grupo Fleury, for R$342 million. Grupo Fleury, which has operated for the past 83 years, is one of Brazil s most renown and respected medical and health organizations. It provides diagnosis, clinical treatment and medical analyses services, and is a benchmark in complex medical tests for nearly 1,500 clinical laboratories and hospitals.

In July 2009, we entered into an agreement to acquire Banco ibi, ibi Corretora de Seguros Ltda., ibi Promotora de Vendas Ltda. and ibi Participações Ltda., for a total of R$1.4 billion, to be paid to the former controlling shareholders in shares representing approximately 1.6% of our capital stock. Banco ibi is among the main credit card issuers in Brazil, both in the private label segment as well as of branded cards, and its acquisition will substantially strengthen our position in both markets. On December 31, 2008, ibi companies posted shareholders equity of R$928 million, total assets of R$5.6 billion and 303 points of sale in C&A and Ibi stores. The transaction is still subject to approval by the Central Bank. Once approved, we will enter into a partnership agreement with C&A Modas Ltda., a leader in the fashion and clothing markets, under which Bradesco will offer its products and financial services at C&A stores, for 20 years.

In March 2008, Banco Bradesco BBI S.A., which we call BBI, entered into an agreement with the shareholders of Ágora CTVM S.A., which we call Ágora Corretora Holdings, to acquire 100% of the total capital stock of Ágora Corretora for R$908 million. With the closing of the transaction, which occurred in September 2008 upon receipt of Central Bank approval, the Ágora Corretora shareholders received as compensation shares representing 7.8% of the capital stock of BBI. Ágora Corretora became BBI s wholly owned subsidiary. In November and December 2008, we repurchased 6.5% of BBI shares held by Ágora s former shareholders.

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In January 2008, we entered into an agreement with Marsh Corretora de Seguros Ltda. to acquire 100% of the total capital stock of Mediservice Administradora de Planos de Saúde Ltda., which we call Mediservice, for R$84.9 million. Mediservice has been operating for 20 years in Brazil. It has offices located in the cities of São Paulo, Rio de Janeiro and Salvador, and serves approximately 300,000 patients. It has a network of nearly 30,000 accredited physicians, as well as dentists, laboratories, diagnosis centers, clinics, hospitals and emergency services. This acquisition expands the client portfolio of Grupo Bradesco Seguros e Previdência and reinforces its positioning in the market of health group plan operators. ANS approved the transaction in February 2008.

Acquisitions from 2006 to 2007

In January 2007, we entered into an agreement with the shareholders of Banco BMC S.A., which we call BMC, to acquire 100% of the total capital stock of BMC, and, accordingly, its controlled companies BMC Asset Management Ltda. Distribuidora de Títulos e Valores Mobiliários, BMC Previdência Privada S.A. and Credicerto Promotora de Vendas Ltda. BMC is one of the largest private banks in the paycheck deductible loan market for beneficiaries and pensioners of INSS, with a network of approximately 7,000 agents and 749 banking correspondents. In accordance with the terms of this agreement, in August 2007 we delivered 9,299,618 of our common shares and 9,299,514 of our preferred shares to BMC shareholders for their BMC shares, which amounted to R$790 million. This transaction was closed in August 2007, upon receipt of Central Bank approval over the transaction.

In May 2006, we entered into an agreement with Bradespar S.A., which we call Bradespar, to acquire 100% of the total capital stock of Bradesplan Participações S.A., which we call Bradesplan, for R$308.0 million. Bradesplan is a holding company that holds equity interests of non-financial companies of the Bradesco Group.

In March 2006, we entered into an agreement with the controlling shareholders of American Express Company to acquire 100% of the total capital stock of its Brazilian subsidiaries that operate credit card and related businesses, such as insurance brokerage, business travel, retail foreign exchange services and direct consumer financing operations. According to this agreement, we have the exclusive right to issue credit and debit cards for individuals and corporate clients of American Express Centurion in Brazil during a ten-year period. This transaction closed in June 2006 upon payment in cash of US$468 million, equivalent to R$1.0 billion, and receipt of Central Bank approval.

In March 2006, we entered into an agreement with Lojas Colombo to acquire 50% of the total capital stock of Josema Administração e Participações S.A., parent company of Credifar S.A., Crédito, Financiamento e Investimento, which we call Credifar. Credifar distributes financial products and services to the clients of Lojas Colombo, the third largest retail chain of electrical and electronic appliances and furniture in Brazil, with 365 stores in the States of Rio Grande do Sul, Santa Catarina, Paraná, São Paulo and Minas Gerais. Lojas Colombo has being acting as a banking correspondent of ours since August 2004, with more than 2 million active clients. This transaction closed in May 2007 upon receipt of Central Bank approval.

Banco Postal

We offer our products and services throughout Brazil, together with *Empresa Brasileira de Correios e Telégrafos* (the government owned postal company), which we call Postal Service, through correspondent offices operating under the trademark Banco Postal, which we call Postal Bank.

Through our service contract dated September 2001 with the Postal Service, we have exclusive rights to offer services at a number of locations, some of which we own and others which we rent from the Postal Service and which we refer to as correspondent offices .

Delivery of services started in March 2002, when we opened the first Postal Bank branch in the State of Minas Gerais. As of December 31, 2008 we had 5,946 open correspondent offices in over 5,000 Brazilian municipalities, which processed on average more than 33 million monthly transactions or 1.5 million daily transactions.

More than 1,700 out of 5,946 correspondent offices were set up in new markets, bringing services, either directly or indirectly, to millions of people for whom financial services were previously either inaccessible or difficult to obtain.

The Postal Bank offers basic services, mainly addressed to the low-income segments of the financial population, and include:

- submission of proposals for new accounts;
- submission of proposals for loans, financing and credit cards;
- withdrawals from checking and savings accounts, and benefit payments under the INSS social security program;
- deposits in checking and savings accounts;
- consultation of balances of checking and savings accounts, and benefit payments under the INSS social security program;
- receipt of bank payment slips;
- processing utilities bills payments;
- processing municipal, state and federal taxes payments; and
- licensing of vehicles.

Bradesco Expresso

In addition to Postal Bank services performed at correspondent offices, we have also opened outlets under the trademark Bradesco Expresso located on the premises of selected corporate clients, including retail networks, supermarkets, drug stores and bakeries, to provide our clients with greater access to banking correspondent services. Bradesco Expresso processes bills and bank collection invoices for our clients at their offices, as well as offering withdrawals from checking and savings accounts and pension payments.

On December 31, 2008, the Bradesco Expresso network totaled 16,061 outlets averaging more than 22 million monthly transactions or 1.0 million daily transactions.

Store owners benefit directly from Bradesco Expresso through remuneration received in connection with the Bradesco Expresso units placed in their stores, and also benefit indirectly from the increased flow of people, which may increase both sales and client loyalty.

Other Strategic Alliances

In March 2006, we entered into a joint venture agreement with Fidelity National and Banco ABN AMRO Real S.A., which we call Banco Real, for the rendering of card processing services through a newly formed company called Fidelity Processadora e Serviços S.A., which we call Fidelity. Fidelity provides all card processing services (including credit, multiple, debit, benefit and private label cards), such as authorization, processing and settlement of transactions (including data exchange and other procedures for authorization of transactions, database marketing and credit analysis) as well as maintenance, printing (including tailor-made cards), mailing of invoices and other correspondences, call center, billing services and fraud prevention. Fidelity has been rendering services to our clients, Banco Real s clients, and other card issuers since April 2006. Fidelity is one of the largest providers of credit card processing services in Brazil after the transfer of ours and Banco Real s credit card accounts to them.

In May 2006, we and GBarbosa, the fourth largest supermarket retailer in Brazil, entered into an agreement for the issuance and administration of its private label credit card called Credi Hiper, and the provision of financial services and products to Gbarbosa s clients. There are currently more than 1.3 million Credi Hiper cards issued.

In July 2006, we and Coop Cooperativa de Consumo, the largest consumption cooperative in the supermarket sector of Latin America, entered into an agreement to regulate the issuance and management of its private label cards and provide financial products and services to its clients.

In September 2006, we and Dimed S.A. Distribuidora de Medicamentos, the leading pharmaceutical company in the State of Rio Grande do Sul, entered into an agreement to regulate the issuance and management of its private label cards.

In June 2007, we sold 676,009 of our shares in Serasa S.A., which we call Serasa, to Experian Brasil Aquisições Ltda., a subsidiary of Experian Solutions Inc. Serasa is leader in credit analysis and information services and products and Experian is world leader in analytical and information services to organizations and consumers. Despite this sale, we maintained the right to appoint a member for the board of directors of Serasa. As a result of this sale, we currently hold 8.3% of the Serasa s capital stock.

In October 2007, we entered into a partnership agreement with Banco de Chile to jointly develop investment products and offer new business opportunities and synergy gains through BRAM Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários, our asset management company, which we call BRAM, and Banchile Administradora General de Fondos S.A., Banco de Chile s asset management company.

Our brokerage house in London, Bradesco Securities UK, Ltd., which we call Bradesco Securities UK, started up its activities in March 2008. Bradesco Securities UK acts as an intermediary in transactions involving Brazilian fixed and variable bonds between Brazilian companies and European and global institutional investors, and is mainly focused on the intermediation in purchases and sales of shares at NYSE, NASDAQ and BM&FBovespa environments, the distribution of research reports and prospectuses and offering memoranda, presentations to European and global investors and other investment banking activities.

We entered into a partnership agreement with Banco Bilbao Viscaya Argentaria S.A. (BBVA) in May 2008, with BES in October 2008, and with JPMorgan Chase Bank, N.A. in November 2008 to expand the offer of cash management solutions to customers of these institutions. These partnerships are an important step toward expanding our business with multinational corporations with treasuries centralized in Brazil.

In August 2008, we entered into an operational agreement with The Bank of Tokyo-Mitsubishi UFJ to manage investment funds through BRAM. In November 2008, BRAM launched the Bradesco Brazil Saiken Fund, a fixed-income investment fund aimed at Japanese retail investors who are investing in Brazil. It is the first fund established in a partnership with Mitsubishi UFJ Asset Management, an affiliate of The Bank of Tokyo-Mitsubishi UFJ. On December 31, 2008, the fund s net asset value reached R$411 million.

In August, we became the first Latin American bank to be a part of the Connector Network, an international alliance of banks that aids multinational companies with cash management services. The Connector Network is composed of 13 financial institutions in 30 different countries and around 20,000 agencies worldwide. This partnership allows our corporate clients to use cash management services in the 30 countries where the Connector Network institutions operate.

Insurance and Other Operations

We acquired control of Bradesco Seguros, previously Atlântica Companhia Nacional de Seguros, in 1983. Between 1983 and 2004, Bradesco Seguros acquired interest in ten other entities and currently maintains six subsidiaries to comply with regulatory requirements. These acquisitions have enabled Bradesco Seguros to develop into one of the leading insurers in Brazil.

In March 2005, Bradesco Seguros became our wholly owned subsidiary upon our acquisition of all the shares held by the minority shareholders of the company, for a total aggregate amount of R$12.0 million.

Contact Information

We are a *sociedade anônima* organized under the laws of Brazil. Our head offices are located at Cidade de Deus, Vila Yara, 06029-900, Osasco, SP, Brazil, and our telephone number at our head office is (55-11) 3684-5376. Our New York Branch is located at 450 Park Avenue, 13th floor, New York, New York 10022-2605.

Business Strategy

We believe that the Brazilian financial system has been able to weather the sudden downturn in the world s economy beginning in the second half of 2008 and the challenges the financial crisis presented to the liquidity of large financial institutions. We expect that the expansion of the Brazilian economy could gradually resume as a result of a significant increase in the purchasing power of certain income segments of the Brazilian population, mainly low- and medium-income population as well as an increase in private investments. This would lead to a sustained expansion of demand for financial services and insurance in the upcoming years and that, in the long-term, the Brazilian financial system may be strengthened as a result of the present world economic crisis.

Our main objective is to remain focused on the domestic market and, taking advantage of our market position as one of the largest private banks in Brazil. Due to our position, we can expand our profitability, maximize our shareholders value and generate a higher rate of return than other Brazilian financial institutions.

Our strategy to achieve these goals is focused not only on continuing to expand our client base but also on consolidating our position as a complete bank (*i.e.* by offering our clients a complete portfolio of financial products) being the first bank to each of our clients (*i.e.* by being their first option for meeting their financial needs). We are increasingly segmenting our products and services as we allocate our resources and talents to provide our clients with products and services that are tailored to meet their needs. We believe that our concern with our client s financial profile and our respect for their individuality results in a broader satisfaction and loyalty. The segmentation of our financial services has also allowed us to better absorb and take greater advantage of the integration of institutions we have acquired over the past years.

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We have the largest and, we believe, the best network of distribution channels among Brazilian private banks. This network includes our branches, banking posts and outlets, ATMs, Postal Bank services and other third parties channels. The growth of these channels was spurred mainly by our union with large retailers as our banking correspondents. We also have more than 63,000 physical banking posts and outlets. We have a well-distributed and extensive branch network, which optimizes our clients access to our products and services and allows us to fully compete in the retail banking market. We intend to continue expanding and refining our branch network to provide more and better mass products and services to our clients, in order to meet a growing demand for credit and insurance in the Brazilian market.

We are also focused on expanding our wholesale operations in all aspects, especially our corporate and private banking services. The economic scenario in Brazil has significantly improved the performance of small and medium-sized companies, a market in which we believe we are well positioned to increase our market share.

In addition, since 2006, we have been paying particular attention to our investment banking operated by BBI. We will continue to maintain and hire professionals for our highly qualified investment banking team, and we plan to make full use of our solid relationship with our corporate clients and high-income individuals to develop our investment banking activities.

We also intend to intensify our entrance in segments on which we were traditionally less focused, such as securities brokerage services. We intend to take advantage of the significant growth in the Brazilian securities market over the past years and our recent acquisition of Brazil s largest brokerage company, Ágora Corretora, in order to become one of the leaders in the brokerage market.

We believe that our insurance segment has a high potential of growth, due to the low participation of the Brazilian insurance industry in its GDP. Increase in the average income of the Brazilian population has led to millions of new policyholders. We intend to capture new customers demanding insurance products and to consolidate our leadership in different insurance lines.

We are also structuring ourselves to increase our scale and operational efficiency gains by segmenting our line of insurance products through the creation of specialized insurance companies in each specific insurance field. This approach allows us to avoid crossing revenues or expenses among each insurance segment as we maintain complete control over the performance of each line of products. We believe that we can benefit from this structure by maximizing insurance product sales, which essentially have a high margin contribution, creating access to independent brokers.

Additionally, in each of our business segments, we strive to be recognized by our clients as leaders in performance and efficiency. We closely monitor and continually seek to improve our level of operational efficiency.

We understand that the success of a financial sector company depends not only on the number of clients it has but also on highly capable, well-trained and dedicated personnel with strict work and ethical standards. Qualification, promotion and the creation of a culture of solidarity at work are keys to improving the business, creating a cooperative and friendly environment where our employees can develop long-lasting careers. In 2008, we were once again chosen in an employee survey by the Guia Você S/A Exame publication as one of the best companies to work for in Brazil.

Our key philosophy is the management of our business in accordance with the highest ethical standards. Beyond creating shareholders value, our strategy is also guided and focused on achieving the best market practices of corporate governance and the understanding that we play an important role in our society.

The key elements of our business strategy are to:

- expand through organic growth;

- work based on the Bank-Insurance Model, in order to maintain our profitability and consolidate our leadership in the insurance sector;
- increase revenues, profitability and shareholder value by strengthening our loan and financing operations, our core business, and expanding new products and services;
- maintain our commitment to technological innovation;
- build profitability and shareholder return through a continued improvement of the efficiency index;
- maintenance of acceptable risk levels in our operations; and
- expand through strategic alliances and selective acquisitions when advantageous.

Expand through organic growth

Despite the world economic crisis, which began in the second half of 2008, we expect the Brazilina economy to recuperate and continue to grow. The Brazilian economy has been growing on a sustained basis over the 2004-2008 period and has produced strategic opportunities for growth in the financial and insurance industries, mainly due to increases in business volume of segments in which we are particularly well positioned. We plan to continue to take advantage of this growth to increase our revenue, build profitability and maximize shareholder value by:

- capitalizing on the opportunity in the Brazilian market to capture new customers, mainly from the low- and middle-income brackets, whose financial and credit needs have not yet been served, while maintaining and strengthening our position in the competition for the small group of clients in upper income brackets;
- expanding our financial services distribution channels by creatively developing new mass products and utilizing third-party channels, such as, for example, in the expansion of our offers for credit card, financial products and services, and insurance in large retail stores by means of partnerships with retail chains, the Postal Bank and other third parties;
- taking advantage of our existing distribution channels, including our traditional branch network and other means of distribution to identify demand for new products and expanding demand for traditional products, such as long-term financing and particularly real estate credit, which are in renewed demand due to the stability of the Brazilian economy and interest rates;
- using our client base to offer our products and services more widely and to increase the average number of products used per checking account from 4.7 products as of December 2008, to an average of 5.0 products per checking account by December 2009;
- using our branch-based systems aimed at assessing and monitoring our clients use of our products so as to channel them to the proper selling, delivery and trading platforms; and
- developing products tailored to profiles and needs of both our existing and potential segment of clients.

Build on the bank-insurance model to maintain profitability and consolidate leadership in the insurance sector.

Our goal is to have our customers look to us first for all of their banking, insurance and pension needs. We believe that we are in a good position to capitalize on the synergies among our banking, insurance, pension and other financial activities. These products are offered throughout Brazil through our banking distribution network, Internet distribution services and new and creative distribution channels. We also have specific distribution channels for the offering of these products that rely on our 27,774 insurance brokers and 8,295 brokers for life insurance products, pension products and VGBL. We continuously assist and encourage our brokers and dealers to improve services to our clients.

At the same time, we are looking to increase the profitability of our insurance and pension plan businesses by using our profitability measures, instead of the volume of premiums underwritten or amounts deposited, as follows:

- managing our insurance portfolio and reserves;

- aggressively marketing our products and services; and

- maintaining acceptable levels of risk in our operations through a strategy of:

  - prioritizing insurance underwriting opportunities according to the risk spread , which is the difference between the expected income under an insurance contract and the actuarially determined amount of claims likely to be paid under that same contract;

  - entering into hedging transactions, so as to avoid mismatches between the actual rate of inflation and provisions for interest rate and inflation adjustments in long-term contracts; and

  - use reinsurance agreements with well-known reinsurers, and taking advantage of the new reality of the Brazilian reinsurance market.

Increase revenues, profitability and shareholder value by strengthening our loan operations and financing, our main activity, and expanding our new products and services.

Our strategy to increase revenues and profitability of our banking operations is focused on:

- building our traditional deposit-taking and loan and financing operations by improving the quality of the portfolio, through risk mitigation plans and improving the delinquency risk pricing models, ensuring appropriate provisions for expected losses in loan operations and better results in credit granting, following up on, and recovering operations;

- continuing to build our corporate and individual client base by offering services tailored to meet specific clients profiles and needs;

- focusing aggressively on fee-based services, such as bill collection and payment processing;

- expanding our financial services and products that are distributed outside of the conventional branch environment, such as our credit card businesses, in order to capitalize on changes in consumer behavior in the consumption of financial services;

- expanding our asset management revenues; and

- continuing to build our base of high-income clients by offering a wide range of personalized products and services.

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Maintain our commitment to technological innovation

The development of efficient means of reaching customers and processing transactions safely and on a continued basis is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth.

We have been pioneers in our field for more than six decades by creating efficient strategies and positive impacts to anticipate future challenges. Amongst these strategies, our use of cutting-edge technology stands out as a central pillar of the Bradesco Organization s strategy for sustainability, business generation and easy client access to innovative and safe services.

We are among the Brazilian companies that most invest in research and development in the field of banking. Therefore, with the goals of further strengthening the Bradesco Organization s IT environment to prepare it for the decades to come and of increasing public perception of our technological resources and best practices, we have invested in a major strategic program titled IT Improvements, which touches upon five macro-areas of the IT chain (processes, applications, operational environments, technologies and infrastructure).

We believe that technology offers unparalleled opportunities to reach our customers in a cost-efficient manner. We are committed to being at the forefront of the bank automation process by creating opportunities for the Brazilian public to reach us through the Internet and wireless networks, including mobile telecommunication networks. We expect to continue to increase the number of clients and transactions handled over the Internet and wireless networks through techniques, such as:

- expanding our mobile banking service, Bradesco Mobile Banking, which allows customers to conduct their banking business with compatible cellular handsets; and
- providing Pocket Internet Banking for hand-held devices and personal digital assistants or PDAs, including cellular phones that allow our clients to check their savings and checking account information, review recent credit card transactions, make payments, transfer funds and obtain information relating to our services.

Build profitability and shareholder return through the constant improvement of our operating efficiency index

We intend to improve on our levels of operating efficiency by:

- maintaining austerity as the basis of our cost control policy;
- continuously revising internal processes to reduce resource consumption and contribute to our policy of corporate sustainability;
- consolidating the synergies created by our recent acquisitions;
- continuing to reduce our operational costs through investments in technology that will minimize these costs on a per-transaction basis, emphasizing our existing automated channels of distribution, including our telephone, Internet, ATMs; and
- continuing to merge the institutions that we acquire in the future into our existing system in order to eliminate redundancies and potential inefficiencies and improve our gains on scale.

Maintain acceptable risk levels in our operations

We approach the management of risks inherent in our activities in an integrated manner, a process within our internal controls and compliance structure called "Risk Management Process." This process allows the continuous improvement of our models for risk management and minimizes the existence of loopholes undermining their correct identification and assessment. The process provides a centralized and permanent method for identifying, measuring, controlling, monitoring and mitigating our credit, market, liquidity and operational risks.

The existence of our integrated risk management and capital allocation committee, a statutory-level committee, guarantees the uniqueness of our risk management process. The committee s assignment is to advise the board of directors in the adoption of institutional policies, operational guidelines and the establishment of limits for exposure to risks within our consolidated financial statements.

In addition, we have three executive committees charged with topics related to credit risk, market and liquidity risk and operational risk, and which, amongst other responsibilities, are charged with suggesting limits of tolerance to their respective risks and the design of risk mitigation plans for submission to the integrated risk management and capital allocation committee.

Finally, we have an independent department dedicated exclusively to global risk management and internal control, the risk management and compliance department, or DGRC, which implements and continuously accompanies the directives and processes formulated by our higher-level committees.

Our internal risk management processes and groups, on par with the best international practices, assure the maintenance of our operational risks at adequate levels and the efficient allocation of our capital, permitting us to obtain competitive advantages.

Expansion of advantageous strategic alliances and selective acquisitions

We understand that in the coming years, most of Brazilian financial institutions will rely on organic growth. We also believe that growth opportunities will be restricted to the acquisition of smaller institutions. However, there are still some financial institutions in newer segments, such as consumer financing, credit cards and investment banking that could possibly be acquired. Therefore, we evaluate potential strategic alliances and consolidation opportunities, including proposed privatizations and acquisitions, as well as other methods that offer potential opportunities either to increase our market share or to improve our efficiency and results. In addition to focusing on value and asset quality, we consider the potential operating synergies, opportunities for cross-selling, acquisition of know-how and other advantages of a potential alliance or acquisitions.

Banking Activity

We offer a range of banking products and services, including:

- deposit-taking operations, such as checking accounts, savings accounts and time deposits;
- lending operations, including consumer lending, housing loans, industrial and agricultural loans and leasing;
- credit and debit card services;
- payment processing and collection;
- capital markets services, including underwriting and financial advisory services as well as brokerage and trading activities;

- international banking; and
- asset management services.

Our diverse client base 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 built our corporate department to serve our corporate clients with annual revenues of R$350 million or more, and our private banking department to serve our individual clients with minimum net assets of R$2 million. In 2002, we created *Bradesco Empresas* (Bradesco Companies), responsible for corporate clients that have an annual income of between R$30 and R$350 million, with the goal of expanding our business in the middle corporate market sector. In May 2003, we launched Bradesco Prime, a new division of Bradesco offering services to individual clients who either have a monthly income of at least R$6,000 or have R$70,000 available for immediate investment. Bradesco Varejo (Bradesco Retail) is our division responsible for the corporate clients that have an annual income lower than R$30 million and the individual clients that have a monthly income lower than R$6,000.

The following diagram shows the breakdown of our banking activities as of December 31, 2008:

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

The sum of the segments shown in the table below may not correspond to the amounts shown on a consolidated basis, as they do not take into account immaterial activities or inter-segment transactions.

	Year ended December 31,		
	2006	**2007**	**2008**
		(R$ in millions)	
Income statement data:			
Net interest income[1]	R$14,750	R$17,188	R$19,054
Provision for loan losses	(3,770)	(4,617)	(6,651)
Non-interest income[1]	9,482	12,403	10,447
Non-interest expense	(15,289)	(18,270)	(20,503)
Income before taxes and minority interest [1]	5,173	6,704	2,347
Taxes on income	(1,348)	(1,877)	1,970
Income before minority interest [1]	3,825	4,827	4,317
Minority interest	1	(28)	(42)
Net Income	R$3,826	R$4,799	R$4,275
Balance sheet data:			
Total assets	R$206,870	R$275,400	R$373,908
Selected results of operations data:			
Interest income:			
Interest on loans	R$20,977	R$22,608	R$33,662
Interest on securities	2,225	2,445	5,576
Interest on federal funds sold and securities purchased under agreements to resell	2,177	3,202	6,465
Interbank deposits	358	441	706
Compulsory deposits with the Central Bank	1,998	1,207	1,489
Others	59	37	38
Interest expense:			
Interest on deposits	(6,230)	(5,560)	(9,636)
Interest on federal funds purchased and securities sold under agreements to repurchase	(3,936)	(5,553)	(9,619)
Interest on short-term borrowing and on long-term debt	(2,878)	(1,639)	(9,627)
Net Interest Income	14,750	17,188	19,054
Fee and commission income	R$6,750	R$6,994	R$7,883

(1) Includes income from related parties outside of the banking segment.

Deposit-taking Activities

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

- checking accounts, which do not bear interest;

- investment deposit accounts;

- traditional savings accounts, which currently earn the Brazilian reference rate, the *taxa referencial*, known as the TR, plus 6.2% in annual interest;

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

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

At December 31, 2008, we had 20.1 million checking account holders, 19.0 million of which were individual account holders and 1.1 million of which were corporate account holders. On that same date, we had 35.8 million saving accounts. As of December 31, 2008, our deposits (excluding deposits from financial institutions) totaled R$163.8 billion and we had a 18% share of the Brazilian savings deposit market, according to the Central Bank.

