

BANK BRADESCO
Form 6-K
October 30, 2008

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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of October, 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)

**Cidade de Deus, s/n, Vila Yara
06029-900 - Osasco - SP
Federative Republic of Brazil
(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Banco Bradesco S.A.

Corporate Taxpayer's ID (CNPJ) 60.746.948/0001-12 BM&F Bovespa BBDC3 (common) and BBDC4 (preferred) NYSE BBD Latibex XBBDC

Main Indicators %

| Indicators | 2007 | | | 2008 | | | |
|--|----------------------|----------------------|---------------|----------------------|----------------------|---------------|----------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD | 12 month accumulated |
| CDI | 2.89 | 2.79 | 8.96 | 2.74 | 3.16 | 8.72 | 11.57 |
| Ibovespa | 18.74 | 11.16 | 35.94 | 6.64 | (23.80) | (22.45) | (18.07) |
| USD Commercial Rate | (6.05) | (4.52) | (13.98) | (8.99) | 20.25 | 8.07 | 4.10 |
| IGP-M | 0.34 | 2.57 | 4.06 | 4.34 | 1.54 | 8.47 | 12.31 |
| IPCA IBGE | 0.81 | 0.89 | 2.99 | 2.09 | 1.07 | 4.76 | 6.25 |
| TJLP | 1.59 | 1.53 | 4.81 | 1.54 | 1.54 | 4.68 | 6.29 |
| TR | 0.39 | 0.34 | 1.21 | 0.28 | 0.55 | 1.00 | 1.24 |
| Savings Accounts Number of Business Days | 1.91 | 1.85 | 5.85 | 1.80 | 2.06 | 5.64 | 7.48 |
| | 62 | 64 | 188 | 62 | 66 | 189 | 254 |

Closing Amount

| Indicators | 2007 | | 2008 | |
|---------------------------------|--------|-----------|--------|-----------|
| | June | September | June | September |
| USD Commercial Selling Rate R\$ | 1.9262 | 1.8389 | 1.5919 | 1.9143 |
| Euro R\$ | 2.6073 | 2.6237 | 2.5063 | 2.6931 |
| Country Risk Points | 160 | 173 | 228 | 331 |
| Selic Copom Base Rate (% p.a.) | 12.00 | 11.25 | 12.25 | 13.75 |
| Pre-BM&F Rate - 1 year (% p.a.) | 10.77 | 11.16 | 14.45 | 14.43 |

Obs.: country risk refers to EMBI+ Brazil calculated by JPMorgan.

Compulsory Deposit Rates % (*)**Rates and Limits %**

| Deposits | 2007 | | | | Deposits | 2008 | | | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2 nd Qtr. | 3 rd Qtr. | 2 nd Qtr. | 3 rd Qtr. | | 2 nd Qtr. | 3 rd Qtr. | 2 nd Qtr. | 3 rd Qtr. |
| Demand ⁽¹⁾ | 45 | 45 | 45 | 45 | Income Tax | 25 | 25 | 25 | 25 |
| Additional ⁽²⁾ | 8 | 8 | 8 | 8 | Social Contribution ⁽¹⁾ | 9 | 9 | 15 | 15 |

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| | | | | | | | | | |
|---|----|----|----|----|--|------|------|------|------|
| Time ⁽³⁾ | 15 | 15 | 15 | 15 | PIS ⁽²⁾ | 0.65 | 0.65 | 0.65 | 0.65 |
| Additional ⁽²⁾ Savings Accounts ⁽⁴⁾ | 8 | 8 | 8 | 8 | Cofins ⁽³⁾ | 4 | 4 | 4 | 4 |
| | | | | | Legal Reserve on Net Income | 5 | 5 | 5 | 5 |
| Additional ⁽²⁾ | 10 | 10 | 10 | 10 | Maximum Fixed Assets ⁽⁴⁾ | 50 | 50 | 50 | 50 |
| Interbank ⁽⁵⁾ | | | 10 | 15 | Capital Adequacy Ratio (Basel) ⁽⁵⁾ | 11 | 11 | 11 | 11 |

- (1) Cash deposit No remuneration. (1) Up to April 2008, the rate was 9%. The rate applicable to non-financing and similar companies remains at 9%.
- (2) Cash deposit Remuneration by Selic rate. (2) The rate applicable to non-financial and similar companies is 1.65% (non-cumulative PIS).
- (3) Restricted Securities From the amount calculated at 15%, R\$300 million is deducted. (3) The rate applicable to non-financial and similar companies is 7.6% (non-cumulative Cofins).
- (4) Cash deposit Remuneration by TR + interest of 6.17% p.a. (4) Maximum Fixed Assets are applied over Reference Equity.
- (5) Restricted Securities - Originated form Leasing Companies. (5) Reference Equity may not be lower than 11% of Risk-Weighted Assets.
- (*) For further information on new regulations see Note 35 of the Financial Statements included in Chapter 9 of this report.

Forward-Looking Statements

This Report on Economic and Financial Analysis contains forward-looking statements relating to our business. Such statements are based on management's current expectations, estimates and projections about future events and financial trends, which could affect our business. Words such as: believes, anticipates, plans, expects, intends, aims, predicts, foresees, projects, guidelines, should and similar expressions are intended to identify forward-looking statements. These statements, however, do not guarantee future performance and involve risks and uncertainties, which could be beyond our control. Furthermore, certain forward-looking statements are based on assumptions that, depending on future events, may prove to be inaccurate. Therefore, actual results may differ materially from the plans, objectives, expectations, projections and intentions expressed or implied in such statements.

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

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

Economic Scenario

First of all, the current world's economy scenario must be understood as an intense and unprecedented deleverage process in several markets. This trend has many consequences: (i) strong financial volatility and banking system instability in several countries; (ii) credit restrictions and capital flow reduction; (iii) decrease in assets and commodity prices; (iv) increased risk aversion, affecting foreign exchange markets; and (v) slowdown already in progress of the world's economy growth.

In the next months, the world's economy adjustment will be maintained, mainly affecting the emerging countries, whose expansion pace remains strong, but it is showing moderate signs. It is worth mentioning that this adjustment occurs after a period of strong world's growth, from which Brazil took advantage. Among the consequences of this adverse scenario for Brazil, it is worth pointing out the pressure on the foreign exchange rate and restrictions on international credit lines.

Although Brazil is not immune to the crisis and its consequences, it is worth pointing out that over the past years, the country has advanced in terms of fundamentals, which should soften to a certain extent the impacts caused by the panic that has been prevailing over the international markets. For 2008, we expect a 5.0% growth of GDP (after 5.4% in 2007), moving towards 3.0% in 2009. Looking at a broader future, it is worth mentioning that Brazil's outlook remains favorable, which will certainly bring benefits, as soon as current crisis is surpassed.

Risk Factors and Critical Accounting Practices

In order to reinforce Bradesco's commitment to the best international practices for transparency and corporate governance, we point out Risk Factors and Critical Accounting Practices. We consider these factors and practices the most significant and those that could affect our daily business, the results of our operations or our financial position. We stress that Bradesco addresses the management of all risks inherent to its activities in a complete and integrated manner. This integrated approach facilitates the improvement of risk management models and avoids the existence of any gaps that could jeopardize the correct identification and assessment of these risks.

Risks Relating to Brazil

1) Brazilian political and economic conditions have a direct impact on our business and on the market value of our shares and ADSs.

The majority of our operations and clients are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on the Brazilian economy, which in the past has been characterized both by frequent intervention by the Brazilian Government and volatile economic cycles. In addition, our financial condition and the market value of our shares and ADSs may also be adversely affected by changes in policies involving exchange rate and tax controls, as well as factors such as: fluctuations in exchange rates, interest rates, inflation rates, and other political, diplomatic, social and economic events inside and outside Brazil that affect the country.

We cannot control nor predict which measures or policies may be taken by the Brazilian Government in response to the current or future situation of the country's economy or how these measures or policies may affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

2) Should Brazil undergo a period of high inflation in the future, our revenues and the market value of our shares and ADSs may decrease.

In the past, Brazil has faced periods of extremely high inflation rates, with annual rates (IGP-DI from the Fundação Getulio Vargas) reaching as high as 2,708% in 1993. More recently, Brazil's inflation rates were 1.2% in 2005, 3.8% in 2006, 7.9% in 2007 and 8.3% in the first nine months of 2008. In previous years, inflation and governmental

measures to fight it have had significant negative effects on the Brazilian economy. In addition, general speculation about possible future actions has also contributed to economic uncertainty in Brazil and to heightened volatility in Brazilian securities markets. Should Brazil suffer a period of high inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor confidence falters, the price of our shares and ADSs may drop. Inflationary pressures may curtail our ability to access foreign financial markets and may occasionally lead to further government intervention in the economy, including the implementation of policies that may adversely affect the overall performance of the Brazilian economy.

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3) Access to international capital markets by Brazilian companies is influenced by the perception of risk in emerging economies which may harm our ability to finance our operations.

The market of securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, at different levels, by the market conditions in other Latin American countries and other emerging countries. Although economic conditions in these countries may significantly differ from Brazilian economic conditions, investor reaction to events in these countries may have an adverse effect on the market value of Brazilian companies securities. Crises in other emerging countries or economic policies in other countries, especially in the United States and European Union, may reduce the investor demand for Brazilian companies securities, including ours. Any of the events described above may negatively affect the market price of our shares and complicate, or even prevent, our access to capital markets and our financing of future operations on acceptable terms.

4) Developments in other emerging markets may adversely affect the market value of our shares and ADSs.

The market value of our shares and ADSs may be adversely affected by declines in the international financial markets and world economic conditions. The Brazilian securities market is influenced by the local and other emerging countries economies, especially those in Latin America. Although economic conditions are different in each country, investor reaction to developments in one of them may affect the securities markets and the securities issued in other countries, including Brazil.

Occasionally, developments in other countries have also adversely affected the market value of our and other Brazilian companies shares, as investor perception of high risk due to crisis in other emerging markets may lead to reduced levels of investment in Brazil and, in addition, may hurt our ability to finance our operations through the international capital markets. If the economic situation in Latin America deteriorates, or if similar developments occur in the international financial markets in the future, the market value of our shares and ADSs may be adversely affected.

Risks Relating to Bradesco and the Brazilian Banking and Insurance Industries

1) The Brazilian government regulates the operations of Brazilian banks and insurance companies, and changes in prevailing laws and regulations or the imposition of new ones may adversely affect our operations and results.

Brazilian banks and insurance companies are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of minimum reference equity and capital requirements, compulsory deposits, loan limits and other loan restrictions.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving; laws and regulations may be amended and, moreover, they may be changed according to their enforcement or interpretation, causing the adoption of new laws and regulations. Such changes could materially affect in a negative manner our operations and our results.

Regulatory changes affecting other businesses in which we are engaged, including our brokerage, consortium and leasing operations, could also have an adverse effect on our operations and our results.

2) The increasingly competitive environment in the Brazilian banking and insurance industries may adversely affect our business prospects.

We face significant competition in all of our principal areas of operation from other large Brazilian banks and public and private insurance companies. Brazilian regulations raise limited barriers only to market entry and do not

differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the growing presence of foreign banks and insurance companies in Brazil, some of which have greater resources than we do, has increased competition both in the banking and insurance industries. The privatization of publicly-owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may adversely affect our business results and prospects by, among other things: limiting our ability to increase our client base and expand our operations; reducing our profit margins on the banking, insurance, leasing services and other products we offer; and increasing competition for foreign investment opportunities.

Furthermore, additional publicly-owned banks and insurance companies may be privatized in the future, and their acquisition by one of our competitors would generally add to the buyer's market share, and as a result we may face increased competition from said buyer.

3) Some of our common shares are held by two shareholders whose interests may conflict with other investors interests.

On September 30, 2008 Cidade de Deus Companhia Comercial de Participações held 49.00% of our common shares and Fundação Bradesco directly and indirectly held 50.07% of our common shares. As a result, these shareholders have the power to prevent a change in control of our Company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve transactions with related parties or corporate reorganization, which may not be beneficial to our other shareholders.

Critical Accounting Practices

Bradesco's results are susceptible to accounting policies, assumptions and estimates. It is incumbent upon the management to adopt proper accounting policies and provide reasonable and suitable judgments and estimates when preparing the financial statements.

Our relevant accounting policies are outlined in note 3 to the consolidated financial statements included in chapter 9 of this Report.

In terms of relevance, the following items outline the accounting policies deemed critical as well as areas requiring greater judgment and consideration or involving a higher level of complexity, which may affect our financial condition and the results of our operations. The accounting estimates made in such a context compel us to make assumptions on uncertain issues. In each case, if we had made other estimates, or if changes in estimates had occurred period by period, these could have significantly impacted our financial condition or the results of our operations:

1) Allowance for Loan Losses

We periodically adjust our allowance for loan losses, which include leasing operations and other operations with loan characteristics, based on the analysis of our portfolio, including probable loss estimates in these segments at the end of each period.

The determination of the amount of allowance for loan losses by its nature requires us to make judgments and assumptions related to our loan operations portfolio, not only on an individual basis, but also on a portfolio basis. When we revise our portfolio as a whole, various factors may affect our estimate of probable extent of losses, including the methodology we use to measure historical rates of delinquency and the historical period we take into account in such measurements. When we revise our loan operations on an individual basis, we make judgments related to the factors that most probably will affect the risk levels and which specific credit rating we should apply. Additional factors that may affect our determination of allowance for loan losses include:

general economic conditions in Brazil and conditions of the relevant sector;

previous experience with the borrower or relevant sector of economy, including recent loss experience;

credit quality trends;

amount and quality of guarantee for the loan operation;

volume, composition and growth of our loan operations portfolio;

Brazilian government's monetary policy; and

any delays when receiving information necessary to assess loan operations or confirm the deterioration of existing credit.

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Our determination of allowance for loan losses is influenced by the risk rating of each loan operation. By assuming a decrease of 1% in the delinquency ratio expected for our loan operations portfolio in full performance, on September 30, 2008 the allowance for loan losses would increase approximately R\$63 million. Such an analysis of sensitivity is hypothetical and intends to illustrate the risk rating and loss severity impact on our allowance and, thus, must not be considered a reflection of our expectations for future determinations of risk rating or future alterations in loss severity. Because of the procedures we follow, in order to determine our risk rating of loan portfolio and our assessment of loss severity, we believe that the current risk rating and the estimate of loss severity for our loan portfolio are appropriate.

For further information about our practices referring to the allowance for loan losses, see the content of loan operations included in chapter 3 and notes 3e and 10 included in chapter 9 of this report.

2) Classification of Securities and Derivatives

Securities and derivatives are classified into three categories: for trading, available for sale and held to maturity. This classification is based on the Management's intent of maintaining or trading such securities on the date of their acquisition. We account for securities held depending on our classification upon their acquisition.

Circumstantial changes may modify our strategy related to a specific security, which will require a transfer among the three categories.

The classification of securities and derivatives can be found in note 8 included in chapter 9 of this report.

3) Assessment of Securities and Derivatives

The financial instruments recorded at fair value in our financial statements mainly include securities classified as for trading, available for sale and other trading assets, including derivatives. The fair value is defined as the value in which a position could be closed or sold in a transaction with a party aware of the issue and willing to trade, without any benefit.

We estimate the fair value by using quoted market prices when available. We observe that the fair value may be affected by the volume of shares traded and also may not reflect the control premiums resulting from agreements with shareholders holding significant investments. However, the Management believes that quoted-market prices are the best indicators of fair value.

When quoted market prices are not available, we use models to estimate the fair value. The factors used in these models include distributors' quotations, pricing models, prices of instruments with similar characteristics and discounted cash flows. The pricing based on models also uses information about interest rates, exchange rates and options volatility, when these are relevant and available.

In the determination of fair value, when quoted market prices are not available, we use the Management's judgment, since the models depend on our judgment concerning the weight to be attributed to different factors and the quality of information we receive. For instance, reliable market data are generally limited when estimating the impact of maintaining a high position. Likewise, we use our judgment in the estimate of prices when there is no external parameter. Should we make incorrect assumptions or if the model itself makes incorrect correlations or assumptions, the value of income or loss recorded for a specific asset or liability may be improper. The judgment shall also determine if a decline in fair value below the up-to-date cost of a held to maturity or available for sale security is not temporary, to require that we recognize a devaluation of the up-to-date cost and reflect such reduction as an expense. In the assessment, if devaluation is not temporary, the Management decides which historical period should be considered and how severe a loss may be.

Such assessment methods may lead Bradesco to different results, if models used or assumptions and estimates are inaccurate.

For further information about our practices referring to the assessment of securities and derivative financial instruments, see notes 3c, 3d and 8 included in chapter 9 of this report.

4) Income Tax and Social Contribution

The determination of the amount of our taxes and contributions is related to the analysis of our deferred tax assets and liabilities, income tax and social contribution. Generally, our assessment requires us to estimate the future values of deferred tax assets, income tax and social contribution. Our assessment about the possibility that a deferred tax asset may be realized is subjective and involves evaluations and assumptions originally uncertain. The realization of deferred tax assets is subject to alterations in future tax rates and the development of our tax planning strategies. As a result of unpredictable occurrences or circumstances, the support to our assessments and assumptions may change over time, influencing the determination of the value of our tax liabilities.

We constantly monitor and assess the impact of new tax laws on our liabilities, which could affect the assessments and assumptions of our analysis about the possibility of realizing deferred tax assets.

For further information about Bradesco's income tax and social contribution, see notes 3f and 34 of our financial statements included in chapter 9 of this report.

5) Insurance Technical Provisions

Provisions for insurance claims and related expenses are created as they are incurred. The calculation of these provisions considers estimates for reported claims and includes provisions for claims incurred but not reported. Methods to determine these estimates and establish technical provisions are regularly reviewed and updated. The resulting adjustments are recognized in the income of the respective period.

For further information on our technical provisions, see notes 31, 21a and 21b of our financial statements included in chapter 9 of this report.

6) Use of Estimates

Our management estimates and makes assumptions, which include: the amount of provisions for deferred taxes and contributions; the assumptions for the calculation of allowances for loan losses; the assumptions for calculations of technical provisions for insurance, private pension plans and certificated savings plans; the choice of useful lives of certain assets; and the determination of whether an asset or group of specific assets will be deteriorated. The estimates are based on Management's judgment and available information. Therefore, effective results may differ from such estimates.

Commercial Strategy

We believe that the expansion of the Brazilian economy, influenced by the favorable macroeconomic environment resulting from the significant growth of the purchasing power of certain income segments of the Brazilian population, especially the low- and medium-income citizens and companies' investment, will increase the demand for financial and insurance services in the next years.

Our main objective is to maintain our focus on the domestic market to take advantage of our position as the largest private bank in Brazil, so that we can increase our profitability, maximize value for shareholders and generate higher returns compared to other Brazilian financial institutions.

Our strategy to achieve such goals is not only focused on continuing to expand our client base, but also consolidating our role as an All-Inclusive Bank in the Brazilian market in order for us to be the first-choice bank for each of our clients. We have been increasingly segmenting our services by efficiently allocating our human resources and talents in order to offer our clients the products and services that truly meet their needs. We believe that paying attention to the financial profile of our clients and respecting their individuality results in greater satisfaction and loyalty in our

clients' relationship with us. The segmentation of our financial services has also enabled us to increase synergies of the institutions we have acquired over the past years.

We own the largest and probably best network of distribution channels among private Brazilian banks, comprised of branches, service stations, ATMs, Banco Postal and other third-party channels whose growth was especially significant with the adhesion of large retail networks like our correspondent banks. We have over 60,000 customer service branches. The strict, segmented and well-distributed coverage of our customer service network optimizes the delivery logistics of our products and services and enables us to fully compete in retail banking. We intend to continue expanding and refining our customer service network and offer more and better products and mass services to our clients, in order to meet the increasing demand for loan and insurance in the Brazilian market.

VI

We are also focused on expanding our businesses as a wholesale bank in all its aspects, especially corporate service, and expand our private banking business. In the corporate segment, in which we believe we are well placed, the Brazilian economic scenario has significantly improved the performance of small and medium companies. In addition, since 2006 we have been paying special attention to our investment bank segment, Banco Bradesco BBI. We resort to the market to search for qualified professionals and we intend to fully use the strong relationship with our corporate and high income clients to increase our investment bank operations.

We also intend to strongly increase our share in markets that we were traditionally less focused on, such as securities brokerage. With the significant growth of the Brazilian securities market over the past years, and the recent acquisition of the largest securities brokerage firm in Brazil, Ágora Corretora, we became leaders in the securities brokerage market.

In the insurance segment, we believe that there is great potential for the growth of our operations because the insurance industry is still under-represented in Brazilian gross domestic product. The increase in average Brazilian income has incorporated millions of new policyholders, and we expect to take advantage of this increasing demand for insurance products in order to consolidate our leadership in several insurance segments.

We have organized ourselves to increase our gains in scale and operational efficiency by segmenting the supply of our products with the creation of insurance companies specializing in each insurance line, which we call a multi-line insurance company. Thus, we avoid cross subsidies and have full control over the performance of each product line. We believe we can benefit from our structure to maximize insurance product sales, which in their essence have a high contribution margin, creating access to independent brokers.

Furthermore, in every line of our operation, we intend to stand out and be recognized by our clients as a leader in terms of performance and efficiency. We closely follow and constantly try to improve our operating efficiency levels.

We understand that the essence of business success in the financial sector consists of the combination between winning the client and a highly qualified staff devoted to providing service, permanently trained and with strict discipline and ethical standards in their work. Also fundamental to promote the business is the treatment given to our team in terms of qualification, promotion and creation of a culture of solidarity at work, fomenting an environment where our employees can develop a career that endures their entire professional life. In 2007, we were chosen by the Guia Você S/A Exame publication as one of the best companies to work for in Brazil.

Finally, the main component of our philosophy is to conduct business according to the highest ethical standards. Therefore, our strategy is guided and driven by seeking the best Corporate Governance practices and by understanding what we should be, besides a profit generator for our shareholders, a constructive element within our society.

The key elements of our business strategy are:

- expansion by means of organic growth;

- operation based on Insurance-Bank Model, to maintain profitability and consolidate our leadership in the insurance industry;

- increase of revenues, profitability and value for shareholders, by consolidating our loan and financing operations, our main activities, and the expansion of new products and services;

- maintain our commitment to technological innovation;

- profitability and return for the shareholders by means of ongoing efficiency ratio improvements;

maintain acceptable risk levels in our operations; and

expansion by means of strategic alliances and selective acquisitions, when these are beneficial.

a) To expand by means of organic growth

The Brazilian economy has been sustainably growing over the past five years and, meanwhile, has been creating strategic opportunities for financial and insurance segment growth, chiefly by means of increased business volume in segments in which we are well placed. We intend to continue taking advantage of such progress to increase our revenues, obtain profitability and maximize value for the shareholders, outlined as follows:

capitalize on the opportunity to obtain new clients in the Brazilian markets, mainly low and medium-income clients, with unmet loan and financial needs, and, in addition, maintain the strong competition for a small group of clients with higher income levels;

expand our distribution of financial services by using creativity in developing new mass products, strongly employing outsourced channels, e.g., expanding our credit cards and financial and insurance products and services in large retail networks through alliances with a network of stores, Banco Postal and other correspondent banks;

benefit from the existing distribution channels, including our traditional branch network and other means of access to identify demand for new products, and the expansion of the supply of products that are gradually being requested again due to Brazil's monetary stability, such as long-term financing, especially real estate loans;

use our client base, offering our products and services more widely and increasing the average of products used per checking account from 4.8 in December 2007, to an estimated average of 5.0 products per checking account in December 2008;

use the systems supported by our branches to assess and monitor the use of our products by clients to apply the appropriate sale, delivery and commercialization platforms; and

develop segmented products according to the profiles and needs of our clients (both potential and current).

b) To operate based on the Insurance-Bank Model in order to maintain the profitability and consolidate Bradesco's leadership in the insurance industry

Our goal is to make our clients look to us as their first-choice bank to meet their banking, insurance and private pension needs. We believe that we are in a privileged position to capitalize on the synergy among banking, insurance, private pension services and other financial activities. Our insurance group has nationwide coverage and, in addition to our banking distribution network that is of great importance in our distribution of insurance and private pensions, distribution services via internet and new distribution channels which we developed thanks to our creativity, we also have specific channels for the supply of these products, which count on our platform of more than 15,000 brokers and dealerships for the basic line and 8,000 for life and private pension plans. Our brokers and dealerships are permanently assisted and encouraged to improve the service they provide to our clients.

Concurrently, we aim at increasing the profitability of the insurance and supplementary private pension plan segments by using the profitability measure rather than the volume of underwritten premiums or amounts deposited, which can be observed as follows:

managing our reserves and portfolio;

intensively trading our products and services; and

maintaining acceptable risk levels in our operations by means of a strategy of:

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- setting priorities for insurance underwriting opportunities according to the risk spread between the expected revenue pursuant to the insurance agreement and the value of projected claims (statistically) to be due under the terms of such agreement;
- performing hedge transactions so as to avoid the mismatch between the real inflation index on one hand, and provisions for adjustments of interest rates and inflation in long-term agreements on the other; and
- using reinsurance contracts with important reinsurance companies taking advantage of the new reality of the Brazilian insurance market.

VIII

c) To increase revenues, profitability and value for shareholders by reinforcing our loan and financing operations (our main activity), and expanding new products and services

We focus on the increase of revenues and profitability in our banking operations, with the following measures:

carrying out our traditional deposit-raising activities and loan and financing operations, continuously seeking to improve the quality of our loan portfolio with risk mitigation plans and improvement of the pricing models of delinquency risks, which ensures better results in the concession, follow-up, recovery and adequate provisions for expected loan losses;

building our client base of corporate and individual clients, by offering services meeting the profile and needs of specific clients;

intensively seeking the development of paid services based on fees, such as the collection and processing of payments;

expanding our financial services and products distributed outside of our conventional means of branches, such as credit card activities, capitalizing on the change in the consumers' behavior concerning the financial services consumption;

increasing our revenues from asset management; and

continuously building our high-income customer base by providing a wide range of tailor-made financial products and services.

d) To maintain our commitment to technological innovation

The development of efficient means to reach clients and to process operations, safely and continuously, is a key element of our goal to increase our profitability and capitalize on opportunities of coordinated growing.

We have a history of over six decades of being a pioneer, always anticipating the coming challenges with efficient strategies and positive impacts on society. In this context, we point out the use of state-of-the-art technology, one of the central pillars of the Organization's strategy to propel sustainability and business and create easy access to innovative and safe services for clients. We are among the Brazilian companies that most invest in research and development focused on the banking area. Thus, with the purpose of increasingly improving the Organization's IT environment, getting ready for the next decades and increasing the public perception regarding the technological resources we use based on the best existing practices and technologies, we have invested in a sweeping strategic program called IT Improvements that affects 5 macro-areas of the IT chain (Processes, Applications, Operational Environments, Technologies and Infrastructure).

We believe that technology offers unequalled opportunities for us to reach our clients efficiently in terms of cost. We maintain our commitment to being ahead in the banking automation process by creating opportunities for Brazilians to contact us via the internet and other means of access, such as:

enlarging our mobile banking service, Bradesco Celular, allowing clients to carry out their banking operations with compatible mobile phones; and

providing Pocket Internet Banking for palmtops and PDAs, as well as mobile phones, allowing our clients to see their checking and savings accounts, see their credit card transactions, make payments, transfer funds and also obtain institutional information.

e) To obtain profitability and return for shareholders by the ongoing improvement of the efficiency ratio

We intend to improve our efficiency levels:

by maintaining austerity as guideline of our cost control policy;

by continuously reviewing our internal processes, allowing us to reduce resources consumed and contribute to our corporate sustainability policy;

by consolidating the synergies enabled by our recent acquisitions;

by continuously reducing our operational costs with technology investments, decreasing costs per transaction, always emphasizing our updated automated distribution channels, including our wireless distribution systems of phone, internet and ATMs; and

by continuing to incorporate institutions, which by chance may be acquired as part our existing system in order to remove potential overlaps, redundancies and inefficiency, diminishing gains of scale.

f) To maintain acceptable risk levels in our operations

We approach the management of risks inherent to our activities in an integrated manner, in a process within our Internal Controls and Compliance structure, which we call the Risk Management Process. This process allows the continuous improvement of our risk management models and minimizes the existence of gaps which compromise its correct identification and evaluation. Thus, we identify, measure, control, monitor and mitigate in a centralized and permanent manner our credit, market, liquidity and operational risks.

The unity of our risk management process is guaranteed thanks to the Integrated Risk Management and Capital Allocation Committee, a statutory committee whose duty is to advise the Board of Directors in the approval of institutional policies, operational guidelines and establishment of risk exposure limits within the scope of the consolidated financial economic statement. Additionally, we have three Executive Committees for issues related to credit, market and liquidity, and operational risks, which, among their duties, are responsible for suggesting limits of tolerance to their respective risks and preparation of mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee. Finally, we have an independent department exclusively dedicated to the activities of global risk management and internal controls - DGRC - that implements and follows, in a continuous and integrated manner, the guidelines and processes prepared by our high-level committees.