The following table sets forth a breakdown by product type of our deposits at the dates indicated:

	December 31,					
	2006		**2007**		**2008**	
	(R$ in millions, except %)					
Deposits from Customers:						
Demand deposits	R$21,081	25.1%	R$29,423	29.9%	R$28,612	17.4%
Reais	20,763	24.7	29,222	29.7	28,246	17.2
Foreign currency	318	0.4	201	0.2	366	0.2
Savings deposits	27,613	32.9	32,813	33.4	37,768	23.0
Reais	27,613	32.9	32,813	33.4	37,768	23.0
Term deposits/certificates of deposit	34,941	41.6	35,733	36.3	97,423	59.2
Reais	31,810	37.9	33,658	34.2	90,561	55.1
Foreign currency	` 3,131	3.7	2,075	2.1	6,862	4.1
Total deposits from customers	**83,635**	**99.6**	**97,969**	**99.6**	**163,803**	**99.6**
Deposits from financial institutions	290	0.4	372	0.4	698	0.4
Total	**R$83,925**	**100.0%**	**R$98,341**	**100.0%**	**R$164,501**	**100.0%**

We offer our clients some additional special services, such as:

- the Easy-Checking Account, a combination checking account and savings account in which, after the lapse of a pre-set period (the length of which is determined by regulation), deposited funds earn interest at the same rate as our savings accounts, unlike our ordinary checking accounts, which earn no interest;
- identified deposits, which allow our clients to identify deposits made in favor of a third party through the use of a personal identification number; and
- real-time banking transfers from a checking, savings or investment account to or between another checking, savings or investment accounts, including accounts at other banks.

Credit Operations

The following table sets forth a breakdown by product type of our credit operations in Brazil, in each case at the dates indicated:

	December 31,		
	2006	**2007**	**2008**
	(R$ in millions)		
Loans outstanding by product type:			
Consumer credit operations	R$29,302	R$40,672	R$36,734
Real estate financing	1,845	3,205	5,308
Loans from Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	9,694	12,824	14,480
Other local corporate loans	23,699	31,556	47,736
Agricultural credit	7,399	9,032	10,459
Leasing	3,842	8,097	20,096
Credit Cards	2,652	2,330	2,501
Import and export financings	14,399	17,521	27,480
Other foreign loans	1,546	2,529	2,769
Other public sector loans	62	94	94
Total	**94,440**	**127,860**	**167,657**
Non-performing loans	4,284	5,277	7,178
Total	**R$98,724**	**R$133,137**	**R$174,835**

The following table sets forth a summary of the concentration of our outstanding loans by borrower size.

	December 31,		
	2006	**2007**	**2008**
Borrower size:			
Largest borrower	1.2%	0.7%	1.3%
10 largest borrowers	6.1	5.5	6.5
20 largest borrowers	9.5	9.0	10.4
50 largest borrowers	15.8	15.6	16.9
100 largest borrowers	21.0%	20.6%	22.1%

Consumer Credit Operations

We provide a significant volume of personal loans to individual customers. This allows us to diminish the impact of individual loans on the performance of our portfolio and helps to build customer loyalty. Such loans consist primarily of:

- short-term loans, extended by our branches to holders of our checking accounts and, within certain limits, through our ATM network. These short-term loans have an average maturity of four months and an average interest rate of 6.0% per month as of December 31, 2008;
- automobile financing loans, which have an average maturity of fourteen months and an average interest rate of 2.3% per month as of December 31, 2008; and
- overdraft loans on checking accounts, which are, on average, repaid in one month and have interest rates varying from 4.8% to 8.6% per month as of December 31, 2008.

We also provide revolving credit facilities and traditional term loans. At December 31, 2008, we had outstanding advances, overdrafts, automobile financings, consumer loans and revolving credit loans in an aggregate amount of R$36.7 billion, representing 21.0% of our credit portfolio as of that date. On the basis of loans outstanding at that date, we had a 14.7% share of the Brazilian consumer loan market, according to information published by the Central Bank.

In April 2008, Banco Finasa S.A. was dissolved as a consequence of its merger into Banco Finasa BMC S.A. and all of its assets and liabilities were transferred to Banco Finasa BMC S.A. In April, 2008, the merger of Banco Finasa S.A. into Banco Finasa BMC S.A. was approved by the Central Bank.

Banco Finasa BMC, our financing subsidiary, has two business lines:

- paycheck deductible loans to (i) INSS retirees and pensioners, (ii) employees of companies controlled by federal, state and municipal governments, (iii) employees of private sector companies, and (iv) CDC of used vehicles and secured transaction loans. Currently, it operates with 883 correspondent banks in all Brazilian states; and

- consumer financing for the purchase of passenger and cargo transportation vehicles and other goods and services, in addition to leasing and personal loans. It runs its sale and promotional activities through its wholly owned subsidiary, Finasa Promotora. As of December 31, 2008, Finasa Promotora operated 156 branches throughout Brazil and had 3,895 employees, 80% of whom were focused on sales promotion.

Real Estate Financing

At December 31, 2008, we had 41,165 outstanding real estate loans. In 2008, we financed 25.1% of the residential units constructed by the civil construction sector, according to information published by the Central Bank. On December 31, 2008, the aggregate outstanding amount of our real estate loans amounted to R$5.3 billion, representing 3.1% of our loan portfolio.

Our real estate loans are granted by the *Sistema Financeiro Habitacional*, which we call the SFH or by the *Carteira Hipotecária Habitacional*, which we call the CHH, or by the *Carteira Hipotecária Comercial*, which we call the CHC. Loans from SFH or CHH are made at annual interest rates that vary between 10.5% to 13.5% plus TR for variable installments, or 14.4%, for SFH fixed installments. As of October 2008, we do not grant CHH loans for fixed installments. Loans by the CHC are made at annual interest rates of 16% for variable installments.

Residential loans of SFH and CHH have stated maturities of five to twenty-five years and commercial loans have stated maturity of up to ten years.

Our construction loans granted to individuals matures up to 25 years from the termination of the construction with a 2-month grace period. Payments are made on a floating rate basis of TR plus an annual interest rate of 12% for the SFH loans, or 14.4% annual fixed interest rates for properties evaluated at up to R$350,000.

We also extend financing to corporate plans under the SFH. These loans are for construction purposes and typically have a maturity of up to 36 months from the completion of the construction and repayment begins within three years after the approval of the construction. We make these loans on a floating-rate basis of TR plus an annual interest rate of 12% during the construction stage for SFH loans, and TR plus an annual interest rate of 15% for CHH loans.

Central Bank regulations require us to provide an amount of residential real estate financing equal to at least 65% of the balance of our savings accounts. In addition to direct residential real estate loans, mortgage notes and charged-off residential real-estate loans, 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.

On-lending of BNDES Loans

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) *Banco Nacional de Desenvolvimento Econômico e Social*, which we call BNDES, which is a Brazilian development bank wholly owned by the federal government, or (2) *Agência Especial de Financiamento Industrial* Finame, which we call 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 on-lending transactions before BNDES and Finame, they are always secured.

According to BNDES, in 2008, we disbursed R$8.924 billion, 45.6% of which was loaned to micro-, small- and medium-sized companies. Our on-lending portfolio was R$14,480 billion on December 31, 2008, representing 8.3% of our credit portfolio at that date.

Other Corporate Lending

We provide traditional loans for the ongoing needs of our corporate clients. We had R$47.7 billion of outstanding corporate loans, accounting for approximately 27.3% of our credit portfolio at December 31, 2008. We offer a range of loans to our Brazilian corporate clients, including:

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

These lending products generally bear an interest rate of between 1.8% and 7.1% per month.

Agricultural Loans

We extend loans to the agricultural sector by financing demand deposits, BNDES on-lendings and our own resources, in accordance with Central Bank regulations. At December 31, 2008, we had R$10.5 billion in outstanding agricultural loans, representing 6.0% of our credit portfolio. In accordance with Central Bank regulations, we extend loans using funds from our compulsory deposits at a fixed rate. The annual fixed rate was 6.75% at December 31, 2008. The maturity of these loans generally matches agricultural cycles and the principal becomes due at the time a crop is sold, except BNDES agricultural on-lendings, which are valid for up to a five-year term and require 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 October 14, 2008, Central Bank regulations require us to use at least 30% of our checking account deposits to provide loans to the agricultural sector. If we do not meet the 30% threshold, we must deposit the unused amount in a non-interest-bearing account with the Central Bank. For the agricultural cycles period from November 2008 to June 2009, we used 30% of our checking deposits to provide agricultural loans.

Micro Credit

We extend micro credit to low-income individuals and small companies, in accordance with Central Bank regulations requiring that banks direct 2% of their cash deposits to provide such loans. We began extending such micro credits in August 2003. On December 31, 2008, we had 43,678 micro credit loans outstanding, totaling R$21.774 million.

In accordance with Central Bank regulations, most micro credit loans have a maximum effective interest rate of 2% per month. However, micro credit loans for business directed towards a specific production have a maximum effective interest rate of 4.0% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R$1,000 for individuals in general, (ii) R$3,000 for individuals developing certain professional, commercial or industrial activities, and (iii) R$10,000 for micro companies with pre-defined production. In addition, terms of micro credit loans cannot be shorter than 120 days, and the loan granting fee must vary from 2.0% to 4.0% of the value of the credit raised.

Leasing Operations

According to ABEL, as of December 31, 2008, the value of our outstanding leases was one of the largest among private leasing operations in Brazil, as measured by the discounted present value of our leasing portfolio. In addition, the aggregate discounted present value of the leasing portfolios of leasing companies in Brazil on December 31, 2008 was R$110.5 billion, of which we had a market share of 18.5% .

On December 31, 2008, we had 651,507 outstanding leasing agreements totaling R$20.1 billion, representing 11.5% of our credit portfolio.

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 cars, trucks, material handlers, aircraft and heavy machinery. On December 31, 2008, 88.6% of our outstanding leases were automobile leases; in the Brazilian leasing market as a whole, compared to 88.64% of leases were automobile leases.

On December 31, 2008, we conducted our leasing operations through our primary leasing subsidiary, Bradesco Leasing and also through Banco Finasa BMC.

We obtain funding for our leasing operations primarily through the issuance of debentures and notes in the domestic market. At December 31, 2008, Bradesco Leasing had R$42.458 billion of unsecured short-term debentures outstanding in the domestic market. These debentures will mature in 2025 and bear monthly interests at the CDI.

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 with respect to goods with an average life of five years or less, and 36 months for transactions with respect to goods with an average life greater than five years. There is no legally imposed maximum term for leasing contracts. At December 31, 2008 the remaining average maturity of contracts in our lease portfolio was 44 months.

Credit Cards

We issued Brazil s first credit cards in 1968, and as of December 31, 2008, we were one of Brazil s largest independent credit card issuers, with 20.4 million credit cards and 13.3 million private label cards issued. We offer Visa, American Express, MasterCard and Private Label credit cards to our clients. As of December 31, 2008, our credit cards were accepted in over 170 countries.

Our partnership with the American Express Company has permitted us to successfully operate their credit cards and other related products in Brazil. Notable amongst these operations are the exclusive offers of the Centurion line of cards, which includes the Membership Rewards Program, and management of the network of establishments under contract with Amex Cards.

In addition, through Fidelity Processadora e Serviços S.A., a partnership we entered into with Fidelity National and Banco ABN AMRO Real, in 2006 for providing credit card services, we currently rank as one of Brazil s largest service providers of processing, customer services management and support activities.

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 and advances;
- interest and fees on cash withdrawals through ATMs;
- interest on cash advances to cover future payments owed to establishments that accept Visa credit cards; and
- several fees charged from cardholders and affiliated commercial establishments.

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

- cards issued, and restricted for use, in Brazil;
- credit cards accepted nationwide and internationally;
- credit cards directed toward high-net-worth customers, such as Gold , Platinum and Infinite/Black Visa, American Express and MasterCard. The highlights are the benefits of the Fidelity Programs, among which the Membership Rewards;
- cards that combine the features of credit and debit card in a single piece. Holders of these cards can use them to carry out traditional banking transactions as well as to purchase goods;
- for greater security, we are issuing chip-embedded credit cards for the whole client base, which allows holders to use passwords instead of signatures;
- corporate credit cards accepted nationwide and internationally;

- co-branded credit cards, which we offer through partnerships we have with traditional companies, such as airlines, retail stores , newspapers, magazines, automobile companies and others;

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

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

- private label credit cards, which exclusively target retail clients in efforts to leverage the loyalty of our business and individual clients, and which may or may not have a flag for use outside the commercial establishment;

- GiftCard, which is a prepaid card sold as a gift to individuals;

- SMS - Bradesco Message Service, which allows the credit card holder to receive a text message in their mobile phone informing them that a transaction with its respective credit card has been made;

- CPB - Bradesco Ticket Card, a virtual card focused on the management and control of plane ticket expenses for corporations;

- Bradesco Transportation Card, aimed at transportation companies, shipping companies, risk management companies and truck drivers, with multiple functions of prepaid and debit in account;

- Blue Credit Cards, a credit card with a modern shape, offering special benefits for American Express clients with upscale lifestyle;

- FixCard, with a reduced fee that enables the card user to plan his/her monthly expenditure payment;

- Flex Car Visa Vale Card is a prepaid card that offers the client more practical payment options for vehicle related expenses, such as fuel, parking, etc., with the company determining the maximum credit available to each employee;

- Payment of invoice in up to 12 fixed installments, with specific charges per type of card.

- *Seguro Proteção Desemprego Bradesco* (Bradesco Unemployment Protection Insurance) settles or amortizes the amount due on the participant s credit card in the event of involuntary unemployment (for employed professionals) or permanent or temporary physical disability (for self-employed workers or professionals). Coverage varies by plan;

- *Seguro Cartão Super Protegido Premiável Bradesco* (Bradesco Unauthorised Purchase Protection Insurance) settles or amortizes the amount due on the participant s credit card, excluding cash withdrawals, resulting from loss, robbery or theft of the credit card. This protection encompasses the 7-consecutive-day period (168 hours) prior to the notification of the event, up to the credit card limit, with ceiling of R$50,000;

- *Troco Fácil*, a cash-back service provided by Bradesco, Banco do Brasil and Banco Real, which allows the client to request cash back when purchasing with the card;

- Contactless branded card, which allows the client to simply place the card close to the reader for the payment to be processed; and

- We are authorized to accredit establishments under the Visa, American Express and Mastercard systems in our branches, in addition to providing transfers to the branch where the holder maintains its accounts.

As of December 31, 2008, we had more than 67 partners with whom we offered co-branded, affinity and private label/hybrid credit cards. These relationships have allowed us to integrate our relationships with our clients, thereby offering our credit card customers banking products, such as financing and insurance services.

Bradesco has had a long-term interest in environmental matters. In 1993, we launched the SOS Mata Atlântica card, which allocates a portion of its revenues to environmental causes, and in 2008, we launched the Amazonas Sustentável credit card, the first credit card made of recycled plastic. A portion of its revenues will be transferred to Fundação Amazonas Sustentável.

In 2007, we entered into an agreement with the State of Amazonas to donate R$70 million to *Fundação Amazonas Sustentável* (Sustainable Amazonas Foundation) within five years. A portion of this project will be funded through the allocation of some of the revenues generated by our social-purpose credit card operations.

The following table sets forth a breakdown of credit cards we issued in Brazil for the years indicated:

	2006	2007	2008
		(millions)	
Card Base:			
Credit	13.0	17.6	20.4
Private Label	4.9	9.7	13.3
Debit	40.1	43.2	48.0
Total	**58.0**	**70.5**	**81.7**
Revenue (R$):			
Credit	23,233	32,775	39,738
Private Label	1,244	4,122	4,524
Debit	14,243	16,787	21,159
Total	**38,720**	**53,684**	**65,421**
Number of Transactions:			
Credit	293.8	393.7	470.9
Private Label	15.9	53.2	61.6
Debit	309.5	351.6	423.4
Total	**619.2**	**798.5**	**955.9**

Debit Cards

Customers who hold Bradesco Visa Electron debit cards can use them to make purchases at establishments and obtain advances at the BDN network in Brazil and the Visa Plus network worldwide. The amount paid is withdrawn from the cardholder s Bradesco account, eliminating the inconvenience and bureaucracy of a check. The total income from debit cards was R$21.2 billion in 2008, a 26.0% increase as compared with the same period in 2007, which was the result of an increase in the client base and the preference for this type of payment.

Prepaid cards

In 2008, together with other card issuers and Visa International, we actively participated in the distribution of Visa Vale cards, accounting for 43.3% of all sales in the benefits-vouchers sector in 2007.

Receivables, Payment, Human Resource and Management Solutions

Receiving and Payment Solutions

In order to meet the cash management needs of our clients, both in the public and private sectors, we offer many electronic solutions for receipt and payment management, supported by a vast network of branches, banking correspondents and electronic channels, all of which aim to improve the speed and security of information and the transfer of resources.

These electronic solutions include: (i) collection and payment services; (ii) provision of on-line resource management; (iii) a system which allows our clients exclusively to electronically pay taxes and other contributions due to governmental or public entities; and (iv) payment of utility bills.

In addition to these electronic solutions, we offer services to facilitate our clients business development, providing customized solutions. These services contribute to the productivity of our other businesses.

We also earn revenues through the payment of taxes on collection services and payment processing services, as well as upon transfers of funds received until their availability to the beneficiary.

Global Cash Management

The global cash management concept provides solutions regarding the cash management of multinational companies operating in Brazil and/or domestic companies operating abroad.

Bradesco s Global Cash Management provides payment, deposits and treasury management functionalities to companies aiming at regionally or globally centralizing their cash, by means of partnerships with banks present in several locations worldwide, using modern tools for its operations.

Charging and Other Receivables

In 2008, we processed 592.9 million receivables through our online collection system, checks custody service, deposits at tellers (identified deposits) and credit orders via our teleprocessing system (credit order by teleprocessing or COT), a 7.5% increase as compared with the same period in 2007.

Collections

In 2008, we processed payments of 383.2 million related to taxes and other contributions due to governmental or public entities as well utilities bills, a 7.0% increase as compared with the same period in 2007.

Check-Custody Services

On December 31, 2008, our post-dated check-custody service totaled R$4.2 billion, a 1.9% increase as compared with the same period in 2007. Under the post-dated check system, our clients pay for goods and services with bank checks dated with a future date. Sellers deposit the post-dated check on the future date, effectively extending the time in which the payment must be made. We hold such checks in custody for our clients to facilitate the control of the document in the period between when the check is written and when it is deposited in the recipient s account.

Suppliers and Taxes Online Payment

In 2008, we processed over 214.2 million online financial payments and transfers, a 25.7% increase as compared with the same period in 2007. We offer our corporate clients electronic payment services, which allow them to make financial payments and transfers to their suppliers and creditors, including payment of taxes.

Productive Chain Solutions

In the current market, we believe that is essential that the companies, besides operating together in an activity segment, work together for better results. In this context, we have placed itself and also worked as The Productive Chains Bank, attempting to be present in all stages of the productive process, coming up with solutions, products, services and partnerships that meet the needs of all members of the Productive Chains, whether they are suppliers, distributors, clients or other.

Public Authority Solutions

Public administration also requires agility and technology in its every-day activities. In order to serve this market, we have a specific area and offer specialized services to entities and bodies of the Executive, Legislative and Judiciary branches, at the federal, state and municipal levels, in addition to independent governmental agencies, public foundations, state-owned and mixed companies, the armed forces (Army, Navy and Air Force) and the auxiliary forces (Federal, Military and Civil Police) and notary officers and registries, identifying business opportunities and structuring customized solutions.

An exclusive website was developed for these clients and presents the federal, state and municipal governments with corporate, payments, receipts, human resources and treasury solutions, meeting the needs and expectations of the Executive, Legislative and Judiciary Branches. The portal also has an exclusive place for public employees and military policemen with all the products and services we make available for these clients.

The relationship occurs by means of exclusive service platforms located nationwide, with specialized relationship managers to provide services to these clients, bringing a close relationship to conquer new business and establishing a consolidated presence with the Public Authority.

Administrative Services and Human Resource Solutions

We offer our corporate clients several electronic solutions for management of human resources and administrative services, including payroll processing, employee checking accounts and the company card for the payment of business trips and other company-related expenses. Once employees receive their salaries through this system, they may take advantage of special credit lines, special conditions for rates, fees, products and services and access our broad ATM network.

Capital Markets and Investment Banking Services

Banco Bradesco BBI S.A., which we call BBI , is the company responsible for the development of operations in the fixed and variable income, structured operations, mergers and acquisitions and project finance segments.

Variable Income

In December 2008, according to ANBID s Origination and Distribution ranking, BBI ranked 6th by volume in the domestic variable income market. In 2008, a year characterized by a significant decrease in public equity offerings, we were the coordinators and joint-bookrunners in the public equity offerings of Cia. Vale do Rio Doce in the amount of R$19.4 billion; of Gerdau S.A. in the amount of R$2.9 billion; and of Metalúrgica Gerdau S.A. in the amount of R$1.5 billion.

Fixed Income

In December 2008, according to ANBID s Origination and Distribution ranking, BBI ranked second by volume in consolidated fixed income in the domestic market. As of January 2008, the consolidated fixed income ranking comprises the sum of short-term fixed income, long-term fixed income and securitization (*Fundo de Investimento em Direitos Creditórios* (Investment Funds in Credit Rights), known as FIDCS, and *Certificado de Recebíveis Imobiliários* (Real Estate Receivable Certificates), known as CRIs) in the domestic market.

Structured operations

BBI develops structures used to segregate credit risks through securitization, using SPEs, loan assignments with shared risk and medium- and long-term financing, based on receivables and/or other collateral. Additionally, BBI has an outstanding position in acquisition finance.

Mergers and Acquisitions

BBI advises clients on mergers, acquisitions, joint ventures, corporate restructuring and privatization operations. The value of these operations in 2008 exceeds R$37 billion.

Project Finance

BBI has a solid track record playing the role of financial advisor and financial structurer for several projects in the project and corporate finance categories, always seeking the best financing solution for projects in several sectors of the economy. BBI has an excellent relationship with several different promotion agencies, such as BNDES, BID and IFC.

Brokerage and Trading Services

Through our wholly-owned subsidiary Bradesco S.A. Corretora de Títulos e Valores Mobiliários, which we refer to as Bradesco Corretora, we trade futures, options and corporate and Brazilian government securities on behalf of our customers. The clients of Bradesco Corretora include high net worth individuals, large companies and institutional investors.

During 2008, Bradesco Corretora traded more than R$71.4 billion in the BM&FBovespa equities market and, according to BM&FBovespa, was ranked twelfth in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded approximately 4,523,000 futures, swaps, options and other contracts, with a total value of R$359.177 million, on the BM&FBovespa. According to the BM&F, in 2008 Bradesco Corretora was ranked 23rd in the Brazilian market, in terms of the number of options, futures and swaps contracts executed. With more than 40 years of experience in capital markets, Bradesco Corretora was the first brokerage firm in the market to make available to its clients the direct market access, which we call DMA. DMA is an innovative order routing service via computer, which allows the investor to carry out asset purchase and sale operations directly in BM&FBovespa s market with all convenience and security, without leaving home or office.

Through DMA, Bradesco Corretora also provides:

- more autonomy when investing, i.e., the client himself controls the execution of his orders, with no intermediaries and full confidentiality;

- quick and convenient service, sending an automatic confirmation of executed orders; and

- online market follow-up, enabling the prompt identification and a better use of good business opportunities.

Bradesco Corretora has sixty-one brokers covering retail investors and assisting our branch managers, eight brokers dedicated to Brazilian and foreign institutional investors and ten brokers dedicated to the BM&FBovespa. Bradesco Corretora has eleven traders on BM&FBovespa s floor and three floor assistants. Our branch managers are charged with the task of marketing the services that Bradesco Corretora offers.

Bradesco Corretora offers its clients the ability to trade securities via the Internet through its ShopInvest service. In 2008, trading through ShopInvest totaled R$24,434 million, corresponding to 7.4% of all transactions carried out through the Internet on BM&FBovespa and ranking Bradesco Corretora as the 2nd largest Internet trader in the Brazilian market.

Bradesco Corretora offers its clients complete investment analysis service with coverage of the main sectors and companies in the Brazilian market. We started covering seven companies in the second half of 2008, incorporating twenty new companies in 2008 in our coverage, a process that will continue next year. There are nineteen sector specialists (senior analysts and assistants) on our analyst team. They disclose their opinions to clients with followup reports and share guides with a wide basis of projections and multiples of comparison. In addition to the analysis of our team of economists, Bradesco Corretora has its own economic team dedicated to the specific demand of its clients, focusing on the stock market.

With *Projeto Sala de Ações* (Share Rooms Project) our clients have access to professionals qualified to give them advice on potential stock purchases and sales on the BM&FBOVESPA. Our ever-expanding network of share rooms currently consists of 19 share rooms located throughout Brazil. With this service, Bradesco Corretora aims at direct customer service and a closer relationship with the client, training and certificating its employees in a range of operations including structured operations, and attracting new clients. This channel is also very profitable and welcomed by the investor. It helps to bring together our network of branches, creating loyal clients and concentrating their funds with us. Thirty share rooms are estimated to be implemented by the end of 2009 and forty by the end of 2010 in strategic locations of Brazil.

We also offer our clients the Direct Treasury Program, which allows individual clients to invest in Federal Public Securities through the Internet by registering with Bradesco Corretora through our website.

Bradesco Corretora also offers its services as a representative of non-resident investors in transactions carried out in the financial and capital markets, in accordance with the terms of CMN Resolution 2,689, which we refer to as Resolution 2,689. For more information regarding Resolution 2,689 see Item 10. Additional Information Exchange Controls.

Share, Custody and Controlling Services

In 2008, we were one of the main service providers for capital markets and the national leader in qualified custody, according to the ANBID ranking. With a modern infrastructure and a specialized team, we believe we supply qualified services for capital markets related to the bookkeeping of assets (shares, Brazilian depositary receipts, known as BDRs, investment fund quotas, CRIs and debentures), qualified custody of securities, custody of shares underlying depositary receipts, known as DRs, controllership of investment funds and managed portfolios, FIDCs and *Fundos de Investimento em Participações* (Equity Investment Funds). We are a qualified administrative bank, qualified depositary and compensation agent.

We submit our processes to the Quality Management System ISO 9001:2000 and GoodPriv@cy certifications. We have 13 certifications related to data privacy and quality.

As of December 31, 2008:

- Book-entry assets

  - our system for registered shares had 231 companies, with a total of 3 million shareholders;

  - our system for registered debentures had 78 companies with a total market value of R$123.585 billion;

  - our system for registered quotas had 102 investment funds with a market value of R$8.893 billion; and

  - we administered three BDR registered programs, with a market value of R$128.140 million.

- Custody and Controlling Services

  - our custodial services clients (funds, portfolios, receivables, DR and mutual funds) had total assets in custody of R$382.275 billion, as per the methodology adopted by the ANBID ranking;

  - we act as custodian for thirteen DR registered programs, with a market value of R$49.791 billion; and

  - R$453.067 billion represented the total net worth of the 7,811 investment funds and portfolios that used our controllership services.

Investment Banking Activities

In February 2006, we incorporated Banco Bradesco BBI S.A., which we call Bradesco BBI, to be our investment bank and operate in the capital markets, mergers and acquisitions, project financing, structured operations and treasury areas. Bradesco BBI provides services regarding origination, structuring of business, asset management and distribution, financial flow of funds and inventory of clients. In addition, Bradesco BBI manages the operations of Bradesco Corretora and Bradesco Securities Inc.

Our investment management areas (private banking and asset management) are separated from the investment bank activities.

International Banking

As a private commercial bank, we offer a range of international services, such as exchange transactions, external trade financing, lines of credit, and offshore banking activities. Our overseas network is made up of:

- in New York City, our branch and Bradesco Securities Inc., our subsidiary brokerage firm, which we call Bradesco Securities U.S.;

- in London, Bradesco Securities U.K., our subsidiary, which we call Bradesco U.K.;

- in Cayman Islands, two branches of Bradesco and one BMC branch as well as our subsidiary, Cidade Capital Markets Ltd., which we called Cidade Capital Markets;

- in the Bahamas, a branch of Bradesco;

- in Argentina, Banco Bradesco Argentina S.A., our subsidiary, which we call Bradesco Argentina;
- in Luxembourg, Banco Bradesco Luxembourg S.A., our subsidiary, which we call Bradesco Luxembourg;
- in Japan, Bradesco Services Co. Ltd., our subsidiary, which we call Bradesco Services Japan; and
- in Hong Kong, Bradesco Trade Services Ltd.

Our international operations are coordinated by our exchange department and supported by twelve operational units in Brazil, in addition to thirteen foreign exchange platforms located in Brazil s principal exporting and importing centers.

Revenues from Brazilian and Foreign Operations

The table below provides a breakdown of our revenues (interest income plus non-interest income) arising from our operations in Brazil and overseas for the periods indicated:

	December 31,					
	2006		2007		2008	
	(R$ in millions)	(%)	(R$ in millions)	(%)	(R$ in millions)	(%)
Brazilian operations	R$53,388	98.6%	R$59,506	98.5%	R$76,050	98.4
Overseas operations	736	1.4	884	1.5	1,248	1.6
Total	**R$54,124**	**100.0%**	**R$60,390**	**100.0%**	**R$77,298**	**100.0%**

Foreign Branches and Subsidiaries

Our foreign branches and subsidiaries are principally engaged in financing Brazilian companies seeking external trade financing. Bradesco Luxemburg also provides services to the private banking segment. With the exception of Bradesco Services Japan and Bradesco Trade Services, our branches abroad are allowed to receive deposits in foreign currency from corporate and individual clients and extend credit to Brazilian and non-Brazilian clients. The total assets of the foreign branches, excluding transactions between related parties, were R$24.9 billion as of December 31, 2008 totally denominated in currencies other than the *real*.

In October 2007, we indirectly acquired the Grand Cayman branch of BMC, as a result of our acquisition of its parent company. On December 31, 2008, Banco Mercantil de Crédito s Grand Cayman branch had R$0.5 million in assets.

The funding necessary for foreign trade financing is obtained from the international financial community by means of credit lines granted by correspondent banks abroad. In addition to the traditional funding source of correspondent banks, we have raised through the public and private issue of debt securities in the international capital markets US$1.7 billion in 2008. In 2008, we assumed US$2.2 billion in credit lines to finance Brazilian exports through auctions in foreign currency promoted by the Brazilian Central Bank.

Bradesco Argentina. With a view to expanding our operations in Latin America, in December 1999, we established our subsidiary in Argentina, Bradesco Argentina, the general purpose of which is to extend financing, largely to Brazilian companies established in Argentina and, to a lesser extent, to Argentinean companies doing business with Brazil. In order to start its operations, we capitalized Bradesco Argentina with R$54.0 million from March 1998 to February 1999, and on May 29, 2007, we carried out an additional capitalization of R$27.2 million. At December 31, 2008, Bradesco Argentina recorded R$83.3 million as total assets.

Bradesco Luxemburgo. In April 2002, we acquired the total issued and outstanding shares of Banque Banespa International S.A. in Luxembourg and changed its name to Banco Bradesco Luxembourg S.A. In September 2003, Mercantil Luxembourg was merged into Banco Bradesco Luxembourg and Banco Bradesco Luxembourg was the surviving entity. On December 31, 2008, the total assets of this subsidiary were R$1.6 billion.

Bradesco Services Japan. In October 2001, we incorporated Bradesco Services Japan to provide specialized services to the Brazilian community in Japan, including remittances to Brazil and advice regarding investments within Brazil. At December 31, 2008, its total assets were R$1.5 million.

Bradesco Trade Services. A non-financial institution and a subsidiary of our branch in the Cayman Islands, which we formed on January 23, 2007, in Hong Kong, in partnership with the Standard Chartered Bank.

Bradesco Securities (U.S. and U.K.). Bradesco Securities, our wholly owned subsidiary, is a broker dealer in the United States and England.

- Bradesco Securities U.S. focus is on facilitating the purchase and sale of shares, primarily in the form of ADRs. The company is also authorized to deal with bonds, commercial paper and deposit certificates, among other securities, and to provide investment advisory services. Currently, we have more than ninety ADR programs for Brazilian companies that trade on the New York Stock Exchange. On December 31, 2008, Bradesco Securities U.S. had assets of R$58.4 million; and

- Bradesco Securities U.K. s focus is the intermediation of variable and fixed income operations of Brazilian companies for global institutional investors. The authorization for operation was granted to Bradesco Securities U.K. on May 16, 2008. On December 31, 2008, Bradesco Securities UK had equity amounted to R$12.9 million.

Cidade Capital Markets. In February 2002, Bradesco, through BCN, acquired Cidade Capital Markets in Grand Cayman, as part of the acquisition of its parent company in Brazil, Banco Cidade. At December 31, 2008, Cidade Capital Markets had R$87.6 million in assets.

Banking Operations in the United States

In January 2004, the United States Federal Reserve Bank granted us permission to operate as a financial holding company in the United States. As a result, we are permitted to operate in the United States market, directly or through a subsidiary, and, among other things, may sell insurance, provide underwriting services, assist with private placements, portfolio management and merchant banking services and manage mutual fund portfolios.

Foreign Trade Financing

Our Brazilian foreign trade activities consist primarily of financing export and import transactions.

We provide foreign currency payments on behalf of the importer directly to foreign exporters, attached to the receipt of a local currency payment by Brazilian importers. Exporters usually receive an advantage in local currency upon the closing of the export contract, in exchange for an assignment of a foreign currency receivable due on the contract maturity date. Financings of imports done prior to the shipment of the goods are called *Adiantamento Sobre Contrato de Câmbio* (Advances on Exchange Contracts, or ACC), whereby the funds obtained are used in the production of the goods that will be exported. Financings done after the shipment of the goods, when the exporter is awaiting payment, are called *Adiantamento Sobre Contrato de Exportação* (Advances on Export Contracts, or ACE).

Other types of financings for exports include, among others, the pre-payment of exports, BNDES-EXIM on-lending, advance discounts, exports credit notes and exports credit certificates.

Our foreign trade portfolio is funded primarily by credit lines with banking correspondents. We maintain relationships with various North American, European, Asian and Latin American financing institutions for this purpose, relying on our network of approximately 1,000 banking correspondents abroad, 103 of which granted funding facilities at the end of 2008.

At December 31, 2008, the balance of our export financing transactions was R$24.1 billion and the balance of our import financing transactions was R$3.4 billion. The volume of our foreign exchange contracts for exports reached US$42.9 billion, a 9.4% increase over 2007. In 2008, the volume of our foreign exchange contracts for imports reached US$22.4 billion, a 29.5% increase over 2007. In 2008, based on information made available by the Central Bank, we had a 22.2% market share in the Brazilian export market, and a 16.0% market share in the Brazilian import market.

The following table sets forth the composition of our foreign trade asset portfolio at December 31, 2008:

	December 31, 2008
Export financing	**(R$ in millions)**
Advance on foreign exchange contracts undelivered bills	R$10,302
Advance on foreign exchange contracts delivered bills	1,477
Export prepayment	6,455
Onlending of funds borrowed from BNDES/EXIM	2,348
NCE/CCE (Exports Credit Note/ Exports Credit Certificate)	3,548
Total export financing	**24,130**
Import financing	
Import financing - Foreign currency	1,970
Imports draft export	1,380
Total import financing	**3,350**
Total foreign trade portfolio	**R$27,480**

Other Foreign Exchange Products

In addition to foreign trade financing, we offer our customers other exchange services and products, such as:

- purchasing and selling of travelers checks and foreign currencies;
- cross border money transfers;
- exports advanced receipt;
- bills of clients domiciled abroad in domestic currency;
- transfer of available funds to our customers bank accounts located abroad;
- collecting import and export receivables;
- cashing checks that are denominated in foreign currency; and
- structuring transactions in foreign currency by means of our units abroad.

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Private Banking Services

Bradesco Private Banking makes available for its high net worth individual clients liquid assets in excess of R$2.0 million for investments, an exclusive range of products and services, including assistance in asset allocation and tax succeeding advice.

Asset Management

We manage third-party assets by means of:

- mutual funds;
- individual and corporate investment portfolios;
- pension funds, including assets guaranteeing the technical reserves of Bradesco Vida e Previdência;
- insurance companies, including assets guaranteeing the technical reserves of Bradesco Seguros; and
- FIDCs.

At December 31, 2008, we had R$187.2 billion of assets under management, R$145.8 billion of which were managed by Bradesco Asset Management and R$41.4 billion of which were in third party funds related to the fiduciary administration, custodial and controlling services of BEM Distribuidora de Títulos e Valores Mobiliários Ltda., which we call BEM DTVM.

At December 31, 2008, we offered 807 funds and 209 portfolios to over 3.3 million investors. We also offer a range of fixed asset, floating rate, money market and other funds. Currently we do not offer investments in highly leveraged funds.

The following tables set forth the distribution of assets among our funds under management, the number of customers and the number of funds and customer portfolios as of the dates indicated:

	Distribution of Assets [1]	
	As of December 31	
	2007	**2008**
	(R$ in millions)	**(R$ in millions)**
Mutual Funds:		
Fixed income	143,214	155,365
Variable income	14,169	10,797
Third party share funds	6,580	4,857
Total	**163,963**	**171,019**
Managed Customer Portfolios:		
Fixed income	4,952	8,484

Variable income	7,645	6,881
Third party share funds	926	767
Total	**13,523**	**16,132**
Overall Total	**177,486**	**187,151**

	As of December 31			
	2007		2008	
	Quantity	**Number of Quota holders**	**Quantity**	**Number of Quota holders**
Mutual Funds	666	3,312,565	807	3,281,540
Portfolio	121	540	209	568
Overall Total	**787**	**3,313,105**	**1,016**	**3,282,108**

Our products are distributed through our network of branches, our telephone banking services and our Internet-based investment site ShopInvest.

Consortia

In Brazil, persons or entities that wish to acquire certain goods can form a group, known as a consortium, in which the members pool their resources to assist each other with the purchase of certain consumer goods. The purpose of a consortium is to acquire goods, and Brazilian law forbids the formation of consortia for investment purposes.

In January 2003, our subsidiary Bradesco Consórcios initiated the sale of consortium memberships, known as quotas, to our clients. Since May 2004, Bradesco Consórcios has been the leader in the real estate segment and since December 2004, it has also been the leader in the vehicle segment. On December 31, 2008, Bradesco Consórcios registered total sales of over 349,095 quotas, with a total billed amount of approximately R$13.1 billion and a net profit income of R$177.6 million. Bradesco Consórcios acts as the administrator for the consortia, which are formed to purchase real estates, automobiles, trucks, tractors and agricultural equipments.

Insurance, Pension Plans and Certificated Savings Plans

The following diagram shows the principal elements of our insurance, pension plans and certificated savings plans segment as of December 31, 2008:

The following table sets forth selected financial data for our insurance, pension plans and certificated savings plans segment for the periods indicated. The total amounts per segment shown in the table may not correspond to the amounts shown on a consolidated basis, as they do not take into account immaterial activities or inter-segment transactions.

	As of and for the year ended December 31,		
	2006	**2007**	**2008**
		(R$ in millions)	
Income statement data:			
Net interest income[(1)]	R$6,476	R$6,577	R$6,295
Non-interest income[(1)]	10,307	11,292	12,932
Non-interest expense	(13,407)	(13,949)	(14,901)
Income before taxes and minority interest[(1)]	3,376	3,920	4,326
Tax on income	(918)	(1,287)	(1,545)
Income before minority interest[(1)]	2,458	2,633	2,781
Minority interest	(16)	(19)	(89)
Net Income[(1)]	**R$2,442**	**R$2,614**	**R$2,692**
Balance sheet data:			
Total assets	R$61,208	R$73,028	R$69,197
Selected results of operations data			
Insurance premiums:			
Premiums of life insurance and personal accidents	1,779	1,822	2,799
Health insurance premiums	3,918	4,246	5,259
Automobile, property and casualty insurance premiums	2,424	2,775	2,905
Total	**R$8,121**	**R$8,843**	**R$10,963**
Pension plan income	791	555	710
Interest income from insurance, pension plans, certificated savings plans and pension investment contracts	6,476	6,577	6,295
Changes in technical provisions for insurance, pension plans, certificated savings plans and pension investment contracts	(4,199)	(4,981)	(4,225)
Insurance claims	(6,124)	(6,012)	(7,391)
Pension plan operating expenses	R$(560)	R$(478)	R$(482)

(1) Includes income from related parties outside the segment.

Insurance

We offer insurance products through a number of different entities, which we refer to, collectively, as Grupo Bradesco de Seguros e Previdência. Grupo Bradesco de Seguros e Previdência was the largest insurer group in Brazil in 2008 based on total revenues and technical provisions, according to information published by SUSEP and ANS in

December 2008. Grupo Bradesco de Seguros e Previdência provides a wide range of insurance products, both on an individual basis and to corporate clients. Its products include health, life, accident, automobile and property and casualty insurance. According to the annual publication of Fundacion Mapfre in Spain, Grupo Bradesco de Seguros e Previdência was the greatest insurance and pension plan group in Latin America in 2007.

Health Insurance

Health and dental care insurance insures policyholders for medical and odontological expenses. We offer our health and dental care insurance through our subsidiary Bradesco Saúde. At December 31, 2008, Bradesco Saúde had 3.5 million health and dental policyholders, including holders of corporate insurance plans and individual/family plans. Approximately 25,000 companies in Brazil have health insurance policies underwritten by Bradesco Saúde, including 35 of the country s 100 largest companies.

Bradesco Saúde currently has one of the largest health insurance networks. As of December 31, 2008, it included 9,169 laboratories, 10,631 specialized clinics, 14,326 physicians, 3,138 hospitals, 2,268 dental clinics and 8,031 dentists located throughout the country.

Personal Insurance

Bradesco Seguros offers life, personal accident and occasional events insurance products through our subsidiary Bradesco Vida e Previdência.

Automobiles, Property and Liability

We provide automobile, basic lines and liability products through our subsidiary Bradesco Auto/RE. Our automobile insurance covers policyholders losses resulting from vehicle theft, damage to vehicles, personal injury and injury to third parties. Mass basic insurance lines are geared towards individuals, particularly those with residential and/or equipment related risks and small- and medium-sized companies, the assets of which are covered by corporate multi-risk insurance.

Among mass basic insurance lines for individual clients, the residential ticket is a product that has a relatively affordable cost and high profitability. For corporate clients, Bradesco Auto/RE offers Bradesco Seguro Empresarial, which is tailored to meet our clients needs in accordance with their business. For corporate basic and liability insurance lines, Bradesco Auto/RE has an exclusive highly specialized team that provides large business groups with services and products that are tailor-made to the specific needs of each policyholder. In this segment, the transportation, engineering and operational risks, named and oil insurance policies are the most traded lines.

In 2008, Bradesco Auto/RE had 1.3 million insured automobiles and 924 thousand basic lines policies and tickets. Bradesco Auto/RE is one of the main insurers in Brazil.

Sales of Insurance Products

We sell our insurance products through exclusive brokers in our branch network, as well as through non-exclusive brokers throughout Brazil. Bradesco Seguros pays the brokers fees on a commission basis. At December 31, 2008, 27,744 brokers offered our insurance policies to the public. We also offer certain automobile, health, property and casualty insurance products directly through our website.

Pricing

The pricing of individual health insurance in Brazil is based on medical and hospital costs and the history of individual claims. These factors, in conjunction with the number of insured individuals and their geographical regions, also guide the pricing for group health insurance. All insurance pricing calculations are based on actuarial studies.

The price for life and personal accident insurance is usually determined based on the life expectancy of individual policyholders and, in few cases, the frequency of claims and the average damage experienced by the Brazilian population. Any amount exceeding the limit of the reinsurance agreement is automatically transferred to IRB Brasil Resseguros S.A., known as IRB.

The price determination of automobile insurance is influenced by the frequency and severity level of an individual s claims, and takes into consideration many factors, such as place of use of the vehicle and its specific characteristics. In accordance with market practice, as of April 2004, we consider the client profile in the price determination of an automobile insurance policy.

The profitability of personal automobile insurance partially depends on the identification and correction of disparity between premium levels and the expected claim costs. The premiums charged for damage insurance to vehicles considers, among other factors, the value of the insured automobile; consequently, the premium levels partially reflect the sales volume of new automobiles.

Pricing in the property and casualty insurance business is driven by claim frequency and average claim amount, as well as the specific characteristics of the insured party s location. In the corporate basic lines, insurance prices are determined in accordance with each covered risk. In case of atypical type of coverage and/or covered amounts, we must consult IRB to obtain the basic terms of the contract.

Reinsurance

Brazilian regulations set retention limits on the amount of risks insurance companies may underwrite without having to purchase reinsurance. In accordance with such regulations, Grupo Bradesco de Seguros e Previdência reinsures with the IRB all the risks it underwrites for which the insured amounts exceed the retention limits. In addition, Grupo Bradesco de Seguros e Previdência also reinsures all risks for which reinsurance is recommended by technical-actuarial decisions, in order to minimize the risks of our portfolio.

On January 15, 2007, the Brazilian Congress enacted the Supplementary Law 126, which extinguished the monopoly of IRB by creating the open reinsurance market to competition in Brazil.

On December 17, 2007, CNSP issued rules over the requirements to be met by the reinsurance companies for receiving reinsurance assignments originated in Brazil. CNSP established through (i) Resolution 168, rules applicable to reinsurance, retrocession and intermediation activities; (ii) Resolution 169, minimum capital required for the authorization of local reinsurance companies to operate; (iii) Resolution 170, requirements for additional capital in accordance with underwriting risks; (iv) Resolution 171, rules and procedures for the recording of the technical provisions; (v) Resolution 172, retention limits of such companies; and (vi) Resolution 173, provisions applicable to reinsurance brokerages.

In addition, the Resolution 168, which became effective 120 days as of December 19, 2007, authorized IRB to continue to exercise its reinsurance and retrocession activities, without continuing solutions or government requirement and authorization. This Resolution qualified it as local reinsurance company and granted it the additional 180-day term to comply with the provisions set forth in the Resolution 168. Through Resolution 189, published on October 13, 2008, CNSP extended this additional term (which had been set to expire in mid October 2008), until December 31, 2008, and enabled IRB to continue its operations without continuing solutions. The term was extended through January 2009.

With Decree 6,499 of July 1, 2008, the President of Brazil established maximum assignment limits to eventual reinsurance companies by local insurance companies as well as to local reinsurance companies, regulating one of the pending issues.

Throughout 2008, Susep granted the right to operate in the Brazilian market to 35 reinsurance companies, including Loyd s, to over 70 labor unions and approximately 30 reinsurance brokerage firms authorized to intermediate reinsurance and retrocession operations.

In 2008, Grupo Bradesco de Seguros e Previdência reinsured approximately R$325 million in insurance risks. Although reinsurance companies are liable for any risks they reinsure, the insurance companies remain primarily responsible as the direct insurers on all reinsured risks.

Pension Plans

We have managed individual and corporate pension plans since 1981 through our wholly owned subsidiary Bradesco Vida e Previdência, which is now the leading pension plan manager in Brazil as measured by pension plan contributions, investment portfolio, and technical provisions, based on information published by the *Federação Nacional de Previdência Privada e Vida* (the National Association of Private Pension Plans), known as Fenaprevi, and SUSEP.

Bradesco Vida e Previdência offers and manages a range of individual and group pension plans. Our largest individual plans in terms of contributions are VGBL and PGBL and are exempted from withholding taxes on income generated by the fund portfolio. For income tax purposes, PGBL allows the participants to deduct their taxable income by the amount of their pension plans contributions, up to a limit of 12% of their overall gross income. Participants in these types of funds are taxed upon redemption of their shares, or reception of benefits.

As of December 31, 2008, Bradesco Vida e Previdência accounted for 34.4% of the supplementary pension plan market and the VGBL market in terms of contributions, according to Fenaprevi. On December 31, 2008, the pension funds managed by Bradesco Vida e Previdência accounted for 36.5% of VGBL, 24.8% of PGBL and 33.7% of traditional pension plans in Brazil, according to Fenaprevi. On December 31, 2008, Bradesco Vida e Previdência accounted for 37.6% of all supplementary pension plan assets under management, 39.0% of VGBL, 26.3% of PGBL and 46.9% of traditional private pension plan, according to Fenaprevi.

Brazilian law currently permits the existence of both open and closed private pension entities. Open private pension entities are those available to all individuals and legal entities who, by means of a regular contribution, wish to subscribe to a benefit plan. Closed private pension entities are those available to discreet groups of people such as employees of a specific company or a group of companies in the same sector, professionals in the same field, or members of a union. Private pension entities grant benefits upon periodic contributions from their members, their respective employers or both.

Our revenues from pension plan management and VGBL have risen by an average of 14.5% over the past five years, in large part due to increased sales of our products through our branch network.

We manage pension plans and VGBL covering more than 1.974 million participants, 70.3% of whom are members of individual plans, and the remainder of whom are individual members of corporate plans. Corporate plans account for approximately 33% of our technical reserves.

Under VGBL and PGBL plans, participants are allowed to make contributions either in installments or in lump-sum payments. Participants in pension plans may deduct the amounts contributed to PGBL up to 12% of the participant s taxable income. Under applicable law, the redemption and the benefits realized are subject to a withholding tax. VGBL participants may not deduct their contributions from their income taxes. Should the benefits be redeemed and/or deposited, the taxation will be levied on these benefits, pursuant to current legislation.

Companies in Brazil can establish VGBL, PGBL and *Fundo de Aposentadoria Individual* (Individual Retirement Fund), known as FAPI, plans for the benefit of their employees. In 2008, Bradesco Vida e Previdência managed R$27,625 million in VGBL and R$10,425 million in PGBL plans. Bradesco Vida e Previdência also managed R$17,371 million in supplementary pension plans.

In accordance with US GAAP, we consider VGBLs, PGBLs and FAPIs to be pension investment contracts. During the accumulation phase of the pension investment contracts, when the policyholders bear the investment risk, the contracts are treated as investment contracts. During the annuity phase, the contract is treated as an insurance contract with mortality risk. Funds related to pension investment contracts where the policyholders bear the investment risk are equal to the account value. Account values are not actuarially determined: they are increased as deposits are received and interest is credited (based on contractual provisions) and reduced by redemptions at the policyholders option.

Bradesco Vida e Previdência also offers pension plans to its corporate customers, most of these plans are tailored to the needs of a specific corporate customer.

Bradesco Vida e Previdência earns revenues primarily from:

- pension plans contributions and PGBL, premiums of life insurance, personal accidents and VGBL; and
- revenues from management fees which are charged from the participants in accordance with mathematic provisions.

Certificated Savings Plans

Bradesco Capitalização offers our clients certificated savings plans with the option of making either one contribution or monthly payments. Each savings plan varies in accordance with value (from R$7.00 to R$20,000), form of payment, contribution term and periodicity of drawings of cash premiums of up to R$2 million. Clients are granted interest at a rate of TR plus 0.5% per month over the value of the mathematical provision. The certificated savings plans are redeemable by the holder at the end of a grace period that is usually 12 months. As of December 31, 2008, we had more than 5 million traditional certificated savings plans and more than 10.6 million assignment of raffle right certificated savings plans. Given that the purpose of assignment of raffle right certificated savings plans is to add value to the product of the partner company or even to provide an incentive for the non-delinquency of its clients, the bonds have reduced effectiveness term and grace period and low unit value of commercialization. As of December 31, 2008, Bradesco Capitalização had issued more than 15.6 million of certificated savings plans, which are held by more than 2.5 million clients.

Quality Management System

Bradesco Capitalização was the first certificated savings plan company in the country to receive the ISO 9002 certification. In 2008, it maintained its quality management system NBR ISO 9001:2000 certification with respect to our certificated savings plans management. This certification, granted by Fundação Vanzolini, attests to the quality of its internal processes and we believe it confirms the principle grounded in our certificated savings plans: good products, good services and permanent evolution.

Rating

Standard & Poor s maintained Bradesco Capitalização s rating of brAAA/Stable and it is currently the only company in the certificated savings plans segment with such a rating. We believe Bradesco Capitalicação s results are mostly driven by the solid financial condition and equity protection standards that Bradesco Capitalização ensures to its clients.

Treasury Activities

Our treasury departments enter into transactions, including derivative transactions, mainly for economic hedging purposes (known as the macro hedge). They enter into these transactions in accordance with limits set forth by our management, under guidelines established by our risk management area, utilizing a value at risk methodology. For more information about our risk methodology, see Item 11. Quantitative and Qualitative Disclosures About Market Risks Risk and Risk Management Market Risk.

Distribution Channels

We have the largest private-sector banking network in Brazil. In 2008 we opened 199 new branches. Our branch network is complemented by alternative distribution channels such as special banking service posts on the premises of selected companies, ATMs, telephone banking services and Internet banking. In introducing new distribution systems, we have focused on enhancing our security as well as increasing efficiency.