Our internal risk management bodies and processes ensure the maintenance of operational risks in adequate levels and the efficient allocation of capital, being similar to the best international practices, which allows us to obtain competitive advantages.

g) To expand by means of strategic alliances and selective acquisitions, when beneficial

We understand that there will be an expansion of Brazilian financial institutions due to organic growth over the next years. In addition, we believe that acquisition opportunities will consist of smaller-sized institutions. Notwithstanding, we believe that certain institutions, which will be susceptible to acquisition, could present niche opportunities, such as consumer financing, credit cards and investment banking. Therefore, we continuously evaluate potential strategic alliances as well as consolidation opportunities, including privatization and acquisition proposals, as well as other means that offer potential opportunities for Bradesco to increase its market share or improve its efficiency. In addition to focusing on the value and quality of our assets, we take into account potential operating synergies, cross-selling opportunities, knowhow acquisitions and other advantages of potential alliance or acquisition. The analysis of potential opportunities is guided by the impact these would have over our results.

X

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Certain figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be an arithmetic sum of the figures preceding them.

List of Acronyms

| | | | |
|------------------------|--|-------------------|---|
| AACD | Association of Assistance to Disabled Children | CS or CSSL | Social Contribution or Social Contribution on Net Income |
| ABC | Activity-Based Costing | CTI | Information Technology Center |
| Abecs | Brazilian Association of Credit Card Companies and Services | CVM | Brazilian Securities and Exchange Commission |
| ABEL | Brazilian Association of Leasing Companies | DARF | Federal Revenue Collection Document |
| ABGR | Brazilian Association of Risk Management | DAS | Brazilian Unified Tax Collection System Document (<i>Simples</i>) |
| Abrasco | Brazilian Association of Graduation Courses in Public Health | Decon | Economic Control Department |
| ACC | Advances on Foreign Exchange Contracts | DGRC | Risk Management and Compliance Department |
| ADR | American Depositary Receipt | DJSI | Dow Jones Sustainability World Index |
| ADS | American Depositary Share | DMA | Direct Market Access |
| ADVB | Association of Sales and Marketing Managers of Brazil | DPV | Available for Sale (Securities) |
| AIGOR | Accord Implementation Group Operational Risk Subgroup | DPVAT | Compulsory Vehicle Insurance |
| AMA | Advanced Measurement Approach | DR | Depositary Receipt |
| Anahp | Brazilian Association of Private Hospitals | DRE | Statement of Income for the Year |
| Anbid | National Association of Investment Banks | DRI | Interpersonal Relations Development |
| Anfavea | Brazilian Association of Automobile Vehicles | DRII | Disaster Recovery Institute International |
| ANS | National Agency for Supplementary Healthcare | DTVM | Securities Dealer |
| AP | Personal Accident | DVA | Statement of Value Added |
| APAE | Association of Parents and Friends of People with Disabilities | ECT | Empresa Brasileira de Correios e Telégrafos |
| Apimec | Association of the Capital Markets Investment Analysts and Professionals | EL | Expected Loss |
| APF | Foundations Association of São Paulo | EMBI | Emerging Markets Bond Index |
| Bacen | Brazilian Central Bank | Embrapa | Brazilian Company of Farming and Ranching Research |
| BBI | Banco Bradesco de Investimento S.A. | ENEM | Brazilian High School Examination |
| BBVA | Banco Bilbao Vizcaya Argentaria | EPE | Specific Purpose Entities |
| BCI | Business Continuity Institute | ERP | Enterprise Resource Planning |
| BDR | Brazilian Depositary Receipt | EVE | Economic Equity Value |
| BES | Banco Espírito Santo | EXIM | Export and Import BNDES Financing Line |
| BIS | Bank for International Settlements | FDIC | Federal Deposit Insurance Corporation |
| BIT | Bradesco Instituto de Tecnologia | Febraban | Brazilian Banks Federation |
| BMC | Banco BMC S.A. | Fenaprevi | National Federation of Life and Private Pension Plans |
| BM&FBovespa | Mercantile and Futures Exchange | FGV | Fundação Getulio Vargas |
| BNDES | National Bank for Economic and Social Development | FIA | Management Institute Foundation |
| BRGAAP | | FIDC | Receivables Securitization Fund |

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| | | | |
|----------------|---|-----------------|--|
| | Brazilian Generally Accepted Accounting Principles | | |
| Bovespa | São Paulo Stock Exchange | Fides | Inter-American Federation of Insurance Companies |
| BRAM | Bradesco Asset Management | FIE | Exclusive Investment Fund |
| BRIC | Brazil, Russia, India and China (group of the world's four main emerging countries) | Fiesp | Federation of the Industries of the State of São Paulo |
| BVP | Bradesco Vida e Previdência | Finabens | Financing Line of other Assets and Services |
| Cabec | Private Pension Plan Fund of the Bank of the State of Ceará | Finame | Fund for Financing the Acquisition of Industrial Machinery and Equipment |
| CADU | Clients Single Registration | Fiocruz | Fundação Oswaldo Cruz |
| Capof | Assistance and Retirement Pension Fund for the Employees of the Bank of the State of Maranhão | FIP | Investment Fund in Interest |
| CBLC | Brazilian Settlement and Custody Company | FIPE | Economic Research Institute Foundation |
| CCE | Exports Credit Certificate | Fipecafi | Accounting, Actuarial and Financial Research Institute Foundation |
| CDB | Bank Deposit Certificate | FIRN | Floating Rate Note |
| CDC | Consumer Sales Financing | FFS | Insurance Company's Financial Strength |
| CDI | Interbank Deposit Certificate | FSF | Financial Stability Forum |
| CDP | Carbon Disclosure Project | FxRN | Fixed Rate Note |
| CDS | Credit Default Swap | GCN | Business Continuity Management |
| CEF | Federal Savings Bank | Geaco | Market Follow-up Management |
| CFC | Federal Accounting Council | GEE | Greenhouse Gases |
| Cetip | Clearing House for the Custody and Financial Settlement of Securities | GDP | Gross Domestic Product |
| CID | Digital Inclusion Center | GPR | Global Postural Reeducation |
| CFA | Chartered Financial Analyst | GPS | Social Pension Plan Voucher |
| CIAB | Information Technology Congress and Exposition of the Financial Institutions | GRI | Global Reporting Initiative |
| CLC | Company Level Controls | IAS 39 | Financial Instruments Recognition and Measurement |
| CMN | National Monetary Council | IAS | International Accounting Standards |
| CNSP | National Private Insurance Council | IASB | International Accounting Standards Board |
| Cobit | Control Objectives for Information and Related Technology | IASC | International Accounting Standards Committee |
| Cofins | Contribution for Social Security Financing | IBCC | Brazilian Institute of Cancer Control |
| Conanda | National Council for the Rights of Children and Adolescents | IBGE | Brazilian Institute of Geography and Statistics |
| Copom | Monetary Policy Committee | Ibmec | Brazilian Capital Markets Institute |
| Consif | National Confederation of the Financial System | IBNR | Incurred But Not Reported |
| Cosif | Chart of Accounts for National Financial System Institutions | Ibovespa | São Paulo Stock Exchange Index |
| COSO | Committee of Sponsoring Organizations | Ibracon | Brazilian Institute of Independent Auditors |

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| | | | |
|-------------|---|-------------|--|
| CPC | Committee of Accounting Pronouncements | IBRE | Brazilian Economy Institute |
| CPMF | Provisory Contribution on Financial Transactions | IBRI | Brazilian Investor Relations Institute |
| CRI | Certificate of Real Estate Receivables | IDEC | Brazilian Institute for the Defense of the Consumer |
| | | IDHO | Organizational Human Development Index |

12

List of Acronyms

| | | | |
|----------------|---|-------------------|--|
| IDR | Issuer Default Ratings | PMO | Project Management Office |
| IEO | Efficiency Ratio | PMP | Project Management Professional |
| IFC | International Finance Corporation | PN | Preferred Shares |
| IFRIC | International Financial Reporting Interpretation Committee | POPR | Portion Related to Operational Risk |
| IFRS | International Financial Reporting Standards | PPNG | Unearned Premiums Provision |
| IFRS1 | First-Time adoption of International Financial Reporting Standards | PPQG | São Paulo Management Quality Award |
| IFRIC | International Financial Reporting Interpretations Committee | PR | Reference Equity |
| IFT | Quarterly Financial Information | PRD | Disaster Recovery Plan |
| IGP DI | General Price Index Internal Availability | PRE | Required Reference Equity |
| IGP-M | General Price Index Market | Procon | Consumer Protection and Defense Bureau |
| ILL | Tax on Net Income | PUC | Pontifícia Universidade Católica |
| IMF | International Monetary Fund | QIS | Quantitative Impact Study |
| INI | Brazilian Institute of Investors | RAV | Visual Analysis Report |
| Inmetro | National Institute of Metrology, Standardization and Industrial Quality | RCF | Optional Third-Party Liability |
| INSS | Social Security National Institute | RE | Basic Lines (of Insurance Products) |
| IOSCO | International Organization of Securities Commissions | ROA | Return on Assets |
| IPCA | Extended Consumer Price Index | ROAA | Return on Average Assets |
| IPEG | São Paulo's Excellence and Management Institute | ROAE | Return on Average Shareholders' Equity |
| IPO | Initial Public Offering | ROCI | Operational Risk and Internal Control |
| IPTU | Municipal Real Estate Tax | ROE | Return on Shareholders' Equity |
| IQNet | International Quality Network | SA 8000 | Social Accountability |
| IR | Income Tax | Sae Brasil | Mobility Engineers Association |
| IRPJ | Corporate Income Tax | SAC | Standards Advisory Council |
| IRRF | Withholding Income Tax | SAI | Social Accountability International |
| ISE | Corporate Sustainability Index | SANA | Automatic System of Shares Negotiation |
| ISO | International Standard Organization | SAP | Systems Applications and Products |
| ISS | Tax on Services | SBPC | Brazilian Association for the Science Progress |
| ISSQN | Tax on Services of Any Nature | SBPE | Brazilian Savings and Loan System |
| IT | Information Technology | Sebrae | Brazilian Micro and Small Business Support Service |
| JCP | Interest on Shareholders' Capital | SEC | U.S. Securities and Exchange Commission |
| JEC | Special Civil Court | Selic | Special Clearance and Custody System |
| Latibex | Latin American Stock Exchange Market in Euros (Spain) | Serpro | Brazilian Federal Data Processing Service |
| LDA | Loss Distribution Approach | Sesc | Commerce Social Service |
| LDCE | Loss Data Collection Exercise | SESI | National Industry Social Service |
| Libras | Brazilian Sign Language | SIC | Standing Interpretations Committee |
| LOMA | Life Office Management Association (North American institution which develops courses, examinations and researches in life, health and social security insurance) | Sisbacen | Brazilian Central Bank Information System |

| | | | |
|----------------|---|--------------------|--|
| | segments) | | |
| MBA | Master of Business Administration | S&P | Standard & Poor's Ratings Services |
| M&E | Management and Excellence | SFH | National Housing System |
| MUFG | Mitsubishi UFJ Financial Group | SGQB | Bradesco Quality Management System |
| NBR | Registered Brazilian Rule | Sipat | Internal Week of Labor Accident Prevention |
| NDEV | New Debtor | SmartSeg | Supervised Remote Service in Traffic |
| NCE | Exports Credit Note | SND | National System of Debentures |
| NGO | Non Governmental Organization | SPG | Health for Small Groups |
| NPL | Non-Performing Loans | SRI | Socially Responsible Investments |
| NYSE | New York Stock Exchange | Susep | Insurance Superintendence |
| DECD | Organization of Economic Cooperation and Development | TAC | Loan Opening Rate |
| OHSAS | Occupational Health and Safety Assessment Series | TISS | Supplementary Health Information Exchange |
| OIT | International Labor Organization | TJLP | Federal Government Long-Term Interest Rate |
| ON | Common Shares | TLA | Advanced Settlement Rate |
| ORX | Operational Riskdata eXchange Association | TLM | Unrestricted Securities |
| PAA | Advanced Service Branch | TR | Reference Interest Rate |
| PAB | Banking Service Branch | TVaR | Tail Value at Risk |
| PAC | Crisis Management Plan | UFIR | Reference Fiscal Unit |
| PAE | Electronic Service Branch in Companies | UL | Unexpected Loss |
| PCAM | Portion related to the Risk of Exports in Gold, Foreign Currency and Operations subject to Foreign Exchange Variation | UN | United Nations |
| PCAOB | Public Company Accounting Oversight Board | Unesco | United Nations Educational, Scientific and Cultural Organization |
| PCN | Business Continuity Plan | Unipalmares | Universidade da Cidadania Zumbi dos Palmares |
| PCO | Operational Continuity Plan | UniverSeg | Insurance Knowledge Universe (<i>Universo do Conhecimento do Seguro</i>) |
| PDA | Personal Digital Assistants | US GAAP | United States Generally Accepted Accounting Principles |
| PDD | Allowance for Loan Losses | USP | Universidade de São Paulo |
| PGBL | Unrestricted Benefits Generating Plan | VaR | Value at Risk |
| PIS | Social Integration Program | VGBL | Long-Term Life Insurance |
| PL | Shareholders Equity | WebTA | Web File Transmission |
| PLR | Management and Employee Profit Sharing | WWF | World Wild Life Fund |

1 Bradesco Line by Line

Net Income

The reported net income was impacted by some extraordinary events. Thus, in order to better analyze and compare between the periods, we present below the Reported Net Income Statement, without considering such events (Adjusted Net Income).

| | in millions of R\$ | | | |
|---|--------------------|--------------|----------------------|----------------------|
| | Nine Months | | 2008 | |
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| Reported Net Income | 5,817 | 6,015 | 2,002 | 1,910 |
| Extraordinary Events in the Period: | | | | |
| (-) Partial sale of equity interest - Visa Inc. | | (352) | | |
| (+) Full goodwill amortization | 813 | 53 | | |
| (-) Total sale of investment in Arcelor | (354) | | | |
| (-) Partial sale of investment in Serasa | (599) | | | |
| (-) Partial sale of Bovespa securities | (75) | | | |
| (-) Activated tax credit of previous periods | (417) | | | |
| (-) Other | 149 | 21 | | |
| (+/-) Fiscal effects | 22 | 82 | | |
| Adjusted Net Income | 5,356 | 5,819 | 2,002 | 1,910 |

Returns on Shareholders' Equity - Adjusted Net Income %

| | 2007 | | 2008 | |
|--|-------------|----------------------|----------------------|-------------|
| | Nine Months | 2 nd Qtr. | 3 rd Qtr. | Nine Months |
| ROE | 25.2 | 26.0 | 24.3 | 23.3 |
| ROAE | 27.7 | 26.1 | 24.5 | 24.4 |
| ROE (without adjustment to market value reserve - Securities and Derivatives) | 26.9 | 26.8 | 24.4 | 23.4 |
| ROAE (without adjustment to market value reserve - Securities and Derivatives) | 30.0 | 27.6 | 25.1 | 25.4 |
| ROE (straight-line calculation) | 24.4 | 23.8 | 22.4 | 22.7 |
| ROAE (straight-line calculation) | 26.8 | 23.8 | 22.5 | 23.7 |
| ROA | 2.3 | 2.0 | 1.8 | 1.8 |
| ROAA | 2.5 | 2.1 | 1.9 | 2.0 |

Reported Net Income x Net Income Adjusted by Extraordinary Events and Goodwill Amortization in millions of R\$

Summarized Analysis of the Statement of Income

For better understanding, comparability and analysis of Bradesco's results, we are disclosing the Statement of Adjusted Income that is obtained from a series of adjustments made on the Reported Statement of Income. We point out that the Statement of Adjusted Income will be the basis used for analyses and comments of this Report on Economic and Financial Analysis. Below, we show tables with the Reported Statement of Income, the respective adjustments and the Statement of Adjusted Income.

9M07 x 9M08 in millions of R\$

| | 9M07 | | | 9M08 | | | Variations | | | |
|---|------------------------------|------------------|----------------------|------------------------------|------------------------------|------------------|----------------------|------------------------------|--------------|-----------|
| | Reported Statement of Income | Adjustments | | Adjusted Statement of Income | Reported Statement of Income | Adjustments | | Adjusted Statement of Income | Amount | % |
| | | Fiscal Hedge (1) | Other | | | Fiscal Hedge (1) | Other | | | |
| Financial Margin (a) | 17,374 | (717) | (354) ⁽²⁾ | 16,303 | 18,282 | 695 | | 18,977 | 2,674 | 16 |
| PDD (b) | (3,942) | | | (3,942) | (5,325) | | | (5,325) | (1,383) | 35 |
| Intermediation Gross Income | 13,432 | (717) | (354) | 12,361 | 12,957 | 695 | | 13,652 | 1,291 | 10 |
| Income from Insurance, Private Pension Plans and Certificated Savings Plans Operations (c) | 565 | | | 565 | 1,711 | | | 1,711 | 1,146 | 202 |
| Fee and Commission Income (d) | 7,910 | | | 7,910 | 8,397 | | | 8,397 | 487 | 6 |
| Personnel Expenses (e) | (4,749) | | | (4,749) | (5,277) | | | (5,277) | (528) | 11 |
| Other Administrative Expenses (e) | (4,939) | | | (4,939) | (5,895) | | | (5,895) | (956) | 19 |
| Tax Expenses (e) | (1,856) | 90 | | (1,766) | (1,644) | (67) | | (1,711) | 55 | (3) |
| Other Operating Income/Expenses and Equity in Earnings (Losses) of Unconsolidated Companies (f) | (2,380) | | 149 ⁽³⁾ | (2,231) | (2,982) | | 56 ⁽³⁾ | (2,926) | (695) | 31 |
| Full Goodwill Amortization | (813) | | 813 ⁽⁴⁾ | | (53) | | 53 ⁽⁴⁾ | | | |
| Operating Income | 7,170 | (627) | 608 | 7,151 | 7,214 | 628 | 109 | 7,951 | 800 | 11 |
| Non-Operating Income IR/CS and Minority Interest | 677 | | (674) ⁽⁵⁾ | 3 | 390 | | (387) ⁽⁷⁾ | 3 | | |
| | (2,030) | 627 | (395) ⁽⁶⁾ | (1,798) | (1,589) | (628) | 82 ⁽⁸⁾ | (2,135) | (337) | 18 |

| | | | | | | | | |
|---|--------------|--------------|--------------|--|--------------|--------------|------------|----------|
| Net Income | 5,817 | (461) | 5,356 | 6,015 | (196) | 5,819 | 463 | 8 |
| (1) partial result of derivatives used for hedge effect of investments abroad, which in terms of net income, simply annuls the fiscal and tax effect (IR/CS and PIS/Cofins) of this hedge strategy; | | | | (5) positive result assessed in the sale of part of our interest in Serasa, in 2Q07, in the amount of R\$599 million, and in Bovespa, in 3Q07, in the amount of R\$75 million; | | | | |
| (2) positive result assessed in the sale of our interest in Arcelor in 2Q07; | | | | (6) fiscal effect of adjustments in the amount of R\$(23) million and activation of tax credits from previous periods in the amount of R\$418 million; | | | | |
| (3) the recording of operational provisions – civil contingencies; | | | | (7) mainly due to the positive result assessed in the partial sale of our interest in Visa Inc.; | | | | |
| (4) full goodwill amortization in subsidiaries | | | | (8) fiscal effect of adjustments. | | | | |

Bradesco's net income reached R\$5,819 million in the first nine months of 2008, accounting for an 8.6% increase y-o-y. Bradesco's shareholders' equity amounted to R\$34,168 million on September 30, 2008, equivalent to a 17.0% increase compared to the balance on September 30, 2007. Consequently, the annualized ROAE (*) reached 25.4%. Total consolidated assets reached R\$422,706 million on September 30, 2008 for 33.1% growth in relation to the

balance of same date of the previous year. The annualized ROAA, in 9M08, was 2.0% . Earnings per share reached R\$1.90.

The main items influencing net income in 9M08, compared to 9M07, can be seen below:

(a) Financial Margin R\$2,674 million

Such growth is primarily due to the interest component, with a share of R\$2,802 million (R\$4,682 million from the increase in business volume, and R\$1,880 million from the decrease in spreads), and to the reduction in the non-interest result of R\$128 million, resulting mostly from lower treasury gains in the period of R\$422 million, affected by the world's financial market volatility in 3Q08, which was **mitigated** by higher credit recovery of R\$295 million.

(b) Allowance for Loan Losses R\$(1,383) million

The variation is mostly due to a 38.1% increase in the volume of loan operations in the 12-month period ended on September 30, 2008. We would like to point out individual client operations, mainly of the consumer financing type, with a 28.3% increase, which, in view of its specific characteristic, requires a higher provisioning volume.

(c) Income from Insurance, Private Pension Plans and Certificated Savings Plans Operations R\$1,146 million

The variation is basically due to: (i) insurance operations, R\$882 million, R\$644 million of which mainly arises from the additional provision for health insurance recorded in 2007; and (ii) supplementary pension plan, R\$253 million, as a result of the increase in business volume.

(d) Fee and Commission Income R\$487 million

The increase in the period is mainly due to a higher volume of operations, pointing out increases in the items Card Income, R\$408 million, Asset Management, R\$129 million, Collection, R\$87 million, Consortium, R\$63 million and Custody and Brokerage Services, R\$58 million; **mitigated** by a reduction verified in the items Checking Account and Loan Operations, R\$188 million, due to the impact caused by fees adjustment charged to individuals occurred in 2008.

(e) Personnel, Administrative and Tax Expenses R\$(1,429) million

Out of that amount, the R\$528 million of personnel expenses is mainly due to: (i) the expansion of the customer service network with the growth in outlets in Brazil from 28,563 in September 2007 to 36,128 in September 2008 and the subsequent hiring of employees, as well as the increase in salary levels resulting from the collective bargaining agreement of 2007 (6.0%) and Fenaban's proposal for 2008 (7.5%), benefits and others, in the amount of R\$462 million; (ii) higher expenses with labor proceedings in the amount of R\$56 million; and (iii) higher expenses with training in the period in the amount of R\$10 million.

The variation of R\$956 million in other administrative expenses in the period basically refers to: (i) organic growth; (ii) the effects of increased volume of business; (iii) investments in the improvement and optimization of the technological platform (IT Improvements Project); and (iv) contractual adjustments.

The R\$55 million of tax expenses derives basically from (i) the reduction in expenses with CPMF, in the amount of R\$179 million, since it is no longer collected in 2008; **mitigated** by: (ii) the increase in PIS/Cofins expenses in the amount of R\$120 million, due to the increase in taxable income.

(f) Other Operating Income/Expenses R\$(695) million

The increase in the period is mainly due to: (i) the increase expenses with financing commissions, R\$193 million; (ii) the increase in provisions for civil contingency expenses, R\$146 million; (iii) the increase in expenses from the amortization of prepaid expenses arising from operational agreements, R\$138 million; (iv) the increase in sundry losses, R\$121 million; and (v) the increase in expenses with search and seizure, R\$56 million.

(*) It does not consider the mark-to-market effects of available -for-sale securities.

2Q08 x 3Q08 in millions of R\$

| | 2Q08 | | | 3Q08 | | | Variations | |
|---|---------------------------|--------------------------------|---------------------------|---------------------------|--------------------------------|---------------------------|--------------|--------------|
| | Reported | Adjustments | Adjusted | Reported | Adjustments | Adjusted | Amount | % |
| | Statement of Income | Fiscal Hedge ⁽¹⁾ | Statement of Income | Statement of Income | Fiscal Hedge ⁽¹⁾ | Statement of Income | | |
| Financial Margin (a) | 7,034 | (441) | 6,593 | 5,152 | 1,182 | 6,334 | (259) | (3.9) |
| PDD (b) | (1,834) | | (1,834) | (1,824) | | (1,824) | 10 | (0.5) |
| Intermediation | | | | | | | | |
| Gross Income | 5,200 | (441) | 4,759 | 3,328 | 1,182 | 4,510 | (249) | (5.2) |
| Income from Insurance, Private Pension Plans and Certificated Savings Plans Operations (c) | 567 | | 567 | 629 | | 629 | 62 | 10.9 |
| Fee and Commission Income (d) | 2,775 | | 2,775 | 2,819 | | 2,819 | 44 | 1.6 |
| Personnel Expenses (e) | (1,715) | | (1,715) | (1,825) | | (1,825) | (110) | 6.4 |
| Other Administrative Expenses (e) | (1,969) | | (1,969) | (2,111) | | (2,111) | (142) | 7.2 |
| Tax Expenses (e) | (625) | 55 | (570) | (408) | (128) | (536) | 34 | (6.0) |
| Other Operating Income/Expenses and Equity in Earnings (Losses) of Unconsolidated Companies (f) | (1,072) | | (1,072) | (878) | | (878) | 194 | (18.1) |
| Operating Income | 3,161 | (386) | 2,775 | 1,554 | 1,054 | 2,608 | (167) | (6.0) |
| Non-Operating Income | (20) | | (20) | 8 | | 8 | 28 | |
| IR/CS and Minority Interest | (1,139) | 386 | (753) | 348 | (1,054) | (706) | 47 | (6.2) |
| Net Income | 2,002 | | 2,002 | 1,910 | | 1,910 | (92) | (4.6) |

(1) partial result of derivatives used for hedge effect of investments abroad, which, in terms of net income, simply annuls the fiscal and tax effect (IR/CS and PIS/Cofins) of this hedge strategy.

In 3Q08, Bradesco's net income reached R\$1,910 million, against R\$2,002 million in 2Q08, a 4.6% decrease in the quarter. This reduction was mainly impacted by non-interest income in financial margin of R\$475 million, partially

offset by reversals of fiscal provisions in the amount of R\$186 million. Bradesco's shareholders' equity amounted to R\$34,168 million on September 30, 2008, a 1.4% increase in relation to June 30, 2008. Total consolidated assets reached R\$422,706 million on September 30, 2008, growing 4.8% in 3Q08.

The main items influencing net income in 3Q08 compared to the previous quarter can be seen below:

(a) Financial Margin R\$(259) million

This variation is due to the decrease in non-interest income in the amount of R\$475 million, in view of: (i) the negative mark-to-market of CDS on Brazilian government securities issued abroad of R\$150 million; (ii) the lower gains from the trading of Insurance Group shares of R\$185 million; (iii) the negative mark-to-market of other financial instruments mainly derivatives used as market risk hedge of loan operations in the country of R\$140 million, caused by world's financial market volatility in 3Q08; **mitigated** by: (iv) the increase in the result of interest-bearing operations in the amount of R\$216 million (R\$377 million due to the increase in volumes and R\$161 million to the decrease in spreads).

(b) Allowance for Loan Losses R\$10 million

The slight expense variation is a result of the higher corporate operations growth, mainly in corporate segment a growth of 9.5% in 3Q08 which, due to its characteristic, requires less provisioning.

(c) Income from Insurance, Private Pension Plans and Certificated Savings Plans R\$62 million

The variation is mainly due to higher revenues from insurance, private pension plans and certificated savings plans related to the increase in sales volume, together with a lower claim ratio (72.4% versus 73.1% in the previous quarter).

(d) Fee and Commission Income R\$44 million

The increase in the quarter is due to: (i) the higher volume of card transactions resulting in R\$66 million; (ii) the higher asset management revenue, R\$15 million; (iii) higher collection volume resulting in R\$10 million; (iv) higher income from underwriting operations, R\$9 million; **offset**: (v) by the effect of the adjustment of individual checking accounts and loan operations fees of R\$70 million, due to CMN Resolution 3,518.

(e) Personnel, Administrative and Tax Expenses R\$(218) million

Personnel expenses decreased R\$110 million in the quarter, basically as a result of: (i) the provision for 2008 Fenaban's proposal of collective bargaining agreement (7.5%) in the amount of R\$62 million (R\$36 million related to the restatement of labor liabilities and R\$26 million related to the increase in payroll) and expansion of customer service network and increase in business volume, and accordingly, hiring of employees, with an impact of R\$35 million.

The R\$142 million increase in other administrative expenses is mainly due to higher expenses with: (i) Third-Party Services, R\$96 million; (ii) Data Processing, R\$12 million; (iii) Communication, R\$10 million; (iv) Financial System Services, R\$9 million; and (v) Maintenance and Repairs, R\$9 million.

The R\$34 million decrease of tax expenses is chiefly due to the decrease of PIS/Cofins expenses, in the amount of R\$32 million, due to the reduction in the calculation basis for taxable income in 3Q08.

(f) Other Operating Income and Expenses R\$194 million

The positive variation in the quarter is basically due to the fiscal provision reversal in the amount of R\$186 million.