In addition, in order to foster stronger ties with our corporate clients, in 2008, we established an additional 520 banking service posts on the premises of selected corporate clients, reaching a total of 3,738 banking service posts as of December 31, 2008. We offer the same products and services at these special posts as we offer in our branches.

For information on our international branches as of December 31, 2008, see Item 4. Information on the Company History and Development of the Company Banking Activity International Banking.

We also offer banking services in 5,946 Brazilian post offices and through our banking correspondent offices. For further information about this distribution channel, see Item 4. Information on the Company History and Development of the Company Acquisitions in 2003 and 2005 Other Acquisitions.

Specialized Distribution of Products and Services

As part of our distribution system, we have five areas that offer a range of different products and services on an individualized basis to companies and individuals throughout all specified segments of our client base. By focusing on specified segments of our client base, we are able to provide different levels of attention according to the profile of each client and, as a result, improve our efficiency in services.

Bradesco Retail

Bradesco Retail provides banking services to the population at large, mainly assisting individuals with monthly incomes of up to R$6,000, and companies with annual revenues of up to R$30.0 million, comprising more than 19 million clients carrying out millions of daily transactions at our 3,010 branches and over 2,700 other service locations as of December 31, 2008. We reward our biggest clients in this segment by providing them with personalized services.

Bradesco Corporate

Bradesco Corporate was created in 1999 and targets companies which have annual revenues of more than R$350 million per year. We currently have 129 relationship managers offering a range of traditional as well as tailor-made products to these customers.

Bradesco Corporate is ISO 9001:2000 certified for all its corporate structure, and provides customer service specialists for our corporate customers.

Bradesco Empresas Middle Market

Bradesco Empresas was implemented with the aim of attending to the needs of companies with revenues of R$30 million to R$350 million per year, through its 68 exclusive branches in the main Brazilian capital cities and strategically distributed throughout Brazil as follows: 41 branches in the Southeast, 16 branches in the South, four in the Mid-West, five in the Northeast and two in the North.

Bradesco Empresas strives to offer excellent business management with respect to loans, financings, investments, foreign commerce, derivatives, cash management and structured transactions, seeking both the satisfaction of its clients and good results for the Organization.

The Bradesco Empresas team has 44 chief managers and 342 relationship managers who take part in ANBID s Certification Program, and 212 assistant managers. Bradesco Companies team assists an average of 34 economic groups representing 11,787 companies in various industries.

Bradesco Empresas manages assets in the amount of R$55.8 billion through loan operations, guarantees, deposits, funds and charging.

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In the ongoing pursuit of improving management excellence, the Bradesco Empresas department and the Santo Amaro branch acquired NBR ISO 9001:2000 certification in *Gestão do Relacionamento com Clientes* (Client Relations Management) and *Relacionamento com Clientes* (Client Relations), both granted by Fundação Carlos Alberto Vanzolini in order to effectively maintain our management model. In November 2008, the branch was recertified.

Bradesco Empresas was recognized by IPEG through the *Prêmio Paulista de Qualidade em Gestão* (São Paulo Quality in Management Award) in 2008, attesting to the Bank s commitment to customer service quality and client satisfaction.

Bradesco Private Banking

Bradesco Private Banking is certified by ISO 9001:2000, was granted with [Good Priv@cy] (Data Protection 2002 Edition) by International Quality Network, and acknowledged by Euromoney magazine as the Best Brazilian Private Banking in January 2008. Bradesco Private Banking was created in 2000 to manage our relationship with high net worth individuals. For that reason, it seeks the most appropriate financial solution for each client by providing a tailor-made concept for each client focusing on asset allocation assessment, tax and estate planning.

Bradesco Prime

Bradesco Prime operates in the high-income client segment and was created to provide services to individuals with either monthly incomes of at least R$6,000 or investments worth at least R$70,000. Its mission is to be the primary bank of such clients focusing on high-quality client relationships, and on providing appropriate solutions to their needs with well-prepared teams, adding value to shareholders and employees within our ethical and professional standards. Bradesco Prime s segment value is based on the following assumptions:

- personalized services provided by relationship managers who manage a small number of portfolios and are constantly working on their qualifications in order to provide high standards of financial advisory service;
- large range of products and services, such as Bradesco Prime Loyalty Program, that offers increasing benefits to the clients and promotes the relationship between the clients and Bradesco through the offer of such benefits;
- exclusive branches specifically designed to provide comfort and privacy; and
- relationship channels such as: an exclusive internet banking portal, with online chat capabilities that enable financial advisors to interact with clients in real time; an exclusive call center; and a broad customer service network, consisting of branches, *Bradesco Dia&Noite* and *Banco24Horas* ATM machines located throughout Brazil.

Throughout its history, by investing in technology, in the improvement of the relationship with clients and in the qualification of its professionals, Bradesco Prime has achieved an outstanding position in the Brazilian market of banking services to high-income clients and has been consolidated as the largest banking service provider to high income clients in terms of network with 253 branches strategically positioned to provide service for more than 429,000 clients.

Since 2005, Bradesco Prime has been certified by Fundação Carlos Alberto Vanzolini with NBR ISO 9001:2000 in *Gestão do Segmento* (Segment Management). We were recertified in September 2008, strengthening our commitment to continuously improve and pursue our clients satisfaction.

Branch System

The principal distribution channel for our banking services is our branch network. In addition to offering retail banking services, our branches serve as a distribution network for all of the other products and services we offer to our customers, including our payment processing and collection services, our private banking services, credit cards and our asset management products. We market our leasing services through channels operated by our branch network, as well as directly through our wholly owned subsidiary Bradesco Leasing and Banco Finasa BMC. Bradesco Corretora and Bradesco Consórcios also market brokerage, trading and consortium services through our branches. Bradesco Vida e Previdência sells its products through 8,295 independent agents nationwide, most of whom are based in our facilities. These agents compensation is commission-based.

We sell our insurance products and pension plans through our website, through exclusive brokers based in our network of bank branches, and through non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis. At December 31, 2008, 27,744 brokers offered our insurance policies to the public. Our certificated savings plans are offered through our branches, the Internet, customer services, ATM machines and external distribution channels.

The table below sets forth the distribution of sales of the indicated products through our branches and outside our branches:

	2006	**2007**	**2008**
	(% of total sales, per product)		
Insurance products			
Sales through the branches	35.6%	37.7%	35.5%
Sales outside the branches	64.4	62.3	64.5
Pension plans products			
Sales through the branches	84.5	83.6	82.3
Sales outside the branches	15.5	16.4	17.7
Leasing products			
Sales through the branches	65.7	19.7	26.0
Sales outside the branches	34.3	80.3	74.0
Certificated savings plans			
Sales through the branches	91.0	92.3	93.2
Sales outside the branches	9.0%	7.7%	6.8%

Other service channels

Our clients have easy access to carry out queries, financial transactions and acquisition of products and services made available at the self-service channels, *Fone Fácil* (Easy Phone), Internet and Bradesco Celular.

Self-Service Network

Bradesco s Self-Service Network has 29,218 ATMs located throughout Brazil and provides fast and practical access for a diverse range of products and services. Holders of cards in checking or savings accounts can also carry out withdrawals, issuance of statements and balances at any one of the 5,306 *Banco24Horas* ATMs.

In 2008, we recorded an average of over 5.6 million transactions per day.

2,347 ATMs were replaced due to technological upgrades and 3,756 new machines were installed.

We have 7,474 machines equipped with audio for the visually impaired and wheelchair accessible.

The number of machines in our ATM network equipped with biometric technology and able to read hand veins to identify customers increased to 2,762, providing safer and faster authentication process to more of our customers.

Internet Services

One of our main goals is to provide innovative Internet services for its customers. *Bradesco Dia&Noite* manages a portal with 57 websites, of which 40 are institutional and 17 are transactional.

Bradesco Internet banking operates in the retail and prime segments, and makes available to its individual clients 448 products and services that can be accessed from any place in the world at any time. Our Internet banking allows our clients to check their accounts balances and statements, pay bills, transfer funds, and request document copies, among other services.

In addition, we offer our corporate customers in retail, middle market and corporate segments the Bradesco Net Empresa service. In their banking transactions, customers use the digital certificate with electronic signature and the Bradesco Safety Key. Thus, accredited companies optimize their businesses financial management, and also have access to 321 products and services such as movements in checking and savings accounts, payments, charging and transferring files.

The Bradesco ShopInvest website provides several online options including share purchases and sales with Home Broker, a system directly connected to BM&FBovespa. Our system is able to provide online quotation follow-up, calculation simulations, acquisition of certificated savings plans, private pension plans and other information on the financial markets.

With detailed information about the lines offered, the loans and financings website Bradesco ShopCredit makes available to our individual and corporate clients complete portfolio. In addition, it has calculation simulators, which help to identify the best financing conditions for the operations of personal loans, CDC, leasing, real estate loans, rural loans, and Finame, among others.

Through the Banco Bradesco Cartões S.A. website, which we call Bradesco Cartões, our card clients have access to several online products and services including confirming purchase and withdrawal limits available on the card, rotating credit, activating new cards and others.

Cidadetran is a website catering exclusively to forwarding agents and driving schools, offering payment and financing solutions for all the fees and taxes related to vehicles and the *Carteira Nacional de Habilitação* (the National Drivers License), or the CNH, of the State of São Paulo. The customers enrolled in the website also have a specific Call Center available, providing telephone, email or online chat service.

We also have specific websites for certain niches, such as Bradesco Universitários, Bradesco Nikkei and Bradesco Poder Público.

In 2008, we recorded 1,549.1 million banking transactions through our Internet banking services, considering that we have 9.8 million users registered in Internet Banking and 571.2 thousand companies approved in Net Empresa.

Cell phone Services

Bradesco Celular allows the customer to use mobile technology to access 37 products and services. The customer may access balance statements, payments, recharge prepaid mobile phones, transfer funds and access loan services. It uses the Bradesco Security Key to confirm debit transactions.

In addition, we offer *Recarga Direta Bradesco* (Bradesco Direct Recharge), a service which allows customers to recharge prepaid cell phones from the phone itself, even if the phone has no credit. We also offer *Serviço de Mensagens Bradesco* (the Bradesco message service), which allows enrolled customers to receive credit and debit card transaction information directly to their cell phones.

Telephone Service

Fone Fácil Bradesco provides telephone services 7 days a week with convenience, agility and security. By means of an electronic and personalized service, the client obtains information, carries out transactions and acquires products and services related to their checking and savings accounts, credit cards and other products available on this channel.

The client has access to several telephone service centers with distinct phone numbers. The main ones are: Internet Banking, Net Empresa, Consortium, Private Pension Plan, Finasa and Collection. There is also the Alô Bradesco/SAC Costumer Service Network and the Ombudsman channels to receive compliments, suggestions or complaints, in addition to the branches call center.

Hearing impaired clients have separate telephone services that use digital language technology and allow our hearing impaired clients to clarify their doubts regarding the products and services provided by Bradesco.

In 2008, 358.7 million calls were registered, generating 371.7 million in transactions.

Capital Expenditures

For a discussion of our capital expenditures during the last three years, see Item 5. Operating and Financial Review and Prospects¯Capital Expenditures.

Integrated Risk Management

Our integrated risk management policies aim to have better visibility, control and dimension of risks inherent to our business on a consolidated basis, as well as to ascertain the capital necessary to support our activities in view of maximizing shareholders return.

There is an area exclusively focused on risk management at the DGRC, Integrated Risk Superintendence, that aids in the process and effectiveness of our risk management strategy.

The main duties of this Superintendence are to:

- advise the Integrated Risk Management and Capital Allocation Committee;
- define the methodology and determine the Economic and Regulatory Capital in view of risks;
- follow up on Risk Exposure Limits;
- define the scope, relevance and frontiers among risks;
- determine the concentrations and correlations among risks;
- standardize information, methodologies and indicators;
- carry out simulations to optimize results in view of risks;

- validate risk processes, models and management; and
- monitor changes of risk profiles in light of new processes, activities or products and services.

Credit Risk Management

Credit risk deals with the possibility of occurring losses associated with the borrower s or counterparty s failure to comply with its financial obligations as agreed, as well as with the depreciation of loans resulting from a deterioration in the borrower s risk rating, reduced gains or remunerations, advantages granted in renegotiations, recovery costs and other related amounts.

We work constantly to mitigate potential credit risks by monitoring loan activities, developing, enhancing and preparing inventories of the credit risk models, monitoring credit concentration and identifying previously unknown credit risks.

In addition, we have focused our efforts on the utilization of advanced risk measuring models and on the continuous improvement of the processes. The benefits that we have achieved from these efforts are reflected in the quality and performance of our loan portfolio.

Credit risk is corporately controlled by means of meetings called Follow-up on Credit Portfolio and Recovery . All the meetings count on the participation, every month, of the board of executive officers and officers of the key managerial areas, and by the executive committee on credit risk management, which has the following functions:

- to evaluate and recommend risk measurement strategies, policies, norms, and methodologies to the integrated risk management and capital allocation committee;
- to follow up on and assess the credit risk and the actions taken to mitigate risks;
- to follow up on and assess the alternatives to mitigate credit concentration risks;
- to follow up on the implementation of credit risk corporate management methodologies, models and tools;
- to assess the sufficiency of the allowance for doubtful accounts for coverage of expected losses on credit operations;
- to follow up on the credit market moves and development, analyzing the implications, risks and opportunities for the Organization; and
- to regularly report to the chief executive officer and to the integrated risk management and capital allocation committee its activities and make the recommendations it deems important.

Among the key activities of credit risk management, we point out:

- back testing and gauging of models used to assess credit portfolio risks;
- active participation in the process of improving client risk rating models;
- follow-up on major risks, such as, periodic monitoring of the major events of default;
- follow-up on the provisioning against the expected and unexpected losses;
- continuously revising our internal processes, including roles and responsibilities capacity building and information technology demands; and
- participation in risk assessment, during the creation or revision of products and services.

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The whole process of managing credit risk involves creating action plans that are responsive to the best market practices and the requirements of the New Basel Capital Accord. Aiming to improve the management process, all ongoing actions are monitored so as to identify and solve new gaps or needs which might arise.

We seek to implement processes in line with the requirements of the Basel II IRB Advanced approach.

Market Risk Management

Market risk is related to the possibility of loss from fluctuating prices and rates caused by mismatched maturities, currencies and indexes of the Organization s assets and liabilities portfolios.

The Organization s market risk management is carried out by means of methodologies in compliance with the best international practices, allowing the Organization to ground its strategic decisions with agility and a high level of confidence.

Risk limits are proposed by specific committees, evaluated by the Market and Liquidity Risk Management Executive Committee and validated by the Integrated Risk Management and Capital Allocation Committee, pursuant to the limits established by the Board of Directors considering the operation s characteristics. Such limits are classified as follows:

- trading portfolio, comprising of all operations involving financial instruments and goods (including derivatives) held to be traded or allocated to hedge others in the trading portfolio, and which are not limited to its availability to be traded. Operations held to be traded are those destined to resell, to obtain benefits from actual or expected price variations or to arbitration; and

- banking portfolio, comprising of the operations not classified in the trading portfolio. They consist of structural operations arising from the Organization s several business lines and their respective hedges.

Compliance with these limits is monitored daily by the market risk group. In addition, management reports to control the positions are made available for management and Senior Management.

Market risk measurement and control is done by VaR, EVE, stress test and sensitivity analysis methodologies, as well as the management of results and financial exposure limits.

In order to determine the trading portfolio risk, we use the parametric VaR methodology for one day, which has a reliability level of 99%. Volatilities and correlations are calculated from statistical methods, with recent returns given more importance. The measurement of interest rate risk is made based on the EVE methodology, which determines the economic impact on positions according to scenarios prepared by the Organization s economic area, which seeks to determine positive and negative movements that may occur in interest rate curves on our investments and funding. The models used are confirmed through backtesting.

For more information on how we evaluate and monitor the market risk, see Item 11 - Quantitative and Qualitative Disclosures about Market Risk .

Operational Risk Management

Operational risk is the possibility of loss resulting from internal processes, human error, inadequate or faulty systems and external events that may or may not result in the partial or total interruption of basic activities. This includes legal risk, but does not consider strategic and image risks.

Operational risk management is supported by a corporate system, called ROCI, capable of keeping and integrating in a single data base operational risk (quantitative standards) and internal controls (qualitative standards) information, and meeting the requirements established in Section 404 of US Sarbanes-Oxley Act.

The ROCI system will be added to our operational risk management process, as it enables to calculate capital allocation related to standardized methodologies and primarily improves the activities of capture, classification and monitoring as well as strengthening the loss analysis, measurement and mitigation processes carried out by the Operational Risk area. It also meets the schedule established by Central Bank in Notice 16,137/07 and the requirements in Resolutions 2,554/98, 3,380/06 and 3,490/07 for the implementation of internal controls systems, operational risk management structures and Required Reference Shareholders Equity (PRE), respectively; and with Circular Letters 3,078/03 and 3,383/08, governing the Internal Controls System in consortium management companies and the calculation of capital allocation installment for operational risk, respectively, as well as the recommendations included in the New Basel Capital Accord.

We have stored information on five years of losses from operational risks in our historical database as required by paragraph 672 of the New Basel Capital Accord for the application of the AMA. We obtained this data from books kept exclusively for registering such losses. We calculated such losses using the advanced approach for capital allocation separated by company within the consolidated financials.

Operational risk management, carried out in a centralized manner, encompasses all of the Organization s activities, including those of Grupo Bradesco de Seguros e Previdência. This strategy has made it possible to obtain synergies through an equitable distribution of resources, with the compliance with the Basel II and Solvency II concepts, together with the Organization s policies, which follow Resolution 3,380 and Circular Letter no. 3,383, with respect to consolidated financial statements.

In April 2008, the Central Bank published Circular 3,383 and Circular Letters 3,315 and 3,316 describing the procedures that should be used to calculate the portion of PRE related to POPR. For purposes of operational risk management and the respective capital allocation, the concepts required by the Central Bank include the following approaches:

- Basic Indicator (BIA Basic Indicator Approach): Application of one single 15% percentage over the gross result of the previous 36 months;

- Standardized Alternative: segregates the gross income of the last 36 months in eight business lines, six of them focused on said income, replacing it with the remaining two by the averages of amounts of the loan portfolios, applying to them the fixed percentage of 3.5% and, subsequently, to the amounts verified, 12% for retail and 15% for commercial; and

- Simplified Standardized Alternative: it segregates the gross income of the last 36 months in two business lines, the first represented by the sum of the average of the amounts of loan portfolios and of the gross income of the securities portfolio, applying to this the fixed percentage of 3.5% and then 15% (Factor ß1), and to the second, represented by the gross income of the other business lines is applied to the percentage of 18% (Factor ß2).

Pursuant to Circular Letter 3,383/08, we adopted the Standardized Alternative Methodology for calculation of PRE installments related to POPR.

The Standardized Alternative Methodology, the business lines and the process documentation that support this approach provide greater knowledge of our products and services as well as a convergence of concepts adopted by credit and market risks. These processes and methods were validated by the Operational Risk Management Executive Committee on May 16, 2008 approved by the Board of Directors on May 26, 2008. We informed the Central Bank on May 27, 2008, in accordance with Notice 16,913.

The capital allocated for the period from July 1 to December 31, 2008, including the reduction percentage set forth in Resolution no. 3.383/08, is presented in the table below. For allocation purposes, the amount for June 2008 is to be considered. However, for the first half of 2009, the allocation be increased mainly due to the increase in the multiplier (Z factor) to 0.50 pursuant to Circular Letter no. 3,383 of Central Bank.

	Second Half 2008		**First Half 2009**	
	(R$ in millions, except percentages)			
Alternative Standardized Approach[1]				
Business Lines	R$283		R$571	
Corporate Finance	5	1.7%	14	2.5%
Trading and Sale	91	32.0	40	7.0
Retail	53	18.8	149	26.0
Commercial	57	20.2	163	28.5
Payment and Settlement	51	18.1	134	23.5
Financial Agent Services	7	2.6	22	3.9
Asset Management	18	6.3	45	7.9
Retail Brokerage	R$1	0.3%	R$4	0.7%

(1) Operating risk was assessed considering the financial consolidated.

Based on the recommendations of the New Basel Capital Accord, the rules promulgated by Resolution 3,380 and the loss information stored in our database, we are in the process of building proprietary models for capital allocation management and value calculation using the AMA.

In 3Q08 we concluded the process of associating with the operating loss database global consortium, known as the Operational Risk Data Exchange Association, or ORX. We were approved as a member. We expect that information will begin to be sent and delivered as of 1Q09. This information will help our scenario analysis calculations and comparisons of the Organization s positioning an operational risk against large global players.

PCN Business Continuity Plan

The structuring and maintenance of a Business Continuity Plan (PCN) aims at mitigating the possibility of business interruption by protecting the business process, primarily those dedicated to client relationships and services.

GCN Business Continuity Management

The business continuity management process is dealt with on a corporate basis and encompasses the Organization s essential activities. The responsibilities and duties are defined and divided into three levels: strategic, tactical and operational. The Board of Executive Officers operates at the strategic level, represented by the Executive Information Security Committee; the DGRC, which created the PCN management area, acts at the tactical level; and the Organization s departments and related companies act at the operational level.

On a corporate level, the Organization has divided business continuity into two aspects. First, contingency, a temporary solution to maintain the critical processes of a business area when the systems supporting such areas fail or are inaccessible. Second, continuity, the preventive development and respective maintenance of a set of strategies and action plans aimed at ensuring that the essential services are duly identified and preserved after a disaster occurs and until the normal operations are restored, mitigating or preventing losses both for the Organization and its clients.

Management Model and Business Continuity Control

Business continuity management is based on the preparation of the respective plans for several of the Organization s essential activities using methodologies and tools that unify the collection and handling of data as well as the documentation of PCN processes.

Methodology

The methodological approach applied to the development of the internal work is supported by rules and recommendations extracted from major national and international institutes, namely:

- NBR 15999-1 Brazilian Rule on Business Continuity Management;
- BCI The Business Continuity Institute GRB; and
- DRII Disaster Recovery Institute International USA.

Management of Internal Controls and Compliance

Based on a policy defined and approved by the board of directors, we keep all components of the internal controls system up-to-date, so as to mitigate potential losses generated by our risk exposure and to strengthen our existing corporate governance policies. We have also adopted additional methodologies and criteria for identification, classification, evaluation and monitoring risks and their controls.

Our dedicated staff and our investments in technology, training and recycling courses for our personnel have allowed us to create internal controls and compliance management that are effective and consistent with international standards in order to comply with foreign and Brazilian legal requirements.

The Organization exercises all-encompassing management of its main risks based on a methodology that gathers its five major activities arranged in a logical sequence of execution which, when concluded, enables it to assert that its Internal Controls System is effective. For operational processes, such methodology is in line with the structure of COSO, Cobit for the information technology environments and the requirements of ELC, established by PCAOB for aspects focused on Corporate Governance. Each adheres to the regulations of Bacen and to the principles recommended by the Basel Committee and Section 404 Sarbanes-Oxley.

The Methodology of Risk and Control Management encompasses the following activities:

- **Activity 1 Formalize the Process** document the flow of process to identify risk and control activities;
- **Activity 2 Measure, Assess, Deal With and Monitor Risks and Controls** identify, classify, measure the risk exposure, check the existence and adequacy of the inherent control design and manage both;
- **Activity 3 Answer on Risks** identify gaps, prepare and follow-up on the implementation of action plans to correct anomalies or improve existing controls;
- **Activity 4 Perform Adherence Tests** ensure, by means of formal execution of adherence tests, that the control definition is adequate and that the activity of controlling has been exercised regularly and correctly; and
- **Activity 5 Apply Corporate Self-Evaluation** distribute questionnaires to the Organization s employees to evaluate levels of knowledge, understanding and application on issues involving integrity, ethical and moral

values, policies and rules inherent to risk and internal control management.

The internal control area is one of the units of the Risk Management and Compliance Department that reports to the Chief Executive Officer and is responsible for the preparation and disclosure of technical instructions, criteria and procedures related to internal controls and compliance with all Compliance Agents in the Organization s departments and related companies.

Compliance agents are responsible for executing activities for identification, classification, assessment and monitoring of risks and controls as well as performing adherence tests and preparing action plans, according to models defined by the Internal Controls area.

The reports with diagnoses on the effectiveness of the Internal Controls System are regularly submitted to the evaluation of the Audit and Internal Controls and Compliance Committees at meetings. On a half-year basis, the Committees issue an opinion on the effectiveness of the Internal Controls Systems maintained by the Organization and submit it to the Board of Directors approval, at a specific meeting on the matter.

Some of the key aspects of our risk management and compliance efforts are:

- The Brazilian Payment System, or SPB, management area aims at monitoring the flow of messages conveyed in the Organization s SPB environment so as to guarantee its completion and settlement. The area is also responsible for keeping the SPB s Contingency Plan updated and its integration with the other Department Contingency Plan related to the SPB, and activating, coordinating, operating and managing all contingency procedures when necessary. This plan is continuously tested, and evidence reports are generated, which are published in our corporate intranet. For the manual-entry message systems, an internal access policy was created, which anticipates half-year meetings for the users who are licensed in our management s systems.

- The online cash transfers validation system, or TED, is designed to reduce operational risks generated by the unauthorized transfer of funds from the Bradesco Group, providing a greater level of security and reliability in transactions. It also aims at detecting transactions which are not in the borrower s economic and financial capacity by analyzing the origin of the funds, in compliance with the rules related to the Fight Against Money Laundering and Terrorism Financing;

- We maintain specific policies, processes and systems so as to prevent, detect and combat the utilization of our structure, products and services for money laundering and terrorist financing purposes. We train our employees in ways, such as brochures, e-learning and classroom courses. A multi-departmental permanent committee evaluates the pertinence of reporting suspicious transactions to regulatory agencies;

- Strategic guidelines and follow-up on the effective adherence to the program for the prevention and combat of these types of illicit acts are under the responsibility of the executive committee on prevention and combat of money laundering and terrorist financing, which meets at least on a quarterly basis to assess the status of the works and the need to adopt new measures so as to align this program to the best international practices and to the rules of the regulatory agencies.

- Measures to prevent and combat money laundering in conformity with best corporate governance practices and which are based on the policies know your client and know your employee . Training and awareness programs are provided to all employees. We are also constantly improving the technology to monitor financial movement in order to help identify transactions which could be, directly or indirectly, related to crimes preceding money laundering, defined in Law no. 9,613/98; and

- Information security management, based on the corporate policy on information security, and on a set of rules, controls and procedures, aims at protecting client information, consubstantiating in the document entitled Privacy Guidelines , and our information assets, addressing the aspects of secrecy, integrity, and information availability. These activities are complemented by awareness and training actions, targeted at all of the Bradesco Organization s employees.

Credit

Our credit policy is focused on:

- ensuring the safety, quality, liquidity and diversification levels in the allocation of assets;
- searching for flexibility and profitability in our business; and
- minimizing the risks inherent to credit operations.

Our credit policy defines the criteria we use for setting operational limits and extending credit. Credit limits are set by the Executive Credit Committee, which is comprised of our vice-presidents, the managing directors responsible for our operational area and our credit director. The Executive Credit Committee updates our credit limits in accordance with changes in our internal policy and the Brazilian market in general. Our Executive Directors also approve the assessment systems that our branches and departments use for each type of loan in assessing credit applications.

Our businesses are diversified, non-selective and focused on individuals and companies that demonstrate ability to pay and credit worthiness, and care is taken to ensure that the underlying guarantees are sufficient to support the obligations considering the reasons and terms of the credit granted, besides risk classification the loan would receive, under our classification of risk system. In Brazil, the risk rating system is divided into nine categories ranging from excellent to uncollectible, based on financial and economic considerations such as the credit profile and payment capacity of the borrower. See Item 4. Information on the Company Regulation and Supervision Bank Regulations Treatment of Overdue Debts.

We have several approval levels for loan requests for individuals as well as for corporate entities. These approval levels range from the individual branch general managers to our Executive Credit Committee. Our branches have defined limitations on their authority to grant credit based on the size of the branch and guarantee offered at the time of the transaction. However, they have no authorization to approve an application for credit from any borrower who:

- is rated less than acceptable under our internal credit risk classification system;
- does not have an updated record;
- whose personal data reveals any material credit restrictions; or
- who is in default on any of his or her existing credit obligations.

We have credit limits for each type of loan. We pre-approve credit limits for our individual and corporate clients and presently extend credits to the public sector only under very limited circumstances. In all cases, funds are only granted once the appropriate body has approved the credit line.

We review the credit limits of our large corporate clients every 180 days. Credits extended to other customers, including individuals, small and midsized corporations, are reviewed every 90 days.

If a loan payment is in default, the manager of the branch or department that authorized the credit is responsible for taking the initial steps to determine if the default can be remedied. If the loan remains in default after exhaustion of extra-judicial collection strategies, the manager of the branch or department refers the case to the Credit Collection Department.

Consumer Credit Operations

For individual customers, depending on the proposed credit support and the size of the relevant branch, loans of up to R$50,000 are approved at the branch level. If the credit support offered is not within the limits established for approval at the branch level, the approval of the loan is submitted to the Credit Department and, if necessary, higher levels of authority. The following table sets out the limits within which branch managers may approve individual loans, depending on the amount and the type of credit support offered.

	Total Risk Amount	
	Loan with no real guarantee	**Loan with real guarantee**
	(R$ in thousand)	
Decision-making authority:		
Manager of very small branch [(1)]	R$0 to 5	R$0 to 10
Manager of small branch [(2)]	0 to 10	0 to 20
Manager of average branch [(3)]	0 to 15	0 to 30
Manager of large branch [(4)]	R$0 to 20	R$0 to 50

(1) Branch with total deposits equal to or below R$1,999,999.
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999.
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999.
(4) Branch with total deposits equal to or above R$15,000,000.

We use a specialized credit scoring evaluation system to analyze these loans, allowing us to build a level of flexibility and accountability, besides standardizing the procedures in the process of analyzing and deferring loans.

We provide our branches with tools that allow them to analyze credits for individual clients in a rapid, efficient and standardized manner and to produce the corresponding loan contracts automatically. With these tools, our branches can respond quickly to clients, keep costs low and control the risks inherent to consumer credit in the Brazilian market.

If the branch manager is not authorized to approve the requested loan, the decision is submitted to our credit department and, if necessary, to higher levels of authority. The following table sets out the range within which each decision-making authority approves loans to individuals above R$50,000, irrespective of the type of credit support offered:

	Total Risk Amount	
	Minimum	**Maximum**

	(R$ in thousand)	
Decision-making authority:		
Credit department	R$51	R$8,000
Credit director	8,001	10,000
Executive credit committee (Daily Meeting)	10,001	R$35,000
Executive credit committee (Plenary Meeting)	Over R$35,000	-

Corporate Credit Operations

For corporate customers, depending on the proposed credit support and the size of the relevant branch, loans of up to R$400,000 are approved at the branch level. If the credit support offered is not within the limits established for approval at the branch level, the approval of the loan is submitted to the Credit Department and, if necessary, higher levels of authority. The following table sets out the limits within which branch managers may approve corporate loans, depending on the amount and the type of credit support offered:

	Total Risk Amount	
	Loans with no real guarantees	Loan with real guarantees
	(R$ in thousand)	
Decision-making authority:		
Manager of very small branch [(1)]	R$0 to 10	R$0 to 60
Manager of small branch [(2)]	0 to 20	0 to 120
Manager of average branch [(3)]	0 to 30	0 to 240
Manager of large branch [(4)]	0 to 50	0 to 400
Manager of Bradesco Company branch [(5)]	R$0 to 100	R$0 to 400

(1) Branch with total deposits equal to or below R$1,999,999.
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999.
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999.
(4) Branch with total deposits equal to or above R$15,000,000.
(5) Branch with exclusive middle market companies.

If the branch manager is not authorized to approve the requested loan, the decision is submitted to our credit department and, if necessary, to higher levels of authority.

The following table sets out the range within which each of our decision-making authorities approves loans for corporate customers above R$400,000, irrespective of the type of security offered:

	Total Risk Amount	
	Minimum	Maximum
	(R$ in thousand)	
Decision-making authority:		
Credit department	R$401	R$8,000
Credit director	8,001	10,000
Executive credit committee (Daily Meeting)	10,001	35,000
Executive credit committee (Plenary Meeting)	Over R$35,000	-

With the purpose of meeting the clients   needs in the shortest possible term and with greater security, the credit department breaks down its analyses, using different methodologies and instruments for credit analysis in each segment, paying special attention to:

- In the individual retail, prime and private segments we consider the individual   s reputation and credit worthiness, the professional category/activity, the monthly income, the assets (personal and real property, eventual burdens and stakes in companies), the bank indebtedness and the history of their relationship with the Bradesco Organization, paying attention, in the loan operations, to terms and current fees and to the guarantees involved;

- In the corporate retail segment, in addition to the points above, we take into account the fact whether the company activities get mixed with its owners, and, if so, we also consider the period of activity and the monthly revenues; and

- In the companies and corporate segments, the management ability, the company/group s positioning in the market, the size, the economic-financial evolution, the cash-generating ability, and the business perspectives, our analysis always encompassing the proponent, its parent company/subsidiaries, and the industry in which it is inserted.

Processing Systems

The Organization s data processing systems are located in Cidade de Deus in a modern Information Technology Center (CTI) completed at the end of 2007. This 9,575 square meter facility was built especially to shelter our Information Technology (IT) infrastructure, and has all the requirements for class-4 certification from Uptime Institute, which ensures its availability 99.995% of the time. The CTI features computers with state-of-the-art technology and capacity equivalent to the ones that were under production in Cidade de Deus other facilities, to which all the central systems, with IBM Mainframe technology, were transferred. The remaining systems, based on other technologies, should be transferred by the end of 2009.

Data are continuously replicated in a Processing Center located at Alphaville, in the city of Barueri, featuring mainframes with the same capacity as the main center, enabling it to take over the main systems activities in case of a problem at CTI. All the branches and ATMs have telecommunications services that work with either of the two processing centers.

Alphaville s IT infrastructure also shelters all the activities focused on the development of application systems.

Should the public energy supply be interrupted, both centers have sufficient energy capacity to operate independently for seventy-two hours. In addition, we have sufficient access to fuel and the capacity to generate our own electricity indefinitely.

The IT structure is backed by processes implemented in light of the ITIL (IT Infrastructure Library and applies renowned practices in IT services management.

Funding

Deposit-taking Activities

Our principal source of funding is deposits from Brazilian individuals and businesses. At December 31, 2008, our total deposits were R$164.5 billion, representing 41.3% of our total liabilities.

We provide the following types of deposit and registration accounts:

- checking accounts;
- deposit accounts for investments;
- savings accounts;
- time deposits;
- interbank deposits from financial institutions;
- savings integrated to the investments account; and
- accounts for salary record.

The following table sets forth our total deposits, by type and source, as of the dates indicated:

	December 31,			% of total deposits
	2006	**2007**	**2008**	**2008**
	(R$ in millions, except %)			
From customers:				
Demand deposits	R$21,081	R$29,423	R$28,612	17.4%
Savings deposits	27,613	32,813	37,768	23.0
Time deposits	34,941	35,733	97,423	59.2
From financial institutions	290	372	698	0.4
Total	**R$83,925**	**R$98,341**	**R$164,501**	**100.0%**

According to regulations of the monetary authority, we must place a percentage of the demand deposits, savings deposits, time deposits we receive from our clients and interbank deposits from leasing companies, with the Central Bank as compulsory deposits, as follows:

- *Demand Deposits and deposit accounts for investments*: We are required to deposit 42% of the average daily balance of our demand deposits and deposit accounts for investment in excess of R$44.0 million with the Central Bank on a non-interest-bearing basis;

- *Savings deposits*: Each week we are required to deposit in an account with the Brazilian Central Bank an amount in cash equivalent to 20% of the total average balance of our savings account deposits during the prior week. The account bears interest annually at TR plus interest rate of 6.2%; and

- *Time funds*: We deposited in the Central Bank 15% of the average balance of our time deposits and CDIs from leasing companies out of the R$30 million installment. The amount of R$2 billion is deducted from the amount determined, resulting in the liability (R$300 million as of October 3, 2008). Out of the liability determined, 40% is settled by means of holding Brazilian government securities, and the remaining 60% is settled by means of credit, CDI and Debentures acquisition operations, in compliance with the categorization and limits set forth by the current regulations.
  Government bonds bear interest in accordance with market rates.

In addition, we are required to deposit each week in an account with the Brazilian Central Bank an additional amount corresponding to (a) 5% of the average balance of our time and demand account deposits during the prior week plus (b) 10% of the average balance of our saving account deposits during the prior week. R$1 billion is deducted from the final amount. This additional amount is settled with Brazilian government securities.

Present Central Bank regulations require that we:

- allocate a minimum of 30.0% of cash deposits to providing rural credit (if we do not do so, we must deposit the unused amount in a non-interest bearing account with the Central Bank);

- allocate 2.0% of checking deposits received to micro credit transactions; and

- allocate a minimum of 65.0% of the total amount of deposits in savings accounts to finance residential real estate or housing construction. Amounts that can be used to satisfy this requirement include direct residential real estate financings, mortgage notes, charged-off residential real estate or housing construction loans and certain other financings, all as specified in guidance issued by the Central Bank.

Savings deposits in Brazil typically only pay interest on a floating basis of TR plus 6.2% per year, after funds have been left on deposit for at least one calendar month by individuals and non-profit entities, and 90 days by profit-corporations. Earnings in individual savings accounts are free from income tax.

CDBs pay either a fixed or a floating rate, which is typically a percentage of the interbank interest rate. The breakdown between CDBs at pre-fixed rates and floating rates varies from time to time, depending on the market s interest rate expectations.

Cash deposits, investment deposits, savings accounts deposits, term deposits with or without issue of certificate, mortgage notes, bills of exchange, housing bonds, mortgage notes and deposits kept in accounts not movable through checks, aimed at recording and controlling the flow of resources referring to the rendering of salary payment and other compensations, pension and other similar services are guaranteed, by the Credit Guarantee Fund, known as FGC, up to R$60,000 per client, in the event of a bank s liquidation.

We issue CDIs to other financial institutions. Trading in CDIs is restricted to the interbank market. CDIs have a pre- or post-fixed rate for one day or longer terms.

Other Funding Sources

Our other funding sources include capital markets operations, import/export operations and on-lending.

The following table sets forth the source and amount of our other funding sources as of the dates indicated:

	December 31,		
	2006	**2007**	**2008**
		(R$ in millions)	
Funding Sources:			
Import/export financing	R$4,440	R$6,073	R$10,958
Internal funds on-lending	11,642	14,087	19,095
Leasing obligations	430	874	1,042
Capital markets:			
Federal funds purchased and securities sold under agreements to repurchase	42,875	69,015	74,730
Euronotes	1,235	810	217
Mortgage-backed securities	841	867	771
Subordinated notes	11,949	15,850	19,249
Debentures (non-convertible)	2,603	2,595	1,220
Securitization of credit card receivables	1,344	2,497	5,305
Commercial paper	1,225	1,915	2,890
Foreign currency loans	78	1,335	356
Others	44	1	1
Total	**R$78,706**	**R$115,919**	**R$135,834**

Our capital markets operations act as a funding source for us through our transactions with financial institutions, mutual funds, fixed and variable income investment funds and foreign investment funds. In these transactions we sell public and private bonds and securities with an obligation to repurchase them. These transactions usually have short terms.

In order to provide our customers with loans through on lending, including the extension of credit lines for foreign trade financing, we maintain credit relationships with various United States, European, Asian and Latin American financial institutions.

We conduct on-lending operations where we act as the transfer agent for development agency funds, granting credits to third parties, which are in turn funded by development organizations. BNDES, the International Bank of Reconstruction and Development, which we call IBRD, and the IDB are the principal providers of these funds. The lending criteria, the decision to lend and the credit risk are our responsibility and subject to certain limitations set by the bodies supplying the funds.

Property, Plant and Equipment

As of December 31, 2008, we owned 826 properties and leased 2,613 properties throughout Brazil and eight properties abroad, all of which we used for the operation of our network of branches and in performance of our business. We own the building where our headquarters are located in Cidade de Deus, Osasco, São Paulo, State of São Paulo. The majority of our leased property is leased under renewable contracts with terms of an average of 23 years.

Seasonality

We believe that seasonality does not materially affect our business.

Competition

We face significant competition in all of our principal areas of operation, as the Brazilian market for financial and banking services is highly competitive.

In 2008, there were two large mergers and acquisitions in the Brazilian market:

- Banco Santander s acquisition of the ABN AMRO Real Conglomerate s Brazilian operations, making Santander the forth largest bank in Brazil, with total assets of R$340.6 billion on December 2008; and

- The merger of Banco Itaú and Unibanco, resulting in the largest Brazilian bank with assets totaling R$632.7 billion on December 2008.

Additionally, on December 19, 2008, Banco do Brasil and the São Paulo State Government executed a Share Purchase Agreement transferring control of Banco Nossa Caixa S.A. to Banco do Brasil. The Central Bank approved the transaction on March 10, 2009.

On December 31, 2008, National Private Financial Institutions (including the Financial Conglomerates) held 41% of the National Financial System s assets, followed by the Public Financial Institutions with a 38% share by Foreign Financial Institutions, with a 21% share.

Public-sector financial institutions play an important role in the Brazilian banking industry and operate within the same legal and regulatory framework as the private-sector banks.

On December 31, 2008, there were 136 financial conglomerates comprised of multiple-service and commercial banks (including Caixa Econômica Federal), providing a full range of commercial banking activities, such as consumer finance, investment banking, brokerage services, leasing, savings and loans and other financial services in Brazil. For further information of the risks related to competition, see Item 3. Key Information Risk Factors Risks Relating to the company and the Brazilian Banking Industry The increasingly competitive environment in the Brazilian banking and insurance industries may negatively affect our business prospects.

Credit Cards

The Brazilian credit card market is highly competitive, with approximately 124 million credit cards issued as of December 31, 2008, according to Abecs. Our primary competitors are Banco do Brasil, Banco Itaú, Unibanco and Citibank. Management believes that the primary competitive factors in this area are interest rates, annual fees, card distribution network and the relative benefits the cards offer.

Other competition for credit cards exists in the form of post-dated checks, a popular means of term payment in Brazil in which customers pay for merchandise and services with future dated bank checks, effectively allowing payment in installments over a longer term. Because of their convenience and growing acceptance, we believe that credit cards will gradually replace post-dated checks.

Leasing

In general, the Brazilian leasing market is dominated by companies affiliated with vehicle and equipment producers and large banks. We currently enjoy certain competitive advantages, as we have the largest branch network among our private sector competitors.

Asset Management

Brazilian investment funds closed 2008 with R$1.128 trillion in assets a 12% decrease in 2008 as compared to 2007. The variation was mainly due to:

- there was a 42.1% drop in Equity Funds;

- fixed income and multimarket funds redemptions, which decreased 14.6% and 13.7% in total assets, respectively; and

- there was a significant shift from higher risk investment funds to more conservative assets, such as DI funds and other investments, like savings accounts and CDB.

The investment fund segment faced strong adjustments in 2008, due to higher volatility, in higher risk assets and the shift of investments to safer assets. Our main competitors are Banco do Brasil, Banco Itaú/Unibanco, Caixa Econômica Federal and Santander.

Insurance, Pension Plans and Certificated Savings Plans

Insurance Sector

Grupo Bradesco de Seguros e Previdência, the leading insurance company in the Brazilian market with a 23.9% market share, faces increased competition from a number of Brazilian and multinational corporations in all of its insurance operations.

As of December 31, 2008, our primary competitors were Itaú Unibanco Seguros S.A, Sul América Cia. Nacional Seguros, Porto Seguro Cia. de Seguros Gerais, Caixa Seguros, Mapfre Seguradora S.A. and Tókio Marine, which represent in the aggregate approximately 44.6% of the total premiums generated in the market, pursuant to information from SUSEP. Although national companies underwrite the majority of the insurance business, we also face competition from local and regional companies primarily in the health insurance segment where they are able to operate at a lower cost or specialize in providing coverage to particular risk groups.

Competition in the Brazilian insurance industry has changed dramatically in the past few years as foreign companies have begun to form joint ventures with Brazilian insurance companies that have expertise in the Brazilian market. For example, in 2002, the Dutch Group ING acquired an interest in one of the companies of the Sul América Group. Hartford operates in Brazil through a joint venture with the Icatu Group. AXA, Allianz, ACE, Generalli, Tokio Marine and other international insurers offer insurance products in Brazil through their own local facilities.

We believe that the principal competitive factors in this area are price, financial stability, name recognition and service. At the branch level, we believe that competition is primarily based on the level of service, including claims handling, the level of automation and the development of long-term relationships with individual agents. We believe that our ability to distribute insurance products through our branch network gives us a competitive advantage over most other insurance companies. Because most of our insurance products are offered through our retail bank branches, we benefit from certain cost savings and marketing synergies compared with our competitors. This cost advantage could become less significant over time, however, as other large private banks begin using their own branch networks to offer insurance products through dedicated agents.

Private Pension Plan Sector

The monetary stability process that accompanied the implementation of the *real* plan stimulated the pension plan sector, attracting to the Brazilian market new international players, such as Principal, which created Brasilprev in association with Banco do Brasil; Hartford, through a joint venture with the Icatu Group; ING through a partnership with Sul América, MetLife; Nationwide, and others.

In addition to monetary stability, favorable tax treatment and the prospect of a fundamental reform of Brazil s social security system contributed to the increase in competition.

Bradesco Vida e Previdência is currently the leader of the pension plan market, accounting for 37.6% of total assets under management in the sector in 2008, according to Fenaprevi.

We believe that the Bradesco brand name, together with our extensive branch network, strategy, pioneer work and product innovation, are our competitive advantages.

Certificated Savings Plans

The certificated savings plan market has been competitive since 1994 when exchange rates became more stable and inflation was reduced. As of November 30, 2008, Bradesco Capitalização was second in the industry ranking with 18.9% of the market on technical revenues and 20.2% in technical provisions, according to SUSEP.

Our primary competitors in the certificated savings plans sector are Brasilcap Capitalização S.A., Itaú Unibanco Capitalização S.A., Santander Capitalização, Caixa Capitalização S.A, Icatu Hartford Capitalização S.A. and HSBC Capitalização S.A.. Offering low-cost products with a high number of drawings for prizes, financial stability and safety and brand recognition are the principal competitive factors in this industry.

REGULATION AND SUPERVISION

Principal Financial Institutions

On December 31, 2008, 15 financial conglomerates operated in Brazil. They were composed of public sector commercial and multiple-service banks controlled by federal and state governments, (including Caixa Econômica Federal) and 121 financial conglomerates composed of commercial and multiple-service banks owned by the private sector. For purposes of Brazilian regulations, insurance companies, private pension plans and certificated savings plan providers are not considered financial institutions.

Public Sector Financial Institutions

The Brazilian federal and state governments control various commercial banks and financial institutions. The primary purpose of these institutions is to foster economic development. Government-owned banking institutions play an important role in the Brazilian banking industry. These institutions hold a significant portion of the banking system s total deposits and total assets and are the major lenders of government funds to industry and agriculture. In the last ten years several public sector multiple-service banks have been privatized and acquired by Brazilian and foreign financial groups.

The primary government-controlled banks include:

- *Banco do Brasil*, a federal government-controlled bank which provides a full range of banking products to the public and private sectors. Banco do Brasil is the second largest multiple-service bank in Brazil and the primary financial agent of the federal government;

- *BNDES*, a development bank wholly owned by the federal government, which grants medium- and long-term financing to the Brazilian private sector. BNDES activities include managing the federal government s privatization program; and

- *Caixa Econômica Federal*, a multiple-service bank wholly owned by the federal government, which acts as the principal agent of the government-regulated system for providing housing financing. Caixa Econômica Federal is ranked first among Brazilian banks in terms of savings accounts and housing financing.

Private Sector Financial Institutions

As of December 31, 2008, the Brazilian financial private sector included:

- 121 financial conglomerates (including commercial, investment and multiple-service banks), that provide a full range of commercial banking, investment banking (including securities underwriting and trading), consumer financing and other services including fund management and real estate finance; and

- 55 consumer credit companies, 135 securities dealerships, 152 brokerage companies, 36 leasing companies, 8,124 investment funds and mutual funds and 16 savings associations and real estate credit companies.

Principal Regulatory Agencies

The basic institutional framework of the Brazilian financial system was established in 1964 by Law No. 4,595, known as the Banking Reform Law. The Banking Reform Law created the Central Bank and the CMN.

The CMN

The CMN, the highest authority responsible for Brazilian monetary and financial policy, is responsible for the overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies. The CMN is responsible for:

- regulating credit operations engaged in by Brazilian financial institutions;

- regulating the issuance of Brazilian currency;

- supervising Brazil s reserves of gold and foreign exchange;

- determining Brazilian saving, foreign exchange and investment policies; and

- regulating the Brazilian capital markets.

In December 2006, CMN mandated the creation of a risk-monitoring model by the CVM (the Supervision System Based on Risk, which we call SBR). SBR s purpose is to: (i) identify market risks; (ii) evaluate and rank these risks in accordance with their potential effects; (iii) establish mechanisms for mitigating these risks and the harm that they might cause; and (iv) control and monitor the occurrence of risk events. Additional measures necessary to implement SBR must be enacted by the CMN.

The Central Bank

The Central Bank is responsible for:

- implementing the currency and credit policies established by the CMN;
- regulating and supervising public and private sector Brazilian financial institutions;
- controlling and monitoring the flow of foreign currency to and from Brazil; and
- overseeing the Brazilian financial markets.

The president of the Central Bank is appointed by the president of Brazil for an indefinite term of office subject to approval by the Brazilian Senate.

The Central Bank supervises financial institutions by:

- setting minimum capital requirements, compulsory reserve requirements and operational limits;
- having the power to authorize corporate documents, capital increases and the establishment or transfer of principal places of business or branches (in Brazil or abroad);
- having the power to authorize shareholder changes of control of financial institutions;
- requiring the submission of annual and semi annual audited financial statements, quarterly revised financial statements and monthly unaudited financial statements; and
- requiring full disclosure of credit and foreign exchange transactions, import and export transactions and other directly related economic activities.

The CVM

The CVM is responsible for regulating the Brazilian securities markets in accordance with the securities and exchange policies established by CMN.

The CVM is responsible for the supervision and regulation of variable income mutual funds. In addition, since November 2004, the CVM has had the authority to regulate and supervise fixed income assets funds. For more information, please see Asset Management Regulation.

Bank Regulations

Principal Limitations and Restrictions on Activities of Financial Institutions

Under applicable laws and regulations, a financial institution operating in Brazil:

- may not operate without the prior approval of the Central Bank and, in the case of foreign banks, authorization by presidential decree;
- may not invest in the equity of any other company above the regulatory limits;
- may not lend more than 25.0% of its adjusted net worth to any single person or group;
- may not own real estate, except for its own use; and
- may not extend credits to or render guarantees for:

any individual that controls the institution or holds, directly or indirectly, more than 10.0% of its share capital;

any entity that controls the institution or with which it is under common control, or any officer, director or member of the fiscal council of such entity, or any immediate family member of such individuals;

any entity that, directly or indirectly, holds more than 10.0% of its shares (with some exceptions);

any entity that it controls or of which it directly or indirectly holds more than 10.0% of the share capital;

any entity whose board of executive officers is made up of the same or substantially the same members as its own executive committee; or

its executive officers and directors (including their immediate families) or any company controlled by its executive officers and directors or their immediate families or in which any of them, directly or indirectly, holds more than 10.0% of the share capital.

The restrictions with respect to transactions with related parties do not apply to transactions entered into by financial institutions in the interbank market.

Capital Adequacy and Leverage

Brazilian financial institutions are subject to a capital measurement and standards methodology based on a weighted risk asset ratio. The framework of such methodology is similar to the international framework for minimum capital measurements as adopted in the Basel Accord. The Basel Accord requires banks to have a minimum capital to risk-weighted assets ratio 8.0% . At least half of total capital must consist of Tier I capital. Tier I, or core, capital includes equity capital less certain intangibles. Tier II capital includes asset revaluation reserves, general loan loss reserves and subordinated debt, subject to some limitations. Tier II capital is limited to the amount of Tier I capital.

The requirements imposed by the CMN differ from the Basel Accord in a few respects. Among other differences, the CMN:

- requires minimum capital of 11.0% of risk-weighted assets;
- does not permit contingency reserves to be considered as capital;
- imposes a deduction from capital corresponding to fixed assets held in excess over limits imposed by the Central Bank;
- requires an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap transactions as well as with respect to certain credit transactions utilizing third party resources;
- allows financial institutions for determination of their adjusted net worth to deduct from its net worth costs, including taxes, incurred in connection with swap transactions put in place to hedge long positions associated with investments outside Brazil; and
- assigns different risk weights to certain assets and credit conversion amounts, including a risk weighting of 300.0% on tax credits relating to income and social contribution taxes, except for loans arising from temporary differences 100.0% weighted.

For further discussion see Item 5. Operating and Financial Review and Prospects Capital Compliance.