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Highlights**Income**

| | in millions of R\$ | | | | | |
|--|--------------------|--------------|------------|----------------------|----------------------|--------------|
| | September YTD | | Variation | 2008 | | Variation |
| | 2007 | 2008 | % | 2 nd Qtr. | 3 rd Qtr. | % |
| Adjusted Financial Margin | 16,303 | 18,977 | 16.4 | 6,593 | 6,334 | (3.9) |
| Provision for Loan Losses Expenses | 3,942 | 5,325 | 35.1 | 1,834 | 1,824 | (0.5) |
| Fee and Commission Income | 7,910 | 8,397 | 6.2 | 2,775 | 2,819 | 1.6 |
| Insurance, Private Pension Plans and Certificated | | | | | | |
| Savings Plans Retained Premiums | 14,804 | 16,688 | 12.7 | 5,666 | 5,737 | 1.3 |
| Personnel Expenses | 4,749 | 5,277 | 11.1 | 1,715 | 1,825 | 6.4 |
| Other Administrative Expenses | 4,939 | 5,895 | 19.4 | 1,969 | 2,111 | 7.2 |
| Operating Income | 7,151 | 7,951 | 11.2 | 2,775 | 2,608 | (6.0) |
| Adjusted Net Income | 5,356 | 5,819 | 8.6 | 2,002 | 1,910 | (4.6) |

Balance Sheet

| | in millions of R\$ | | | | | |
|---|--------------------|---------|-----------|---------|-----------|-----------|
| | September | | Variation | 2008 | | Variation |
| | 2007 | 2008 | % | June | September | % |
| Total Assets | 317,648 | 422,706 | 33.1 | 403,271 | 422,706 | 4.8 |
| Securities and Derivative Financial Instruments | 108,098 | 132,372 | 22.5 | 118,956 | 132,372 | 11.3 |
| Loan Operations (Expanded Concept) | 140,094 | 197,250 | 40.8 | 181,602 | 197,250 | 8.6 |
| Loan and Leasing Operations (*) | 116,357 | 160,634 | 38.1 | 148,408 | 160,634 | 8.2 |
| Sureties and Guarantees (accounted for in Memorandum Accounts) | 18,471 | 29,640 | 60.5 | 27,172 | 29,640 | 9.1 |
| Credit Cards (single payment and installment purchase plan from store owners) | 5,266 | 6,468 | 22.8 | 5,623 | 6,468 | 15.0 |
| Assignment of Credits (accounted for in Memorandum Accounts) | | 508 | | 399 | 508 | 27.3 |
| Permanent Assets | 3,539 | 4,921 | 39.1 | 4,023 | 4,921 | 22.3 |
| Deposits | 86,736 | 139,170 | 60.5 | 122,752 | 139,170 | 13.4 |
| Borrowing and Onlending | 20,735 | 31,981 | 54.2 | 24,736 | 31,981 | 29.3 |
| Technical Provisions | 55,319 | 62,888 | 13.7 | 62,068 | 62,888 | 1.3 |
| Shareholders Equity | 29,214 | 34,168 | 17.0 | 33,711 | 34,168 | 1.4 |

(* Includes ACC and Other Credits.

Change in Number of Outstanding Shares

| | Common Shares | Preferred Shares | Total |
|---|----------------------|----------------------|----------------------|
| Number of Outstanding Shares on December 31, 2007 | 1,009,337,030 | 1,009,336,926 | 2,018,673,956 |
| Shares Acquired and not Cancelled | (80,200) | (34,600) | (114,800) |
| Shares Subscription | 13,953,489 | 13,953,488 | 27,906,977 |
| 50% Stock Bonus | 511,644,460 | 511,644,407 | 1,023,288,867 |
| Number of Outstanding Shares on September 30, 2008 | 1,534,854,779 | 1,534,900,221 | 3,069,755,000 |

Share Performance (*)

| | R\$ | | | | | |
|---|---------------|--------|-----------|----------------------|----------------------|-----------|
| | September YTD | | Variation | 2008 | | Variation |
| | 2007 | 2008 | % | 2 nd Qtr. | 3 rd Qtr. | % |
| Net Income per Share | 1.78 | 1.90 | 6.7 | 0.65 | 0.62 | (4.6) |
| Dividends/JCP per Common Share (net of IR) | 0.603 | 0.576 | (4.5) | 0.211 | 0.167 | (20.9) |
| Dividends/JCP per Preferred Share (net of IR) | 0.664 | 0.633 | (4.7) | 0.232 | 0.184 | (20.7) |
| Book Value per Share (Common and Preferred) | 9.65 | 11.13 | 15.3 | 10.98 | 11.13 | 1.4 |
| Last Business Day Price Common | 35.07 | 26.90 | (23.3) | 29.30 | 26.90 | (8.2) |
| Last Business Day Price Preferred | 35.73 | 30.94 | (13.4) | 32.99 | 30.94 | (6.2) |
| Market Value (in millions of R\$) (**) | 107,222 | 88,777 | (17.2) | 95,608 | 88,777 | (7.1) |

(*) For comparison purposes, in 2008 there was a 50% stock bonus, which was applied for 2007.

(**) Number of shares (disregarding treasury shares) x closing price of common and preferred shares of the last day of the period.

Cash Generation (*)

| | in millions of R\$ | | | | | |
|--|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Net Income | 1,801 | 1,850 | 5,356 | 2,002 | 1,910 | 5,819 |
| Equity in Earnings (Losses) of Unconsolidated Companies | (4) | (16) | (32) | (34) | (23) | (89) |
| Provision for Loan Losses | 1,344 | 1,438 | 3,942 | 1,834 | 1,824 | 5,325 |
| Provision/Reversal for Devaluation | 1 | | 1 | 16 | (3) | 3 |
| Depreciation and Amortization | 133 | 135 | 401 | 174 | 149 | 461 |
| Goodwill Amortization | | | | | 8 | 8 |
| Other | 17 | 18 | 52 | 54 | 67 | 178 |
| Total | 3,292 | 3,425 | 9,720 | 4,046 | 3,932 | 11,705 |

(*) Considers the adjusted net income.

Value Added with Hedge Adjustment and without Extraordinary Events

| | in millions of R\$ | | | | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Value Added (A+B+C) | 4,645 | 4,696 | 13,661 | 5,037 | 4,967 | 14,925 |
| A Gross Income from Financial Intermediation | 4,360 | 4,142 | 12,361 | 4,759 | 4,510 | 13,652 |
| B Fee and Commission Income | 2,609 | 2,742 | 7,910 | 2,775 | 2,819 | 8,397 |
| C Other Income/Expenses | (2,324) | (2,188) | (6,610) | (2,497) | (2,362) | (7,124) |
| Distribution of Value Added (D+E+F+G) | 4,645 | 4,696 | 13,661 | 5,037 | 4,967 | 14,925 |
| D Employees | 1,444 | 1,426 | 4,148 | 1,490 | 1,583 | 4,596 |
| E Government Contribution | 1,400 | 1,420 | 4,157 | 1,545 | 1,474 | 4,510 |
| F JCP/Dividends to Shareholders (paid and provisioned) | 796 | 743 | 2,140 | 719 | 613 | 2,072 |
| G Profit Reinvestment | 1,005 | 1,107 | 3,216 | 1,283 | 1,297 | 3,747 |
| Distribution of Value Added % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Employees | 31.1 | 30.4 | 30.4 | 29.6 | 31.9 | 30.8 |
| Government Contribution | 30.2 | 30.2 | 30.4 | 30.6 | 29.7 | 30.2 |
| | 17.1 | 15.8 | 15.7 | 14.3 | 12.3 | 13.9 |

| | | | | | | |
|--|------|------|------|------|------|------|
| JCP/Dividends to Shareholders (paid and provisioned) | | | | | | |
| Profit Reinvestments | 21.6 | 23.6 | 23.5 | 25.5 | 26.1 | 25.1 |

Calculation of Fixed Assets to Shareholders Equity Ratio (1)

| | in millions of R\$ | | | |
|--|--------------------|---------------|---------------|---------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Shareholders Equity + Minority Shareholders | 27,577 | 29,390 | 33,873 | 34,795 |
| Subordinated Debts | 10,351 | 10,028 | 10,638 | 11,041 |
| Tax Credits | (79) | (79) | (102) | (102) |
| Exchange Membership Certificates | (96) | (69) | (32) | (51) |
| Other Adjustments | (107) | (1,171) | (895) | (1,018) |
| Reference Equity (A) (*) | 37,646 | 38,099 | 43,482 | 44,665 |
| Permanent Assets | 10,238 | 12,193 | 24,803 | 31,923 |
| Leased Assets | (6,664) | (8,561) | (20,690) | (26,913) |
| Unrealized Leasing Losses | (104) | (106) | (100) | (99) |
| Other Adjustments | (274) | 2,083 | 3,039 | 2,959 |
| Total Premises and Equipment (B) (*) | 3,196 | 5,609 | 7,052 | 7,870 |
| Fixed Assets to Shareholders Equity Ratio (B/A) % | 8.5 | 14.7 | 16.2 | 17.6 |
| Margin | 15,627 | 13,441 | 14,690 | 14,463 |

(*) For the calculation of Fixed Assets to Shareholders Equity Ratio, the Exchange Membership Certificates are excluded from the Reference Equity and Fixed Assets, as per Bacen Resolution 2,283.

(1) Calculated based on the economic-financial consolidated.

Performance Ratios (annualized) %

| | 2007 | | | 2008 | | |
|--|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Return on Shareholders' Equity (total) | 28.9 | 27.8 | 25.2 | 26.0 | 24.3 | 23.3 |
| Return on Average Shareholders' Equity | 29.5 | 29.3 | 27.7 | 26.1 | 24.5 | 24.4 |
| Return on Shareholders' Equity (total) without adjustment to market value reserve | 31.3 | 29.9 | 26.9 | 26.8 | 24.4 | 23.4 |
| Return on Average Shareholders' Equity without adjustment to market value reserve | 32.9 | 31.4 | 30.0 | 27.6 | 25.1 | 25.4 |
| Return on Shareholders' Equity (total) straight-line calculation | 26.2 | 25.3 | 24.4 | 23.8 | 22.4 | 22.7 |
| Return on Average Shareholders' Equity straight-line calculation | 26.7 | 26.5 | 26.8 | 23.8 | 22.5 | 23.7 |
| Return on Total Assets (total) | 2.5 | 2.4 | 2.3 | 2.0 | 1.8 | 1.8 |
| Return on Average Total Assets | 2.5 | 2.5 | 2.5 | 2.1 | 1.9 | 2.0 |
| Shareholders' Equity on Total Assets | 9.5 | 9.2 | 9.2 | 8.4 | 8.1 | 8.1 |
| Capital Adequacy Ratio (Basel) Financial Consolidated (*) | 18.2 | 16.3 | 16.3 | 14.4 | 16.2 | 16.2 |
| Capital Adequacy Ratio (Basel) Total Consolidated (*) | 16.1 | 14.2 | 14.2 | 12.9 | 15.6 | 15.6 |
| Fixed Assets to Shareholders' Equity Ratio Financial Consolidated | 47.4 | 48.9 | 48.9 | 47.3 | 47.4 | 47.4 |
| Fixed Assets to Shareholders' Equity Ratio Economic-Financial Consolidated | 8.5 | 14.7 | 14.7 | 16.2 | 17.6 | 17.6 |
| Combined Ratio Insurance | 99.8 | 92.3 | 95.9 | 84.9 | 84.4 | 84.4 |
| Efficiency Ratio (in the previous 12 months) | 42.0 | 41.8 | 41.8 | 41.3 | 41.6 | 41.6 |
| Coverage Ratio (Fee and Commission Income/Administrative and Personnel Expenses) (in the previous 12 months) | 79.4 | 80.6 | 80.6 | 77.8 | 75.5 | 75.5 |

(*) in September 2008, it refers to Basel II

Obs.: Article 4 of Bacen Circular Letter 3,389 provides for the prerogative of exclusion, for capital adequacy ratio calculation purposes, of foreign currency short position, including fiscal effects, so as to hedge investments abroad.

Bradesco chose this prerogative on September 29, 2008.

Market Share Consolidated %

| | 2007 | | 2008 | |
|--|------|-----------|-----------|-------------|
| | June | September | June | September |
| Banks Source: Bacen | | | | |
| Time Deposit | 8.3 | 8.3 | 11.7 | NA |
| Savings Deposit | 13.9 | 13.9 | 13.8 | NA |
| Demand Deposit | 17.3 | 17.4 | 18.4 | NA |
| Loan Operations | 12.5 | 12.6 | 13.1 | 13.0 |
| Online Collection (Balance) | 29.5 | 29.4 | 31.7 | 30.0 (*) |
| Number of Branches | 16.7 | 16.8 | 17.1 | 17.4 |
| Banks Source: Federal Revenue /Serpro | | | | |
| DARF | 18.0 | 19.0 | 19.8 | 19.8 (****) |
| DAS | I | I | 16.4 | 16.3 (****) |
| Banks Source: INSS/Dataprev | | | | |
| GPS | 13.6 | 13.8 | 14.0 | 14.0 (****) |
| Benefit Payment to Retirees and Pensioners | 19.7 | 19.7 | 19.5 | 19.6 |
| Banks Source: Anbid | | | | |
| Investment Funds + Portfolios | 14.3 | 14.1 | 14.1 | 14.9 |
| Insurance, Private Pension Plans and Certificated Savings Plans Source: Susep and ANS | | | | |
| Insurance, Private Pension Plans and Certificated Savings Plans Premiums | 24.7 | 25.2 | 23.8 (**) | 23.7 (***) |
| Insurance Premiums (including VGBL) | 24.6 | 25.4 | 23.6 (**) | 23.7 (***) |
| Life Insurance and Personal Accidents Premiums | 15.3 | 15.7 | 16.6 (**) | 16.6 (***) |
| Auto/RE Insurance Premiums | 10.7 | 12.5 | 10.7 (**) | 10.7 (***) |
| Health Insurance Premiums | 43.4 | 42.3 | 43.5 (**) | 42.5 (***) |
| Revenues from Private Pension Plans Contributions (excluding VGBL) | 29.6 | 28.8 | 31.0 (**) | 28.9 (***) |
| Revenues from Certificated Savings Plans | 20.2 | 20.3 | 18.3 (**) | 18.7 (***) |
| Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 36.3 | 36.0 | 35.5 (**) | 34.9 (***) |
| Insurance and Private Pension Plans Source: Fenaprevi | | | | |
| Income on VGBL Premiums | 41.0 | 41.6 | 37.4 (**) | 37.4 (***) |
| Revenues from PGBL Contributions | 28.3 | 27.3 | 28.8 (**) | 26.2 (***) |
| Private Pension Plans Investment Portfolios (including VGBL) | 42.1 | 41.1 | 39.7 (**) | 38.9 (***) |

Credit and Debit Card Source: Abecs

| | | | | |
|---------------------|------|------|------|------|
| Credit Card Revenue | 18.2 | 18.2 | 18.3 | 18.1 |
| Debit Card Revenue | 19.9 | 19.8 | 18.8 | 19.0 |

Leasing Source: Abel

| | | | | |
|--------------------|------|------|------|----------|
| Lending Operations | 11.2 | 12.2 | 16.6 | 17.7 (*) |
|--------------------|------|------|------|----------|

Banco Finasa BMC Source: Bacen

| | | | | |
|---|------|------|------|----------|
| Finabens (Portfolio) | 17.8 | 16.6 | 10.5 | 10.5 (*) |
| Auto (Portfolio) Including Banco Bradesco | 25.9 | 25.8 | 25.4 | 25.6 (*) |

Consortium Source: Bacen

| | | | | |
|--|------|------|------|----------|
| Real Estate | 25.9 | 26.5 | 27.8 | 27.8 (*) |
| Auto | 20.6 | 20.9 | 22.9 | 22.9 (*) |
| Trucks, Tractors and Agricultural Implements | 6.8 | 6.9 | 9.3 | 10.6 (*) |

International Area Source: Bacen

| | | | | |
|---------------|------|------|------|-------------|
| Export Market | 20.0 | 20.4 | 21.7 | 22.2 (****) |
| Import Market | 16.6 | 15.8 | 16.3 | 16.3 (****) |

(*) Reference date: August 2008 (in relation to health insurance, the ANS indexes were estimated).

(**) Reference date: July 2008.

NA Not Available

(**) Reference date: May 2008.

(****) Data subject to alteration.

I Inapplicable

Other Information

| | September | | Variation | 2008 | | Variation |
|---|-----------|---------|-----------|---------|-----------|-----------|
| | 2007 | 2008 | % | June | September | % |
| Funding and Assets Managed in millions of R\$ | 452,698 | 571,740 | 26.3 | 552,082 | 571,740 | 3.6 |
| Number of Organization Employees | 81,943 | 85,577 | 4.4 | 84,224 | 85,577 | 1.6 |
| Number of Fundação Bradesco Employees | 2,727 | 2,725 | (0.1) | 2,727 | 2,725 | (0.1) |
| Number of Fimaden Employees | 844 | 872 | 3.3 | 863 | 872 | 1.0 |
| Number of ADC Employees | 17 | 25 | 47.1 | 17 | 25 | 47.1 |
| Number of Outsourced Employees | 7,647 | 8,168 | 6.8 | 7,929 | 8,168 | 3.0 |
| Number of Interns | 1,027 | 977 | (4.9) | 935 | 977 | 4.5 |
| Number of Minor Apprentices | 871 | 1,149 | 31.9 | 1,149 | 1,149 | |
| Number of Branches | 3,067 | 3,235 | 5.5 | 3,193 | 3,235 | 1.3 |
| Number of Savings Accounts thousands | 32,146 | 33,763 | 5.0 | 32,549 | 33,763 | 3.7 |
| Number of Credit, Private Label and Debit Cards thousands | 67,228 | 80,207 | 19.3 | 77,952 | 80,207 | 2.9 |

Bradesco Shares**Number of Shares (in thousands) Common and Preferred Shares (*)**

| | December | | | | | 2008 | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | June | September |
| Common Shares | 1,437,054 | 1,430,107 | 1,468,350 | 1,500,214 | 1,514,006 | 1,534,882 | 1,534,855 |
| Preferred Shares | 1,416,492 | 1,416,491 | 1,469,817 | 1,502,435 | 1,514,006 | 1,534,900 | 1,534,900 |
| Subtotal Outstanding Shares | 2,853,546 | 2,846,598 | 2,938,167 | 3,002,649 | 3,028,012 | 3,069,782 | 3,069,755 |
| Treasury Shares | 516 | | 696 | 1,137 | 3,368 | 88 | 115 |
| Total | 2,854,062 | 2,846,598 | 2,938,863 | 3,003,786 | 3,031,380 | 3,069,870 | 3,069,870 |

(*) For comparison purposes, there was a 50% stock bonus which was applied for previous years. Likewise, 100% stock bonus occurred in 2005 and 2007, as well as 200% in 2003.

On September 30, 2008, Banco Bradesco's capital stock was R\$23 billion, composed of 3,069,869,800 shares, of which 1,534,934,979 are common shares and 1,534,934,821 are preferred shares, all non-par and book-entry shares. The largest shareholder is the holding company Cidade de Deus Participações, which directly holds 49.00% of our voting capital and 24.51% of our total capital. Cidade de Deus Participações is controlled by the Aguiar Family, Fundação Bradesco and another holding company, Nova Cidade de Deus Participações. Nova Cidade de Deus Participações is owned by Fundação Bradesco and Elo Participações e Investimento, which has as shareholders the majority of members of Bradesco's Board of Directors and Statutory Executive Board (see page 132).

Number of Shareholders Domiciled in Brazil and Abroad

| | 2007 | | | 2008 | | |
|--|------------------|--------------|------------------|------------------|--------------|------------------|
| | September | % | Capital Interest | September | % | Capital Interest |
| Individuals | 1,250,454 | 91.27 | 26.59 | 1,268,732 | 91.37 | 26.81 |
| Corporations | 115,914 | 8.46 | 45.54 | 116,102 | 8.36 | 45.63 |
| Subtotal of Domiciled in Brazil | 1,366,368 | 99.73 | 72.13 | 1,384,834 | 99.73 | 72.44 |
| Domiciled Abroad | 3,691 | 0.27 | 27.87 | 3,787 | 0.27 | 27.56 |
| Total | 1,370,059 | 100 | 100 | 1,388,621 | 100 | 100 |

With regard to Bradesco's shareholders on September 30, 2008, 1,384,834 shareholders were domiciled in Brazil, accounting for 99.73% of the total shareholders' base and holding 72.44% of Bradesco shares. The number of shareholders domiciled abroad was 3,787, representing 0.27% of total shareholders' base and holding 27.56% of Bradesco shares.

Market Value in millions of R\$

Obs.: the market value considers the closing quotation of the common and preferred shares multiplied by the respective number of shares (excluding treasury shares).

Market Value/Shareholders Equity

Market Value/Shareholders Equity: indicates the number of times Bradesco's market value is higher than its accounting shareholders equity.

Formula used: number of common and preferred shares multiplied by the closing price of common and preferred shares of the last business day of the period. The amount is divided by the accounting shareholders equity of the period.

Dividend Yield % (in the previous 12 months)

Dividend Yield: is the ratio between the dividends and/or interest on shareholders capital distributed to shareholders in the previous 12 months and the share price, indicating the investment return related to profit sharing.

Formula used: amount received by shareholders as dividends and/or interest on shareholders capital (gross of income tax) in the previous 12 months divided by the preferred share closing price of the last business day of the period.

Payout Index % (in the previous 12 months)

Payout Index: indicates the percentage of net income paid as dividends/interest on shareholders' capital.

Formula used: amount received by shareholders as dividends and/or interest on shareholders' capital (net of income tax), which is divided by the adjusted net income.

Financial Volume Bradesco PN x Ibovespa

Source: Economática

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Adjusted Net Earnings per Share R\$ (in the previous 12 months) (*)

(*) For comparison purposes, the amounts were adjusted according to stock bonus and splits in the period.

Appreciation Index Bradesco PN (BBDC4) x Ibovespa %

Source: Economática

Bradesco's Share Performance

In 3Q08, Bradesco's preferred shares depreciated by 6.1% (adjusted by dividends), having a higher performance than Ibovespa's, which experienced a 23.8% loss in the period.

In 3Q08, the large Brazilian banks' shares were protected from the damage of the global scenario that started in the period. The perception was that the performance of large banks, in a moderate slowdown scenario in the Brazilian economy, would be maintained when compared to other sectors traded in stock exchanges (such as mining, steel and oil), which also suffered with the pressure of the world wide economic slowdown.

Statement of Income

| | in millions of R\$ | | | | | |
|--|--------------------|----------------|----------------|----------------------|----------------------|----------------|
| | September YTD | | Variation % | 2008 | | Variation % |
| | 2007 | 2008 | | 2 nd Qtr. | 3 rd Qtr. | |
| Revenues from Financial Intermediation | 30,431 | 40,543 | 33.2 | 12,769 | 16,081 | 25.9 |
| Loan Operations | 16,299 | 20,998 | 28.8 | 6,423 | 8,004 | 24.6 |
| Leasing Operations | 633 | 1,581 | 149.8 | 517 | 691 | 33.7 |
| Securities Transactions | 5,842 | 8,762 | 50.0 | 2,240 | 4,702 | 109.9 |
| Insurance, Private Pension Plans and Certificated Savings Plans | 5,433 | 5,010 | (7.8) | 2,468 | 866 | (64.9) |
| Derivative Financial Instruments | 874 | 1,385 | 58.5 | 762 | 95 | (87.5) |
| Foreign Exchange Transactions | 415 | 1,626 | 291.8 | (14) | 1,244 | |
| Compulsory Deposits | 935 | 1,181 | 26.3 | 373 | 479 | 28.4 |
| Expenses from Financial Intermediation (excluding PDD) | 14,128 | 21,566 | 52.6 | 6,176 | 9,747 | 57.8 |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase | 10,202 | 15,096 | 48.0 | 4,718 | 6,560 | 39.0 |
| Price-Level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 3,329 | 3,082 | (7.4) | 1,712 | 346 | (79.8) |
| Borrowing and Onlending | 590 | 3,385 | 473.7 | (255) | 2,840 | |
| Leasing Operations | 7 | 3 | (57.1) | 1 | 1 | |
| Financial Margin | 16,303 | 18,977 | 16.4 | 6,593 | 6,334 | (3.9) |
| Provision for Loan Losses | 3,942 | 5,325 | 35.1 | 1,834 | 1,824 | (0.5) |
| Gross Income from Financial Intermediation | 12,361 | 13,652 | 10.4 | 4,759 | 4,510 | (5.2) |
| Other Operating Income/Expenses | (5,210) | (5,701) | 9.4 | (1,984) | (1,902) | (4.1) |
| Fee and Commission Income | 7,910 | 8,397 | 6.2 | 2,775 | 2,819 | 1.6 |
| Operating Income from Insurance, Private Pension Plans and Certificated Savings Plans | 565 | 1,711 | 202.8 | 567 | 629 | 10.9 |
| (+) Net Premiums Written | 15,303 | 16,944 | 10.7 | 5,756 | 5,821 | 1.1 |
| (-) Reinsurance Premiums | (499) | (256) | (48.7) | (90) | (84) | (6.7) |
| (=) Retained Premiums from Insurance, Private Pension Plans and Certificated Savings Plans | 14,804 | 16,688 | 12.7 | 5,666 | 5,737 | 1.3 |
| Retained Premiums from Insurance | 6,471 | 7,489 | 15.7 | 2,526 | 2,695 | 6.7 |
| Private Pension Plans Contributions | 7,194 | 7,976 | 10.9 | 2,732 | 2,599 | (4.9) |
| Income from Certificated Savings Plans | 1,139 | 1,223 | 7.4 | 408 | 443 | 8.6 |
| Variation in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | (8,024) | (7,800) | (2.8) | (2,643) | (2,624) | (0.7) |
| Variation in Technical Provisions for Insurance | (1,128) | (374) | (66.8) | (97) | (222) | 128.9 |
| Variation in Technical Provisions for Private Pension Plans | (6,913) | (7,422) | 7.4 | (2,545) | (2,397) | (5.8) |
| Variation in Technical Provisions for Certificated Savings Plans | 17 | (4) | | (1) | (5) | 400.0 |

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| | | | | | | |
|---|--------------|--------------|-------------|--------------|--------------|---------------|
| Retained Claims | (4,419) | (5,245) | 18.7 | (1,782) | (1,823) | 2.3 |
| Certificated Savings Plans Drawings and Redemptions | (1,000) | (1,055) | 5.5 | (355) | (382) | 7.6 |
| Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses | (796) | (877) | 10.2 | (319) | (279) | (12.5) |
| Insurance Products Selling Expenses | (631) | (696) | 10.3 | (237) | (237) | |
| Private Pension Plans Selling Expenses | (153) | (173) | 13.1 | (59) | (58) | (1.7) |
| Certificated Savings Plans Selling Expenses | (12) | (8) | (33.3) | (23) | 16 | |
| Personnel Expenses | (4,749) | (5,277) | 11.1 | (1,715) | (1,825) | 6.4 |
| Other Administrative Expenses | (4,939) | (5,895) | 19.4 | (1,969) | (2,111) | 7.2 |
| Tax Expenses | (1,766) | (1,711) | (3.1) | (570) | (536) | (6.0) |
| Equity in Earnings of Unconsolidated Companies | 32 | 89 | 178.1 | 34 | 23 | (32.4) |
| Other Operating Income | 1,012 | 1,197 | 18.3 | 323 | 544 | 68.4 |
| Other Operating Expenses | (3,275) | (4,212) | 28.6 | (1,429) | (1,445) | 1.1 |
| Operating Income | 7,151 | 7,951 | 11.2 | 2,775 | 2,608 | (6.0) |
| Non-Operating Income | 3 | 3 | | (20) | 8 | |
| Income before Tax on Income and Interest | 7,154 | 7,954 | 11.2 | 2,755 | 2,616 | (5.0) |
| Income Tax and Social Contribution | (1,790) | (2,118) | 18.3 | (750) | (696) | (7.2) |
| Minority Interest in Subsidiaries | (8) | (17) | 112.5 | (3) | (10) | 233.3 |
| Net Income | 5,356 | 5,819 | 8.6 | 2,002 | 1,910 | (4.6) |
| Annualized Return on Shareholders' Equity (*) (%) | 30.0 | 25.4 | | 27.6 | 25.1 | |

(*) Refers to average Shareholders' Equity and does not consider the mark-to-market effects on available-for-sale securities.

Analysis of the Statement of Income in millions of R\$**Income from Loan and Leasing Operations**

| September YTD | | | 2008 | | |
|---------------|--------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 16,925 | 22,576 | 33.4 | 6,939 | 8,694 | 25.3 |

In the period, income was up mainly as result of: (i) the increase in the average volume of the loan portfolio, which totaled R\$144,842 in September/08 against R\$105,560 in September /07, that is, a 37.2% increase. We highlight the corporate portfolio, with an increase of 44.5% due to Financing to Export, Working Capital Leasing and Real Estate Financing products. In the individual portfolio, the growth was 29.3%, with focus on the products connected to consumer financing; (ii) the better credit recovery R\$295; partially **mitigated**: (iii) by the decrease in average rate, from 16.0% in the period/07 to 15.6% in the period/08, observing CDI variation.

The variation was basically due to: (i) the 20.3% foreign exchange variation, which impacted Loans and Financing indexed/denominated in foreign currency, which represent 8.7% of the loan portfolio, impacting the average rate of 4.8% in 2Q08 to 5.6% in 3Q08, observing CDI variation. We point out the 9.5% increase in the corporate portfolio basically due to the Foreign Operations, Working Capital, and Leasing products; (ii) the 6.3% increase in the individual portfolio, with focus on products linked to consumer financing and (iii) the better credit recovery R\$33.

Income from Securities and Derivative Financial Instruments

| September YTD | | | 2008 | | |
|---------------|--------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 6,716 | 10,147 | 51.1 | 3,002 | 4,797 | 59.8 |

The increase in income during the period is mainly due to: (i) the increase in the average portfolio volume (Securities, Derivative Financial Investments and Interbank Investments); (ii) the increase in the average rate of 9.3% in the period/07 to 9.9% in the period/08, as a result of IGP-M, CDI and U.S. dollar variation; partially **offset**: (iii) by the lower non-interest income in the amount of R\$263 basically due to the negative mark-to-market of CDS on Brazilian government securities issued abroad and the negative mark-to-market adjustment of derivative financial instruments used as market risk hedge of loan operations in the country in 3Q08.

The variation in income in the quarter is mainly due to: (i) the increase in the average portfolio volume (Securities, Derivative Financial Instruments and Interbank Investments); (ii) the increase in the average rate of 2.9% in 2Q08 to 4.0% in 3Q08, as a result of IGP-M, CDI and U.S. dollar variation, partially **mitigated**: (iii) by the lower non-interest income gains in the amount of R\$318, basically due to the negative mark-to-market of CDS on Brazilian government securities issued abroad, R\$150, and the negative mark-to-market adjustment of other financial instruments mainly derivatives used as market risk hedge of loan operations in the country, R\$140.

Income from Insurance, Private Pension Plans and Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 5,433 | 5,010 | (7.8) | 2,468 | 866 | (64.9) |

The variation in the period was basically due to: (i) the lower non-interest income of R\$159, chiefly due to the lower gains in share trading, resulting from the world financial market volatility in 3Q08; (ii) the decrease in average rate from 9.0% in the period/07 to 7.2% in the period/08, as a result of the IGP-M, CDI and Ibovespa index variation in the period; **offset** by: (iii) the increase in the average portfolio volume.

The variation in the quarter was substantially due to: (i) the lower non-interest income of R\$185, chiefly due to the lower gains in share trading, resulting from the world financial market volatility; (ii) the decrease in the average rate from 3.6% in 2Q08 to 1.2% in 3Q08, as a result of the IGP-M reduction and negative impact of variable income funds that comprise the PGBL/VGBL and traditional plans portfolio in the amount of R\$1,299; **offset** by: (iii) the increase in the average portfolio volume.

Income from Foreign Exchange Transactions

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 415 | 1,626 | 291.8 | (14) | 1,244 | |

For a better analysis, this item should be analyzed with the deduction of expenses with foreign funding, used to finance import/export operations, in accordance with note 11a. After these deductions, the result would be R\$575 in the period/08 and R\$265 in the period/07, chiefly due to the increase in the foreign exchange portfolio volume.

For a better analysis, this item should be analyzed with the deduction of expenses with foreign funding used to finance import/export operations, in accordance with note 11a. After these deductions, the result would be R\$257 in 3Q08 and R\$184 in 2Q08, primarily due to the increase in the foreign exchange portfolio volume.

Income from Compulsory Deposits

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 935 | 1,181 | 26.3 | 373 | 479 | 28.4 |

The variation in the period is basically due to the increase in the average volume of time deposits in the period, since average rates remained steady.

The variation is primarily due to: (i) the increase in the average volume of time deposits in the quarter; (ii) the increase in the average rate from 1.5% in 2Q08 to 1.9% in 3Q08, as a result of the IGP-M and TR variation (indexes that remunerate the additional compulsory deposit and savings deposit, respectively).

Expenses with Federal Funds Purchased and Securities Sold under Agreements to Repurchase

| September YTD | | | 2008 | | |
|---------------|--------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 10,202 | 15,096 | 48.0 | 4,718 | 6,560 | 39.0 |

The variation in the period is mostly due to (i) the increase in the average funding volume, especially time deposits; and (ii) the increase in the average funding cost.

The variation in the quarter essentially derives from: (i) the increase in the average volume of the portfolio; and (ii) the increase in the average rate from 2.3% in 2Q08 to 2.9% in 3Q08, as a result of the CDI and TR variation, chiefly affecting time deposit expenses.

Price-level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 3,329 | 3,082 | (7.4) | 1,712 | 346 | (79.8) |

The variation in the period is basically due to: (i) the decrease in the average rate from 6.4% in the period/07 to 5.1% in the period/08, as a result of the IGP-M, CDI and Ibovespa index variation in the period (indexes which remunerate technical provisions), **mitigated** by: (ii) the higher average volume of technical provisions, especially the VGBL product.

The variation in the quarter is mostly due to: (i) the decrease in the average rate from 2.8% in 2Q08 to 0.6% in 3Q08, as a result of the impact of negative, variable income funds variation that comprise the PGBL/VGBL portfolio and the IGP-M decrease in the quarter (indexes which remunerate technical provisions), in the amount of R\$1,100; **mitigated** by: (ii) the higher average volume of technical provisions, especially the VGBL product.

Borrowing and Onlending Expenses

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 590 | 3,385 | 473.7 | (255) | 2,840 | |

The variation in the period is basically due to: (i) the increase in the average funding volume, mainly represented by Finame and BNDES operations; and (ii) the increase of the average rate from 3.1% in the period/07 to 13.0% in the period/08, resulting from a positive exchange variation and IGP-M variation.

The variation in the quarter is mainly due to: (i) the increase in the average rate from (1.0)% in 2Q08 to 10.0% in 3Q08, resulting from high foreign exchange variation; and (ii) the increase in the average funding volume, chiefly represented by Finame and BNDES operations.

Financial Margin

(*) (Interest Financial Margin)/ (Average Total Assets - Permanent Assets - Purchase and Sale Commitments).

| September YTD | | | 2008 | | |
|---------------|--------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 16,303 | 18,977 | 16.4 | 6,593 | 6,334 | (3.9) |

The variation of R\$2,674 in the financial margin is basically due to: (i) the increase in the result of interest-bearing operations of R\$2,802, R\$4,682 of which is due to a growth in the average business volume and R\$1,880 is due to the decrease in spreads; and (ii) the increase in non-interest income of R\$128, basically derived from lower treasury gains in the period of R\$422, affected by the world's financial market volatility in 3Q08, **mitigated** by higher credit recovery in the amount of R\$295.

The variation of R\$259 in financial margin is due to: (i) the reduction the non-interest income of R\$475, mainly in view of the negative mark-to-market of credit derivatives (CDS) on Brazilian government securities issued abroad R\$150, and the lower gains from the trading of Insurance Group shares R\$185 and the negative mark-to-market adjustment of other financial instruments, mainly derivatives used as market risk hedge of loan operations in the country R\$140, as a result of the world's financial market volatility; **offset** (ii) by the growth in the result of interest-bearing operations in the amount of R\$216, R\$377 of which due to the increase in the average business volume and R\$161 to the decrease in spreads.

Provision for Loan Losses Expenses

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 3,942 | 5,325 | 35.1 | 1,834 | 1,824 | (0.5) |

The increase in the period of R\$1,383 is compatible with the growth of our loan portfolio (38.1% or R\$44,277 in the 12-month period) with the relevant participation of individuals that, due to their characteristics, require higher provisioning volume, whose growth in the period was 29.3% or R\$14,461.

The slight expense variation is a result of the higher corporate operations growth, mainly in corporate segment, of 9.5% in 3Q08, mainly from corporate segment, due to its characteristics, which requires less provisioning.

Fee and Commission Income

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 7,910 | 8,397 | 6.2 | 2,775 | 2,819 | 1.6 |

The increase of income in the period is mainly due to: (i) the higher volume of operations; with focus on: (a) card income, R\$408; (b) asset management, R\$129; (c) collection R\$87; and (d) consortium R\$63; (e) custody and brokerage services, R\$58; which was **mitigated**: (ii) by the effect of the fee adjustments related to checking accounts and loan operations of individuals, R\$188.

The increase in income in the quarter is mostly due to the higher transaction volume of: (i) card R\$66; (ii) asset management, R\$15; (iii) collection, R\$10; (iv) underwriting operations R\$9; **mitigated**: (v) by the lower individuals loan operation and checking account revenue, R\$70, caused by fees adjustment charged to individuals.

Retained Premiums from Insurance, Private Pension Plans and Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|--------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 14,804 | 16,688 | 12.7 | 5,666 | 5,737 | 1.3 |

The growth of premiums in the period is detailed in the charts below.

The variation in the quarter is detailed in the charts below.

a) Retained Premiums from Insurance

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 6,471 | 7,489 | 15.7 | 2,526 | 2,695 | 6.7 |

The variation in the period is due to the increase in the production of: (i) Health line, R\$714, in which premiums presented an increase due to the expansion of the corporate health and dental insurance portfolio and SPG, as well as the implementation of annual restatements (medical, hospital and dental costs variation) and technical balance of the policies. Furthermore, there was a growth in individual insurance portfolio premium due to the collection of the difference arising from old plans annual adjustment, for policyholders domiciled in the State of São Paulo, as per judicial decision; (ii) Life line, R\$253 (mainly in the Moneylender and Group Life lines); (iii) basic lines, R\$39; (iv) other lines, R\$75; **mitigated:** (v) by the decrease in Auto line, R\$63 (despite the strong competition in auto insurance, the insurance company had growth in premiums excluding premiums collected by former subsidiary by Indiana in the same period last year. This fact is mainly due to the competitiveness maintenance policy and the pricing according to profile, improvement of processes and creation of products destined to specific publics, such as Auto Mulher for women).

Obs.: in order to comply with Susep Circular Letter 356, Individual Life redemption was reclassified to technical provision variation.

b) Private Pension Plans Contributions

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 7,194 | 7,976 | 10.9 | 2,732 | 2,599 | (4.9) |

The increase in the period is basically due to the higher commercialization of the VGBL product R\$762.

Obs.: in order to comply with Susep Circular Letter 356, VGBL redemption was reclassified to technical provision variation.

The variation in the quarter is due to the increase in the production of: (i) Auto line, R\$80 (maintenance of the competitiveness policy due to the pricing according to profile and expansion of the active broker base); (ii) the Health line, R\$61, in which there was an increase in individual insurance portfolio premium due to the collection of the difference arising from old plans annual adjustment, for policyholders domiciled in the State of São Paulo, as per judicial decision; (iii) the Life line, R\$24; and (iv) basic lines R\$10; **mitigated:** (v) by the decrease in other lines, R\$6.

Obs.: in order to comply with Susep Circular Letter 356, Individual Life redemption was reclassified to technical provision variation.

The variation in the quarter is basically due to the lower commercialization of the VGBL product, R\$126.

Obs.: in order to comply with Susep Circular Letter 356, VGBL redemption was reclassified to technical provision variation.

c) Income on Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 1,139 | 1,223 | 7.4 | 408 | 443 | 8.6 |

The variation is due to: (i) the increase in the volume of new sales of single payment plans; and (ii) the increase in monthly payment plans.

The variation is due to the large volume of new sales of single payment plans.

Variation in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (8,024) | (7,800) | (2.8) | (2,643) | (2,624) | (0.7) |

The variation in the period is detailed in the charts below.

The variation in the quarter is detailed in the charts below.

a) Variation in Technical Provisions for Insurance

| September YTD | | | 2008 | | |
|-----------------|---------------|-----------------------|------------------------------|-------------------------------|----------------------|
| 2007 (1,128) | 2008 (374) | Variation % (66.8) | 2 nd Qtr. (97) | 3 rd Qtr. (222) | Variation % 128.9 |

The variation in technical provisions is directly related to the sale of insurance in its respective effectiveness period. The higher the sale of premiums, the higher the recording of technical provisions, considering an average period of 12 months. The higher constitutions of technical provisions in the period/08 were: (i) in the Life line, R\$239; (ii) Health line, R\$73; (iii) basic lines, R\$33; and (iv) Auto line, R\$26.

Obs. 1: the 2006 and 2007 amounts were influenced by the additional provision for health insurance.

Obs. 2: in order to comply with Susep Circular Letter 356, there was a reclassification of Individual Life Plan redemptions to this item.

The variation in technical provisions is directly related to the sale of insurance in their respective effectiveness periods. The higher the sale of premiums, the higher the recording of technical provisions, considering an average period of 12 months. The higher constitutions of technical provisions in 3Q08 were: (i) in the Life Line, R\$105; (ii) Auto line, R\$64; and (iii) Health line, R\$40.

Obs. 1: the 2007 quarter amounts were influenced by the additional provision for health insurance.

Obs. 2: In order to comply with Susep Circular Letter 356, there was a reclassification of Individual Life Plan redemptions to this item.

b) Variation in Technical Provisions for Private Pension Plans

| September YTD | | | 2008 | | |
|-----------------|-----------------|--------------------|---------------------------------|---------------------------------|----------------------|
| 2007 (6,913) | 2008 (7,422) | Variation % 7.4 | 2 nd Qtr. (2,545) | 3 rd Qtr. (2,397) | Variation % (5.8) |

Variations in technical provisions are directly related to production. The variations in the period are due to: (i) the higher recording of provision for VGBL products, R\$558; **mitigated:** (ii) by the smaller number of provisions for PGBL/Traditional products, R\$49.

Obs.: In order to comply with Susep Circular Letter 356, there was a reclassification of benefits and redemptions to this item.

Variations in technical provisions are directly related to production. The variations in the quarter are mainly due to the lower recording of provision for VGBL product, R\$158.

Obs.: In order to comply with Susep Circular Letter 356, there was a reclassification of benefits and redemptions to this item.

c) Variation in Technical Provisions for Certificated Savings Plans

| September YTD | | | 2008 | | |
|---------------|------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 17 | (4) | | (1) | (5) | 400.0 |

The variation in the period is mainly due to the reversion of technical provision for contingencies.

The variation in the quarter is mainly due to the creation of technical provision for contingencies and administrative provision.

Retained Claims

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (4,419) | (5,245) | 18.7 | (1,782) | (1,823) | 2.3 |

The increase of claims in the period is due to the increase in production and the resulting growth in the volume of reported claims (i) in the Health line, R\$714, (ii) in Life lines, R\$66 (iii) basic line, R\$52; (iv) other lines, R\$70; **mitigated**: (v) by the decrease in reported claims in the Auto line, R\$76.

The increase of claims in the quarter is due to the increase in production and the resulting growth in the volume of reported claims: (i) in the Life line, R\$50; (ii) in the Auto line, R\$5; **mitigated** by the decrease in reported claims (iii) in the basic lines, R\$10; and (iv) other lines, R\$4.

Obs.: Claim ratios were recalculated due to new resolutions in Susep Circular Letter 356.

Obs.: Claim ratios were recalculated due to new resolutions in Susep Circular Letter 356.

Certificated Savings Plans Drawings and Redemptions

| September YTD | | | 2008 | | |
|-----------------|-----------------|--------------------|-------------------------------|-------------------------------|--------------------|
| 2007 (1,000) | 2008 (1,055) | Variation % 5.5 | 2 nd Qtr. (355) | 3 rd Qtr. (382) | Variation % 7.6 |

The redemptions are directly related to revenue. The variation in the period is due to the increase in revenues.

The redemptions are directly related to revenue. The variation in the quarter is due to the increase in revenues.

Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses

| September YTD | | | 2008 | | |
|---------------|---------------|---------------------|-------------------------------|-------------------------------|-----------------------|
| 2007 (796) | 2008 (877) | Variation % 10.2 | 2 nd Qtr. (319) | 3 rd Qtr. (279) | Variation % (12.5) |

The variation in the period is detailed in the charts below.

The variation in the quarter is detailed in the charts below.

a) Insurance Products Selling Expenses

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (631) | (696) | 10.3 | (237) | (237) | |

The variation in the period is due to the increase of insurance production, mainly in the Health line, R\$36, and Life lines, R\$29.

Obs.: selling ratios were recalculated due to new resolutions in the Susep Circular Letter 356.

The expense in the quarter remained stable.

Obs.: selling ratios were recalculated due to new resolutions in the Susep Circular Letter 356.

b) Private Pension Plans Selling Expenses

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (153) | (173) | 13.1 | (59) | (58) | (1.7) |

The variation in the period is basically due to the increase in sales of private pension plan products and, consequently, in selling expenses.

The expense in the quarter remained stable.

c) Certificated Savings Plans Selling Expenses

| September YTD | | | 2008 | | |
|---------------|------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (12) | (8) | 33.3 | (23) | 16 | |

The variation in the period is due to the higher volume of selling activities in 2007.

The variation is due to the accounting reclassification of administrative and selling expenses. After this reclassification, selling expenses would be R\$4 in 2Q08 and R\$3 in 3Q08.

Personnel Expenses

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (4,749) | (5,277) | 11.1 | (1,715) | (1,825) | 6.4 |

The growth in the period is basically due to: (i) the expansion of the customer service network in Brazil (from 28,563 outlets in September 2007 to 36,128 in September 2008) and the subsequent hiring of employees, as well as the increase in salary levels resulting from the collective bargaining agreement of 2007 (6.0%) and Fenaban's proposal for 2008 (7.5%), benefits and others, R\$462; (ii) higher expenses with labor proceedings provisions R\$ 56; and (iii) higher expenses with training R\$10.

The variation in the quarter is basically due to: (i) the increase in the salary levels resulting from the provision for Fenaban's proposal of the professional category's collective bargaining agreement (7.5%) in the amount of R\$62 (R\$36 related to restatement of labor liabilities and R\$26 related to increase in payroll); and (ii) expansion of customer service network and increase in business volume, and accordingly, hiring of employees, with an impact of R\$35.

Other Administrative Expenses

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (4,939) | (5,895) | 19.4 | (1,969) | (2,111) | 7.2 |

The increase in the period is basically due to: (i) organic growth, with the expansion of customer service network in Brazil (from 28,563 outlets in September 2007 to 36,128 in September 2008); (ii) the increase in the volume of businesses; (iii) contractual adjustments; and (iv) investments in the improvement and optimization of the technological platform (IT Improvements Project).

The variation in the quarter is basically due to the higher expenses with: (i) outsourced services, R\$96; (ii) data processing, R\$12; (iii) communication, R\$10; (iv) maintenance and repairs, R\$9; and (v) financial system services, R\$9.

Tax Expenses

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (1,766) | (1,711) | (3.1) | (570) | (536) | (6.0) |

The reduction in the period is basically due to: (i) the lower CPMF expenses R\$179, given the abolishment of this contribution in 2008, **mitigated** by (ii) the PIS/Cofins higher expenses in the amount of R\$120 due to the increase of taxable income.

The variation in the quarter is basically due to the lower PIS/Cofins expenses, R\$32, due to the decrease in the calculation basis of taxable income in 3Q08.

Equity in Earnings (Losses) of Unconsolidated Companies

| September YTD | | | 2008 | | |
|----------------------|-------------|--------------------|----------------------------|----------------------------|--------------------|
| 2007 | 2008 | Variation % | 2nd Qtr. | 3rd Qtr. | Variation % |
| 32 | 89 | 178.1 | 34 | 23 | (32.4) |

The variation in the period is due to the higher results in affiliated companies in the period/08, basically through IRB-Brasil Resseguros.

The variation in the quarter derives from lower results in affiliated companies in 3Q08, basically through IRB-Brasil Resseguros.

Other Operating Income

| September YTD | | | 2008 | | |
|----------------------|--------------|--------------------|----------------------------|----------------------------|--------------------|
| 2007 | 2008 | Variation % | 2nd Qtr. | 3rd Qtr. | Variation % |
| 1,012 | 1,197 | 18.3 | 323 | 544 | 68.4 |

The increase in the period is mainly due to: (i) higher reversals of operating provisions, R\$142, basically from the fiscal provision; and (ii) higher interest income, R\$62.

The variation in the quarter is mainly due to: (i) the higher reversals of operating provisions, R\$179, basically from the fiscal provision; and (ii) the higher interest income, R\$36.

Other Operating Expenses

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (3,275) | (4,212) | 28.6 | (1,429) | (1,445) | 1.1 |

The increase in the period is mostly due to: higher expenses with: (i) financing commission, R\$193; (ii) creation of civil operational provisions, R\$146; (iii) amortization of prepaid expenses with operational agreements, R\$138; (iv) sundry losses, R\$121; and (v) search and seizure, R\$56.

The variation in the quarter basically derives from: (i) higher financing expenses, R\$36; (ii) goodwill amortization, R\$8; **offset:** (iii) by lower operational provision expenses.

Operating Income

| September YTD | | | 2008 | | |
|---------------|-------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 7,151 | 7,951 | 11.2 | 2,775 | 2,608 | (6.0) |

The increase in the period derives from: (i) the higher financial margin, R\$2,674; (ii) the increase in the income from insurance, private pension plans and certificated savings plans operations, R\$1,146; (iii) the higher fee and commission income, R\$487; (iv) the increase in the equity in earnings (losses) of unconsolidated companies, R\$57; (v) the lower tax expenses, R\$55; **mitigated** by (vi) the higher personnel and administrative expenses, R\$1,484; (vii) the higher provision for loan losses expenses, R\$1,383; and (viii) the higher operating expenses (net of income), R\$752.

Obs.: for a more detailed analysis of the variation of each item, we recommend reading each specific item mentioned hereof.

The variation in the quarter derives from: (i) the higher personnel and administrative expenses, R\$252; (ii) the lower financial margin, R\$259; (iii) the decrease in the equity in earnings (losses) of unconsolidated companies R\$11; **offset** by (iv) the lower operating expenses (net of income), R\$205; (v) the increase in the income from insurance, private pension plans and certificated savings plans, R\$62; (vi) the higher fee and commission income, R\$44; (vii) the lower tax expenses, R\$34; and (viii) the lower provision for loan losses expenses, R\$10.

Obs.: for a more detailed analysis of the variation of each item, we recommend reading each specific item mentioned herein.

Non-Operating Income

| September YTD | | | 2008 | | |
|---------------|------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| 3 | 3 | | (20) | 8 | |

Non-operating income remained stable in the period.

The variation in the quarter is basically due to (i) higher results in sale of securities, assets and investments **mitigated** by (ii) higher recording of non-operating provisions.

Income Tax and Social Contribution

| September YTD | | | 2008 | | |
|---------------|---------|-------------|----------------------|----------------------|-------------|
| 2007 | 2008 | Variation % | 2 nd Qtr. | 3 rd Qtr. | Variation % |
| (1,790) | (2,118) | 18.3 | (750) | (696) | (7.2) |

The variation in income tax and social contribution expenses in the period reflects tax charge on earnings before taxes, adjusted by additions and exclusions, according to note 34.

The variation in income tax and social contribution expenses in the quarter reflects tax charge on earnings before taxes, adjusted by additions and exclusions, according to note 34.

Comparative Balance Sheet

| Assets | in millions of R\$ | | | | | |
|---|--------------------|----------------|----------------|----------------|----------------|----------------|
| | September | | Variation % | 2008 | | Variation % |
| | 2007 | 2008 | | June | September | |
| Current and Long-Term Assets | 314,109 | 417,785 | 33.0 | 399,248 | 417,785 | 4.6 |
| Funds Available | 4,100 | 7,259 | 77.0 | 5,134 | 7,259 | 41.4 |
| Interbank Investments | 39,856 | 57,351 | 43.9 | 73,692 | 57,351 | (22.2) |
| Securities and Derivative Financial Instruments | 108,098 | 132,372 | 22.5 | 118,956 | 132,372 | 11.3 |
| Interbank and Interdepartmental Accounts | 20,968 | 27,082 | 29.2 | 26,163 | 27,082 | 3.5 |
| Restricted Deposits: | | | | | | |
| Brazilian Central Bank | 19,989 | 25,541 | 27.8 | 24,580 | 25,541 | 3.9 |
| Others | 979 | 1,541 | 57.4 | 1,583 | 1,541 | (2.7) |
| Loan and Leasing Operations | 102,294 | 144,349 | 41.1 | 131,791 | 144,349 | 9.5 |
| Loan and Leasing Operations | 109,626 | 153,336 | 39.9 | 140,324 | 153,336 | 9.3 |
| Allowance for Loan Losses | (7,332) | (8,987) | 22.6 | (8,533) | (8,987) | 5.3 |
| Other Receivables and Assets | 38,793 | 49,372 | 27.3 | 43,512 | 49,372 | 13.5 |
| Foreign Exchange Portfolio | 11,621 | 13,435 | 15.6 | 12,243 | 13,435 | 9.7 |
| Other Receivables and Assets | 27,269 | 36,086 | 32.3 | 31,388 | 36,086 | 15.0 |
| Allowance for Other Loan Losses | (97) | (149) | 53.6 | (119) | (149) | 25.2 |
| Permanent Assets | 3,539 | 4,921 | 39.1 | 4,023 | 4,921 | 22.3 |
| Investments | 604 | 823 | 36.3 | 784 | 823 | 5.0 |
| Premises and Equipment and Leased Assets | 2,209 | 2,517 | 13.9 | 2,435 | 2,517 | 3.4 |
| Deferred Charges | 726 | 1,581 | 117.8 | 804 | 1,581 | 96.6 |
| Total | 317,648 | 422,706 | 33.1 | 403,271 | 422,706 | 4.8 |
| Liabilities | | | | | | |
| Current and Long-Term Liabilities | 288,084 | 387,684 | 34.6 | 369,190 | 387,684 | 5.0 |
| Deposits | 86,736 | 139,170 | 60.5 | 122,752 | 139,170 | 13.4 |
| Demand Deposits | 22,134 | 26,694 | 20.6 | 25,843 | 26,694 | 3.3 |
| Savings Deposits | 30,231 | 35,681 | 18.0 | 34,150 | 35,681 | 4.5 |
| Interbank Deposits | 197 | 340 | 72.6 | 485 | 340 | (29.9) |
| Time Deposits | 33,483 | 75,529 | 125.6 | 61,343 | 75,529 | 23.1 |
| Other Deposits | 691 | 926 | 34.0 | 931 | 926 | (0.5) |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase | 68,621 | 87,464 | 27.5 | 98,278 | 87,464 | (11.0) |
| Funds from Issuance of Securities | 6,597 | 6,551 | (0.7) | 5,469 | 6,551 | 19.8 |
| Securities Issued Abroad | 3,042 | 3,433 | 12.9 | 2,931 | 3,433 | 17.1 |
| Other Funds | 3,555 | 3,118 | (12.3) | 2,538 | 3,118 | 22.9 |
| Interbank and Interdepartmental Accounts | 1,765 | 2,538 | 43.8 | 2,458 | 2,538 | 3.3 |
| Borrowing and Onlending | 20,735 | 31,981 | 54.2 | 24,736 | 31,981 | 29.3 |
| Borrowing | 7,305 | 14,004 | 91.7 | 8,275 | 14,004 | 69.2 |

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| | | | | | | |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| Onlending | 13,430 | 17,977 | 33.9 | 16,461 | 17,977 | 9.2 |
| Derivative Financial Instruments | 2,332 | 2,326 | (0.3) | 1,598 | 2,326 | 45.6 |
| Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 55,319 | 62,888 | 13.7 | 62,068 | 62,888 | 1.3 |
| Other Liabilities | 45,979 | 54,766 | 19.1 | 51,831 | 54,766 | 5.7 |
| Foreign Exchange Portfolio | 6,091 | 5,978 | (1.9) | 5,546 | 5,978 | 7.8 |
| Taxes and Social Security Contributions, Social and Statutory Payables | 12,030 | 12,445 | 3.4 | 12,598 | 12,445 | (1.2) |
| Subordinated Debt | 13,441 | 17,544 | 30.5 | 16,709 | 17,544 | 5.0 |
| Sundry | 14,417 | 18,799 | 30.4 | 16,978 | 18,799 | 10.7 |
| Deferred Income | 173 | 227 | 31.2 | 208 | 227 | 9.1 |
| Minority Interest in Subsidiaries | 177 | 627 | 254.2 | 162 | 627 | 287.0 |
| Shareholders Equity | 29,214 | 34,168 | 17.0 | 33,711 | 34,168 | 1.4 |
| Total | 317,648 | 422,706 | 33.1 | 403,271 | 422,706 | 4.8 |

Equity Analysis in millions of R\$**Funds Available**

| September | | | 2008 | | |
|-----------|-------|-------------|-------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 4,100 | 7,259 | 77.0 | 5,134 | 7,259 | 41.4 |

The variation in the period is due to the higher volume of funds available: (i) in foreign currency, R\$2,082; and (ii) in local currency, R\$1,077.

The variation in the quarter is due to: (i) the higher volume of funds available in foreign currency, R\$2,131; **offset:** (ii) by the decrease in funds available in local currency, R\$6.

Interbank Investments

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 39,856 | 57,351 | 43.9 | 73,692 | 57,351 | (22.2) |

The variation in the period derives from: (i) the increase in the funded status in the amount of R\$19,052; (ii) the increase in short position, R\$2,054; (iii) the increase in our own portfolio position, R\$550; **offset** by: (iv) the decrease in TLM generic operations, R\$2,801; and (v) the decrease in interest-earning deposits in other banks, R\$1,360.

The variation in the quarter derives from: (i) the decrease in the funded status in the amount of R\$6,788; (ii) the decrease in our own portfolio position, R\$7,081; (iii) the decrease in short position, R\$853; and (iv) the decrease in interest-earning deposits in other banks, R\$1,619.