Financial institutions are also required to maintain their net worth at a certain level. The adjusted net worth of a financial institution is represented by the sum of its Tier I and Tier II capital and is used in determining its operational limits. In July 2008, the Central Bank issued certain rules to include the operational risk of financial institutions amongst the factors to be considered in the calculation of their adjusted net worth.

Financial institutions, excepting credit unions, must keep consolidated accounting registers (for purposes of calculating their capital requirements) of their investments in companies whenever they hold, directly or indirectly, individually or with partners, a controlling participation in such companies. When their participation does not result in control of a company, financial institutions can opt to account for the holding as equity in earnings of unconsolidated companies instead of consolidation.

Under certain conditions and within certain limits, financial institutions are able to include subordinated debt in the determination of their capital requirements for purposes of calculating their operational limits, provided that such subordinated debt complies with the following requirements:

- it must be previously approved by the Central Bank;
- it cannot be secured by any type of guaranty;
- its payment must be subordinated to the payment of other liabilities of the issuer in case of dissolution;
- it cannot be redeemed by action of the holder;
- it must have a clause allowing postponement of the payment of interest or redemption in case they would cause the issuer to fail to comply with minimum levels of adjusted net worth or other operational requirements;
- it must be nominative, when issued in Brazil, and, when issued abroad, under any other form permitted by local legislation;
- when issued abroad, it must contain a clause of choice of venue;
- it must have a minimum term of five years before redemption or amortization;
- it must be paid in cash; and
- its payment cannot be secured by any type of insurance that obliges or permits payments between the issuer and the borrowing institution or any instrument that compromises the subordinated-debt condition.

Brazilian financial institutions may elect to calculate their capital requirements on either a consolidated or unconsolidated basis.

Reserve Requirements

The Central Bank imposes compulsory reserve and related requirements upon Brazilian financial institutions from time to time. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system. Historically, the reserves imposed on demand deposits, savings deposits and time deposits have accounted for substantially all amounts required to be deposited with the Central Bank. For a summary of the current compulsory reserve requirements applicable for demand deposits, savings deposits, and time deposits, see Item 4. History and Development of the Company Banking Activity Deposit-taking Activities.

The total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its adjusted net worth. In addition, if its exposure is greater than 5.0% of its adjusted net worth, the financial institution must hold additional capital at least equivalent to 100.0% of its exposure. Since July 2, 2007, the amount internationally offset in opposite exposures (purchases and sales) in Brazil and abroad by institutions of a same conglomerate is required to be added in the respective conglomerate s net consolidated exposure.

In the past, the Central Bank has imposed certain compulsory deposit requirements on other types of financial transactions. These requirements are no longer in effect, but they may be re-imposed in the future or similar restrictions may be instituted. At the beginning of 2008, the Central Bank determined a new compulsory deposit requirement over interbank deposits of leasing companies. Our leasing company invests most of its cash available for immediate investment in interbank deposit accounts with us. This new Central Bank requirement would have an adverse impact on the cost of our deposit-taking activities. For more information on Central Bank restrictions see Item 3. Key Information Risk Factors Risks Relating to Bradesco and the Brazilian Banking Industry.

Asset Composition Requirements

Brazilian financial institutions may not allocate more than 25.0% of their adjusted net worth to loans (including guarantees) to the same client (including client s parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their adjusted net worth.

Permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred assets) of Brazilian financial institutions may not exceed 50.0% of their adjusted net worth.

The National Monetary Council issued rules in October 2008 requiring financial institutions to record: (i) rights aiming assets intended for maintaining the institution s activities, including those resulting from operations that have transferred the benefit, risks and control of these assets to the institution, except for lease operations assets for fixed assets; and (ii) the restructuring expenses that effectively result in an increase in income of more than one fiscal year and do not constitute merely a reduction in costs or greater operational efficiency for deferred assets. A subsequent rule defined intangible assets as acquired rights aiming immaterial assets intended for maintaining the institution or exercised with this purpose, including those corresponding to payroll services, income, salary, wages and retirement and pension payments, among others.

Repurchase Transactions

Repurchase transactions are subject to operational capital limits based on the financial institution s shareholders equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its adjusted net worth. Within that limit, repurchase operations involving private securities may not exceed five times the amount of the financial institution s adjusted net worth. Limits on repurchase operations involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

On-lending of Funds Borrowed Abroad

Financial institutions and leasing companies are permitted to borrow foreign currency-denominated funds in the international markets (through direct loans or the issuance of debt securities) in order to on-lend such funds in Brazil. These on-lendings take the form of loans denominated in reais but indexed to the U.S. dollar. The terms of the on-lending transaction must mirror the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction, the financial institution may only charge an on-lending commission.

Furthermore, the amount of loan in foreign currency should be limited to the sum of external operations of the financial institution to which loan funds must be directed. Lastly, pursuant to the Central Bank s Circular Letter 3,434, the total loan operations made at the expense of these funds are given as collateral to the Central Bank as a condition for the release of the amount to the financial institution.

Foreign Currency Position

Transactions in Brazil involving the sale and purchase of foreign currency may only be conducted by institutions authorized by the Central Bank to operate in the foreign exchange market.

Until March 14, 2005, the Brazilian foreign exchange market was divided into two segments, the commercial rate exchange market (Commercial Market) and the floating rate exchange market (Floating Market). The Commercial Market was reserved primarily for foreign trade transactions and transactions that generally require registration with the Central Bank. The Floating Market applied to all transactions to which the Commercial Market did not apply. Only banks, brokers, dealers and the Central Bank had access to the Commercial Market, whereas the Floating Market was open to all institutions authorized by the Central Bank.

In March 2005 the Central Bank enacted new regulations that introduced significant changes in the foreign currency exchange regime. These rules were announced by the Central Bank as part of a liberalization program intended to enhance market efficiency and to allow more transparency of the flows of foreign currency into and out of Brazil.

Under the new rules, the previously existing Commercial and Floating Markets were unified under a single foreign currency exchange regime (the Exchange Market), in which all foreign exchange currency transactions are concentrated. The newly unified Exchange Market allows the liquidation in foreign currency of any commitments in reais that are contracted between individuals and/or legal entities resident in Brazil and individuals or legal entities resident abroad, upon the presentation of the relevant documentation.

Access to the Exchange Market may be granted by the Central Bank to commercial banks, multiple banks, investment banks, development banks, savings and loans entities, financing and investment associations, foreign exchange brokers, securities brokers and dealers, travel agencies and to the means of tourism lodging. Entities that were authorized to operate in the old Commercial and Floating Markets as of March 4, 2005, have been automatically authorized to operate in the new Exchange Market.

The Central Bank currently does not impose limits on the exchange long positions (i.e., where the aggregate amount of the purchases of foreign currency is greater than the amount of the sales) of banks authorized to operate in the Exchange Market. Since December 2005, the Central Bank ceased imposing limits on the exchange short positions (i.e., when the aggregate amount of purchases of foreign currency is less than the amount of sales) for banks authorized to operate in the Exchange Market.

Pursuant to CMN regulations, the investment abroad of available funds in foreign currency must be limited to (i) securities issued by the Brazilian government; (ii) securities issued by foreign governments; (iii) securities issued by financial institutions, or which are under their responsibility; and (iv) time deposit in financial institutions.

Interest Rates

The Brazilian Constitution promulgated in 1988 established a 12.0% per year ceiling on loan interest rates, including bank loan interest rates. This ceiling was not enforced, however, because the Brazilian Congress did not adopt the necessary implementing legislation. In May 2003, said article was revoked pursuant to a constitutional amendment.

Under BR GAAP, financial institutions are required to classify their loans into nine categories, ranging from AA to H, on the basis of their risk. These credit classifications are determined in accordance with Central Bank criteria relating to:

- the conditions of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- the conditions of the transaction, such as its nature and purpose, the type, the level of liquidity, the sufficiency of the collateral and the total amount of the credit.

In the case of corporate borrowers, the nine categories that we use are as follows:

Rating	Our Classification	Our Concept
AA	Excellent	First-tier large company or group, with a long track record, market leadership and excellent economic and financial concept and positioning.
A	Very Good	Large company or group with sound economic and financial position that is active in markets with good prospects and/or potential for expansion.
B	Good	Company or group, regardless of size, with good economic and financial positioning.
C	Acceptable	Company or group with a satisfactory economic and financial situation but with performance subject to economic variations.
D	Fair	Company or group with economic and financial positioning in decline or unsatisfactory accounting information, under risk management.

A loan may be upgraded if it has a credit support or downgraded if in default.

Collection of doubtful loans is classified according to the loss perspective, as shown below:

Rating	Our Classification
E	Deficient
F	Bad
G	Critical
H	Uncollectible

In the case of transactions with individuals, we have a similar nine-category ranking system. We grade the credit based on data including the individual s income, net worth and credit history, as well as other personal data.

Financial institutions must make monthly loan loss provisions to match contingencies for regulatory purposes. In general, banks review the loan classifications annually. However, a review is made every six months in the case of transactions that are extended to a single client or economic group whose aggregate amount exceeds 5.0% of the financial institution s adjusted net worth. A past due loan is reviewed monthly.

Financial institutions should maintain a credit risk management structure compatible with the nature of their transactions and with the complexity of products and services offered, which should also be proportional to the institution s credit risk exposure.

For past due loans, the regulations establish maximum risk classifications, as follows:

Number of Days Past Due (1)	**Maximum Classification**
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

(1) The period should be counted in double in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum classifications. If so, they must adjust their regulated provisions accordingly.

The regulations specify a minimum provision for each category of loan, which is measured as a percentage of the total amount of the credit operation, as follows:

Classification of Loan	**Minimum Provision (%)**
AA	-
A	0.5
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H (1)	100.0

(1) Banks must write off any loan six months after their initial classification as an H loan.

Loans of up to R$50,000 may be classified by the financial institution s own evaluation method or according to the delay in payments criteria described above.

Financial institutions must make their lending and loan classification policies available to the Central Bank and to their independent accountants. They also have to submit to the Central Bank information relating to their loan portfolio, along with their financial statements. This information must include:

- a breakdown of lending activities and the nature of the borrowers;
- maturities of their loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification in accordance with the loan classification; and
- overdue loans.

The Central Bank requires that authorized financial institutions prepare and submit their financial statements in accordance with several requirements. The Central Bank may admit discrepancies in these statements up to 5% per risk level and 2.5% in the reconciled amount.

Brazilian Clearing System

The Brazilian clearing system was regulated and restructured under legislation enacted in 2001. The 2001 regulation is intended to increase the responsiveness of the system through the adoption of multilateral settlement and the safety and soundness of the system by reducing the risk of systemic default and the credit risk and liquidity of financial institutions.

The systems comprising the Brazilian clearing system are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of custody positions of agreements and foreclosure of collateral held under custody. In addition, clearing houses and settlement services providers that are considered important to the system are obligated to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Currently, responsibility for the settlement of a transaction is assigned to the clearinghouses and settlement service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions chartered by the Central Bank are also required under the new rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and mechanisms for managing them;
- analyze economic and financial data to evaluate the impact of different market scenarios on the institution s liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;
- adopt system controls and test them periodically;
- promptly provide to the institution s management available information and analysis regarding any liquidity risk identified, including any conclusions or remedies adopted; and
- develop contingency plans for handling liquidity crisis situations.

Financial institutions were positively affected by a restructuring of the Brazilian clearing system. Under the old system, in which transactions were processed at the end of the day, institutions could carry a balance, positive or negative, which is no longer allowed. Payments must now be processed in real time, and amounts over R$5,000 may be covered by electronic transfers between institutions in immediately available funds. In case they are covered by checks, an additional bank fee will be charged.

After a period of tests and gradual implementation, the new Brazilian clearing system entered into operation in April 2002. The Central Bank and CVM have the power to regulate and supervise the Brazilian payments and clearing system.

Dissolution of Financial Institutions

In February 2005, the New Bankruptcy Law was approved, replacing the previous regime that had been in effect since 1945. The main goal of the New Bankruptcy Law is to prevent the liquidation of viable companies, for being incapable of fulfilling their debt obligations. The New Bankruptcy Law seeks to do that by providing greater levels of flexibility to design reorganization strategies while increasing safeguards for secured creditors. It also seeks to improve creditors ability to recover through the judiciary system by promoting an agreement between the company and a commission comprised of creditors. The New Bankruptcy Law is not currently applicable to financial institutions, and, accordingly, Law 6,024/74 governing the intervention and administrative liquidation of financial institutions is still applicable to us.

Intervention

The Central Bank will intervene in the operations and the management of any financial institution not controlled by the federal government if the institution:

- suffers losses due to bad management which puts creditors at risk;
- has recurrent violations of banking regulations; or
- is insolvent.

Intervention may also be ordered upon the request of a financial institution s management.

Intervention may not exceed twelve months. During the intervention period, the institution s liabilities for overdue obligations, maturity dates for pending obligations contracted prior to the intervention, and liabilities for deposits in the institution existing on the ruling date are suspended.

Administrative Liquidation

The Central Bank will liquidate a financial institution if:

- the institution s economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they fall due, or upon the occurrence of an event that could indicate a state of bankruptcy;
- management commits a material violation of banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unsecured creditors to severe risk; or
- if, upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days, or if initiated, the Central Bank determines that the pace of the liquidation may harm the institution s creditors.

As a consequence of administrative liquidation:

- lawsuits asserting claims over the assets of the institution are suspended;
- the institution s obligations are accelerated;
- the institution may not comply with any liquidated damage clause contained in unilateral contracts;
- interest does not accrue against the institution until its liabilities are paid in full; and
- the statute of limitations with respect to the institution s obligations is tolled.

Temporary Special Administration Regime

The temporary special administration regime, known as RAET, is a less severe form of Central Bank intervention in financial institutions, which allows institutions to continue to operate normally. RAET may be ordered in the case of an institution which:

- enters into recurrent operations which are against economic or financial policies set forth in federal law;
- faces a shortage of assets;
- fails to comply with the compulsory reserves rules;
- has reckless or fraudulent management; or
- has operations or circumstances, which call for an intervention.

Repayment of Creditors in Liquidation

In the case of liquidation of a financial institution, employees wages, indemnities and tax claims have the highest priority over any claims against the bankrupt institution. In November 1995, the Central Bank created the FGC to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency. Members of the FGC are financial institutions that accept demand, time and savings deposits as well as savings and loans associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits.

The FGC is a deposit insurance system that guarantees a certain maximum amount of deposit and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In September 2006, CMN increased the maximum amount of the guarantee provided by the FGC from R$20,000 to R$60,000. In addition, it reduced the ordinary monthly related-FGC contribution from 0.025% to 0.0125% over the balance of banking accounts that are covered by FGC insurance.

Internal Compliance Procedures

All financial institutions must have in place internal policies and procedures to control:

- their activities;
- their financial, operational and management information systems; and
- their compliance with all applicable regulations.

The board of executive officers of the financial institution is responsible for implementing an effective structure of internal controls by defining responsibilities and control procedures and establishing corresponding goals and procedures at all levels of the institution. The board of executive officers is also responsible for verifying compliance with all internal procedures.

We revised our by-laws to include a provision for an internal control and compliance committee, formed by three to six members appointed by our Board of Directors.

Restrictions on Foreign Banks and Foreign Investment

The Brazilian constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Brazilian government. A foreign bank duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution.

The Brazilian constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts offered abroad representing non-voting shares.

Anti-Money Laundering Regulations, Banking Secrecy and Financial Transactions Linked to Terrorism

Under Brazilian anti-money laundering law, financial institutions must:

- keep up-to-date records regarding their customers;
- maintain internal controls and records;
- record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money;
- keep records of transactions that exceed R$10,000 in a calendar month or reveal a pattern of activity that suggests a scheme to avoid identification;
- keep records of all check transactions; and
- keep records and inform the Central Bank of any cash deposits or cash withdrawals in amounts above R$100,000.

The financial institution must review transactions or proposals whose characteristics may indicate the existence of a crime and inform the Central Bank of the proposed or executed transaction. Records of transactions involving currency or any asset that can be converted into money, records of transactions that exceed R$10,000 in a calendar month, and records of check transactions must be kept for at least five years, unless an investigation by CVM into the financial institution is in progress, in which case such five-year obligation may be extended.

Brazilian regulations list a number of potential money-laundering transactions, such as:

- transactions involving amounts that are incompatible with the professional, shareholders equity and/or earnings condition of the involved parties;
- operations evidencing default on behalf of third parties;
- transactions intended to create loss or gain with no economic grounds;
- transactions involving parties domiciled in jurisdictions that do not cooperate with the Brazilian financial activity control agencies;
- transactions paid in cash;
- transactions the complexity and risk level of which are inconsistent with the client s technical qualification;
- transactions involving non-resident parties, trustees and companies, private banking clients and politically exposed people.

The CVM directed special attention to politically exposed people in January 2008. The CVM Instruction 463 of January 8, 2008 refers to individuals politically exposed who hold or held prominent public positions in Brazil or abroad for the past five years, their relatives and representatives, heads of state and government, politicians occupying high positions, government employees occupying high positions, magistrates or high-level military officials, and leaders of governmental companies or political parties, among others. Financial institutions are required to adopt certain mechanisms in order to (i) identify the final beneficiaries of each transaction, (ii) identify whether these politically exposed persons are involved, (iii) monitor financial business transactions involving politically exposed persons; and (iv) devote special attention to people from countries with which Brazil maintains a high number of business and financial transactions, common borders or ethnic, linguistic or political relations.

In addition, this CVM regulation also contains special provisions to control and prevent the flow of funds derived from or financing terrorism activities.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as: the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by interested parties. Bank secrecy may also be breached by court order when necessary for the investigation of any illegal act.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution s documents, books and financial registry in certain circumstances.

In October 2008, the Central Bank expanded its rules aiming at controlling financial transactions linked with terrorism, so that operations carried out on behalf of, services provided to or access to funds, other financial assets or economic resources belonging to or directly or indirectly controlled by the following individuals or entities should be immediately reported to the Central Bank: (i) Osama Bin Laden, members of the Al-Qaeda organization, member of the Taliban and other individuals, groups, companies or entities connected with them; (ii) the former government of Iraq or its government agencies, companies or agencies located outside of Iraq, as well as funds or other financial assets or economic funds that might have been withdrawn from Iraq or acquired by Saddam Hussein or by other former Iraqi government senior official and by the closest members of their families, including proprietary entities or those direcitly or indirectly controlled by them or by individuals working for them or under their management; and (iii) individuals that practice or intend to practice acts of terrorism or who take part of facilitates such acts, by entities pertaining or directly or indirectly controlled by such individuals, as well as by individuals and entities acting on their behalf or under their command.

Change of Independent Accounting Firm

Under Brazilian regulations, all financial institutions must:

- be audited by an independent accounting firm; and
- replace periodically the technician in charge, executive officer, manager or audit team supervisor, without the need to change the independent auditor. Replacements must take place after a maximum period of five fiscal years, and the replaced professionals may be reintegrated three years after their replacement. Terms of responsible technicians, executive officers, managers or audit team supervisors begin on the day the team begins work on the audit.

Each independent accounting firm must immediately communicate to the Central Bank any event that may materially adversely affect the relevant financial institution s status.

In March 2002, an amendment to the Brazilian Corporate Law gave the members of our Board of Directors veto rights over the appointment or removal of our independent accounting firm. For more information regarding appointment of directors see Item 10. Additional Information Memorandum and Articles of Incorporation Organization Voting Rights.

Auditing Requirements

Because we are a financial institution registered with the domestic stock exchanges, we are obligated to have our financial statements audited every six months in accordance with generally the accounting principles adopted in Brazil. Quarterly financial information filed with the CVM is subject to review by our independent accountants.

In January 2003, the CVM enacted regulations requiring audited entities to disclose information relating to an independent accounting firm s non-auditing services whenever such services represent more than 5.0% of the external auditors compensation.

Additionally, the independent auditors must also declare to the audited company s management that their providing these services does not affect the independence and objectivity that is necessary to external auditing services.

In May 2003, the CMN enacted new regulations on auditing matters applicable to all Brazilian financial institutions, which were revised in November 2003, January and May 2004 and December 2005. Under these regulations, we are required to appoint a member of our management to be responsible for the follow-up and supervision of compliance with the accounting and auditing requirements set forth in the legislation.

Pursuant to this regulation, financial institutions which have an adjusted net worth in excess of R$1.0 billion, manage third party assets of at least R$1.0 billion or have an aggregate amount of third party assets in excess of R$5.0 billion are also required to create an audit committee made up of independent members. The number of members, the appointment and removal criteria, the term of office and the responsibilities of the audit committee must be set forth in the institutions bylaws. Our audit committee has been fully operational since July 1, 2004. The audit committee is responsible for recommending to management which independent accounting firm to hire, reviewing the financial statements, including the notes thereto, and the auditors opinion prior to public release, evaluating the effectiveness of the auditing services provided and internal compliance procedures, assessing management s compliance with the recommendations made by the independent accounting firm, among other things. Our by-laws were revised in December 2003 to establish the audit committee. In May 2004, our Board of Directors approved its members internal regulations and appointed its first composition. In October 2006, CMN enacted stricter requirements to be followed by the members of the Board of Directors. See Item 16D. Exemptions from Listing Standards for Audit Committees.

Effective July 1, 2004, we are required to publish a report of the audit committee along with our semi-annual financial statements. Our audit committee s first report was related to our financial statements of the second semester of 2004.

In July 2007, CVM enacted a rule requiring publicly-held companies to adopt the international accounting standard, pursuant to rules issued by the International Accounting Standards Board (IASB) as of fiscal year ended in 2010. This will represent a change in our accounting practices, since our fiscal statements are currently prepared and disclosed in accordance with the Brazilian and US GAAP.

Asset Management Regulation

Asset management is regulated by the CMN and the CVM.

In August 2004, the CVM issued the rule 409/2004 consolidating all previous regulations applicable to fixed income assets funds and variable income mutual funds. Prior to this ruling, fixed income assets funds were regulated by the Central Bank, and variable income mutual funds were regulated by the CVM.

CVM Rule 409/2004 became effective on November 22, 2004. Since then, all new funds created are subject to its rules, while previously existing funds had until January 31, 2005 to enter into compliance with the new regulation.

Pursuant to the provisions of the new CVM rule, our investment funds must keep their assets invested in securities and operational assets that are available in the financial and capital markets.

These securities, operational assets and all other assets that comprise the fund s portfolio, except for interest in investment funds or in Mercosur, must be registered directly with specific custody deposit accounts opened in the name of the fund. Such accounts must be held within registration and clearance systems authorized by the Central Bank, or within certain custody institutions authorized by the CVM.

In addition to the limitations provided in each financial investment funds charter, financial investment funds are not permitted to have:

- more than ten per cent (10.0%) of their net worth invested in securities of a single issuer, if that issuer is (i) a publicly-held non-financial institution, or (ii) a federal, state, or municipal entity or (iii) another investment fund, except for equity investment funds;

- more than twenty per cent (20.0%) of their net worth invested in securities issued by a financial institution (including the fund manager);

- more than five per cent (5.0%) of their shareholders equity when the issuer is an individual or corporate entity that is not a publicly-held company or financial institution authorized to operate by the Brazilian Central Bank; and

- in the case of fixed income assets investment funds and the money market, more than 10.0% of their net worth invested in a real estate investment fund, a receivables investment fund and an investment fund that invests in other receivables investment funds.

Funds addressed to qualified investors that require a minimum investment of R$1 million per investor are not subject to limitations regarding concentration of their investments in a single issuer or diversification of invested assets, as long as it is set forth in their organizational corporate documents and the specific parameters to each type of fund below are followed.

There are no limits when the issuer is the Federal Government. For these limits effects, we consider as the same issuer, its parent company, the companies directly or indirectly controlled thereby, its affiliated companies and shared control companies.

According to its equity breakdown, the investment funds and the investment funds in quotas are classified as follows:

- Short term Funds These funds invest exclusively in public, federal or private bonds, which are pegged to Selic (or another interest rate) or to a price index and have a maximum maturity of 375 days and an average portfolio period of less than 60 days. Short term funds may use derivatives only to hedge their portfolios and can enter into transactions in connection with public federal bonds;

- Reference Funds These funds have (1) at least 80.0% of their net worth invested solely or together in (a) bonds issued by the Brazilian National Treasure and/or the Brazilian Central Bank or (b) fixed income securities of issuers having low credit risk; (2) have at least 95.0% of their portfolio composed of financial assets that directly or indirectly follow the variation of the performance indicator (benchmark) chosen; and (3) may only use derivatives in connection with transactions that attempt to hedge cash positions, up to their limit. Additionally, the name of the fund shall identify its development index based on the financial assets structure of its portfolio.

- Fixed Income Funds These funds have at least 80.0% of their assets portfolios directly related, or synthesized through derivatives of fixed income assets;

- Share Funds These funds have at least 67.0% of their portfolio invested in shares listed and traded on either over the counter markets or stock exchanges;

- Exchange Funds These funds have at least 80.0% of their portfolio invested in derivatives or other funds comprised of derivatives, which hedge foreign currency prices;

- Foreign Debt Funds These funds have at least 80.0% of their net worth invested in Brazilian foreign debt bonds, and the remaining 20.0% in other loan securities transacted in the international market; and

- Money market It must have an investment policy that involves several risk factors, without the commitment of concentration in any particular factor or in factors different from the other classes provided for in the classifications of the funds above.

Funds for qualified investors that demand a minimum investment of R$1,000,000.00 per investors will not be subject to the concentration limitations per issuer or type of asset (with due regard for the investment parameters per type of fund described above), as long as this is provided for in their bylaws.

In addition, CVM rule 409/2004 sets forth that the funds may maintain financial assets traded abroad in their portfolios as follows: (i) for Foreign Debt funds and funds for qualified investors that provide for this possibility, no limit; (ii) for Multimarket funds up to 20% of equity; and (iii) for the remaining funds up to 10% of equity.

Regulation of Brokers and Dealers

Broker and dealer firms are part of the national financial system and are subject to CMN, Central Bank and CVM regulation and supervision. Brokerage firms must be chartered by the Central Bank, and are the only institutions in Brazil authorized to trade on Brazil s stock exchanges and mercantile and futures exchanges. Both brokers and dealers may act as underwriters in the public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Brokers must observe rules of conduct established by the stock exchanges and the BM&F and previously approved by the CVM. They must also select a director responsible for the observance of such rules.

Broker and dealer firms may not:

- with limited exceptions, execute operations that may be qualified as the granting of loans to their clients, including the assignment of rights;
- collect commissions from their constituents related to transactions of securities during the primary distribution;
- acquire assets, including real estate properties, which are not for their own utilization; or
- obtain loans from financial institutions, except for (i) loans for the acquisition of goods for use in connection with the firm s corporate purpose or (ii) loans the amount of which do not exceed two times the firm s net worth.