Securities and Derivative Financial Instruments

| September | | | 2008 | | |
|-----------|---------|-------------|---------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 108,098 | 132,372 | 22.5 | 118,956 | 132,372 | 11.3 |

The increase in the period is substantially due to: (i) the additional funds derived from the increase in funding, particularly technical provisions for insurance, private pension plans and certificated savings plans; (ii) the variation in average rate, mainly observing the 11.6% CDI variation in the twelve-month period between September/07 and September/08; partially **mitigated** by (iii) the redemption/maturity of securities. The portfolio profile (excluded from purchase and sale commitments), based on the Management's intent, is distributed as follows: Trading Securities, 65.2%; Available-for-Sale Securities, 14.3%; and Held-to-Maturity Securities, 20.5%. In September/08, 54.3% of the total portfolio (excluded from purchase and sale commitments) was represented by Government Bonds, 22.1% by Corporate Securities and 23.6% by P GBL and VGBL fund quotas.

The increase in the quarter is mainly due to: (i) the additional funds arising from higher funding, especially the raising of time deposits; (ii) the variation in average rate, observing the 3.2% CDI variation in 3Q08; partially **mitigated** by (iii) the redemption/maturity of securities.

Interbank and Interdepartmental Accounts

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 20,968 | 27,082 | 29.2 | 26,163 | 27,082 | 3.5 |

The variation in the period is basically due to: (i) the increase in volume of compulsory demand deposits, R\$925, due to an expansion in average balance of these deposits, basis for payment in respective periods, from R\$23,158 in September/07 to R\$25,769 in September/08; (ii) the increase in the volume of compulsory savings accounts deposits in the amount of R\$1,112, due to the increase in the balance of the savings deposits by 18.0% in the period; (iii) the increase in the additional compulsory on deposits, R\$3,514 (of which, R\$2,863 refer to time deposits); (iv) the increase in items Check Clearance Services, Financial Housing System and Interdepartmental Accounts, in the amount of R\$574.

The variation in the quarter is basically due to: (i) the increase in additional compulsory deposits, R\$1,018 (of which R\$929 refer to time deposits), due to the average volume increase; (ii) the increase in the volume of compulsory of savings deposits, R\$299; **offset** (iii) by the reduction in the volume of compulsory demand deposits, R\$356, due to the decrease in the calculation basis; and (iv) the decrease in item Correspondent Relations in the amount of R\$52.

Loan and Leasing Operations

| September | | | 2008 | | |
|-----------|---------|-------------|---------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 116,357 | 160,634 | 38.1 | 148,408 | 160,634 | 8.2 |

The increase in the period is due to the individuals client portfolio, with 29.3% growth, particularly in the products Leasing, up by 371.4%, Vehicles, up by 6.3%, Personal Loan, up by 14.5%, Credit Card, up by 45.2%, Rural, up by 62.0% and Real Estate Financing, up by 57.4%. The 44.5% growth recorded in the corporate portfolio is a result of the 43.7% increase in micro, small and medium-sized companies portfolio, coupled with a 45.4% increase in the portfolio of large companies (Corporate). In the corporate portfolio we point out Financing to Export operations, up by 49.5%, Working Capital, with an increase of 108.0% Leasing, up by 114.3% and Real Estate Financing, up by 55.9%. In September/08, the portfolio was distributed at 60.4% for corporate (25.1% directed to industry, public and private sectors, 13.4% to commerce, 19.9% to services, 1.3% to agribusiness and 0.7% to financial intermediation) and 39.6% for individuals. In terms of concentration, the 100 largest borrowers accounted for 20.0% of the portfolio in September/07 and for 20.7% in September/08. The Performing Loan Portfolio reached the amount of R\$148,787 in September/08. Out of this total, 29.3% is due within up to 90 days.

The variation in the quarter is a result of the 9.5% growth recorded in the corporate portfolio resulting from the 9.1% increase in the portfolio of micro-, small- and medium-sized companies and also the growth of 10.0% in the portfolio of large companies (Corporate). It is worth pointing out the increase of 34.1% in Foreign Operations, 20.2% in Leasing and 15.1% in Working Capital. There was 6.3% growth in the individual portfolio, especially in the Leasing products, with a 36.1% increase, Rural, with a 16.5% and Real Estate Financing, up by 9.2%. In terms of concentration, the 100 largest borrowers accounted for 20.7% of the portfolio in June/08 and 20.7% in September/08.

Obs. 1: this item includes advances on exchange contracts and other receivables and does not take into account the allowance for loan losses, as described in Note 10.

Obs. 2: for a better understanding of these operations, see item Loan Operations on page 81.

Obs. 1: this item includes advances on foreign exchange contracts and other receivables and does not include the allowance for loan losses, as described in note 10.

Obs. 2: for a better understanding of these operations, see item Loan Operations on page 81.

Allowance for Loan Losses (PDD)

| September | | | 2008 | | |
|-----------|---------|-------------|---------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| (7,428) | (9,136) | 23.0 | (8,652) | (9,136) | 5.6 |

The variation in the PDD balance for the period was mostly due to a 38.1% increase in the volume of loan operations. The PDD ratio in relation to the loan portfolio went from 6.4% in September/07 to 5.7% in September/08. Provision coverage ratios in relation to the portfolio of non-performing loans, respectively, rated between E and H, decreased from 147.5% in September/07 to 143.9% in September/08 and, between D and H, reduced from 125.9% in September/07 to 121.6% in September/08. The preventive maintenance of current provision levels made all performance indicators remain at high levels. From September 2007 to September 2008, PDD in the amount of R\$6,881 was recorded, and R\$5,173 was written off. The exceeding PDD volume in relation to the minimum required increased from R\$1,112 in September/07 to R\$1,192 in September/08.

The increase in the PDD balance in the quarter basically reflects 8.2% growth of the loan portfolio in the quarter, particularly the corporate portfolio with a 9.5% growth, which due to its characteristics, requires a lower provisioning. The PDD ratio in relation to the loan portfolio went from 5.8% in June/08 to 5.7% in September/08. The provision coverage ratios in relation to the portfolio of non-performing loans, respectively, rated from E to H, went from 147.2% in June/08 to 143.9% in September/08, and those rated from D to H went from 124.0% in June/08 to 121.6% in September/08. The preventive maintenance of current provision levels made all performance indicators remain at high levels. Between the quarters, PDD in the amount of R\$1,824 was recorded and R\$1,340 was written off. The exceeding PDD volume in relation to the minimum required went from R\$1,183 in June/08 to R\$1,192 in September/08.

Other Receivables and Assets

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 38,368 | 49,011 | 27.7 | 43,122 | 49,011 | 13.7 |

The variation in the period is mainly due to (i) the increase in tax credit balances, R\$2,361, basically as a result of temporary provisions; (ii) the increase in foreign exchange operations, R\$1,814; (iii) the increase in the balance of debtors by guarantee deposits, R\$1,494; (iv) the increase in credit card operations, R\$1,202; (v) the balance of securities trading and intermediation of R\$995; and (vi) the increase in prepaid expenses with the agreement in the provision of banking services, R\$931.

Obs.: balances are deducted (net of corresponding PDD) of R\$425 in September/07 and of R\$361 in

The variation in the quarter is mainly derived from (i) the increase in exchange operations, R\$1,192; (ii) the higher tax credit balances, R\$1,119, basically due to temporary provisions; (iii) the increase in the balance of securities trading, R\$942; and (iv) the increase in credit card operations, R\$845.

Obs.: balances are deducted (net of corresponding PDD) from R\$390 in June/08 and R\$361 in September/08, allocated to the Loan and Leasing Operations and Allowance for Loan Losses items.

September/08, allocated to the Loan and Leasing
Operations and Allowance for Loan Losses items.

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Permanent Assets

| September | | | 2008 | | |
|-----------|-------|-------------|-------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 3,539 | 4,921 | 39.1 | 4,023 | 4,921 | 22.3 |

The variation in the period is basically due to: (i) the goodwill in the acquisition of Ágora Corretora, R\$686; (ii) the increase in investments in affiliated companies, R\$133, basically resulting from the non-consolidation of Serasa as of 2008 and equity in the earnings of unconsolidated companies; and (iii) the increase in premises and equipment, leased assets and deferred assets, R\$477.

The variation in the quarter is basically due to: (i) the goodwill in the acquisition of Ágora Corretora, R\$686; (ii) the increase in investments in affiliated companies, R\$18, basically resulting from the equity in the earnings of unconsolidated companies; and (iii) the increase in premises and equipment, leased assets and deferred assets, R\$174.

Deposits

| September | | | 2008 | | |
|-----------|---------|-------------|---------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 86,736 | 139,170 | 60.5 | 122,752 | 139,170 | 13.4 |

The increase in the period is detailed in the charts below:

The variation in the quarter is detailed in the charts below:

a) Demand Deposits

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 22,134 | 26,694 | 20.6 | 25,843 | 26,694 | 3.3 |

The increase of R\$4,560 in the period is composed of the increase in funds from individuals, R\$1,681, and from corporate clients, R\$2,879.

The R\$851 variation in the quarter is due to (i) the increase in funds resulting from corporate clients, R\$1,256; **offset** by (ii) the decrease in funds resulting from individuals, R\$405.

b) Savings Deposits

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 30,231 | 35,681 | 18.0 | 34,150 | 35,681 | 4.5 |

The increase is mainly due to (i) the deposits made in the period; and (ii) the deposit remuneration (TR + 0.5% p.m.), which reached 7.5% in the twelve-month period between September/07 and September/08.

The variation is mainly due to (i) the deposit remuneration (TR + 0.5% p.m.), which reached 2.1% in 3Q08; and (ii) the deposits occurred in the quarter.

c) Time Deposits

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 33,483 | 75,529 | 125.6 | 61,343 | 75,529 | 23.1 |

The increase in the period is mostly due to: (i) the remuneration of deposits; and (ii) the increase in the volume raised in the period, resulting from institutional investors and branch network clients.

The increase in the quarter is mainly due to: (i) the income appropriated; and (ii) the increase in the volume raised in the quarter, resulting from institutional investors and branch network clients.

d) Interbank Deposits and Other Deposits

| September | | | 2008 | | |
|-----------|-------|-------------|-------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 888 | 1,266 | 42.6 | 1,416 | 1,266 | (10.6) |

The variation in the period results from: (i) the increase in Other Deposits Investment Account in the amount of R\$235; and (ii) the increase in the volume of Interbank Deposits in the amount of R\$143.

The variation in the quarter is due to: (i) the decrease in Other Deposits Investment Account in the amount of R\$5; and (ii) the decrease in the volume of Interbank Deposits in the amount of R\$145.

Federal Funds Purchased and Securities Sold under Agreements to Repurchase

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 68,621 | 87,464 | 27.5 | 98,278 | 87,464 | (11.0) |

The variation in the period derives from: (i) the increase in third-party portfolio by R\$19,823; (ii) the increase in the funding volume, using as base government and private securities of its own portfolio by R\$4,579; **offset** by (iii) the decrease in the unrestricted portfolio by R\$5,559.

Obs.: includes investment funds applied in purchase and sale commitments with Bradesco, whose owners are subsidiaries included in the consolidated financial statements, in the amount of R\$12,107 in September/07 and R\$15,691 in September/08.

The variation in the quarter derives from (i) the decrease in the third- party portfolio, R\$7,073; (ii) the decrease in funding volume, using as base its own portfolio, R\$2,652; and (iii) the decrease in the unrestricted portfolio, R\$1,089.

Obs.: includes investment funds applied in purchase and sale commitments with Bradesco, whose owners are subsidiaries included in the consolidated financial statements, in the amount of R\$13,922 in June/08 and R\$15,691 in September/08.

Funds from Issuance of Securities

| September | | | 2008 | | |
|-----------|-------|-------------|-------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 6,597 | 6,551 | (0.7) | 5,469 | 6,551 | 19.8 |

The variation in the period basically derives from: (i) the increase in the volume of funding of securitization securities of the future flow MTN100; (ii) the exchange variation of 4.1% in the twelve-month period between September/07 and September/08; **offset:** (iii) by the decrease in the balance of debentures, R\$1,143, repurchased from clients and redirected to purchase and sale commitments.

The increase mainly derives from (i) the 20.3% exchange variation in the quarter; and (ii) the funding from letters of credit for agribusiness, R\$579.

Interbank and Interdepartmental Accounts

| September | | | 2008 | | |
|-----------|-------|-------------|-------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 1,765 | 2,538 | 43.8 | 2,458 | 2,538 | 3.3 |

The variation in the period is mostly due to the higher volume of collection of third parties in transit.

The variation in the quarter is mainly due to the higher volume of collection of third parties in transit.

Borrowing and Onlending

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 20,735 | 31,981 | 54.2 | 24,736 | 31,981 | 29.3 |

The variation in the period is due to the increase in the volume of funds from foreign and local borrowing and onlending in the amounts of R\$8,121 and R\$3,125, respectively (mainly by means of Finame operations), influenced by exchange variation of 4.1% in the twelve-month period between September/07 and September /08, which affected the foreign currency indexed and/or denominated borrowing and onlending liabilities, the balances of which were R\$7,644 in September/07 and R\$15,742 in September/08.

The variation in the quarter results from the increase in the volume of funds from foreign and local borrowing and onlending at the amounts of R\$5,966 and R\$1,279 respectively (mainly by means of Finame operations), influenced by the exchange variation of 20.3% in 3Q08, which affected the foreign currency indexed and/or denominated borrowing and onlending liabilities, the balances of which were R\$9,705 in June/08 and R\$15,742 in September/08.

Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 55,319 | 62,888 | 13.7 | 62,068 | 62,888 | 1.3 |

The increase in the period is basically due to: (i) the increase in sales of supplementary private pension plans, certificated savings plans and insurance policies; and (ii) the price-level restatement and interest of technical provisions. The main variations occurred (a) in the private pension plan segment, in the VGBL, R\$4,433, and PGBL/Traditional, R\$2,395, plans; (b) in the insurance segments, in the Health line, R\$378, and in the Life line, R\$239; and (c) in the certificated savings plans segment, R\$250.

The increase in the quarter is basically due to: (i) the price-level restatement and interest of technical provisions; and (ii) the increase in sales of supplementary private pension plans, certificated savings plans and insurance policies. The main variations occurred (a) in the private pension plan segment, in the VGBL, R\$255, and PGBL/Traditional, R\$320, plans; (b) in the insurance segment, in the Life line, R\$69; and (c) in the certificated savings plans segment, R\$76.

Other Liabilities, Derivative Financial Instruments and Deferred Income

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 54,694 | 64,107 | 17.2 | 61,212 | 64,107 | 4.7 |

The variation in the period mostly derives from: (i) the issuance of Subordinated Debt, R\$2,815; (ii) the increase in the balance of Securities Trading, R\$760; (iii) the increase in the Provision for Contingent Liabilities, R\$1,417; (iv) the increase in Provision for unsettled Payments, R\$715; (v) the increase in Collection of Taxes and Other Contributions R\$575; and (vi) the increase of the Exchange Portfolio, R\$465.

Obs.: excludes advances on foreign exchange contracts of R\$6,210 and R\$6,788, allocated to the specific item of loan operations in September/07 and September/08, respectively.

The variation in the quarter is mainly due to the increase in the items: (i) Derivative Financial Instruments, R\$728; (ii) Provision for Unsettled Payments, R\$541; (iii) Securities Trading, R\$436; (iv) Credit Card Operations, R\$300; and (v) the issue of Subordinated Debt, R\$230.

Obs.: excludes advances on foreign exchange contracts of R\$7,575 in June/08 and R\$6,788 in September/08, allocated to the specific item of loan operations.

Minority Interest in Subsidiaries

| September | | | 2008 | | |
|-----------|------|-------------|------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 177 | 627 | 254.2 | 162 | 627 | 287.0 |

The variation in the period is basically due to the minority shareholders of Banco Bradesco BBI S.A., R\$403.

The variation in the quarter is basically due to the minority shareholders of Banco Bradesco BBI S.A., R\$403.

Shareholders Equity

| September | | | 2008 | | |
|-----------|--------|-------------|--------|-----------|-------------|
| 2007 | 2008 | Variation % | June | September | Variation % |
| 29,214 | 34,168 | 17.0 | 33,711 | 34,168 | 1.4 |

The variation in the period is due to: (i) the appropriation of reported net income in the amount of R\$8,208; (ii) capital increase in the amount of R\$1,200; (iii) the goodwill calculated in the sale of the remaining shares from the subscription in the amount of R\$7; which was **offset** by: (iv) the interest on shareholders capital/dividends paid and provisioned, R\$2,755; (v) the reduction of the market value adjustment reserve of Securities and Derivatives, R\$1,671; and (vi) the acquisition of our own shares for treasury, R\$35.

The variation in the quarter is due to: (i) the appropriation of reported net income in the amount of R\$1,910 which was **offset** by: (ii) the decrease in the market value adjustment reserve of Securities and Derivatives, R\$838, (iii) the interest on shareholders capital/dividends paid and provisioned, R\$613; (iv) the acquisition of our own treasury shares, R\$1; and (v) the payment to shareholders of share fractions from the 50% bonus, R\$1.

(* In September 2008, it refers to Basel II.

2-Main Statement of Income Information

Consolidated Statement of Adjusted Income in thousands of R\$

| | September | | Years | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Revenues From Financial Intermediation | 40,542,737 | 41,592,988 | 38,375,859 | 34,268,623 | 27,210,965 | 28,573,144 |
| Loan Operations | 20,997,688 | 22,372,226 | 20,408,469 | 17,158,864 | 13,000,941 | 12,691,851 |
| Leasing Operations | 1,581,344 | 916,745 | 653,260 | 444,389 | 300,850 | 307,775 |
| Operations with Securities | 8,761,478 | 7,647,781 | 7,025,986 | 7,073,266 | 5,975,474 | 8,443,246 |
| Financial Income from Insurance, Private Pension Plans and Certificated Savings Plans | 5,009,643 | 7,501,995 | 6,887,472 | 6,171,213 | 5,142,434 | 5,359,939 |
| Derivative Financial Instruments | 1,385,012 | 1,264,654 | 1,344,438 | 1,307,818 | 922,827 | (413,134) |
| Foreign Exchange Operations | 1,625,772 | 646,352 | 729,647 | 617,678 | 691,302 | 797,702 |
| Compulsory Deposits | 1,181,800 | 1,243,235 | 1,326,587 | 1,495,395 | 1,177,137 | 1,385,765 |
| Expenses From Financial Intermediation (Excluding PDD) | 21,565,850 | 19,293,584 | 18,536,698 | 17,719,666 | 13,980,085 | 15,291,477 |
| Federal Funds Purchased and Securities Sold Under Agreements to Repurchase | 15,095,457 | 13,726,131 | 12,666,708 | 12,421,171 | 9,341,527 | 11,039,960 |
| Price-level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 3,081,537 | 4,616,356 | 4,004,823 | 3,764,530 | 3,215,677 | 3,120,342 |
| Borrowing and Onlending | 3,385,265 | 942,776 | 1,857,009 | 1,525,270 | 1,405,389 | 1,118,194 |
| Leasing Operations | 3,591 | 8,321 | 8,158 | 8,695 | 17,492 | 12,981 |
| Financial Margin | 18,976,887 | 22,299,404 | 19,839,161 | 16,548,957 | 13,230,880 | 13,281,667 |
| Allowance for Loan Losses Expenses | 5,325,079 | 5,497,709 | 4,412,413 | 2,507,206 | 2,041,649 | 2,449,689 |
| Gross Income from Financial Intermediation | 13,651,808 | 16,801,695 | 15,426,748 | 14,041,751 | 11,189,231 | 10,831,978 |
| Other Operating Income/Expenses | (5,698,980) | (7,172,136) | (6,759,505) | (6,543,186) | (7,071,120) | (7,278,870) |
| Fee and Commission Income | 8,397,371 | 10,805,490 | 8,897,882 | 7,348,879 | 5,824,368 | 4,556,861 |
| Operating Income from Insurance, Private Pension Plans and Certificated Savings Plans | 1,711,702 | 711,512 | 1,025,221 | 620,991 | (60,645) | (148,829) |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 16,688,582 | 20,856,935 | 18,008,226 | 13,647,089 | 13,283,677 | 11,726,088 |
| Net Premiums Written | 16,944,706 | 21,478,969 | 19,021,852 | 16,824,862 | 15,389,170 | 12,817,805 |
| Reinsurance and Redeemed Premiums | (256,124) | (622,034) | (1,013,626) | (3,177,773) | (2,105,493) | (1,091,717) |
| Variation of Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans Retained Claims | (7,799,847) | (11,669,410) | (8,711,991) | (5,010,940) | (6,094,753) | (6,032,934) |
| | (5,244,110) | (6,014,455) | (6,026,651) | (5,825,292) | (5,159,188) | (3,980,419) |

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| | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Certificated Savings Plans Drawings and Redemptions | (1,055,482) | (1,377,758) | (1,221,626) | (1,228,849) | (1,223,287) | (1,099,554) |
| Insurance, Private Pension Plans and Certificated Savings Plans | | | | | | |
| Selling Expenses | (877,441) | (1,083,800) | (1,022,737) | (961,017) | (867,094) | (762,010) |
| Personnel Expenses | (5,276,483) | (6,569,547) | (5,932,406) | (5,311,560) | (4,969,007) | (4,779,491) |
| Other Administrative Expenses | (5,894,189) | (6,911,514) | (5,870,030) | (5,142,329) | (4,937,143) | (4,814,204) |
| Tax Expenses | (1,710,993) | (2,388,815) | (2,149,905) | (1,827,337) | (1,464,446) | (1,054,397) |
| Equity in the Earnings of Affiliated Companies | 88,426 | 42,268 | 72,324 | 76,150 | 163,357 | 5,227 |
| Other Operating Income | 1,197,631 | 1,435,192 | 1,420,217 | 1,096,968 | 1,198,532 | 1,697,242 |
| Other Operating Expenses | (4,212,445) | (4,296,722) | (4,222,808) | (3,404,948) | (2,826,136) | (2,741,279) |
| Operating Income | 7,952,828 | 9,629,559 | 8,667,243 | 7,498,565 | 4,118,111 | 3,553,108 |
| Non-Operating Income | 2,084 | 24,550 | (8,964) | (106,144) | (491,146) | (841,076) |
| Income Before Tax on Income and Interest | 7,954,912 | 9,654,109 | 8,658,279 | 7,392,421 | 3,626,965 | 2,712,032 |
| Income Tax and Social Contribution | (2,118,065) | (2,432,630) | (2,286,765) | (1,869,516) | (554,345) | (396,648) |
| Minority Interest in Subsidiaries | (17,319) | (11,213) | (9,007) | (8,831) | (12,469) | (9,045) |
| Adjusted Net Income | 5,819,528 | 7,210,266 | 6,362,507 | 5,514,074 | 3,060,151 | 2,306,339 |
| Adjustments | 195,623 | 799,458 | (1,308,467) | | | |
| Reported Net Income | 6,015,151 | 8,009,724 | 5,054,040 | 5,514,074 | 3,060,151 | 2,306,339 |
| Return on (Average) Equity Without Market Value Adjustment | | | | | | |
| Reserve Securities and Derivatives (Adjusted Income) | 25.4% | 28.3% | 31.1% | 32.7% | 22.5% | 19.2% |
| Annualized Adjusted Financial Margin Interest (*) | 7.9% | 8.3% | 9.0% | 9.0% | 8.2% | 9.0% |

(*) Adjusted Interest Financial Margin/(Total Average Assets - Permanent Assets - Purchase and Sale Commitments).

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| | 2008 | | | | 2007 | | | 2006 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 3rd Qtr. | 2nd Qtr. | 1st Qtr. | 4th Qtr. | 3rd Qtr. | 2nd Qtr. | 1st Qtr. | 4th Qtr. |
| Revenues from Financial Intermediation | 16,080,524 | 12,768,540 | 11,693,673 | 11,162,847 | 10,612,598 | 10,248,772 | 9,568,771 | 9,671,491 |
| Loan Operations | 8,003,935 | 6,422,633 | 6,571,120 | 6,073,076 | 5,650,541 | 5,416,011 | 5,232,598 | 5,197,274 |
| Leasing Operations | 691,068 | 517,740 | 372,536 | 283,874 | 248,354 | 192,700 | 191,817 | 192,898 |
| Operations with Securities | 4,701,956 | 2,239,185 | 1,820,337 | 1,807,151 | 2,026,424 | 2,018,989 | 1,795,217 | 1,835,694 |
| Financial Income from Insurance, Private Pension Plans and Certificated Savings Plans | 865,743 | 2,467,555 | 1,676,345 | 2,068,229 | 1,889,168 | 1,859,454 | 1,685,144 | 1,840,259 |
| Derivative Financial Instruments | 94,496 | 761,901 | 528,615 | 390,459 | 371,879 | 303,746 | 198,570 | 192,399 |
| Foreign Exchange Operations | 1,244,094 | (14,203) | 395,881 | 231,895 | 121,888 | 143,305 | 149,264 | 98,051 |
| Compulsory Deposits | 479,232 | 373,729 | 328,839 | 308,163 | 304,344 | 314,567 | 316,161 | 314,916 |
| Expenses from Financial Intermediation (Excluding PDD) | 9,746,539 | 6,175,442 | 5,643,869 | 5,165,547 | 5,033,028 | 4,545,323 | 4,549,686 | 4,625,777 |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase | 6,559,832 | 4,717,570 | 3,818,055 | 3,523,771 | 3,536,178 | 3,370,988 | 3,295,194 | 3,143,366 |
| Price-level Restatement and Interest on Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans | 345,659 | 1,711,644 | 1,024,234 | 1,287,681 | 1,188,122 | 1,096,964 | 1,043,589 | 1,138,529 |
| Borrowing and Onlending | 2,839,757 | (254,877) | 800,385 | 352,835 | 306,355 | 74,374 | 209,212 | 341,753 |
| Leasing Operations | 1,291 | 1,105 | 1,195 | 1,260 | 2,373 | 2,997 | 1,691 | 2,129 |
| Financial Margin | 6,333,985 | 6,593,098 | 6,049,804 | 5,997,300 | 5,579,570 | 5,703,449 | 5,019,085 | 5,045,714 |
| Allowance for Loan Losses Expenses | 1,823,900 | 1,834,342 | 1,666,837 | 1,555,779 | 1,438,305 | 1,343,964 | 1,159,661 | 1,189,941 |

| | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Income from Financial Intermediation | 4,510,085 | 4,758,756 | 4,382,967 | 4,441,521 | 4,141,265 | 4,359,485 | 3,859,424 | 3,855,773 |
| Other Operating Income/Expenses | (1,902,013) | (1,981,631) | (1,815,336) | (1,960,671) | (1,683,978) | (1,949,496) | (1,577,991) | (1,675,438) |
| Fee and Commission Income | 2,819,169 | 2,774,673 | 2,803,529 | 2,895,760 | 2,742,006 | 2,608,536 | 2,559,188 | 2,423,752 |
| Operating Income from Insurance, Private Pension Plans and Certificated Savings Plans | 628,781 | 568,164 | 514,757 | 146,407 | 208,341 | 115,334 | 241,430 | 345,135 |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 5,737,083 | 5,666,383 | 5,285,116 | 6,052,442 | 5,268,063 | 4,892,880 | 4,643,550 | 5,486,088 |
| Net Premiums Issued | 5,821,416 | 5,756,330 | 5,366,960 | 6,174,894 | 5,448,219 | 5,054,748 | 4,801,108 | 5,662,096 |
| Reinsurance Premiums | (84,333) | (89,947) | (81,844) | (122,452) | (180,156) | (161,868) | (157,558) | (176,008) |
| Variation of Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans Retained Claims | (2,624,258) | (2,642,347) | (2,533,242) | (3,643,969) | (2,952,534) | (2,659,549) | (2,413,358) | (2,902,447) |
| Certificated Savings Plans Drawings and Redemptions | (382,466) | (354,756) | (318,260) | (378,480) | (345,729) | (352,506) | (301,043) | (343,384) |
| Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses | (279,158) | (318,998) | (279,285) | (288,631) | (273,375) | (261,961) | (259,833) | (268,731) |
| Personnel Expenses | (1,824,801) | (1,715,129) | (1,736,553) | (1,820,181) | (1,640,132) | (1,649,408) | (1,459,826) | (1,460,199) |
| Other Administrative Expenses | (2,110,603) | (1,968,592) | (1,814,994) | (1,972,778) | (1,755,090) | (1,644,146) | (1,539,500) | (1,671,274) |
| Tax Expenses | (536,007) | (569,391) | (605,595) | (622,899) | (599,256) | (581,290) | (585,370) | (577,132) |
| Equity in the Earnings of Affiliated | 22,601 | 33,656 | 32,169 | 9,771 | 16,403 | 4,505 | 11,589 | 30,257 |

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| | | | | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Companies | | | | | | | | |
| Other Operating | | | | | | | | |
| Income | 543,998 | 323,851 | 329,782 | 424,016 | 374,964 | 298,938 | 337,274 | 430,410 |
| Other Operating | | | | | | | | |
| Expenses | (1,445,151) | (1,428,863) | (1,338,431) | (1,020,767) | (1,031,214) | (1,101,965) | (1,142,776) | (1,196,387) |
| Operating | | | | | | | | |
| Income | 2,608,072 | 2,777,125 | 2,567,631 | 2,480,850 | 2,457,287 | 2,409,989 | 2,281,433 | 2,180,335 |
| Non-Operating | | | | | | | | |
| Income | 7,857 | (20,604) | 14,831 | 21,425 | 1,710 | 4,129 | (2,714) | (29,038) |
| Income before | | | | | | | | |
| Income Taxes and | | | | | | | | |
| Interest | 2,615,929 | 2,756,521 | 2,582,462 | 2,502,275 | 2,458,997 | 2,414,118 | 2,278,719 | 2,151,297 |
| Income Tax and | | | | | | | | |
| Social | | | | | | | | |
| Contribution | (695,681) | (750,375) | (672,009) | (644,495) | (605,489) | (612,311) | (570,335) | (530,168) |
| Minority Interest | | | | | | | | |
| in Subsidiaries | (10,013) | (3,715) | (3,591) | (3,678) | (3,018) | (1,450) | (3,067) | (1,580) |
| Adjusted Net | | | | | | | | |
| Income | 1,910,235 | 2,002,431 | 1,906,862 | 1,854,102 | 1,850,490 | 1,800,357 | 1,705,317 | 1,619,549 |
| Adjustments | | | | | | | | |
| made | | | 195,623 | 338,787 | (40,277) | 500,948 | | 83,291 |
| Disclosed Net | | | | | | | | |
| Income | 1,910,235 | 2,002,431 | 2,102,485 | 2,192,889 | 1,810,213 | 2,301,305 | 1,705,317 | 1,702,840 |
| Return on | | | | | | | | |
| (average) | | | | | | | | |
| Shareholders | | | | | | | | |
| Equity | | | | | | | | |
| without Market | | | | | | | | |
| Value Adjustment | | | | | | | | |
| Reserve | | | | | | | | |
| Securities and | | | | | | | | |
| Derivatives | | | | | | | | |
| (Adjusted Income) | 25.1% | 27.6% | 28.7% | 29.4% | 31.4% | 32.9% | 32.5% | 34.3% |
| Annualized | | | | | | | | |
| Adjusted | | | | | | | | |
| Financial Margin | | | | | | | | |
| Interest (*) | 7.8% | 8.1% | 8.4% | 8.5% | 8.6% | 8.7% | 8.6% | 8.9% |

(*) Adjusted Interest Financial Margin/(Total Average Assets - Permanent Assets - Purchase and Sale Commitments).