Broker and dealer firms employees, managers, partners, controlling and controlled entities may negotiate securities for their own accounts only through the relevant broker and dealer firm.

Regulation of Internet and Electronic Commerce

The Brazilian Congress has not enacted any specific legislation regulating electronic commerce. Accordingly, electronic commerce remains subject to existing laws and regulation on ordinary commerce and business transactions.

There are currently several bills dealing with Internet and electronic commerce regulation in the Brazilian congress. The proposed legislation, if enacted, would recognize the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement, make an offer or accept one through electronic messages.

CVM approved new regulations limiting Internet brokerage activities, which may be carried out only by registered companies. Brokers web pages must contain detailed information about their systems, fees, security and order processing. They must also contain information about how the market functions generally and the risks involved with each type of investment offered.

Brokers that carry out transactions over the Internet must guarantee the security and operability of their systems, which must be audited at least on a half-year basis.

Regulation of Operations in Other Jurisdictions

We have branches and subsidiaries in several other jurisdictions, such as New York, Buenos Aires, Tokyo, the Cayman Islands, the Bahamas, Hong Kong and Luxembourg. The Central Bank exercises global consolidated supervision over Brazilian financial institutions branches, subsidiaries and corporate holdings abroad and the prior approval of the Central Bank is necessary to establish any new branch, subsidiary or representative office. In most cases, we had to obtain governmental approvals from local central banks and monetary authorities in such jurisdictions before commencing business. In all cases, we are subject to supervision by local authorities.

Taxation

CPMF

Until December 31, 2007, the CPMF was levied at a rate of 0.38% of any checking account entry related to funds kept in Brazil. Despite having been originally instituted as a temporary tax, the term of effectiveness of the CPMF was systematically extended from October 1996 until December 31, 2007. In 2007 there were extensive discussions in the Brazilian National Congress about a Constitutional Amendment proposal that would extend the CPMF again, but the government did not obtain the required number of votes. Therefore, as of January 1, 2008 this tax was no longer levied.

The CPMF was levied on any debt entry in any checking account held in Brazil, except for under specific circumstances.

Certain transactions, however, were exempt from the CPMF, such as:

- financial transactions executed by financial institutions in the ordinary course of business;
- operations carried out on the stock market; and
- operations of acquisition of shares in public offerings filed with the CVM and conducted off the stock market, so long as the issuer was registered for trading shares on a stock exchange.

Moreover, from October 1, 2004 until the CPMF was no longer applicable, its rate was reduced to 0% on debit entries in checking accounts for investment deposits, opened and handled exclusively to conduct fixed and variable income financial investments of any nature, including in savings accounts; and on debit entries in special demand deposit accounts held by low income account holders, subject to maximum transaction limits and to other conditions set forth by CMN and the Brazilian Central Bank.

Tax on Financial Transactions

The *Imposto Sobre Operações* Financeiras, known as the IOF, is a tax on foreign exchange, securities, credit and insurance transactions. The Minister of Finance sets the rate of the IOF subject to a 25.0% ceiling set forth by law. Although the taxpayer is the one conducting the financial operation subject to taxation, the tax is collected by the financial institution involved.

In January 2008, the Brazilian Government raised the IOF rate on certain operations, to offset losses from the abolishment of the CPMF.

IOF may be imposed on a variety of exchange transactions, including the conversion of Brazilian currency into any foreign currency. This aims at the payment of dividends and repatriation of capital invested in our ADSs. Even though the general IOF rate on exchange transactions is 0.38%, it is 0% on exchange transactions of interbank nature and in foreign exchange operations carried out by foreign investors for investment in the financial and capital markets pursuant to the regulations of CMN, including in what regards the payment of dividends and interest on shareholders equity to foreign investors. The IOF rate was also reduced to 0% on exchange operations of fund entrances in and exits from the country referring to funding conducted as of October 23, 2008 as foreign loans and financings.

Presently, the main foreign currency exchange transactions subject to IOF and respective rates are the following:

- a 5.38% rate applies to conversions of foreign loans into Brazilian currency with a term of less than 90 days;
- a 2.38% rate applies to foreign exchange transactions for the acquisition of goods with credit cards;
- a 0.38% rate applies to foreign exchange transactions pegged to import of services or export of goods and services; and
- a 0.38% rate applies to other foreign exchange transactions.

The IOF may also be levied on issuances of bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges. The IOF rate with respect to preferred shares and ADSs is currently 0%. The Minister of Finance, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period the investor holds the securities, but only to the extent of the gain realized on the transaction and only from the date of its increase or creation.

The IOF is levied on all types of loan transactions, including overdraft loans, at a rate of 0.0041% per day on the amount of principal. Until November 2008, the rate applicable to loans raised by corporate entities was 0.0082% . In those loan transactions in which the principal amount is not determined prior to the transaction, in addition to the principal, the IOF tax is also levied on interest and other charges at the same rate. In any case, the IOF tax is subject to a maximum rate of 1.5% during one year.

Additionally, since January 2008 credit operations are subject to IOF at an additional rate of 0.38%, regardless of the transaction term and of whether the borrower is an individual or corporate entity.

The IOF is levied on insurance transactions at a rate of:

- 0%, in the case of reinsurance or mandatory insurance pegged to housing financing carried out by an agent of the housing financial system, credit-related export transactions, international transportation of goods, rural insurance or premiums designated to fund life insurance plans containing life coverage; or
- 0.38% of premiums paid, in case of life insurance and similar policies, for personal and labor accidents, including mandatory insurance for property damage caused by automobiles or ships or by cargo to persons both transported and not;
- 2.38% of premiums paid, in the case of private health insurance; and
- 7.38% of premiums paid, in the case of other segments of insurance.

IOF is also assessed on gains realized in transactions with terms of up to 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of financial investment funds, variable income funds or investment pools. For more information on financial investment funds and variable income funds see Regulation and Supervision Asset Management Regulation. The maximum rate of IOF payable in such cases is 1.0% per day and decreases with the length of the transaction, reaching zero for transactions with maturities of at least 30 days, except that the rate for the following types of transactions is currently 0%:

- transactions carried out by financial institution and other institutions chartered by the Central Bank as principals;

- transactions carried out by mutual funds or investment pools themselves;

- transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities; and

- redemptions of shares in equity funds.

Income Tax and Social Contribution on Profits

Federal taxes that are levied on a company s income include two components, an income tax known as IRPJ and a social contribution tax on net profits, which is known as the Social Contribution Tax. The IRPJ is levied at a rate of 15.0% increased by an additional income tax at a rate of 10.0% . Considering the above, the IRPJ is assessed at a combined rate of 25.0% of adjusted net income. The Social Contribution Tax is usually assessed at a rate of 9.0% of adjusted net income. However, since May 2008, financial institutions and affiliated companies are taxed at a rate of 15.0% .

For further information on our income tax expense, see note 16 to our consolidated financial statements in Item 18.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are computed in the determination of their profits. The Brazilian entity is allowed to deduct income tax paid abroad based on the same income (i) according to the terms and conditions of any existing income tax treaty; or (ii) up to the amount of Brazilian income taxes imposed on such income since there is reciprocal treatment between Brazil and the country where the profit or gain is obtained, such as the United States of America. Profits realized by the end of each year by an offshore entity which is a branch, controlled or affiliated to a Brazilian entity are regarded as available to the Brazilian entity and, as a consequence, are subject to the payment of income tax in Brazil.

The profits or dividends generated and paid by Brazilian entities since January 1, 1996 are not subject to withholding income tax, nor to corporate income tax or individual income tax on the person receiving the dividend either in Brazil or abroad. However, as the payment of dividends is not tax deductible for the corporation distributing them, there is an alternative regime for shareholder compensation called interest on shareholders equity, which allows corporations to deduct interest paid to shareholders from net profits for tax purposes. This deduction is limited to the product of (i) the variation *pro rata die* of the long-term interest rate disclosed by the Brazilian government, known as TJLP ; times (ii) the corporation s net worth calculated in accordance with generally accepted accounting principles in Brazil, and may not exceed the greater of:

- 50.0% of net income (before taking such distribution and any deductions for income taxes into account) for the year in respect of which the payment is made, as measured in accordance with generally accepted accounting principles in Brazil; or
- 50.0% of retained earnings for the year prior to the year in respect of which the payment is made, as measured in accordance with generally accepted accounting principles in Brazil.

Distributions of interest on shareholders equity to holders of preferred shares, including payments to the depositary bank in respect of preferred shares underlying ADSs, are subject to a Brazilian withholding tax at a rate of 15.0%, except for payments to (i) people who are exempt from tax in Brazil or (ii) people situated in tax havens. In the latter case, payments are subject to income tax at a rate of 25.0% . For more information on the taxation of interest on shareholders equity see Item 10. Additional Information Taxation Brazilian Tax Considerations Distributions of Interest on shareholders equity.

Accumulated net operating losses of Brazilian companies can be offset with future taxable income during any year up to 30.0% of annual taxable income.

Gains realized by Brazilian holders in exchange or similar markets on any disposition of preferred shares in Brazil are generally taxed at the following rates:

- 20.0% if the transaction is day-traded on a stock exchange; or
- 15.0% for all other transactions.

Gains earned in all transactions carried out on stock, goods, futures and similar markets, except for day-trades (which remain subject to the withholding tax mentioned above), are subject to a withholding income tax of 0.005% as follows:

- With respect to the futures market, the sum of the daily adjustments, if positive, refined by the closing balance, before or upon its term;
- With respect to the options market, the result, if positive, of the sum of the paid and received premiums for the same day;
- With respect to term contracts, which provide for delivery of assets on a set date, the difference, if positive, between the price on the delivery date and the cash price on the closing date;
- With respect to term contracts having solely a financial component, the amount of the closing as specified by the contract; and
- With respect to the spot market, the amount of the sale of shares, gold or other securities traded on that market.

This taxation system was created in order to make it easier for the Brazilian Internal Revenue Service to verify transactions made in the financial and capital markets. Withholding income taxes may be (i) deducted from the income tax levied on net monthly profits; (ii) offset with income tax due in the following months; (iii) offset with the income tax annual declaration of adjustment (if there is any withheld tax accounted for in the balance); or (iv) offset with outstanding withholding income tax due over capital gains from the sale of shares.

Gains realized on any disposition of preferred shares in Brazil by non-Brazilian holders who reside in a jurisdiction that under Brazilian law is deemed to be a tax haven (any country that (i) does not impose income tax, (ii) that imposes income tax at a rate of less than 20.0% or (iii) a country whose corporate law opposes confidentiality regarding the shareholders of corporate entities) are subject to the same rates applicable to Brazilian holders, as described above.

Gains realized on the disposition of preferred shares in Brazil by non-Brazilian holders who are not resident in a tax haven are exempted from Brazilian tax if:

- the proceeds obtained from the disposition of shares are remitted outside Brazil within five business days of the cancellation of the ADSs, which were represented by the shares sold; or

- the foreign investment in the preferred shares is registered in the Central Bank under Resolution 2,689.

Otherwise, the same treatment applicable to Brazilian residents will apply.

Income tax rate is zero over payment, credit, delivery or remittance of profits from transactions involving Brazilian public bonds acquired as of February 16, 2006, except for bonds subject to resale, in accordance with the rules and conditions established by the CMN. This zero-tax rate is not applicable when the beneficiary is resident or domiciled in a tax heaven. This zero-tax rate is also applicable to income of nonresidents that invest in quotas of investment funds exclusively for non-resident investors, which funds portfolio is composed by, at least, 98% of public securities. Brazilian tax laws sets forth that remuneration is any amounts from remuneration of invested capital, including the remuneration resulting from variable income securities, such as interest, premiums, commissions, goodwill, negative goodwill, discount and profit sharing, as well as positive results from investments funds and investment clubs.

The income tax rate is also zero, under certain conditions, on income from investments in investment funds in equity interests, investment funds in quotas of investment funds in equity interests and investment funds in emerging markets, when such income is paid, credited, delivered or remitted to individual or collective beneficiaries resident or domiciled abroad (except for tax havens), whose investments in Brazil are in compliance with the regulations and conditions established by CMN. In addition, investments will be only subject to this zero-income tax rate in case these investment funds comply with diversification limits and investment rules comprised in CVM regulation, and their portfolio must be comprised of, at least, 67% of shares of joint-stock companies, debentures convertible into shares and subscription bonus.

The income of Brazilian residents from redemption, sale or amortization of quotas of investments in investment funds in equity interests, investment funds in quotas of investment funds in equity interests and investment funds in emerging markets, including the income resulting from the settlement of the fund, is subject to an income tax rate of 15% on the positive difference between the redemption or sale value and the acquisition cost. Gains from the sale of quotas are treated (i) as net gain, when obtained by individuals in operations carried out on the stock exchange, and by companies in operations carried out inside or outside the stock exchange; and (ii) according to the rules applicable to capital gains in the sale of properties and rights of any nature, when obtained by individuals in operations carried out outside the stock exchange.

If investment funds do not comply with the diversification limits and investment rules set forth by the CVM, and if their portfolio is not comprised by, at least, 67% of shares of joint-stock companies, debentures convertible into shares and subscription bonus, income of Brazilian residents will be subject to income tax at rates varying from 15% to 22.5% (depending on the term of the investment) over profit distribution by the funds.

In December 2008, the Brazilian government created the Transition Tax Regime (RTT) to neutralize the impact of the new accounting methods and criteria introduced in December 2008, as part of Brazil s adoption of international accounting rules. The adoption of RTT which, will be in force until the law ruling the tax effects of the new accounting methods and criteria becomes effective, is optional for 2008 and 2009 but mandatory in 2010 fiscal year, including for purposes of determining the social contribution, PIS and COFINS. We have elected to adopt the RTT for fiscal year 2008.

PIS and COFINS

Two federal taxes are imposed on the gross revenues of corporate entities: PIS and COFINS. Nonetheless, many revenues, such as dividends, equity in earnings of unconsolidated companies, revenues from the sale of fixed assets and export revenues paid in foreign currency are not included in the calculation base for PIS and COFINS. Revenues earned by corporations domiciled in Brazil are subject to PIS and COFINS taxes corresponding to interest on shareholders equity credits.

Brazilian laws authorize certain adjustments to the calculation base of those taxes depending on the business segment and on other aspects.

Between 2002 and 2003, the Brazilian government implemented a non-cumulative collection system in respect of PIS and COFINS, allowing taxpayers to determine their calculation basis by discounting credits that originate from certain transactions. In order to offset these discounts, the rates of both PIS and COFINS were substantially increased. Pursuant to the changes made to PIS and COFINS, as of May 2004, both taxes are applicable to goods and services imported from foreign countries by a company located in Brazil.

As of August 2004, PIS and COFINS rates were eliminated for financial income earned by companies subject to the non-cumulative applicability of these taxes. However, taxes on payments of interest on shareholders equity were not eliminated.

Certain economic activities are expressly excluded from the non-cumulative collection system of both PIS and COFINS. This is the case for financial institutions, which remained subject to PIS and COFINS according to the cumulative method, which does not allow any credits to be discounted.

PIS is charged based on the total revenue generated by entities and is charged at a rate of 0.65% in the case of financial institutions.

Before February 1, 1999, we were not a COFINS taxpayer. On February 1, 1999, COFINS was imposed on our gross revenues at a rate of 3.0% . After September 1, 2003, this tax rate was increased to 4.0% for financial institutions. The calculation base for COFINS is the same as that for PIS. Exclusively in 1999, we were authorized by Central Bank to offset up to one-third of amounts we paid as COFINS against the amounts we should pay as social contribution on taxable profit.

Leasing Regulation

The basic legal framework governing leasing transactions is established by Law No. 6,099 of September 12, 1974, as amended, which we call the Leasing Law, and the regulations issued thereunder by the CMN. The Leasing Law sets forth general guidelines for the incorporation of, and the activities permitted to be performed by, leasing companies. The CMN, in its capacity as regulator of the financial system, provides the details of the provisions set forth in the Leasing Law and supervises and controls the transactions conducted by leasing companies. The laws and regulations issued by the Central Bank with respect to financial institutions in general, such as reporting requirements, capital adequacy and leverage, asset composition limits and treatment of doubtful loans, are also applicable to leasing companies to the extent applicable.

Insurance Regulation

The main rule that regulates the Brazilian insurance system is the Executive Decree No. 73 of November 21, 1966, as amended. Such Rule has created two regulatory agencies, the National Private Insurance Council, which we call the CNSP, and SUSEP. SUSEP is responsible for implementing and overseeing the CNSP s policies and ensuring compliance with such policies by insurance companies, insurance brokers and insured people. Insurance companies require government approval to operate, as well as specific approval from SUSEP to offer each of their products. Insurance companies may subscribe policies only through qualified brokers.

Insurance companies must set aside technical reserves in accordance with CNSP criteria. The investments backing up the technical reserves must be diversified and meet certain liquidity, solvency and security criteria. Insurance companies may invest a substantial portion of their assets in securities. As a result, insurance companies are major investors in the Brazilian financial markets and are subject to a series of rules and conditions imposed by the CMN regarding the investment of technical reserves.

Insurance companies are prohibited from:

- acting as financial institutions by extending credit and issuing guarantees;
- trading in securities (subject to exceptions); or
- investing outside of Brazil, without specific permission from the relevant authorities.

Insurance companies must operate within certain retention limits approved by SUSEP pursuant to rules established by the CNSP. The rules take into account the economic and financial situation of the insurance companies, the technical conditions of their respective portfolios and the results of their operations with IRB, a quasi-public corporation controlled by the Brazilian government.

On January 16, 2007, Complementary Law No. 126 created a new policy for reinsurance (whereby underwriters obtain secondary insurance for the risks that they are insuring), retro-assignments and intermediation in Brazil. In practical terms, such law resulted in the end of the IRB monopoly over reinsurance and retro-assignment markets. Furthermore, certain regulatory duties and activities originally attributed to IRB were transferred to CNSP and SUSEP.

Under Complementary Law No. 126, local insurance or reinsurance companies must first offer to assign their risks to local reinsurance companies when contracting reinsurance or retro-assignment under the following risk percentages: (i) 60% in the first three years as of January 16, 2007; and (ii) 40% in the subsequent years. Exercise of the aforementioned right is yet to be defined by the CNSP and SUSEP.

The new law also establishes more severe restrictions on the risk assignment to foreign reinsurance companies and on the contracting of insurance abroad.

The insurance companies must reinsure the amounts exceeding the applicable technical limit on liabilities.

Insurance companies must file unaudited monthly and audited quarterly, semiannual and annual reports with SUSEP.

Insurance companies are exempt from ordinary financial liquidation procedures in case of bankruptcy and instead follow a special procedure administered by SUSEP. Financial liquidation may be either voluntary or compulsory. The Minister of Finance institutes compulsory dissolutions of insurance companies.

As was already the case within the scope of entities subject to CMN, on December 2008 SUSEP promulgated rules regarding specific internal controls for preventing and fighting money laundering crimes. These rules include a series of provisions that address the communication of proposals for operations with politically exposed individuals and restraints on terrorism financing activities.

There is currently no restriction on foreign investment in insurance companies.

Health Insurance

Private health insurance and health plans are currently regulated by Law No. 9,656, of July 4, 1998, as amended, which we refer to as the Health Insurance Law, which determines the general provisions applicable to health insurance companies and the general terms and conditions of agreements entered into between health insurance companies and their customers. The Health Insurance Law establishes, among other things:

- mandatory coverage of certain expenses, such as those arising from preexisting conditions;
- the conditions precedent for admission to a plan;
- the geographical area covered by each insurance policy; and
- the pricing criteria plans may use.

The ANS is responsible for regulating and supervising supplemental health services provided by health insurance companies pursuant to directives set forth by the Conselho de Saúde Suplementar (the Supplemental Health Council).

Until 2002, SUSEP had authority over insurance companies, which were authorized to offer private pension plans on health assistance. Since 2002, pursuant to ANS regulations and supervision, only operators of private health assistance plans may offer such plans. We created Bradesco Saúde in 1999 to fulfill this requirement.

Private Pension Plans

Open pension plans are subject, for purposes of inspection and control, to the authority of the CNSP and the SUSEP, which are under the regulatory authority of the Ministry of Finance. The CMN, CVM and Central Bank may also issue regulations pertinent to private pension plans, particularly with respect to the assets guaranteeing the technical reserves.

Private pension entities must set aside reserves and technical provisions as collateral for their liabilities.

Open pension plans and insurance companies are allowed to create, trade and operate investment funds with segregated assets since January 1, 2006. Notwithstanding the above, certain provisions of law No. 11,196 of November 21, 2005 will only become effective upon its regulation by SUSEP and CVM. For more information, see Asset Management Regulation .

SELECTED STATISTICAL INFORMATION

We have included the following information for analytical purposes. You should read this information in conjunction with Operating and Financial Review and Prospects and our consolidated financial statements in Item 18.

Average Balance Sheet and Interest Rate Data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average real yield/rate for each period. We calculated the average balances using the month-end book balances, which include the related allocated interest. These average balances represent our operations.

We show liabilities in two categories: local and foreign currencies. Local currency balances represent liabilities expressed in reais, while foreign currency balances represent liabilities denominated in foreign currencies, primarily the U.S. dollar. We did not break out asset balances into domestic and international currencies as substantially all of our assets are denominated in reais.

We excluded non-performing loans from Loans in determining average assets and liabilities, and classified them as non-interest-earning assets. Cash received on non-performing loans during the period are included in interest income on loans. We do not consider these amounts significant.

We do not present interest income on a tax-equivalent basis, as Brazilian tax law does not currently provide for tax exemptions for interest earned on investment securities.

Additionally, fees received from various loan commitments are included in interest income on loans. We do not consider these amounts significant.

	December 31								
	2006			2007			2008		
	Average balance	Interest	Average yield/ Interest (a)	Average balance	Interest	Average yield/ Interest (a)	Average balance	Interest	Averag yield Intere (a)
Interest-earning assets [1]:				(R$ in millions, except %)					
Loans	R$88,044	R$20,977	23.8%	R$105,470	R$22,608	21.4%	R$146,404	R$33,662	23.0
Federal funds sold and securities purchased under agreements to resell	13,378	2,177	16.3	33,299	3,429	10.3	46,893	6,466	13
Trading assets	41,999	5,705	13.6	52.787	5,677	10.8	72,789	7,685	10
Available-for-sale securities [2]	15,980	2,490	15.6	21,760	2,843	13.1	24,727	3,248	13
Held to maturity securities	4,122	324	7.9	2,762	279	10.1	3,458	509	14
Interest-bearing deposits in other banks	11,945	541	4.5	7,635	429	5.6	8,360	706	8
Other interest-earning assets:									
Central Bank compulsory deposits	16,251	1,998	12.3	18,858	1,207	6.4	24,590	1,489	6
Other assets	886	59	6.7	716	37	5.2	648	38	5
Total interest-earning assets	**192,605**	**34,271**	**17.8**	**243,287**	**36,509**	**15.0**	**327,869**	**53,803**	**16**
Non-interest-earning assets [3]:									
Cash and due from bank	3,895	-	-	5,006	-	-	6,193	-	
Central Bank compulsory deposits	5,298	-	-	6,868	-	-	7,338	-	
Available-for-sale securities	2,266	-	-	2,472	-	-	2,472	-	
Non-performing loans	3,004	-	-	5,576	-	-	4,312	-	

Allowance for loan losses	(5,832)	-	-	(7,114)	-	-	(8,726)	-	
Equity investees and other investments	772	-	-	518	-	-	875	-	
Premises and equipment	2,445	-	-	2,710	-	-	3,066	-	
Goodwill	500	-	-	893	-	-	1,056	-	
Intangible assets	1,577	-	-	1,594	-	-	3,057	-	
Others	21,368	-	-	27,646	-	-	29,034	-	
Total non-interest-earning assets	**35,293**	-	-	**46,169**	-	-	**48,677**	-	
Total assets	**R$227,898**	**R$34,271**	**15.0%**	**R$289,456**	**R$36,509**	**12.6%**	**R$376,546**	**R$53,803**	**14.3**

	December 31								
	2006			**2007**			**2008**		
	Average balance	**Interest**	**Average yield/ Interest (a)**	**Average balance**	**Interest**	**Average yield/ Interest (a)**	**Average balance**	**Interest**	**Average yield/ Interest (a)**
	(R$ in millions, except %)								
Interest-bearing liabilities:									
Deposits from banks:									
Domestic (3)	R$143	R$19	13.3%	R$223	R$33	14.8%	R$404	R$80	19.8%
Total	**143**	**19**	**13.3**	**223**	**33**	**14.8**	**404**	**80**	**19.8**
Savings deposits:									
Domestic (3)	25,590	1,909	7.5	28,958	2,002	6.9	34,538	2,442	7.1
Total	**25,590**	**1,909**	**7.5**	**28,958**	**2,002**	**6.9**	**34,538**	**2,442**	**7.1**
Time deposits:									
Domestic(3)	31,203	4,149	13.3	32,322	3,405	10.5	58,843	6,959	11.8
International(4)	3,258	152	4.7	2,066	119	5.8	3,390	155	4.6
Total	**34,461**	**4,301**	**12.5**	**34,388**	**3,524**	**10.2**	**62,233**	**7,114**	**11.4**

Federal funds purchased and securities sold under agreements to repurchase	**27,821**	**3,762**	**13.5**	**51,384**	**5,540**	**10.8**	**74,139**	**9,169**	**12.4**
Borrowings:									
Short-term:									
International (4)	5,741	54	0.9	6,892	(727)	(10.5)	10,252	4,899	47.8
Total	**5,741**	**54**	**0.9**	**6,892**	**(727)**	**(10.5)**	**10,252**	**4,899**	**47.8**
Long-term:									
Domestic (3)	20,700	2,649	12.8	26,715	2,677	10.0	32,712	3,408	10.4
International (4)	6,589	175	2.7	5,590	(311)	(5.6)	7,733	1,320	17.1
Total	**27,289**	**2,824**	**10.3**	**32,305**	**2,366**	**7.3**	**40,445**	**4,728**	**11.7**
Total interest-bearing liabilities	**121,045**	**12,869**	**10.6**	**154,150**	**12,738**	**8.3**	**222,011**	**28,432**	**12.8**
Non-interest-bearing liabilities:									
Demand deposits:									
Domestic (3)	17,210	-	-	22,185	-	-	25,991	-	
International (4)	222	-	-	126	-	-	314	-	
Total	**17,432**	**-**	**-**	**22,311**	**-**	**-**	**26,305**	**-**	
Other non-interest-bearing liabilities	**67,989**	**-**	**-**	**85,091**	**-**	**-**	**93,862**	**-**	
Total non-interest-bearing liabilities	**85,421**	**-**	**-**	**107,402**	**-**	**-**	**120,167**	**-**	
Total liabilities	**206,466**	**12,869**	**6.2**	**261,552**	**12,738**	**4.9**	**342,178**	**28,432**	**8.3**
Shareholders equity	**21,323**	**-**	**-**	**27,731**	**-**	**-**	**33,180**	**-**	
Minority interest on consolidated subsidiaries	**109**	**-**	**-**	**173**	**-**	**-**	**1,188**	**-**	

Total liabilities and shareholders equity	**R$227,898**	**R$12,869**	**5.6%**	**R$289,456**	**R$12,738**	**4.4%**	**R$376,546**	**28,432**	**7.6%**

(1) Primarily denominated in reais.
(2) Calculated using the historical average of amortized cost. If calculated using the book value, the average yield/rate amounts would be 12.4% in 2008, 12.5% in 2007 and 13.1% in 2006.
(3) Denominated in *reais*.
(4) Denominated in foreign currency, primarily U.S. dollars.