Profitability

Bradesco's adjusted net income reached R\$5,819 million in the first nine months of 2008, against R\$5,356 million recorded in the same period of 2007, an 8.6% increase. Shareholders' equity amounted to R\$34,168 million on September 30, 2008, a 17.0% y-o-y growth. Accordingly, ROAE reached 25.4% (*). On September 30, 2008, total assets added up to R\$422,706 million, growing 33.1% y-o-y. The annualized ROAA in 9M08 was 2.0%. Earnings per share reached R\$1.90.

In 3Q08, the result was R\$1,910 million, a decrease of R\$92 million or 4.6% compared to the adjusted net income of 2Q08. This reduction was mainly due to non-interest income in financial margin of R\$475 million, partially offset by reversals of tax provisions in the amount of R\$186 million. Still in this quarter, ROAE reached 25.1% (*) and the annualized ROAA, in 3Q08, was 1.9%. Earnings per share reached R\$0.62.

In 3Q08, there was a decrease in the income composing the financial margin, in the amount of R\$259 million, mainly affected by lower non-interest results, which reached R\$395 million, a R\$475 million q-o-q decrease, mainly coming from the negative CDS mark-to-market adjustment on Brazilian government securities issued abroad of R\$150 million, by lower gains from the trading of shares in the Insurance Group of R\$185 million and the negative mark-to-market adjustment of other financial instruments mainly derivatives used as market risk hedge of loan operations in the country of R\$140 million, resulting from the world's financial markets volatility in 3Q08. Interest result reached R\$5,939 million, with a growth of R\$216 million (with R\$377 million related to business volume increase and R\$161 million related to spread reduction).

The operating result from insurance, private pension plans and certificated savings plans had, in the 3Q08, an increase of R\$62 million, basically motivated by higher revenues from insurance, private pension plans and certificated savings plans premiums combined with a lower claims ratio (72.4% against 73.1% in the previous quarter).

In 3Q08, the allowance for loan losses expenses had a slight variation, as a result of the higher corporate operations growth, mainly in the corporate segment, which grew by 9.5% in the quarter and, given its characteristics, requires less provisioning.

The efficiency ratio of the 12-month period ended on September 30, 2008 was 41.6%, with a decrease when compared to the 41.3% recorded on June 30, 2008, basically due to the provision for Fenaban's proposal related to the collective bargaining agreement of 7.5% and by lower gains in non-interest financial margin already mentioned. When compared to the 41.8% recorded on September 30, 2007, there is a y-o-y increase of 0.2 percentage point.

The Coverage Ratio in the 12-month period (fee and commission income)/(personnel expenses + administrative expenses) ended on September 30, 2008 (75.5%) decreased 2.3 percentage points q-o-q (77.8% on June 30, 2008) and 5.1 percentage points y-o-y (80.6% in September 2007), mainly influenced by effect of the fee adjustment charged to individuals from 2008 and by expansion of our customer service network in the country (from 28,563 outlets in September 2007 to 36,128 in September 2008) and investments in our technological platform.

(*) not considering the mark-to-market effects of Available-for-Sale Securities in the Shareholders' Equity.

Profitability

Income by Business Segment

Income Breakdown %

Obs.: The balance sheet and the statement of income by business segment can be found in Note 5.

Variation in the Main Statement of Income Items

Breakdown of Net Income from 9M07 to 9M08 in millions of R\$

(1) Composition: Premiums and Contributions net of variations in Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans deducted from Claims, Drawings, Redemptions and Commissions, not including Financial Income from Insurance activities and price-level restatement and interest on Technical Provisions, which are included in the Financial Margin.

(2) Composition: Tax Expenses, Equity in the Earnings of Affiliated Companies, Other Operating Income, Other Operating Expenses, Non-Operating Income and Minority Interest in Subsidiaries.

Breakdown of Net Income from 2Q08 to 3Q08 in millions of R\$

(1) Composition: Premiums and net Contributions of variations in Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans deducted from Claims, Drawings, Redemptions and Commissions, not including Financial Income on Insurance activities and price-level restatement and interest on Technical Provisions, which are included in the Financial Margin.

(2) Composition: Tax Expenses, Equity in the Earnings of Affiliated Companies, Other Operating Income, Other Operating Expenses, Non-Operating Income and Minority Interest in Subsidiaries.

Variation in Items Composing the Financial Margin

Breakdown of Financial Margin from 9M07 to 9M08 in millions of R\$

Obs.: Considered the revenue generated by each product composing the financial margin, except the opportunity cost which, most of the time, is represented by the CDI variation.

Breakdown of Financial Margin from 2Q08 to 3Q08 in millions of R\$

Obs.: Considers the revenue generated by each product composing the financial margin, except the opportunity cost which, most of the time, is represented by the CDI variation.

Analysis of the Adjusted Financial Margin and Average Rates

Income x Loan Operations

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|---------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| Loan Operations | 94,293 | 123,784 | 122,640 | 129,709 |
| Leasing Operations | 4,798 | 13,401 | 13,075 | 17,121 |
| Advances on Exchange | 5,973 | 7,125 | 7,465 | 7,182 |
| Other Receivables | 496 | 532 | 534 | 509 |
| 1 Total (Quarterly Average Balance) | 105,560 | 144,842 | 143,714 | 154,521 |
| 2 Income (Loan, Leasing and Exchange Operations) (*) | 17,132 | 22,650 | 7,082 | 8,587 |
| 3 Exponentially Annualized Average Rate (2/1) | 22.2% | 21.4% | 21.2% | 24.2% |

(*) Includes Income from Loan Operations, Net Income from Leasing Operations and Income of the Adjusted Exchange (Note 11a).

Securities Income x Securities

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|----------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| Securities | 101,615 | 117,737 | 112,061 | 125,664 |
| Interbank Investments | 31,210 | 54,335 | 61,184 | 65,521 |
| Purchase and Sale Commitments | (55,238) | (82,229) | (83,909) | (92,871) |
| Derivative Financial Instruments | (1,458) | (1,625) | (1,611) | (1,962) |
| 4 Total (Quarterly Average Balance) | 76,129 | 88,218 | 87,725 | 96,352 |
| 5 Income on Securities (Net of Purchase and Sale Commitments Expenses) (*) | 7,621 | 8,078 | 3,295 | 2,590 |
| 6 Exponentially Annualized Average Rate (5/4) | 13.6% | 12.4% | 15.9% | 11.2% |

(*) Includes Interest Income from Insurance, Private Pension Plans and Certificated Savings Plans, Derivative Financial Instruments and Foreign Exchange Adjustment (Note 11a).

Income from Financial Intermediation x Total Assets

| in millions of R\$ | September YTD | | 2008 | |
|---|---------------|---------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| 7 Total Assets Permanent Assets Purchase and Sale Commitments (Quarterly Average Balance) | 230,167 | 294,312 | 291,523 | 315,246 |
| 8 Income from Financial Intermediation | 30,430 | 40,543 | 12,769 | 16,081 |
| 9 Exponentially Annualized Average Rate (8/7) | 18.0% | 18.8% | 18.7% | 22.0% |

Expenses x Funding

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|---------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| Deposits | 84,351 | 116,739 | 114,732 | 130,961 |
| Funds from Acceptance and Issuance of Securities | 6,189 | 6,439 | 6,354 | 6,010 |
| Interbank and Interdepartmental Accounts | 1,968 | 2,423 | 2,309 | 2,498 |
| Subordinated Debts | 12,685 | 16,668 | 16,638 | 17,126 |
| 10 Total Funding (Quarterly Average Balance) | 105,193 | 142,269 | 140,033 | 156,595 |
| 11 Expenses (*) | 4,776 | 7,032 | 2,152 | 3,198 |
| 12 Exponentially Annualized Average Rate (11/10) | 6.1% | 6.6% | 6.3% | 8.4% |

(*) Funding Expenses except Purchase and Sale Commitment expenses, less Income on Compulsory Deposits and Foreign Exchange Adjustment (Note 11a).

Expenses x Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|--------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| 13 Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans (Quarterly Average Balance) | 52,000 | 60,801 | 60,895 | 62,478 |
| 14 Expenses (*) | 3,329 | 3,082 | 1,712 | 346 |
| 15 Exponentially Annualized Average Rate (14/13) | 8.6% | 6.8% | 11.7% | 2.2% |

(*) Price-Level Restatement and Interest on Technical Provisions from Insurance, Private Pension Plans and Certificated Savings Plans.

Expenses x Borrowing and Onlending (Local and Foreign)

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|--------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| Borrowing | 6,645 | 9,577 | 8,118 | 11,139 |
| Onlending | 12,343 | 16,458 | 16,256 | 17,219 |
| 16 Total Borrowing and Onlending (Quarterly Average Balance) | 18,988 | 26,035 | 24,374 | 28,358 |
| 17 Borrowing and Onlending Expenses (*) | 346 | 1,637 | (80) | 1,298 |
| 18 Exponentially Annualized Average Rate (17/16) | 2.4% | 8.5% | (1.3%) | 19.6% |

(*) Includes Foreign Exchange Adjustment (Note 11a).

Financial Margin x Total Assets

| in millions of R\$ | September YTD | | 2008 | |
|--|---------------|---------|----------------------|----------------------|
| | 2007 | 2008 | 2 nd Qtr. | 3 rd Qtr. |
| 19 Total Assets - Permanent Assets - Purchase and Sale Commitments (Quarterly Average Balance) | 230,167 | 294,312 | 291,523 | 315,246 |
| 20 Financial Margin (*) | 16,303 | 18,977 | 6,593 | 6,334 |
| 21 Exponentially Annualized Average Rate (20/19) | 9.6% | 8.7% | 9.4% | 8.3% |

(*) Gross Income from Financial Intermediation, excluding PDD.

Financial Market Indicators

Analysis of the Financial Margin

a) Financial Margin Adjustment

We separately show the hedge fiscal effect referring to investments abroad in the compared periods that, in terms of net income, simply annuls the fiscal effect (IR/CS and PIS/Cofins) of this hedge strategy.

The fiscal effect is caused by the fact that the foreign exchange variation of investments abroad is not deductible when there is loss and non-taxable when there is gain, while the derivatives income is taxable when it generates gain and deductible when it generates loss.

Thus, the gross hedge income is reflected in the financial margin, in the Results from Derivative Financial Instruments item and its respective taxes are included in the Tax Expenses and Income Tax and Social Contribution items, as shown below:

Hedge Fiscal Effect of Investments Abroad in millions of R\$

| Effect in the Items | Effect in 9M07 | | | | Effect in 9M08 | | | |
|---|------------------|--------------|--------------|------------|------------------|--------------|------------|------------|
| | Financial Margin | Tax Expenses | IR/CS | Net Income | Financial Margin | Tax Expenses | IR/CS | Net Income |
| Partial Result of the Hedge of Investments Abroad | 1,935 | (90) | (627) | 1,218 | (1,447) | 67 | 628 | (752) |
| Foreign Exchange Variation of Investments Abroad | (1,218) | | | (1,218) | 752 | | | 752 |
| Total | 717 | (90) | (627) | | (695) | 67 | 628 | |

| Effect in the Items | Effect in 2Q08 | | | | Effect in 3Q08 | | | |
|---|------------------|--------------|--------------|------------|------------------|--------------|--------------|------------|
| | Financial Margin | Tax Expenses | IR/CS | Net Income | Financial Margin | Tax Expenses | IR/CS | Net Income |
| Partial Result of the Hedge of Investments Abroad | 1,191 | (55) | (386) | 750 | (2,762) | 128 | 1,054 | (1,580) |
| Foreign Exchange Variation of Investments Abroad | (750) | | | (750) | 1,580 | | | 1,580 |
| Total | 441 | (55) | (386) | | (1,182) | 128 | 1,054 | |

For a better understanding of the financial margin in the periods, the effects of the referred hedge and the foreign exchange variation of investments abroad in the financial margin and sales results were excluded, as follows:

Adjusted Financial Margin

| | in millions of R\$ | | | | | |
|---|--------------------|---------------|--------------|----------------------|----------------------|----------------|
| | September YTD | | Variation | 2008 | | Variation |
| | 2007 | 2008 | | 2 nd Qtr. | 3 rd Qtr. | |
| Reported Financial Margin | 17,374 | 18,282 | 908 | 7,034 | 5,152 | (1,882) |
| (-) Sale of Arcelor | (354) | | 354 | | | |
| (-) Hedge/Foreign Exchange Variation | (717) | 695 | 1,412 | (441) | 1,182 | 1,623 |
| Adjusted Financial Margin | 16,303 | 18,977 | 2,674 | 6,593 | 6,334 | (259) |
| Average Adjusted Financial Margin Rate | | | | | | |
| (*) | 9.6% | 8.7% | | 9.4% | 8.3% | |

(*) (Annualized Adjusted Financial Margin)/(Total Average Assets - Permanent Assets - Purchase and Sale Commitments).

b) Adjusted Financial Margin Variation

In September 2008 YTD, the adjusted financial margin reached R\$18,977 million, representing a 16.4% y-o-y increase over the R\$16,303 million recorded in 2007. When comparing 3Q08 with 2Q08, there was a 3.9% decrease in the adjusted financial margin. The analytical opening of the financial margin result between interest and non-interest results is shown below:

Adjusted Financial Margin Breakdown

| | in millions of R\$ | | | | | |
|--------------------------------------|--------------------|---------------|--------------|----------------------|----------------------|--------------|
| | September YTD | | Variation | 2008 | | Variation |
| | 2007 | 2008 | | 2 nd Qtr. | 3 rd Qtr. | |
| Interest due to volume | | | 4,682 | | | 377 |
| Interest due to spreads | | | (1,880) | | | (161) |
| (=) Financial Margin Interest | 14,404 | 17,206 | 2,802 | 5,723 | 5,939 | 216 |
| (+) Financial Margin Non-Interest | 1,899 | 1,771 | (128) | 870 | 395 | (475) |
| (=) Adjusted Financial Margin | 16,303 | 18,977 | 2,674 | 6,593 | 6,334 | (259) |

In September 2008 YTD, the interest financial margin amounted to R\$17,206 million versus R\$14,404 million recorded in 2007, accounting for a y-o-y increase of 19.5% or R\$2,802 million. This variation had an impact due to the increase in the volume of operations, which positively contributed to the financial margin by R\$4,682 million.

This result offset the effect in the margin due to the decrease of spreads in the amount of R\$1,880 million.

There was an R\$216 million q-o-q increase in the interest financial margin. This variation was positively impacted by R\$377 million due to the volume and increase of investments, while the decrease in spreads had a negative effect of R\$161 million.

Below, we show the interest financial margin entry among the main business lines of Bradesco:

| | in millions of R\$ | | | | | |
|-------------------------------------|--------------------|---------------|--------------|--------------|--------------|------------|
| | September YTD | | Variation | 2008 | | Variation |
| | 2007 | 2008 | | 2nd Qtr. | 3rd Qtr. | |
| Loan | 9,592 | 11,880 | 2,288 | 3,969 | 4,081 | 112 |
| Funding | 1,660 | 1,918 | 258 | 613 | 733 | 120 |
| Insurance | 1,650 | 1,598 | (52) | 546 | 495 | (51) |
| Securities, Treasury and Others | 1,502 | 1,810 | 308 | 595 | 630 | 35 |
| (=)Financial Margin Interest | 14,404 | 17,206 | 2,802 | 5,723 | 5,939 | 216 |

In September YTD we can observe a strong increase in loans, with a growth of R\$2,288 million compared to 2007 and a 23.9% growth. Q-o-q, we can observe that the highest results of the financial margin interest were observed in funding and loan, with an evolution of R\$120 million, growing 19.6% and R\$112 million, with a growth of 2.8%, respectively.

As a result of a policy characterized by fitting the products according to each client segment, Bradesco was able to show a growth in loan operations, when comparing September 2008 YTD and September 2007 YTD, reflecting an increase in the financial margin of individual segment. The main products that contributed to this significant increase were consumer financing lines, such as individual loan operations, especially the payroll-deductible loan and the significant growth in the vehicle leasing product.

When comparing 3Q08 with 2Q08 we also observe a growth in the volume of Corporate portfolio, and working capital standing out the most. In addition, we point out an ongoing growth of individual consumer financing operations.

Seeking to consolidate its outstanding position in the market and broaden the possibilities of relationship with its clients, Bradesco observed a significant organic growth in the real estate financing product, benefited by the Organization's extensive funding network.

As result of confidence achieved in the market, Bradesco has been outstandingly performing in funding operations. When comparing 9M08 with 9M07, funding varied R\$258 million, a 15.5% growth, whereas the balance of funding increased R\$47.4 billion or 44.1% and time deposits standing out.

When comparing 3Q08 with 2Q08, the funding business line recorded an increase of R\$120 million or a 19.6% growth, while the balance increased by R\$16.9 billion or 10.8% and the products which contributed to such vigorous growth were savings accounts and time deposits.

In relation to securities, treasury and other operations, the growth recorded in the q-o-q comparison, in the 9M08 y-o-y comparison derived from higher operation volume and CDI in the period, reflecting the good direction of Bradesco's portfolio.

The result of insurance business line stood at R\$495 million in 3Q08 and R\$546 million in 2Q08, a R\$51 million decrease mainly deriving from the impact of the negative variation of variable income funds that comprise the traditional plans portfolio, whose counter-entries are technical provisions restated by the IGP-M.

The growth in the interest financial margin when compared to the quarter since 2005 is shown in the graph below:

Adjusted Interest Financial Margin

(*) (Interest Financial Margin/Average Total Assets - Permanent Assets - Purchase and Sale Commitments)

The annualized rate of the interest financial margin of reached 7.8% in 3Q08, a decrease when compared to the 8.1% margin observed in the previous quarter. The growth of loan volumes, lower risk lines of funding, as previously mentioned were essential to soften the effect of this decrease, reaffirming Bradesco's solidity.

The non-interest adjusted financial margin reached R\$395 million in 3Q08 against R\$870 million in 2Q08. This reduction of R\$475 million was basically due to: (i) negative mark-to-market CDS adjustment on Brazilian government securities issued abroad of R\$150 million; (ii) lower gains from the trading of the Insurance Group's shares of R\$185 million; and (iii) mark-to-market negative adjustment of other financial instruments mainly derivatives used as market risk hedge of loan operations in the country of R\$140 million, caused by world's financial markets volatility in 3Q08.

Allowance for Loan Losses

PDD Growth

| | in millions of R\$ | | | | | |
|------------------------------------|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Opening Balance | 6,775 | 7,033 | 6,646 | 8,104 | 8,652 | 7,826 |
| Amount Recorded | 1,344 | 1,438 | 3,942 | 1,834 | 1,824 | 5,325 |
| Amount Written-off | (1,095) | (1,105) | (3,231) | (1,286) | (1,340) | (4,015) |
| Balance from Acquired Institutions | 9 | 62 | 71 | | | |
| Closing Balance | 7,033 | 7,428 | 7,428 | 8,652 | 9,136 | 9,136 |
| Specific Allowance | 3,856 | 4,196 | 4,196 | 4,807 | 5,274 | 5,274 |
| Generic Allowance | 2,067 | 2,120 | 2,120 | 2,662 | 2,670 | 2,670 |
| Excess Allowance | 1,110 | 1,112 | 1,112 | 1,183 | 1,192 | 1,192 |
| Credit Recovery | 218 | 197 | 593 | 312 | 345 | 888 |

PDD for Loan and Leasing Operations

| | in millions of R\$ | | | |
|--------------------------------|--------------------|-----------|---------|-----------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| PDD (A) | 7,033 | 7,428 | 8,652 | 9,136 |
| Loan Operations (B) | 108,191 | 116,357 | 148,408 | 160,634 |
| PDD over Loan Operations (A/B) | 6.5% | 6.4% | 5.8% | 5.7% |

Coverage Ratio PDD/Non-performing Loans (E to H)

| | in millions of R\$ | | | |
|--------------------------------|---------------------------|------------------|-------------|------------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| (1) Total Allowances | 7,033 | 7,428 | 8,652 | 9,136 |
| (2) Non-performing Loans (E-H) | 4,740 | 5,034 | 5,878 | 6,347 |
| Coverage Ratio (1/2) | 148.4% | 147.5% | 147.2% | 143.9% |
| Coverage Ratio NPL (*) | | | | |

| | in millions of R\$ | | | |
|--------------------------|---------------------------|------------------|-------------|------------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| (1) Total Allowances | 7,033 | 7,428 | 8,652 | 9,136 |
| (2) Non Performing Loans | 4,880 | 5,155 | 6,333 | 6,734 |
| NPL Ratio (1/2) | 144.1% | 144.1% | 136.6% | 135.7% |

(*) Loan operations overdue for more than 59 days and which do not generate income under the accrual method of accounting.

For further information on PDD, see pages 160 to 163 of this report.

Fee and Commission Income

| | in millions of R\$ | | | | | |
|--------------------------------|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Card Income | 581 | 623 | 1,761 | 713 | 779 | 2,169 |
| Checking Accounts | 583 | 591 | 1,748 | 576 | 557 | 1,711 |
| Loan Operations | 468 | 504 | 1,413 | 407 | 356 | 1,262 |
| Assets under Management | 345 | 376 | 1,055 | 392 | 407 | 1,184 |
| Collection | 211 | 217 | 632 | 242 | 252 | 719 |
| Interbank Fee | 79 | 81 | 236 | 86 | 89 | 258 |
| Consortium Management | 57 | 61 | 171 | 78 | 84 | 234 |
| Custody and Brokerage Services | 57 | 64 | 170 | 77 | 79 | 228 |
| Tax Payment | 66 | 63 | 199 | 59 | 60 | 178 |
| Other | 162 | 162 | 525 | 145 | 156 | 454 |
| Total | 2,609 | 2,742 | 7,910 | 2,775 | 2,819 | 8,397 |

In the 9M08, fee and commission income increased by 6.2%, an increase of R\$487 million y-o-y.

The main items that influenced in the increase of fee and commission income over the period were:

23.2% growth, represented by the increase of R\$408 million in card income, itself related to the increase of 19.3% of the cards base, from 67,228 thousand to 80,207 thousand, as well as the 21.4% increase of the number of transactions, from 569,874 thousand to 691,570 thousand;

12.2% growth in asset management, from R\$167.6 billion on September 30, 2007 to R\$188.0 billion on September 30, 2008, was the main reason for the R\$129 million growth in the item Asset Management ;

13.8% growth represented by the increase of R\$87 million in Collection related to the increase in business volume;

34.1% growth represented by the increase of R\$58 million in Custody and Brokerage Services related to the increase in business volume; and

R\$63 million growth in consortium, due to the increase in operations;

R\$188 million reduction in income on checking account and loan operations was caused by fees adjustment charged to individuals.

When comparing 3Q08 and 2Q08, the R\$44 million increase was due to:

the 9.3% increase represented by the R\$66 million increase in item Card Income related to the 2.9% increase in the card base, from 77,952 thousand to 80,207 thousand, as well as the 5.3% increase in the number of transactions, from 228,593 thousand to 240,654 thousand;

the 3.8% increase or R\$15 million in Asset Management , according to the growth of assets managed;

the 4.1% increase represented by the R\$10 million increase in item Collection, due to the increase in business volume;

a growth of R\$9 million with underwriting operations; and

the R\$70 million reduction in income on checking account and loan operations, due to impact caused by fees adjustment charged to individuals.

Administrative and Personnel Expenses

| | in millions of R\$ | | | | | |
|--|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Administrative Expenses | | | | | | |
| Third-Party Services | 386 | 433 | 1,161 | 480 | 576 | 1,502 |
| Communication | 232 | 238 | 690 | 254 | 264 | 778 |
| Financial System Services | 129 | 138 | 390 | 154 | 163 | 462 |
| Depreciation and Amortization | 133 | 135 | 401 | 174 | 149 | 461 |
| Advertising | 129 | 133 | 369 | 160 | 150 | 432 |
| Transportation | 124 | 132 | 380 | 138 | 145 | 416 |
| Rentals | 100 | 102 | 298 | 109 | 116 | 332 |
| Data Processing | 98 | 106 | 293 | 108 | 120 | 325 |
| Maintenance and Repairs | 70 | 76 | 214 | 86 | 95 | 270 |
| Assets Leasing | 46 | 63 | 154 | 87 | 89 | 250 |
| Security and Vigilance | 48 | 50 | 143 | 52 | 58 | 161 |
| Materials | 48 | 52 | 145 | 46 | 52 | 144 |
| Water, Electricity and Gas | 45 | 39 | 129 | 45 | 43 | 135 |
| Travel | 17 | 19 | 50 | 23 | 23 | 65 |
| Other | 39 | 39 | 122 | 53 | 68 | 162 |
| Total | 1,644 | 1,755 | 4,939 | 1,969 | 2,111 | 5,895 |
| Personnel Expenses | | | | | | |
| Structural | 1,300 | 1,373 | 3,908 | 1,420 | 1,517 | 4,321 |
| Compensation/Social Charges | 976 | 1,020 | 2,916 | 1,098 | 1,178 | 3,309 |
| Benefits | 324 | 353 | 992 | 322 | 339 | 1,012 |
| Non Structural | 349 | 267 | 841 | 295 | 308 | 956 |
| PLR | 203 | 149 | 506 | 176 | 180 | 557 |
| Provision for Labor Claims | 102 | 75 | 206 | 72 | 78 | 262 |
| Training | 19 | 22 | 51 | 22 | 28 | 61 |
| Termination cost | 25 | 21 | 78 | 25 | 22 | 76 |
| Total | 1,649 | 1,640 | 4,749 | 1,715 | 1,825 | 5,277 |
| Total Administrative and Personnel Expenses | 3,293 | 3,395 | 9,688 | 3,684 | 3,936 | 11,172 |

In 9M08, administrative and personnel expenses reached R\$11,172 million, representing an R\$1,484 million increase when compared to the R\$9,688 million reached in 9M07. The nominal variation of administrative expenses over the period showed a R\$956 million increase, reaching R\$5,895 million primarily due to: (i) organic growth, according to the expansion of customer service network in the country from 28,563 in September 2007 to 36,128 in September 2008; (ii) the increase in business volume; (iii) contractual adjustments in the period; and (iv) investments in the improvement and optimization of the technological platform (IT Improvements Project).

Personnel expenses increased R\$528 million y-o-y, reaching R\$5,277 million. The portion considered structural increased R\$413 million, mainly due to the expansion of the customer service network and the consequent hiring of employees, as well as the increase in the salary levels resulting from the 2007 collective bargaining agreement (6.0%) and 2008 Fenaban's proposal of collective bargaining agreement (7.5%), benefits and others. In relation to the portion considered non-structural, the increase was R\$115 million, primarily due to: (i) higher expenses with provision for labor proceedings of R\$56 million; and (ii) higher expenses with PLR in the amount of R\$51 million.

When compared to the previous quarter, administrative and personnel expenses increased R\$252 million, an increase of 6.8%, from R\$3,684 million in 2Q08 to R\$3,936 million in the 3Q08.

When compared to the previous quarter, administrative expenses increased R\$142 million, basically due to expenses with: (i) Outsourced Services R\$96 million; (ii) Data Processing R\$12 million; (iii) Communication R\$10 million; (iv) Financial System Services R\$9 million; (v) Maintenance and Repairs R\$9 million.

Personnel expenses increased R\$110 million when compared to the previous quarter, from R\$1,715 million in 2Q08 to R\$1,825 million in 3Q08. In the portion considered structural, there was a R\$97 million increase explained, basically, by the provision for 2008 Fenaban's proposal of collective bargaining agreement (7.5%) in the amount of R\$62 million (R\$ 36 million related to the restatement of labor liabilities and R\$26 million related to the increase in payroll) and expansion of customer service network and increase in business volume, and accordingly, hiring of employees, with an impact of R\$35 million. The non-structural portion had a moderate increase of R\$13 million, pointing out: (i) the higher level of provisions for labor proceedings in the amount of R\$6 million and (ii) higher training expenses in the amount of R\$6 million.

Operating Efficiency

| | in millions of R\$ | | | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Years | | | | | September (*) | |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2007 | 2008 |
| Personnel Expenses | 4,779 | 4,969 | 5,312 | 5,932 | 6,570 | 6,209 | 7,098 |
| Employee Profit Sharing | (170) | (182) | (287) | (415) | (521) | (442) | (577) |
| Other Administrative Expenses | 4,814 | 4,937 | 5,142 | 5,870 | 6,912 | 6,610 | 7,868 |
| Total (1) | 9,423 | 9,724 | 10,167 | 11,387 | 12,961 | 12,377 | 14,389 |
| Financial Margin | 13,282 | 13,231 | 16,550 | 19,838 | 22,300 | 21,348 | 24,974 |
| Fee and Commission Income | 4,557 | 5,824 | 7,349 | 8,898 | 10,806 | 10,334 | 11,293 |
| Insurance, Private Pension Plans and Certificated Savings Plans Subtotal | (149) | (60) | 621 | 1,025 | 711 | 909 | 1,857 |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 11,726 | 13,284 | 13,647 | 18,008 | 20,857 | 20,290 | 22,741 |
| Technical Provisions Variation from Insurance, Private Pension Plans and Certificated Savings Plans | (6,033) | (6,095) | (5,011) | (8,712) | (11,670) | (10,928) | (11,446) |
| Retained Claims | (3,980) | (5,159) | (5,825) | (6,026) | (6,014) | (6,046) | (6,840) |
| Certificated Savings Plans Drawings and Redemptions | (1,100) | (1,223) | (1,229) | (1,222) | (1,378) | (1,342) | (1,433) |
| Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses | (762) | (867) | (961) | (1,023) | (1,084) | (1,065) | (1,165) |
| Equity in Earnings (Losses) of Unconsolidated Companies | 5 | 163 | 76 | 72 | 42 | 62 | 99 |
| Other Operating Expenses | (2,741) | (2,826) | (3,405) | (4,223) | (4,297) | (4,472) | (5,234) |
| Other Operating Income | 1,697 | 1,198 | 1,097 | 1,420 | 1,436 | 1,442 | 1,621 |
| Total (2) | 16,651 | 17,530 | 22,288 | 27,030 | 30,998 | 29,623 | 34,610 |
| Operating Efficiency Ratio (%) = (1/2) | 56.6 | 55.5 | 45.6 | 42.1 | 41.8 | 41.8 | 41.6 |

(*) Amounts in the previous 12 months based on the statement of adjusted income.

Operating Efficiency Ratio in percentage

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In the 12-month period ending on September 30, 2008, the efficiency ratio was 41.6%, presenting a 0.2 percentage point increase y-o-y. It is also worth mentioning the financial margin increase by R\$3,626 million, chiefly stemming from the interest component, stimulated by an increase in business volume. The increase in volume is attributed to an increase in the volume of loan operations for individuals with focus on consumer financing, the profitability of which is higher if compared to corporate loans, and to an increase of R\$959 million in fee and commission income as a result of the increase in the average volume of operations.

Coverage Ratio

Administrative + Personnel Expenses and Fee and Commission Income

The coverage ratio related to the twelve-month period that ended on September 30, 2008 (75.5%) decreased 2.3 percentage points when compared to June 30, 2008 (77.8%), 5.1 percentage points when compared to September 2007 (80.6%), mainly influenced by the effect of the fee adjustment charged to individuals as of 2008, as well as the expansion of our customer service network in Brazil (from 28,563 outlets in September 2007 to 36,128 in September 2008) and investments in our technological platform.

Other Indicators

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3-Main Balance Sheet Information

Consolidated Balance Sheet in thousands of R\$

| Assets | September | | | December | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Current and Long-Term Assets | 417,785,269 | 337,514,243 | 262,054,823 | 204,325,065 | 180,038,498 | 171,141,348 |
| Funds Available | 7,259,572 | 5,486,606 | 4,761,972 | 3,363,041 | 2,639,260 | 2,448,426 |
| Interbank Investments | 57,350,687 | 37,622,125 | 25,989,190 | 25,006,158 | 22,346,721 | 31,724,003 |
| Federal Funds Purchased and Securities Sold under | | | | | | |
| Agreements to Repurchase Interest-earning Deposits in Other Banks | 52,699,764 | 32,014,861 | 20,617,520 | 19,615,744 | 15,667,078 | 26,753,660 |
| Allowance for Losses | 4,664,361 | 5,617,413 | 5,372,658 | 5,390,726 | 6,682,608 | 4,970,343 |
| | (13,438) | (10,149) | (988) | (312) | (2,965) | |
| Securities and Derivative Financial Instruments | 132,372,461 | 114,451,709 | 97,249,959 | 64,450,808 | 62,421,658 | 53,804,780 |
| Own Portfolio Subject to Repurchase Agreements | 102,011,049 | 84,079,171 | 72,052,850 | 59,324,858 | 51,255,745 | 42,939,043 |
| Derivative Financial Instruments | 6,356,991 | 11,731,427 | 15,352,073 | 1,051,665 | 4,807,769 | 5,682,852 |
| Restricted Deposits – Brazilian Central Bank | 1,926,019 | 1,207,040 | 549,065 | 474,488 | 397,956 | 232,311 |
| Privatization Currencies Subject to Collateral Provided | 16,412,647 | 8,273,662 | 440,235 | 2,506,172 | 4,512,563 | 3,109,634 |
| Securities from Unrestricted Purchase and Sale Commitments | 98,803 | 79,535 | 70,716 | 98,142 | 82,487 | 88,058 |
| Interbank Accounts | 26,985,757 | 24,036,514 | 19,124,806 | 16,922,165 | 16,087,102 | 14,012,837 |
| Unsettled Receipts and Payments | 955,662 | 36,332 | 50,945 | 39,093 | 22,075 | 20,237 |
| Restricted Credits: | | | | | | |
| Restricted Deposits – Brazilian Central Bank | 25,540,902 | 23,538,587 | 18,664,706 | 16,444,866 | 15,696,154 | 13,580,425 |
| National Treasury Rural Loan SFH | 578 | 578 | 578 | 578 | 578 | 578 |
| Correspondent Banks | 462,221 | 452,899 | 405,465 | 396,089 | 335,320 | 391,871 |
| Interdepartmental Accounts | 95,551 | 429,362 | 186,338 | 172,831 | 147,537 | 514,779 |
| Internal Transfer of Funds | 95,551 | 429,362 | 186,338 | 172,831 | 147,537 | 514,779 |
| Loan Operations | 125,674,116 | 108,295,627 | 79,714,969 | 68,328,802 | 51,890,887 | 42,162,718 |
| Loan Operations: | | | | | | |
| Public Sector | 793,124 | 763,973 | 784,870 | 821,730 | 536,975 | 186,264 |
| Private Sector | 133,295,959 | 115,001,602 | 85,315,248 | 72,205,630 | 55,242,348 | 45,768,970 |
| Allowance for Loan Losses | (8,414,967) | (7,469,948) | (6,385,149) | (4,698,558) | (3,888,436) | (3,792,516) |
| Leasing Operations | 18,675,202 | 7,962,395 | 3,751,558 | 2,411,299 | 1,556,321 | 1,306,433 |
| Leasing Receivables: | | | | | | |
| Public Sector | 112,356 | 134,197 | 152,125 | 66,237 | | |

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| | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Private Sector | 32,449,169 | 13,802,117 | 7,231,519 | 4,896,717 | 3,237,226 | 2,859,533 |
| Unearned Income from Leasing | (13,314,739) | (5,728,551) | (3,472,246) | (2,444,596) | (1,576,690) | (1,438,534) |
| Allowance for Leasing Losses | (571,584) | (245,368) | (159,840) | (107,059) | (104,215) | (114,566) |
| Other Receivables | 45,880,736 | 35,829,910 | 29,302,217 | 22,106,013 | 21,664,592 | 24,098,765 |
| Receivables on Sureties and Guarantees Honored | 27,881 | 12,181 | 38 | | 811 | 624 |
| Foreign Exchange Portfolio Receivables | 13,434,729 | 9,836,732 | 7,946,062 | 6,937,144 | 7,336,806 | 11,102,537 |
| Securities Trading | 431,672 | 371,427 | 175,570 | 183,015 | 197,120 | 331,064 |
| Insurance Premiums Receivable | 2,338,281 | 1,378,130 | 709,034 | 1,124,197 | 357,324 | 602,543 |
| Sundry | 1,389,206 | 1,276,612 | 1,257,298 | 1,073,002 | 988,029 | 889,358 |
| Allowance for Other Loan Losses | 28,408,211 | 23,065,328 | 19,315,264 | 12,941,687 | 12,937,408 | 11,324,857 |
| Other Assets | (149,244) | (110,500) | (101,049) | (153,032) | (152,906) | (152,218) |
| Other Assets | 3,491,187 | 3,399,995 | 1,973,814 | 1,563,948 | 1,284,420 | 1,068,607 |
| Provisions for Devaluations | 526,873 | 389,856 | 369,099 | 367,688 | 477,274 | 586,994 |
| Prepaid Expenses | (197,339) | (179,097) | (189,591) | (180,941) | (230,334) | (257,185) |
| Permanent Assets Investments | 3,161,653 | 3,189,236 | 1,794,306 | 1,377,201 | 1,037,480 | 738,798 |
| Interest in Affiliated Companies: | 4,920,445 | 3,670,161 | 3,492,450 | 4,357,865 | 4,887,970 | 4,956,342 |
| In Brazil | 822,907 | 604,076 | 696,582 | 984,970 | 1,101,174 | 862,323 |
| Other Investments | 576,862 | 467,944 | 403,033 | 438,819 | 496,054 | 369,935 |
| Allowance for Losses | 596,259 | 487,365 | 651,568 | 895,836 | 971,311 | 857,985 |
| Premises and Equipment | (350,214) | (351,233) | (358,019) | (349,685) | (366,191) | (365,597) |
| Premises and Equipment | 2,506,700 | 2,284,078 | 2,136,783 | 1,985,571 | 2,270,497 | 2,291,994 |
| Other Premises and Equipment | 1,045,964 | 1,076,053 | 1,055,640 | 1,115,987 | 1,357,063 | 1,398,735 |
| Accumulated Depreciation | 4,768,236 | 4,347,693 | 4,101,918 | 3,644,874 | 3,604,741 | 3,480,636 |
| Leased Assets | (3,307,500) | (3,139,668) | (3,020,775) | (2,775,290) | (2,691,307) | (2,587,377) |
| Leased Assets | 10,021 | 11,421 | 16,136 | 9,323 | 18,951 | 34,362 |
| Accumulated Depreciation | 18,128 | 20,777 | 25,142 | 23,161 | 58,463 | 63,812 |
| Deferred Charges | (8,107) | (9,356) | (9,006) | (13,838) | (39,512) | (29,450) |
| Organization and Expansion Costs | 1,580,817 | 770,586 | 642,949 | 1,378,001 | 1,497,348 | 1,767,663 |
| Accumulated Amortization | 2,098,660 | 1,850,219 | 1,593,771 | 1,315,881 | 1,170,866 | 1,124,058 |
| Goodwill on Acquisition of Subsidiaries, Net of Amortization | (1,204,312) | (1,079,633) | (950,822) | (785,364) | (699,710) | (572,620) |
| Total | 686,469 | | | 847,484 | 1,026,192 | 1,216,225 |
| | 422,705,714 | 341,184,404 | 265,547,273 | 208,682,930 | 184,926,468 | 176,097,690 |

The Notes are an integral part of the Financial Statements.

| Liabilities | September | | | December | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Current and Long-term Liabilities | 387,683,796 | 310,482,501 | 240,673,011 | 189,163,465 | 169,596,632 | 162,406,307 |
| Deposits | 139,169,719 | 98,323,446 | 83,905,213 | 75,405,642 | 68,643,327 | 58,023,885 |
| Demand Deposits | 26,694,457 | 28,495,555 | 20,526,800 | 15,955,512 | 15,297,825 | 12,909,168 |
| Savings Deposits | 35,680,823 | 32,812,974 | 27,612,587 | 26,201,463 | 24,782,646 | 22,140,171 |
| Interbank Deposits | 340,008 | 372,473 | 290,091 | 145,690 | 19,499 | 31,400 |
| Time Deposits | 75,528,501 | 35,717,178 | 34,924,541 | 32,836,656 | 28,459,122 | 22,943,146 |
| Other Deposits | 925,930 | 925,266 | 551,194 | 266,321 | 84,235 | |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase | 87,463,782 | 73,633,649 | 47,675,433 | 24,638,884 | 22,886,403 | 32,792,725 |
| Own Portfolio | 39,627,936 | 37,864,704 | 36,595,268 | 12,690,952 | 8,248,122 | 6,661,473 |
| Third-party Portfolio | 45,691,232 | 29,578,200 | 3,471,383 | 11,947,932 | 14,430,876 | 17,558,740 |
| Unrestricted Portfolio | 2,144,614 | 6,190,745 | 7,608,782 | | 207,405 | 8,572,512 |
| Funds from Issuance of Securities | 6,551,257 | 6,496,782 | 5,636,279 | 6,203,886 | 5,057,492 | 6,846,896 |
| Exchange Acceptances | 241 | 406 | | | | |
| Mortgage and Real Estate Notes and Letters of Credit and Others | 1,585,687 | 901,641 | 857,697 | 847,508 | 681,122 | 1,030,856 |
| Debentures | 1,531,746 | 2,594,921 | 2,603,194 | 2,624,899 | | 7,291 |
| Securities Issued Abroad | 3,433,583 | 2,999,814 | 2,175,388 | 2,731,479 | 4,376,370 | 5,808,749 |
| Interbank Accounts | 231,153 | 16,632 | 5,814 | 139,193 | 174,066 | 529,332 |
| Interbank Onlending | | | | | | 159,098 |
| Correspondent Banks | 231,153 | 16,632 | 5,814 | 139,193 | 174,066 | 370,234 |
| Interdepartmental Accounts | 2,307,374 | 2,521,233 | 2,225,711 | 1,900,913 | 1,745,721 | 1,782,068 |
| Third-party Funds in Transit | 2,307,374 | 2,521,233 | 2,225,711 | 1,900,913 | 1,745,721 | 1,782,068 |
| Borrowing | 14,003,531 | 8,065,830 | 5,777,906 | 7,135,327 | 7,561,395 | 7,223,356 |
| Local Borrowing Official Institutions | 199 | 450 | 778 | 1,088 | 1,376 | 2,070 |
| Local Borrowing Other Institutions | 427 | 373 | 44,447 | 18 | 11,756 | 4,010 |
| Borrowing Abroad | 14,002,905 | 8,065,007 | 5,732,681 | 7,134,221 | 7,548,263 | 7,217,276 |
| Local Onlending Official Institutions | 16,549,602 | 14,086,436 | 11,640,969 | 9,427,571 | 8,355,398 | 7,554,266 |
| National Treasury | 86,679 | 50,881 | 99,073 | 52,318 | 72,165 | 51,398 |
| BNDES | 6,599,661 | 6,147,703 | 5,532,018 | 4,237,973 | 3,672,007 | 3,403,462 |
| CEF | 101,084 | 101,280 | 69,909 | 59,588 | 395,820 | 459,553 |
| Finame | 9,761,398 | 7,785,347 | 5,938,037 | 5,075,232 | 4,211,762 | 3,638,966 |
| Other Institutions | 780 | 1,225 | 1,932 | 2,460 | 3,644 | 887 |
| Foreign Onlending | 1,426,605 | 1,257,281 | 170 | 183 | 42,579 | 17,161 |
| Foreign Onlending | 1,426,605 | 1,257,281 | 170 | 183 | 42,579 | 17,161 |
| Derivative Financial Instruments | 2,325,983 | 951,733 | 519,004 | 238,473 | 173,647 | 52,369 |
| Technical Provisions for Insurance, Private | | | | | | |

| | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Pension Plans and Certificated Savings Plans | 62,888,211 | 58,526,265 | 49,129,214 | 40,862,555 | 33,668,654 | 26,408,952 |
| Other Liabilities | 54,766,579 | 46,603,214 | 34,157,298 | 23,210,838 | 21,287,950 | 21,175,297 |
| Collection of Taxes and Other Contributions | 2,295,134 | 228,722 | 175,838 | 156,039 | 204,403 | 130,893 |
| Foreign Exchange Portfolio | 5,978,007 | 3,467,189 | 2,386,817 | 2,206,952 | 3,011,421 | 5,118,801 |
| Social and Statutory Payables Fiscal and Pension Plans | 1,601,248 | 2,195,653 | 190,916 | 1,254,651 | 900,266 | 851,885 |
| Activities | 10,843,963 | 9,839,791 | 8,014,520 | 5,041,312 | 4,495,387 | 4,781,458 |
| Securities Trading | 1,217,368 | 657,700 | 422,232 | 893,957 | 312,267 | 595,958 |
| Financial and Development Funds | 6,177 | 1,851 | 876 | | | |
| Subordinated Debt | 17,544,043 | 15,850,464 | 11,949,457 | 6,719,305 | 5,972,745 | 4,994,810 |
| Sundry | 15,280,639 | 14,361,844 | 11,016,642 | 6,938,622 | 6,391,461 | 4,701,492 |
| Deferred Income | 227,078 | 189,147 | 180,460 | 52,132 | 44,600 | 31,774 |
| Deferred Income | 227,078 | 189,147 | 180,460 | 52,132 | 44,600 | 31,774 |
| Minority Interest in Subsidiaries | 627,014 | 155,412 | 57,440 | 58,059 | 70,590 | 112,729 |
| Shareholders' Equity | 34,167,826 | 30,357,344 | 24,636,362 | 19,409,274 | 15,214,646 | 13,546,880 |
| Capital: | | | | | | |
| Domiciled in Brazil | 21,779,532 | 17,693,485 | 13,162,481 | 11,914,375 | 6,959,015 | 6,343,955 |
| Domiciled Abroad | 1,220,468 | 1,306,515 | 1,037,519 | 1,085,625 | 740,985 | 656,045 |
| Realizable Capital | | | | | (700,000) | |
| Capital Reserves | 62,614 | 55,624 | 55,005 | 36,032 | 10,853 | 8,665 |
| Profit Reserves | 10,974,986 | 9,963,593 | 8,787,106 | 5,895,214 | 7,745,713 | 6,066,640 |
| Adjustment to Market Value Securities and Derivatives | 133,976 | 1,469,976 | 1,644,661 | 507,959 | 458,080 | 478,917 |
| Treasury Shares | (3,750) | (131,849) | (50,410) | (29,931) | | (7,342) |
| Shareholders' Equity Managed by the Parent Company | 34,794,840 | 30,512,756 | 24,693,802 | 19,467,333 | 15,285,236 | 13,659,609 |
| Total | 422,705,714 | 341,184,404 | 265,547,273 | 208,682,930 | 184,926,468 | 176,097,690 |

The Notes are an integral part of the Financial Statements.

Total Assets by Currency and Maturity

Total Assets by Currency in millions of R\$

Total Assets by Maturity in millions of R\$

80

Securities

Summary of the Classification of Securities

in millions of R\$

| | Financial | Insurance/ Certificated Savings Plans | Pension Plans | Other Activities | Total | % |
|------------------------------------|---------------|--|------------------|---------------------|----------------|--------------|
| Trading Securities | 44,731 | 3,027 | 27,944 | 281 | 75,983 | 65.2 |
| Available-for-Sale Securities | 12,401 | 2,160 | 2,167 | 2 | 16,730 | 14.3 |
| Held-to-Maturity Securities | 940 | 6,196 | 16,832 | | 23,968 | 20.5 |
| Subtotal | 58,072 | 11,383 | 46,943 | 283 | 116,681 | 100.0 |
| Purchase and Sale Commitments | 3,085 | 2,982 | 9,624 | | 15,691 | |
| Total on September 30, 2008 | 61,157 | 14,365 | 56,567 | 283 | 132,372 | |
| Total on June 30, 2008 | 48,047 | 14,585 | 56,094 | 230 | 118,956 | |
| Total on September 30, 2007 | 43,201 | 13,243 | 51,261 | 393 | 108,098 | |

Breakdown of Securities by Issuance

in millions of R\$

| Securities | 2007 | | 2008 | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | June | September | June | September |
| Government | 49,061 | 51,380 | 56,364 | 63,413 |
| Private | 16,982 | 17,935 | 20,040 | 25,778 |
| PGBL/VGBL | 25,957 | 26,676 | 28,630 | 27,490 |
| Subtotal | 92,000 | 95,991 | 105,034 | 116,681 |
| Purchase and Sale Commitments: | 11,577 | 12,107 | 13,922 | 15,691 |
| Funds | 7,777 | 7,448 | 6,267 | 6,495 |
| PGBL/VGBL | 3,800 | 4,659 | 7,655 | 9,196 |
| Total | 103,577 | 108,098 | 118,956 | 132,372 |

Classification of Securities by Segment %

Obs.: The breakdown of the Securities Portfolio consolidated by issuer, maturity, business segment and category can be found in Note 8.

Loan Operations

At the end of 3Q08, the consolidated balance of loan operations (according to the concept defined by the Bacen, which does not include debentures, guarantees, loans to be granted, letters of credit, interbank deposit certificates, etc.) reached a total of R\$160.6 billion, representing an 8.2% increase in the quarter and 38.1% growth over the past twelve months.

We would like to point out the increase in operations targeted at corporate clients due to the greater need funds of companies both for working capital and for investments.

Loan Operations

Loan Operations Total Portfolio

In September 2008, the balance of foreign currency indexed and/or denominated borrowing and onlending (excluding ACCs) reached a total of US\$7.3 billion, showing a growth of 5.8% in dollars in the quarter and of 27.2% in reais, due to the increase of operations carried out abroad and the Real devaluation. Over the past twelve months, growth was 23.5% and 18.6%, respectively.

Real Estate Loan

At the end of September 2008, the balance of real estate financing to individuals and corporate clients was R\$4.6 billion, a 13.9% q-o-q increase while compared to the balance of twelve months ago growth was 56.6% . The number of financed units in this quarter showed a y-o-y growth of 34.0% . When we compare the total of financed units y-o-y, the increase is equivalent to 62.5% .

The website www.bradescoimoveis.com.br, developed to help those interested in purchasing their own home and strengthen the partnership with the construction companies, developers and real estate agencies that are our clients, has been an important tool for the portfolio growth process.

BNDES

Bradesco is leader in BNDES onlending operations for the fifth consecutive year. Out of the total loans granted up to August 2008, 48.1% of the amount, representing 90.9% of contracts, was for SMEs and individuals.

Rural Loan

We would like to point out the www.bradescorural.com.br website as a support channel to agribusiness clients, providing information related to financial products and services, as well as news relevant to the sector, quotation of commodities in the main commodities exchange, information on the weather calendar of events, guide of partner suppliers and links to the most important sites, among other services.

Loan Operations By Purpose

The balance of the loan portfolio for individuals showed growth of 6.3% in the quarter and 29.3% over the last twelve months. The main products responsible for the increase in the portfolio balance in the quarter were vehicle leasing, rural loans and real estate financing, whereas over the past twelve months products directed toward consumer goods financing (CDC/Leasing of vehicles and personal loan) and rural loan have stood out.

Loan Operations

Loan Operations - Individuals

In the following graph, the types related to the consumer financing for individuals were considered (CDC/vehicle leasing, personal loans and asset and credit card financing; in the latter, amounts related to cash and installment purchase plan from store owners, which are not in the total loan operations, are included). The balance reached the amount of R\$55.7 billion in September 2008, representing 5.3% growth in the quarter and 27.1% over the last twelve months. If we exclude assignment (FIDC), the amount would reach R\$56.2 billion and growths would be 5.5% and 28.3%, respectively. We would like to point out the vehicle financing (CDC/ Leasing) and the payroll-deductible loans in the amount of R\$39.0 billion, representing 69.4% of the total consumer financing balance that, due to their guarantees and characteristics, provide the portfolio with an adequate credit risk level.

Loan Operations - Consumer Financing in millions of R\$

Loan Operations

The growth in loans granted to companies was 9.5% in the quarter and 44.5% over the last twelve months. The main products responsible for the balance portfolio increase in the quarter were working capital, BNDES onlending and operations abroad, and in the last twelve months were working capital, vehicle leasing and export financing.

Loan Operations Corporate

The following graph shows the growth of the five main types of products designed to serve corporate clients, which represented 66.9% of the total loan portfolio in September 2008.

Loan Operations Main Types Corporate in millions of R\$

Loan Operations

Below, we present the loan portfolio by type of client, pointing out the increase of corporate clients share, both in the quarter and in the twelve months ending September 2008.

Loan Operations Client Characteristics

| Client Characteristic | in billions of R\$ | | | | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|------------|----------------|
| | 2007 | | 2008 | | 2008 | | Variation | % |
| | September | % | June | % | September | % | Quarter | Last 12 months |
| Large Companies | 31.4 | 27.0 | 41.5 | 28.0 | 45.6 | 28.5 | 10.0 | 45.4 |
| Micro, Small and Medium-Sized Companies | 35.7 | 30.7 | 47.0 | 31.6 | 51.3 | 31.9 | 9.1 | 43.7 |
| Individuals | 49.3 | 42.3 | 59.9 | 40.4 | 63.7 | 39.6 | 6.3 | 29.3 |
| Total | 116.4 | 100.0 | 148.4 | 100.0 | 160.6 | 100.0 | 8.2 | 38.1 |

In the table below, the growth of the business segment's share in the Conglomerate's total portfolio is observed, and we highlight the corporate and middle market segments in this quarter and in the last twelve months.

Loan Operations By Business Segment

| Business Segment | in billions of R\$ | | | | | | | |
|---------------------|--------------------|--------------|--------------|--------------|--------------|--------------|------------|----------------|
| | 2007 | | 2008 | | 2008 | | Variation | % |
| | September | % | June | % | September | % | Quarter | Last 12 months |
| Corporate | 35.2 | 30.3 | 45.3 | 30.5 | 49.9 | 31.1 | 10.3 | 41.8 |
| Retail/Postal/Prime | 38.9 | 33.4 | 50.3 | 33.9 | 54.2 | 33.7 | 7.8 | 39.6 |
| Finasa | 22.8 | 19.6 | 27.2 | 18.3 | 28.6 | 17.8 | 5.1 | 25.2 |
| Middle Market | 15.9 | 13.7 | 19.7 | 13.3 | 21.5 | 13.4 | 8.9 | 35.0 |
| BMC and Others | 3.6 | 3.0 | 5.9 | 4.0 | 6.4 | 4.0 | 9.1 | 80.2 |
| Total | 116.4 | 100.0 | 148.4 | 100.0 | 160.6 | 100.0 | 8.2 | 38.1 |

In the quarter, discounted trade receivables and other loans and leasing operations enjoyed distinguished growth. The growth of the balance of operations with sureties and guarantees provided also deserves note, mainly those operations carried out with clients of the corporate segment.

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Below, we present the total loan operations, including sureties and guarantees and credit card (cash and installment purchase plan from store owners), which presented growth of 8.6% in the quarter and 40.8% over the past twelve months.

Loan Operations By Type

| Types | in millions of R\$ | | | |
|--|--------------------|----------------|----------------|----------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Discounted Trade Receivables and Other Loans (1) | 50,143 | 52,776 | 66,779 | 72,694 |
| Financing | 38,723 | 41,523 | 48,009 | 50,052 |
| Rural and Agroindustrial Loans | 7,903 | 9,008 | 10,541 | 11,343 |
| Leasing Operations | 4,848 | 6,319 | 14,995 | 19,247 |
| Advances on Foreign Exchange Contracts | 6,128 | 6,210 | 7,575 | 6,788 |
| Other Loans | 446 | 521 | 509 | 510 |
| Total Loan Operations (2) | 108,191 | 116,357 | 148,408 | 160,634 |
| Sureties and Guarantees Recorded in Memorandum Accounts | 17,325 | 18,471 | 27,172 | 29,640 |
| Credit Cards (3) | 5,304 | 5,266 | 5,623 | 6,468 |
| Total Expositions Loan Operations | 130,820 | 140,094 | 181,203 | 196,742 |
| Loan Assignment (FIDC) | | | 399 | 508 |
| Total (excluding assignment) | 130,820 | 140,094 | 181,602 | 197,250 |

(1) Includes revolving credit of credit card.

(2) According to concept defined by the Brazilian Central Bank.

(3) Cash and installment purchase plan from store owners.