Changes in Interest Income and Expenses Volume and Rate Analysis

The following table shows the effects of changes in our interest income and expense arising from changes in average volumes and average yield/rates for the periods presented. We calculated the changes in volume and interest rate based on the evaluation of average balances during the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive and negative effects.

	December 31					
	2007/2006			2008/2007		
	Increase (decrease) due to changes in:					
	Average volume	Average yield/rate (a)	Net change	Average volume	Average yield/rate (a)	Net change
	(R$ in millions)					
Interest-earning assets:						
Loans	R$3,875	R$(2,244)	R$1,631	R$9,311	R$1,743	R$11,054
Federal funds sold and securities purchased under agreements to resell under agreements to resell	2,287	(1,035)	1,252	1,659	1,378	3,037
Trading assets	1,297	(1,325)	(28)	2,114	(106)	2,008
Available-for-sale securities	800	(447)	353	390	15	405
Held to maturity securities	(123)	78	(45)	82	148	230
Interest-bearing deposits in other banks	(223)	111	(112)	44	233	277
Central Bank compulsory deposits	282	(1,073)	(791)	350	(68)	282
Other assets	(10)	(12)	(22)	(4)	5	1
Total interest-earning assets	**8,185**	**(5,947)**	**2,238**	**13,946**	**3,348**	**17,294**
Interest-bearing liabilities:						
Deposits from banks						
Domestic	12	2	14	33	14	47
Total	**12**	**2**	**14**	**33**	**14**	**47**
Savings deposits:						
Domestic	239	(146)	93	394	46	440
Total	**239**	**(146)**	**93**	**394**	**46**	**440**

Time deposits:						
Domestic	144	(888)	(744)	3,092	462	3,554
International	(64)	31	(33)	64	(28)	36
Total	**80**	**(857)**	**(777)**	**3,156**	**434**	**3,590**
Federal funds purchased and securities sold under agreements to repurchase	2,665	(887)	1,778	2,724	905	3,629
Borrowings:						
Short-term:						

Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 1,649	$ 1,027
Actual return on plan assets	218	172
Employer contributions		450
Benefits paid	(151)	
Fair value of plan assets at end of year	$ 1,716	$ 1,649
Reconciliation of Funded Status		
Fair value of plan assets in excess of benefit obligation	$ 64	$ 36
Unrecognized net actuarial loss	572	607
Net amount recognized	$ 636	$ 643
Additional Minimum Liability Disclosures		
Accrued benefit asset	$ 64	$ 36

The weighted-average discount rate used for the years ended June 30, 2011 and 2010 in determining the projected benefit obligations for the defined benefit pension plan was 5.50%.

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Net Periodic Benefit Cost

The components included in the defined benefit pension plan s net periodic benefit expense for the fiscal years ended June 30 were as follows (in thousands):

	2011	2010
Interest cost	$ 80	$ 84
Expected return on plan assets	(105)	(82)
Recognized actuarial loss	32	57
Net periodic benefit expense	$ 7	$ 59

We do not expect to make any contribution to our defined benefit pension plan in fiscal 2012.

The following benefit payments are expected to be paid:

2012	$ 21
2013	27
2014	26
2015	43
2016	42
2017-2021	528
	$ 687

The weighted-average rates used for the years ended June 30 in determining the defined benefit pension plan s net pension costs, were as follows:

	2011	2010
Discount rate	5.50%	5.50%
Expected long-term rate of return	7.00%	7.00%
Compensation increase rate	N/A	N/A

Our expected rate of return is determined based on a methodology that considers historical returns of multiple classes analyzed to develop a risk free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

Our defined benefit pension plan s weighted average asset allocation at June 30 and weighted average target allocation were as follows:

	2011	2010	Target Allocation
Equity securities	55%	31%	50%
Debt securities	40%	67%	48%
Cash and money market funds	5%	2%	2%
	100%	100%	100%

The underlying basis of the investment strategy of our defined benefit pension plan is to ensure that pension funds are available to meet the plan s benefit obligations when due. Our investment strategy is a long-term risk controlled approach using diversified investment options with relatively minimal exposure to volatile investment options like derivatives.

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The fair values by asset category of our defined benefit pension plan at June 30, 2011 were as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds	$ 81	$ 81	$	$
Equity securities[1]	$ 951	$ 951	$	$
Debt securities[2]	$ 684	$ 684	$	$
Total	$ 1,716	$ 1,716	$	$

(1) This category is comprised of publicly traded funds, of which 50% are large-cap funds, 11% are mid-cap funds, and 39% are international equity funds.

(2) This category is comprised of publicly traded funds, of which 36% are short-term fixed income funds, 29% are high-yield fixed income funds, 24% are managed futures funds, and 11% are REITs and MLPs funds.

H. Stockholders Equity

Treasury Stock

On June 2, 2011, the Board of Directors authorized the repurchase of up to $2.0 million worth of our common stock. Under the repurchase plan, we may, from time to time, purchase shares of our common stock, depending upon market conditions, in open market or privately negotiated transactions. For the year ended June 30, 2011, we purchased 106,023 shares at a weighted average cost of $4.02 per share and a total cost of $426,000, including commissions and fees.

Stock Option Plans

On December 6, 1999, our stockholders approved the adoption of the 1999 Omnibus Equity Incentive Plan (the 1999 Plan). The 1999 Plan was terminated effective as of November 30, 2009.

Effective as of October 15, 2009, our Board of Directors approved an omnibus incentive plan (the 2009 Plan). The 2009 Plan was approved by our stockholders at the Annual Meeting of Stockholders held on November 30, 2009. Under the plan, we may grant nonqualified and incentive stock options and other stock-based awards to employees, non-employee directors and consultants. As of June 30, 2011, a total of 600,000 shares of common stock were reserved under the 2009 Plan for issuance to our employees, non-employee directors and consultants.

Stock option activity for the year ended June 30, 2011 was as follows:

	1999 Plan	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 30, 2010	472,078	$ 8.31		
Exercised	(10,000)	$ 2.81		
Forfeited	(65,328)	$ 9.19		
Granted		$		
Outstanding at June 30, 2011	396,750	$ 8.32	2.09	$ 11,000

Vested and exercisable at June 30, 2011	357,150	1.99	$	11,000
Available for grant at June 30, 2011				

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	2009 Plan	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 30, 2010		$		
Exercised		$		
Forfeited		$		
Granted	230,000	$ 6.89		
Outstanding at June 30, 2011	230,000	$ 6.89	8.61	$ 52,000
Vested and exercisable at June 30, 2011				$
Available for grant at June 30, 2011	370,000			

I. Commitments

We lease a total of 162,000 square feet at our manufacturing facility in Vista, California from an unaffiliated third party under a non-cancelable operating lease that expires in March 2014.

NAIE leases facility space in Manno, Switzerland. The leased space totals approximately 46,000 square feet. We primarily use the facilities for manufacturing, packaging, warehousing and distributing nutritional supplement products for the European marketplace. The lease expires in December 2015.

On March 28, 2007, we entered into an agreement to sublet approximately 3,000 square feet of our Manno, Switzerland facility. The sublease expired December 31, 2009.

Minimum rental commitments (exclusive of property tax, insurance and maintenance) under all non-cancelable operating leases with initial or remaining lease terms in excess of one year, including the lease agreements referred to above, are set forth below as of June 30, 2011 (in thousands):

	2012	2013	2014	2015	2016	There-after	Total
Gross minimum rental commitments	$ 2,665	$ 2,706	$ 2,376	$ 1,293	$ 646	$	$ 9,686

Rental expense from continuing operations totaled $2.3 million for the fiscal year ended June 30, 2011 and $2.2 million for fiscal 2010. Rental expense was offset by sublease rental income in the amount of $0 in fiscal 2011 and $25,000 in fiscal 2010.

J. Economic Dependency

We had substantial net sales to certain customers during the fiscal years ended June 30 shown in the following table. The loss of any of these customers, or a significant decline in sales or the growth rate of sales to these customers, or in their ability to make payments when due, could have a material adverse impact on our net sales and net income. Net sales to any one customer representing 10% or more of the respective year s total net sales were as follows (dollars in thousands):

	2011		2010	
	Net Sales by Customer	% of Total Net Sales	Net Sales by Customer	% of Total Net Sales
Customer 1	$ 29,887	53%	$ 33,814	52%
Customer 2	11,173	20%	19,915	30%
	$ 41,060	73%	$ 53,729	82%

Accounts receivable from these customers totaled $1.7 million at June 30, 2011 and $3.3 million at June 30, 2010.

We buy certain products, including beta-alanine, from a limited number of raw material suppliers. The loss of any of these suppliers could have a material adverse impact on our net sales and net income. During fiscal 2011, approximately 20% of our total raw material purchases were from two suppliers. Accounts payable to these suppliers were $168,000 at June 30, 2011. No other supplier comprised 10% or more of our raw material purchases for the year ended June 30, 2011. During fiscal 2010, approximately 25% of our total raw material purchases were from two suppliers. We did not have any accounts payable due to these suppliers at June 30, 2010. No other supplier comprised 10% or more of our raw material purchases for the year ended June 30, 2010.

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K. Derivatives and Hedging

We are exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to forecasted product sales denominated in foreign currencies and transactions of NAIE, our foreign subsidiary. As part of our overall strategy to manage the level of exposure to the risk of fluctuations in foreign currency exchange rates, we may use foreign exchange contracts in the form of forward contracts. There can be no guarantee any such contracts, to the extent we enter into such contracts, will be effective hedges against our foreign currency exchange risk.

During the year ended June 30, 2011, we entered into forward contracts designated as cash flow hedges primarily to protect against the foreign exchange risks inherent in our forecasted sales of products at prices denominated in currencies other than the U.S. Dollar. These contracts are expected to be settled through July 2012. For derivative instruments that are designated and qualify as cash flow hedges, we record the effective portion of the gain or loss on the derivative in accumulated other comprehensive income (OCI) as a separate component of stockholders equity and subsequently reclassify these amounts into earnings in the period during which the hedged transaction is recognized in earnings.

For foreign currency contracts designated as cash flow hedges, hedge effectiveness is measured using the spot rate. Changes in the spot-forward differential are excluded from the test of hedge effectiveness and are recorded currently in earnings as interest expense. We measure effectiveness by comparing the cumulative change in the hedge contract with the cumulative change in the hedged item. During the year ended June 30, 2011, we did not have any material losses or gains related to the ineffective portion of our hedging instruments. No hedging relationships were terminated as a result of ineffective hedging or forecasted transactions no longer probable of occurring for foreign currency forward contracts. We monitor the probability of forecasted transactions as part of the hedge effectiveness testing on a quarterly basis.

As of June 30, 2011, the notional amounts of our foreign exchange contracts designated as cash flow hedges were approximately $13.4 million (EUR 9.3 million). As of June 30, 2011, a net loss of approximately $42,000 related to derivative instruments designated as cash flow hedges was recorded in OCI. It is expected that $42,000 will be reclassified into earnings in the next 12 months along with the earnings effects of the related forecasted transactions.

As of June 30, 2011, the fair value of our cash flow hedges was a liability of $15,000 and was classified in accrued liabilities. During the year ended June 30, 2011, we recognized $37,000 of gains in OCI and reclassified $5,000 of losses from OCI to revenue. We did not have any hedging activity during the year ended June 30, 2010.

L. Contingencies

From time to time, we become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, product liability, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. While unfavorable outcomes are possible, based on available information, we generally do not believe the resolution of these matters will result in a material adverse effect on our business, consolidated financial condition, or results of operations. However, a settlement payment or unfavorable outcome could adversely impact our results of operations. Our evaluation of the likely impact of these actions could change in the future and we could have unfavorable outcomes that we do not expect.

As of September 22, 2011, except as described below, neither NAI nor its subsidiaries were a party to any material pending legal proceeding nor was any of their property the subject of any material pending legal proceeding. On November 11, 2009, NAI filed a lawsuit in the U.S. District Court for the District of Delaware, accusing Vital Pharmaceutical, Inc. (VPX) and DNP International Co., Inc. (DNP) of infringing certain patents owned by NAI relating to the ingredient known as beta-alanine marketed and sold under the CarnoSyn® trade name. NAI asserted claims for unfair competition and false marking, among others, against one or both of the companies named in this lawsuit and sought an injunction against continued infringement and violations and damages for past infringement and violations including, among others, punitive damages and attorneys fees. During the year ended June 30 2011, NAI incurred litigation expenses relating to this lawsuit of approximately $1.4 million.

On August 8, 2011, a settlement agreement was reached between NAI and VPX. As part of the settlement, NAI granted VPX a limited and restricted covenant not to sue on certain claims of NAI s asserted beta-alanine patents and VPX agreed to dismiss its claims of invalidity and to cease certain business activities.

On August 3, 2011, NAI amended its complaint against DNP to reassert its federal claims for unfair competition and false advertising, as well as state claims for deceptive trade practices. Unless otherwise settled, NAI expects litigation expenses related to its continuing lawsuit against DNP to continue during fiscal 2012. Although we believe this litigation is supported by valid claims, there is no assurance NAI will prevail in this litigation or in similar proceedings it may initiate or that litigation expenses will be as anticipated.

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On July 31, 2009, RHL sold substantially all of its remaining assets related to its wholesale and direct-to-consumer business to PharmaCare US Inc. and PharmaCare Laboratories Pty Ltd. for a cash purchase price of $500,000. NAI provided a guarantee of RHL s indemnity obligations under the asset purchase agreement, which potential liability is capped at the amount of the purchase price paid by the buyers to RHL. The guaranty continues for a minimum period of three years from the date of the Asset Purchase Agreement.

M. Segment Information

Our business consists of two segments, identified as private label contract manufacturing, which primarily provides private label contract manufacturing services to companies that market and distribute nutritional supplements and other health care products and includes royalty and related income from our license and supply agreements associated with the sale and use of beta-alanine under our CarnosSyn® trade name, and branded products, which markets and distributes branded nutritional supplements. Following the completion of the sale of substantially all of the assets of RHL, our branded products segment consists primarily of the products sold under our Pathway to Healing® product line.

We evaluate performance based on a number of factors. The primary performance measures for each segment are net sales and income from operations before corporate allocations. Operating income for each segment does not include corporate general and administrative expenses, interest expense and other miscellaneous income and expense items. Corporate general and administrative expenses include, but are not limited to: human resources, legal, finance, information technology, and other corporate level related expenses, which are not allocated to either segment. The accounting policies of our segments are the same as those described in the summary of significant accounting policies in Note A.

Our operating results by business segment for the years ended June 30 were as follows (in thousands):

	2011	2010
Net Sales		
Private label contract manufacturing	$ 54,057	$ 63,346
Branded products	1,825	2,207
	$ 55,882	$ 65,553

	2011	2010
Operating Income from Continuing Operations		
Private label contract manufacturing	$ 8,132	$ 8,247
Branded products	326	515
Income from operations of reportable segments	8,458	8,762
Corporate expenses not allocated to segments	(6,133)	(5,490)
	$ 2,325	$ 3,272

	2011
Total Assets	
Private label contract manufacturing	$ 40,935
Branded products	209
	$ 41,144

Our private label contract manufacturing products are sold both in the U.S. and in markets outside the U.S., including Europe, Australia and Asia. Our primary market outside the U.S. is Europe. Our branded products are only sold in the U.S.

Net sales by geographic region, based on the customers location, for the two years ended June 30 were as follows (in thousands):

	2011	2010
United States	$ 34,074	$ 39,282
Markets outside the United States	21,808	26,271
Total net sales	$ 55,882	$ 65,553

Products manufactured by NAIE accounted for 66% of net sales in markets outside the U.S. in fiscal 2011 and 59% in fiscal 2010. No products manufactured by NAIE were sold in the U.S. during the fiscal years ended June 30, 2011 and 2010.

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Assets and capital expenditures by geographic region, based on the location of the company or subsidiary at which they were located or made, for the two years ended June 30 were as follows (in thousands):

2011	**Long-Lived Assets**	**Total Assets**	**Capital Expenditures**
United States	$ 10,835	$ 30,210	$ 959
Europe	2,481	10,934	758
	$ 13,316	$ 41,144	$ 1,717

2010	**Long-Lived Assets**	**Total Assets**	**Capital Expenditures**
United States	$ 11,190	$ 27,262	$ 2,142
Europe	2,178	8,886	391
	$ 13,368	$ 36,148	$ 2,533

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain certain disclosure controls and procedures as defined under the Securities Exchange Act of 1934. They are designed to help ensure that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, in a manner that allows for timely decisions regarding required disclosures; and (2) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934 and within the time periods specified by the SEC.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2011. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for their intended purpose described above as of June 30, 2011.

(b) Management s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, and for performing an assessment of the effectiveness of internal control over financial reporting as of June 30, 2011. For this purpose, internal control over financial reporting refers to a process designed by, or under the supervision of, the Company s principal executive and financial officers and effected by the Company s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company s internal control over financial reporting as of June 30, 2011 based upon criteria in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that the Company s internal control over financial reporting was effective as of June 30, 2011 based on those criteria issued by COSO.

This report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to applicable law and rules that permit the Company to provide only management s report in this report.

(c) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the fourth quarter ended June 30, 2011 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information for this item is incorporated by reference to the sections Our Board of Directors, Our Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, and Code of Ethics in our definitive proxy statement for our Annual Meeting of Stockholders to be held on December 2, 2011, to be filed on or before October 28, 2011.

ITEM 11. EXECUTIVE COMPENSATION

The information for this item is incorporated by reference to the sections Director Compensation and Executive Officer Compensation in our definitive proxy statement for our Annual Meeting of Stockholders to be held on December 2, 2011, to be filed on or before October 28, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information for this item is incorporated by reference to the sections Stock Holdings of Certain Owners and Management and Securities Authorized for Issuance Under Equity Compensation Plans in our definitive proxy statement for our Annual Meeting of Stockholders to be held on December 2, 2011, to be filed on or before October 28, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information for this item is incorporated by reference to the sections Certain Relationships and Related Transactions and Our Board of Directors Independence in our definitive proxy statement for our Annual Meeting of Stockholders to be held on December 2, 2011, to be filed on or before October 28, 2011.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information for this item is incorporated by reference to the sections Audit Fees, Audit-Related Fees, Tax Fees, All Other Fees and Pre-Approval Polices and Procedures in our definitive proxy statement for our Annual Meeting of Stockholders to be held on December 2, 2011, to be filed on or before October 28, 2011.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(1) Financial Statements. The financial statements listed below are included under Item 8 of this report:

Consolidated Balance Sheets as of June 30, 2011 and 2010;

Consolidated Statements of Operations and Comprehensive Income for the years ended June 30, 2011 and 2010;

Consolidated Statements of Stockholders Equity for the years ended June 30, 2011 and 2010;

Consolidated Statements of Cash Flows for the years ended June 30, 2011 and 2010; and

Notes to Consolidated Financial Statements.

(2) Exhibits. The following exhibit index shows those exhibits filed with this report and those incorporated by reference:

EXHIBIT INDEX

Exhibit Number	Description	Incorporated By Reference To
3(i)	Amended and Restated Certificate of Incorporation of Natural Alternatives International, Inc. filed with the Delaware Secretary of State on January 14, 2005	Exhibit 3(i) of NAI s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
3(ii)	Amended and Restated By-laws of Natural Alternatives International, Inc. dated as of February 9, 2009	Exhibit 3(ii) of NAI s Current Report on Form 8-K dated February 9, 2009, filed with the commission on February 13, 2009
4(i)	Form of NAI s Common Stock Certificate	Exhibit 4(i) of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.1	1999 Omnibus Equity Incentive Plan as adopted effective May 10, 1999, amended effective January 30, 2004, and further amended effective December 3, 2004*	Exhibit 10.1 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
10.2	Amended and Restated Exclusive License Agreement effective as of September 1, 2004 by and among NAI and Dr. Reginald B. Cherry	Exhibit 10.11 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.3	Exclusive License Agreement effective as of September 1, 2004 by and among NAI and Reginald B. Cherry Ministries, Inc.	Exhibit 10.12 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.4	First Amendment to Exclusive License Agreement effective as of December 10, 2004 by and among NAI and Reginald B. Cherry Ministries, Inc.	Exhibit 10.3 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
10.5	Lease of Facilities in Vista, California between NAI and Calwest Industrial Properties, LLC, a California limited liability company (lease reference date June 12, 2003)	Exhibit 10.10 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the commission on November 5, 2003
10.6	Form of Indemnification Agreement entered into between NAI and each of its directors	Exhibit 10.15 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.7	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated May 9, 2005 (English translation)	Exhibit 10.19 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, filed with the commission on May 13, 2005
10.8	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated July 25, 2003 (English translation)	Exhibit 10.19 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.9	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated June 8, 2004 (English translation)	Exhibit 10.20 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.10	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated February 7, 2005 (English translation)	Exhibit 10.21 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.11	Amendment effective as of September 15, 2005 to Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated May 9, 2005 (English translation)	Exhibit 10.24 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, filed with the commission on November 4, 2005

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Exhibit Number	Description	Incorporated By Reference To
10.12	Loan Agreement between NAIE and Credit Suisse dated as of September 22, 2006, including general conditions (portions of the Loan Agreement have been omitted pursuant to a request for confidential treatment)	Exhibit 10.36 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, filed with the commission on November 1, 2006
10.13	First Amendment to Loan Agreement between NAIE and Credit Suisse dated as of February 19, 2007	Exhibit 10.41 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007, filed with the commission on May 14, 2007
10.14	2009 Omnibus Incentive Plan*	Exhibit D of NAI s definitive Proxy Statement filed with the commission on October 16, 2009
10.15	Manufacturing Agreement by and between NSA, Inc. and NAI dated April 1, 2005	Exhibit 10.43 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.16	Manufacturing Agreement by and between Mannatech, Inc. and NAI dated April 22, 1998	Exhibit 10.44 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.17	First Amendment to Manufacturing Agreement by and between Mannatech, Incorporated and NAI dated May 23, 2003	Exhibit 10.45 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.18	Second Amendment to Manufacturing Agreement by and between Mannatech, Incorporated and NAI dated July 1, 2003	Exhibit 10.46 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.19	Third Amendment to Manufacturing Agreement by and between Mannatech, Incorporated and NAI dated July 1, 2004	Exhibit 10.47 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.20	Fourth Amendment to Manufacturing Agreement by and among Mannatech, Incorporated, Mannatech Swiss International GmbH and NAI dated January 1, 2008	Exhibit 10.48 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.21	Manufacturing Sales Agreement by and between Mannatech, Incorporated and NAI dated November 19, 2004	Exhibit 10.49 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.22	Amendment to Manufacturing Sales Agreement by and among Mannatech, Incorporated, Mannatech Swiss International GmbH and NAI dated January 1, 2008	Exhibit 10.50 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.23	Exclusive Manufacturing Agreement by and between NSA, Inc., NAI and NAIE dated as of April 1, 2005	Exhibit 10.51 of NAI s Quarterly Report on form 10-Q for the quarterly period ended December 31, 2009, filed with the commission on February 16, 2010
10.24	Amended and Restated Employment Agreement dated as of August 31, 2010, by and between NAI and Mark A. LeDoux*	Exhibit 10.41 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2010, filed with the commission on September 17, 2010
10.25	Amended and Restated Employment Agreement dated as of August 31, 2010, by and between NAI and Kenneth E. Wolf*	Exhibit 10.42 of NAI s Annual Report on Form 10-K for the fiscal year ended June 30, 2010, filed with the commission on September 17, 2010
10.26	License and Fee Agreement effective November 10, 2010 by and among Roger Harris, Mark Dunnett, Kenny Johansson and NAI.	Exhibit 10.40 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 filed with the commission on November 12, 2010
10.27	Credit Agreement by and between NAI and Wells Fargo Bank, National Association effective as of December 1, 2010.	Exhibit 10.1 of NAI s Current Report on Form 8-K dated December 16, 2010, filed with the commission on December 22, 2010

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Exhibit Number	Description	Incorporated By Reference To
10.28	Revolving Line of Credit Note made by NAI for the benefit of Wells Fargo Bank, National Association dated December 1, 2010 in the amount of $5,000,000	Exhibit 10.2 of NAI s Current Report on Form 8-K dated December 16, 2010, filed with the commission on December 22, 2010
10.29	ISDA 2002 Master Agreement dated as of March 10, 2011 by and between Bank of America N.A. and NAI (with Schedule dated March 10, 2011)	Exhibit 10.31 of NAI s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed with the commission on May 16, 2011
10.31	Agreement to License by and between NAI and Compound Solutions, Inc. effective as of July 1, 2011	Filed herewith
21	Subsidiaries of the Company	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32	Section 1350 Certification	Filed herewith

* Indicates management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Natural Alternatives International, Inc., the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 22, 2011

NATURAL ALTERNATIVES INTERNATIONAL, INC.

By: /s/ Mark A. LeDoux
Mark A. LeDoux, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Natural Alternatives International, Inc. and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark A. LeDoux (Mark A. LeDoux)	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	September 22, 2011
/s/ Ken Wolf (Ken Wolf)	Chief Financial Officer (principal financial officer and principal accounting officer)	September 22, 2011
/s/ Joe E. Davis (Joe E. Davis)	Director	September 22, 2011
/s/ Alan G. Dunn (Alan G. Dunn)	Director	September 22, 2011
/s/ Alan J. Lane (Alan J. Lane)	Director	September 22, 2011
/s/ Lee G. Weldon (Lee G. Weldon)	Director	September 22, 2011