Loan Operations

In 3Q08 the net financial margin grew by 6.4%, while in the last twelve months it increased by 23.2%, as shown in the graph below:

Loan Operations Net Financial Margin

The total delinquency ratio was stable in the quarter, despite the slight growth in micro-, small- and medium-sized companies, mainly in the modality working capital. The total ratio decreased when compared to the last twelve-month period, due to the reduction in the delinquency ratio of corporate clients.

Loan Operations Delinquency over 90 days %

Loan Operations

Out of the 38.1% growth of the Organization's loan portfolio in the last year, 24.3% resulted from new borrowing clients, according to the table below:

Loan Operations Portfolio Movement between September 2007 and 2008

The new and previous loan borrowers in September 2007 show good credit quality, which means the adequacy and consistency of the loan evaluation policy and instruments used by the Organization, as shown in the tables below:

Loan Operations Portfolio Movement by Rating between September 2007 and 2008

| Ratings | Borrowers from before September 2007 | | New Borrowers between October 2007 and September 2008 | | Total Loans in September 2008 | |
|----------------|---|------------|--|------------|--------------------------------------|------------|
| | in millions of R\$ | % | in millions of R\$ | % | in millions of R\$ | % |
| AA - C | 123,651 | 93.4 | 26,729 | 94.7 | 150,380 | 93.6 |
| D | 1,948 | 1.5 | 379 | 1.3 | 2,327 | 1.4 |
| E - H | 6,809 | 5.1 | 1,118 | 4.0 | 7,927 | 5.0 |
| Total | 132,408 | 100 | 28,226 | 100 | 160,634 | 100 |

Aiming at facilitating the follow-up of the quantitative and qualitative performance of the Conglomerate's loan portfolio, we present below a comparative summary of the main figures and indicators:

Loan Operations Portfolio Indicators

| Items | in millions of R\$ (except %) | | | |
|---|--------------------------------------|------------------|-------------|------------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Total Loan Operations | 108,191 | 116,357 | 148,408 | 160,634 |
| Individual | 44,694 | 49,285 | 59,959 | 63,746 |
| Corporate | 63,497 | 67,072 | 88,449 | 96,888 |
| Existing Provision | 7,033 | 7,428 | 8,652 | 9,136 |
| Specific | 3,856 | 4,196 | 4,807 | 5,274 |
| Generic | 2,067 | 2,120 | 2,662 | 2,670 |
| Additional | 1,110 | 1,112 | 1,183 | 1,192 |
| Specific Provision/Existing Provision (%) | 54.8 | 56.5 | 55.6 | 57.7 |

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| | | | | |
|--|------|------|------|------|
| Existing Provision/ Loan Operations (%) | 6.5 | 6.4 | 5.8 | 5.7 |
| AA - C Rated Loan Operations/Loan Operations (%) | 92.4 | 92.8 | 93.4 | 93.6 |
| D Rated Operations under Risk Management/Loan Operations (%) | 1.9 | 1.7 | 1.5 | 1.4 |
| E - H Rated Loan Operations/Loan Operations (%) | 5.7 | 5.5 | 5.1 | 5.0 |

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in millions of R\$ (except %)

| Items | 2007 | | 2008 | |
|---|-------|-----------|-------|-----------|
| | June | September | June | September |
| D Rated Loan Operations | 2,011 | 1,981 | 2,175 | 2,327 |
| Existing Provision for D Rated Loan Operations | 534 | 526 | 584 | 624 |
| D Rated Provision/Loan Operations (%) | 26.6 | 26.5 | 26.8 | 26.8 |
| D H Rated Non-Performing Loans | 5,599 | 5,900 | 6,978 | 7,515 |
| Existing Provision/D H Rated Non-Performing Loans (%) | 125.6 | 125.9 | 124.0 | 121.6 |
| E H Rated Loan Operations | 6,173 | 6,434 | 7,570 | 7,927 |
| Existing Provision for E H Rated Loan Operations | 5,346 | 5,619 | 6,535 | 6,916 |
| E H Rated Provision/Loan Operations (%) | 86.6 | 87.3 | 86.3 | 87.2 |
| E H Rated Non-Performing Loans | 4,740 | 5,034 | 5,878 | 6,347 |
| Existing Provision/E H Rated Non-Performing Loan (%) | 148.4 | 147.5 | 147.2 | 143.9 |
| Non Performing Loans (*)/Loan Operations (%) | 4.5 | 4.4 | 4.3 | 4.2 |
| Existing Provision/Non Performing Loans (*) (%) | 144.1 | 144.1 | 136.6 | 135.7 |

(*) Loan operations overdue for more than 59 days and which do not generate income under the accrual method of accounting.

Throughout 2008, Bradesco remains prepared to take full advantage of all business opportunities focused on increasing the loan portfolio, always respecting the parameters defined by the loan assignment policy, based on the security, consistency, selectivity, diversification and adequate assessment of the risk/return ratio.

Funding

Investment Department

In order to facilitate the client's orientation in the diversification of investments, the Investment Department centralizes the commercial management of the Funds, CDB, Savings Account, Demand Deposits, Purchase and Sale Commitments and Mortgage Notes products. It also carries out the management of actions related to the Checking Account product and its guidelines.

In this sense, the department maintains efforts aimed at establishing funding policies and strategies, developing products and services and providing structures for local and specialized assistance to the branch network and especially to investors, such as Bradesco Investment Consulting Services, online chat and scheduling consulting

services via internet.

The results below state the commercial efficiency provided by the strategic centralization of subjects inherent to funding.

Breakdown of Deposits by Maturity

in millions of R\$

2008

| Deposits | June | | September | | | Total |
|----------------|----------------|------------------|---------------------------|----------------------------|--------------------------|----------------|
| | Total | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | |
| Demand | 25,843 | 26,694 | | | | 26,694 |
| Savings | 34,150 | 35,681 | | | | 35,681 |
| Interbank | 485 | 95 | 122 | 117 | 6 | 340 |
| Time | 61,343 | 3,829 | 6,045 | 11,955 | 53,700 | 75,529 |
| Other Deposits | 931 | 926 | | | | 926 |
| Total | 122,752 | 67,225 | 6,167 | 12,072 | 53,706 | 139,170 |

Demand Deposits in billions of R\$

Checking Accounts

At the end of the 3Q08, the balance of the Bradesco Organization's checking accounts was R\$26.7 billion, representing a 20.8% y-o-y increase.

In this quarter, we surpassed 20 million checking account holders. It is an historical milestone for Bradesco, one of the financial institutions which promotes bank products and services access the most to Brazilian citizens.

Seeking to always improve quality and safety of its products and services, Bradesco, in July 2008, started to use recycled paper with watermark in all of its check books. This technology is already used in paper money and now is applied in its check sheets.

Number of Checking Accounts Individuals and Corporate

Savings Accounts

At the end of 3Q08, the balance of the Bradesco Organization's savings accounts totaled R\$35.7 billion, an 18.0% y-o-y growth, representing a 17.3% market share in the SBPE and Bradesco's leadership among all private banks in the Brazilian financial system.

Saving Account Deposits in billions of R\$

The profitability (TR + 0.5% p.m.) accumulated up to 3Q08 was 5.64%, and our balance enjoyed growth 8.84%, higher than the profitability in the same period of 2007, showing that the savings account continues to be a good investment alternative, mainly for small savers.

Share in SBPE %

Savings Accounts

Number of Savings Accounts in thousands

Assets Managed

Bradesco is elected the Best Manager of Leveraged Funds

BRAM was elected the Best Manager of Leveraged Funds by *Guia Exame de Investimentos Pessoais 2008* (Exame s 2008 Guide of Personal Investments), published in August. The award is granted based on substantial analysis by Fundação Getulio Vargas Center of Finance Studies.

Bradesco. Present in the Best Funds for Institutional Investors ranking

Bradesco, by means of the management quality implemented by BRAM was classified as Excellent for 10 Funds aimed at institutional investors. The ranking was prepared by PPS Consultoria and published by Investidor Institucional magazine, in the September 2008 Best Funds for Institutional Investors issue.

Assets Under Management

Shareholders Equity

| | in millions of R\$ | | | |
|-------------------------|--------------------|----------------|----------------|----------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Investment Funds | 148,831 | 153,439 | 161,789 | 164,970 |
| Managed Portfolios | 7,429 | 7,646 | 15,999 | 17,021 |
| Third-party Fund Quotas | 5,021 | 6,502 | 6,597 | 6,004 |
| Total | 161,281 | 167,587 | 184,385 | 187,995 |

Asset Distribution

| | in millions of R\$ | | | |
|--------------------------------------|--------------------|----------------|----------------|----------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Investment Funds Fixed Income | 139,933 | 141,871 | 145,077 | 152,054 |
| Investment Funds Variable Income | 8,898 | 11,568 | 16,712 | 12,916 |
| Investment Funds Third-Party Funds | 4,947 | 5,670 | 5,753 | 5,119 |
| Total | 153,778 | 159,109 | 167,542 | 170,089 |
| Managed Portfolio Fixed Income | 4,359 | 4,387 | 6,548 | 8,223 |
| Managed Portfolio Variable Income | 3,070 | 3,259 | 9,451 | 8,798 |
| Managed Portfolios Third-Party Funds | 74 | 832 | 844 | 885 |
| Total | 7,503 | 8,478 | 16,843 | 17,906 |
| Total Fixed Income | 144,292 | 146,258 | 151,625 | 160,277 |
| Total Variable Income | 11,968 | 14,827 | 26,163 | 21,714 |
| Total Third-Party Funds | 5,021 | 6,502 | 6,597 | 6,004 |
| Overall Total | 161,281 | 167,587 | 184,385 | 187,995 |

Total Assets under Management according to the Anbid Global Ranking in millions of R\$ (*)

(*) Considering third-party fund quotas.

Number of Funds, Portfolios and Quotaholders

September 2007

June 2008

September 2008

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| | Number | Quotaholders | Number | Quotaholders | Number | Quotaholders |
|--------------------|------------|------------------|------------|------------------|------------|------------------|
| Investment Funds | 625 | 3,317,969 | 714 | 3,224,854 | 729 | 3,242,975 |
| Managed Portfolios | 108 | 516 | 192 | 632 | 214 | 581 |
| Total | 733 | 3,318,485 | 906 | 3,225,486 | 943 | 3,243,556 |

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4 - Operating Companies

Grupo Bradesco de Seguros e Previdência**Insurance Companies (Consolidated)**

Consolidated Balance Sheet (*)

| | in millions of R\$ | | | |
|---|--------------------|---------------|---------------|---------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 65,918 | 68,889 | 75,300 | 76,046 |
| Securities | 61,943 | 64,618 | 70,795 | 71,073 |
| Insurance Premiums Receivable | 1,148 | 1,289 | 1,264 | 1,356 |
| Other Receivables | 2,827 | 2,982 | 3,241 | 3,617 |
| Permanent Assets | 1,060 | 1,107 | 1,238 | 1,198 |
| Total | 66,978 | 69,996 | 76,538 | 77,244 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 58,462 | 61,038 | 66,995 | 68,451 |
| Tax, Civil and Labor Contingencies | 1,703 | 1,724 | 1,815 | 1,854 |
| Payables on Insurance, Private Pension Plans and Certificated Savings Plans Operations | 455 | 496 | 430 | 375 |
| Other Liabilities | 3,404 | 3,499 | 2,682 | 3,334 |
| Technical Provisions for Insurance | 5,128 | 5,496 | 5,595 | 5,690 |
| Technical Provisions for Life and Private Pension Plans | 45,409 | 47,405 | 53,881 | 54,530 |
| Technical Provisions for Certificated Savings Plans | 2,363 | 2,418 | 2,592 | 2,668 |
| Minority Interest | 67 | 73 | 101 | 105 |
| Shareholders Equity | 8,449 | 8,885 | 9,442 | 8,688 |
| Total | 66,978 | 69,996 | 76,538 | 77,244 |

Consolidated Statement of Income (*)

| | in millions of R\$ | | | | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Insurance Premiums, Private Pension Plan Contributions and Certificated Savings Plan Revenues | 5,055 | 5,448 | 15,304 | 5,756 | 5,822 | 16,945 |
| Premiums Earned from Insurance, Private | | | | | | |

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| | | | | | | |
|-------------------------------------|------------|------------|--------------|--------------|--------------|--------------|
| Pension Plan Contribution and | | | | | | |
| Certificated Savings Plan Revenues | 2,446 | 2,556 | 7,469 | 3,025 | 3,113 | 8,889 |
| Interest Income of the Operations | 906 | 681 | 2,223 | 734 | 547 | 1,979 |
| Sundry Operating Revenues | 194 | 237 | 613 | 213 | 242 | 702 |
| Retained Claims | (1,503) | (1,488) | (4,419) | (1,782) | (1,822) | (5,244) |
| Certificated Savings Plans Drawings | | | | | | |
| and Redemptions | (353) | (346) | (1,000) | (355) | (382) | (1,055) |
| Selling Expenses | (262) | (274) | (796) | (320) | (279) | (878) |
| General and Administrative Expenses | (276) | (301) | (817) | (294) | (341) | (921) |
| Other Operating Expenses | (3) | 5 | (29) | (112) | (6) | (144) |
| Tax Expenses | (44) | (51) | (155) | (71) | (67) | (210) |
| Health Provision | (213) | (239) | (689) | | | |
| Operating Income | 892 | 780 | 2,400 | 1,038 | 1,005 | 3,118 |
| Equity Result | 69 | 51 | 192 | 65 | 19 | 122 |
| Non-operating Income | (6) | (2) | 5 | (5) | | 3 |
| IR/CS and Minority Interest | (259) | (281) | (824) | (375) | (395) | (1,145) |
| Net Income | 696 | 548 | 1,773 | 723 | 629 | 2,098 |

(*) Information prepared in accordance with the accounting policies established by CNSP, Susep and ANS.

Performance Ratios %

| | 2007 | | | 2008 | | |
|-----------------------------------|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Claims Ratio (1) | 78.7 | 73.3 | 74.9 | 73.1 | 72.4 | 73.0 |
| Selling Ratio (2) | 11.9 | 11.7 | 11.7 | 10.7 | 10.3 | 10.6 |
| Administrative Expenses Ratio (3) | 5.5 | 5.5 | 5.3 | 5.1 | 5.9 | 5.4 |
| Combined Ratio (4) | 99.8 | 92.3 | 95.9 | 84.9 | 84.4 | 84.4 |

(1) Retained Claims/Earned Premiums.

(2) Selling Expenses/Earned Premiums.

(3) Administrative Expenses/Net Premiums Written.

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

Obs.: the ratios have been recalculated, pursuant to Susep Circular Letter 356.

Insurance Premiums Market Share %

Source: Susep and ANS

According to information published by Susep and ANS, up to July 2008, in the insurance segment, Bradesco Seguros e Previdência collected R\$10.6 billion in premiums and maintained its leadership in the ranking with a 23.7% market share. The insurance sector obtained a total of R\$44.8 billion in premiums in the same period.

Increase in Technical Provisions for Insurance in millions of R\$

The technical provision charts of Bradesco Vida e Previdência and Bradesco Capitalização are presented in the section specifically related to these companies.

Earned Premiums (Retained Premiums less Technical Provision Variation) by Insurance Line in millions of R\$

| Insurance Line | 2007 | | | 2008 | | |
|----------------|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Health | 1,038 | 1,045 | 3,066 | 1,311 | 1,348 | 3,776 |
| Auto/RCF | 506 | 536 | 1,553 | 498 | 502 | 1,482 |
| Life/AP/ VGBL | 191 | 288 | 764 | 423 | 452 | 1,307 |
| Basic Lines | 113 | 111 | 332 | 120 | 131 | 362 |
| Other Lines | 62 | 51 | 185 | 87 | 82 | 261 |
| Total | 1,910 | 2,031 | 5,900 | 2,439 | 2,515 | 7,188 |

Obs.: As of 4Q07, we do not consider premiums related to Indiana Seguros S.A, whose interest sale was approved by Susep on December 12, 2007.

In 9M08, there was a y-o-y increase of 21.8% in premiums earned in the insurance segment.

Earned Premiums (Retained Premiums less Variation of Technical Provisions) by Insurance Line %

Retained Claims by Insurance Line in millions of R\$

| Insurance Line | 2007 | | | 2008 | | |
|----------------|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Health | 856 | 872 | 2,494 | 1,120 | 1,118 | 3,209 |
| Auto/RCF | 379 | 375 | 1,137 | 359 | 365 | 1,061 |
| Life/AP/VGBL | 163 | 147 | 468 | 149 | 200 | 535 |
| Basic Lines | 53 | 52 | 168 | 80 | 70 | 220 |
| Other Lines | 52 | 42 | 152 | 74 | 69 | 219 |
| Total | 1,503 | 1,488 | 4,419 | 1,782 | 1,822 | 5,244 |

Claims Ratio by Insurance Line %

Selling Expenses by Insurance Line in millions of R\$

| Insurance Line | 2007 | | | 2008 | | |
|----------------|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Health | 32 | 36 | 98 | 46 | 47 | 134 |
| Auto/RCF | 98 | 101 | 296 | 101 | 95 | 290 |
| Life/AP/VGBL | 73 | 81 | 232 | 89 | 93 | 268 |
| Basic Lines | 24 | 19 | 64 | 24 | 24 | 71 |
| Total | 227 | 237 | 690 | 260 | 259 | 763 |

Selling Ratios by Insurance Line %

Number of Policyholders in thousands

Obs.1: It includes Mediservice and Bradesco Dental policyholders.

Obs.2: As of 4Q07, we do not consider policyholders related to Indiana Seguros, whose interest sale was approved by Susep on December 12, 2007.

In September 2008, there was a y-o-y increase of 26.1% in the client base.

Rating

At the beginning of June, the risk rating agency Fitch Ratings increased the international Financial Strength rating of Bradesco Seguros from BBB to BBB+ Stable and stated the FFS on the domestic scale as AAA(bra), stable prospect, as a result of the increase of the sovereign credit rating of Brazil to BBB, considered investment grade.

Operational Risk

Grupo Bradesco de Seguros e Previdência, part of the Bradesco Organization, has adapted its methods and activities as part of its permanent commitment to comply with laws and regulations, using methodologies and resources in line with the best market practices - especially those related to risk management.

Thus, in order to comply with the guidelines established by the New Basel Capital Accord (Basel II), provisions of the monetary authority and alignment of definitions related to Solvability II, we performed a survey and analysis of the events related to operating risk. This initiative enabled the improvement in the management and knowledge of losses and their causes. The dissemination of the operating risk management culture on several levels, the disclosure of corporate policies and establishment of ongoing monitoring procedures of exposure levels are inserted in this context.

Awards/Acknowledgments

1 Bradesco Seguros e Previdência won the Fides award in the Institutional category for the marketing campaign for the 2006 edition of Bradesco Seguros e Previdência's Christmas tree, with the theme A Present for the Brazilian Family. The award, promoted by Fides, considered marketing campaigns of the affiliated insurance companies. The event took place in Ecuador in January.

2 Grupo Bradesco de Seguros e Previdência was awarded the *Prêmio Segurador Brasil 2008* (2008 Brazilian Insurance Company award), for Distinguished Global Insurance Sales. The award is sponsored by Segurador Brasil magazine as a means to acknowledge the leadership, performance and achievements of companies in the insurance sector last year. The award highlights the role of companies and entities in the development and implementation of concepts, products and services for the Brazilian insurance market.

3 In 2007, Grupo Bradesco de Seguros e Previdência maintained first place in the rankings of the largest insurance groups of Brazil. In the fifth edition of *Prêmio Os Melhores Grupos Seguradores do País* (The Best Insurance Groups in the Country Award), sponsored by Conjuntura Econômica magazine, edited by the IBRE of FGV, Grupo Bradesco de Seguros e Previdência was also appointed as the leader in the total assets, shareholders equity and net income categories.

Sponsorships and Highlights

1 Bradesco Seguros e Previdência is one of the sponsors of the series of events to be promoted by the Sincor-SP in 2008, to provide opportunities for integration and updating of the professionals who operate in the insurance market.

2 Bradesco Seguros e Previdência, in a partnership with the Ibmec, formed the second class of the MBA course Business Management Focused on Insurance. Forty-one employees of Grupo Bradesco de Seguros e Previdência nominated by their managers are part of the class of 2008 and will take part in classes in the period from March to December this year. The purpose of the MBA is to qualify students through courses in the business management area and other areas focused on insurance.

3 Bradesco Seguros e Previdência, with the purpose of stimulating the quality of life by means of physical activities, sponsored the following sport events:

The *3ª Corrida Oral-B Prevenção do Câncer Bucal* (3rd Oral-B Race Oral Cancer Prevention) the race was part of the *26º Congresso Internacional de Odontologia de São Paulo* (26th Odontology International Congress of São Paulo) activities and was the beginning of the street race season in the city.

A Corrida e Caminhada Contra o Câncer de Mama (The Run and Walk Against Breast Cancer), which occurred in June 8, in Aterro do Flamengo, in Rio de Janeiro approximately 6 thousand people participated to make women aware of the fast detection and the importance of the self-exam to control breast cancer, the most common cancer among them. The event was created by IBCC.

The *Circuito Corrida e Caminhada da Longevidade* (Longevity Run and Walk Circuit) created in 2007 by Grupo Bradesco de Seguros e Previdência, the initiative aims at stimulating the interest in longevity.

4 Circuito Cultural Bradesco Seguros e Previdência promoted several cultural manifestations.

Plays *Otelo, A Noviça Rebelde, No Natal a gente vem te buscar, Tom & Vinícius, Vergonha dos Pés, A Forma das Coisas* and 7 *O Musical*.

Music- Series of international concerts realized by Dell Arte, the marathon of classical music of *Rio Folle Journée 2008* and the *Jazz All Nights* season in Rio de Janeiro, *Loucos por Música*, in Canecão.

Plastic Arts Exhibition *Segall Realista*, in São Paulo, and the show *O Teatro Pitoresco de Debret*, in Rio de Janeiro, and *50 Years of Bossa Nova* in São Paulo.

Bradesco Saúde

Health Insurance Premiums Market Share %

Source: ANS

Net Premiums Written in millions of R\$ (*)

| Insurance Line | 2007 | | | 2008 | | |
|-----------------|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Corporate Plan | 810 | 805 | 2,373 | 1,069 | 1,087 | 3,031 |
| Individual Plan | 251 | 260 | 762 | 258 | 302 | 818 |
| Total | 1,061 | 1,065 | 3,135 | 1,327 | 1,389 | 3,849 |

(*) Includes premiums from Mediservice and Bradesco Dental.

Growth in Technical Provisions for Health in millions of R\$ (*)

(*) Includes provisions of Bradesco Dental.

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Number of Policyholders in Health Insurance Lines in thousands

In September 2008, Bradesco Saúde and Bradesco Dental maintained its outstanding market position in the corporate segment (source: ANS). Brazilian companies are increasingly convinced that health and dental insurance are the best alternatives for meeting their medical, hospital and dental care needs.

More than 24 thousand companies in Brazil have acquired Bradesco Saúde and Bradesco Dental insurance products. Among Brazil's 100 largest companies in terms of revenue, 34 are clients of both insurance companies. Considering Mediservice, this number increases to 39. (source: Exame magazine's *Melhores e Maiores de Julho de 2008* Best and Largest List, July 2008).

Together, the three companies have almost 3.7 million clients. The large market share of corporate insurance in this total portfolio (93.2% in September 2008) confirms its high level of expertise and personalization in the corporate plans, a distinct advantage in the supplementary health insurance market.

As of February 22, 2008, Mediservice S.A. started to integrate Grupo Bradesco de Seguros e Previdência, and with a portfolio of more than 270,000 clients, it operates health and dental insurance for corporate clients in the post-payment line.

Awards/Acknowledgments

1 Bradesco Saúde was acknowledged in the health insurance segment as the most well-rated company according to the *Os 100 Melhores Fornecedores para RH 2008* ranking (The Top 100 Best HR Suppliers 2008), promoted by Gestão RH e Editora. Bradesco Saúde was also awarded with the *10 Fornecedores Mais Votados e Melhores Avaliados* (10 Most Voted for and Well-Rated Suppliers) trophy, being the only insurance company on the list where the participating companies were voted on regardless of their operational area. The company won both awards for the second consecutive time. The research, conducted between August and November 2007 by means of questionnaires, was conducted with the human resources areas (HR) of the companies listed in the 1,000 Largest Companies and Best Companies to Work For published by Exame magazine.

2 Bradesco Saúde was granted the *Prêmio Segurador Brasil 2008* (2008 Brazilian Insurance Company award), for Distinguished Sales by Health Insurance Line. The award is sponsored by Segurador Brasil magazine as a means to acknowledge the leadership, performance and achievements of the companies in the insurance sector last year. The award highlights the role of companies and entities in the development and implementation of concepts, products and services for the Brazilian insurance market.

3 Bradesco Saúde ranked first among the largest insurance companies in Brazil in premiums awarded in the fifth edition of the *Prêmio Os Melhores Grupos Seguradores do País* (The Best Insurance Groups in Brazil Award), sponsored by Conjuntura Econômica magazine, edited by the IBRE of FGV.

Highlight

Bradesco Saúde, in a pioneering initiative, promoted the technical and operational work forum in São Paulo, targeted to hospital employees associated to Anahp. The forum presented the main operational routines of Bradesco Saúde, focused on the Company's daily relationship with its medical and hospital service providers' network and on routines related to TISS, standard established by ANS in 2007.

Bradesco Dental

Highlight

To give more attention to dental insurance, Grupo Bradesco de Seguros e Previdência structured Bradesco Dental, which is a market leader among the insurance companies that operate in the sector nowadays. In August, Bradesco Dental reached one million policyholders, all of them included in collective policies – corporate and SPG. The company has the strength of the largest insurance conglomerate of Latin America and on the group's more than 15 years of experience in the dental segment.

Bradesco Auto/RE

Insurance Premiums of Auto/RE Market Share %

Source: Susep

Obs.: in 2007, premiums from Indiana Seguros were included.

Growth in Technical Provisions of Auto/RE in millions of R\$

Obs: In 2004, Bradesco Seguros Auto/RE portfolio was merged.

Obs: As of 2007, technical provisions from Indiana Seguros are not included.

Net Premiums Written in millions of R\$

| Insurance Line | 2007 | | | 2008 | | |
|----------------|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Auto/RE | 693 | 912 | 2,209 | 711 | 791 | 2,155 |

Number of Policyholders of Auto/RE in thousands

Obs.: since 4Q07, we are not considering the policyholders related to the company Indiana Seguros, whose sale of equity interest was approved by Susep on December 12, 2007.

Grupo Bradesco de Seguros e Previdência maintained an outstanding position among the main insurance companies in the Brazilian basic line insurance market, with a 7.6% share of total market sales in July 2008 in this area.

In lines related to equity insurance, Bradesco Auto/RE has renewed the insurance programs of its main clients through partnerships with brokers specialized in the segment and proximity to Bradesco Corporate and Bradesco Empresas. The fact that the oil industry had outstanding performance and civil construction had picked up has also contributed to the growth of Bradesco Auto/RE in this segment.

In the insurance of air- and watercraft, the exchange between managers of Bradesco Corporate and Bradesco Empresas has been widely employed, taking advantage of the market increase in the sales of new aircraft, as well as in the maritime segment of watercraft constructions.

The transportation segment is still the primary focus, with essential investments to improve new businesses, especially, among others, the qualification of Transportation Products Managers that will be established in the main Brazilian economic centers, and the creation of Bradesco Cargo System, a complete transport insurance management system on the internet.

In the mass market insurance segment of basic lines, whose products are destined for individuals, self-employed professionals and SMEs, the launch of new products, along with the continuous improvement of methods and systems, have contributed to the growth of the client base. Such increase can be observed mainly in residential and equity insurance, such as *Bradesco Seguro Residencial* and *Bradesco Seguro Empresarial*. We would also like to point out the new insurance line destined to support machinery and equipment used in sectors in expansion (such as agriculture, civil construction and industry): *Bradesco Seguro Equipamentos*, *Bradesco Seguro Benfeitorias*, *Bradesco Seguro Penhor Rural Público* and *Bradesco Seguro Penhor Rural Privado*. These products gained more competitiveness and a new issue process, enabling a faster quoting process and a better use of business opportunities.

Despite strong competition in the Auto/RCF Lines, the insurance company has increased its client base. This is mainly due to the current product improvement and to the creation of products for specific groups. Among these, we can name *Bradesco Seguro Exclusivo Cliente Bradesco*, for Banco Bradesco's account holders, *Auto Mulher*, for the female public, and *Auto Corretor*, for insurance brokers.

One of the positive factors is the prospect of maintaining new vehicle sales growth, which contributes to an increase the insurance production of this line.

Grupo Bradesco de Seguros e Previdência's market share of the Auto/RCF portfolio, in July 2008, was 13.0% .

Awards/Acknowledgements

1 Bradesco Auto/RE Companhia de Seguros was awarded the *Prêmio Segurador Brasil 2008* (2008 Brazilian Insurance Company Award), for Distinction in the Auto/RE Market. The award is sponsored by Segurador Brasil magazine as a means to acknowledge the leadership, performance and achievements of the companies in the insurance sector last year. The award highlights the role of companies and entities in the development and implementation of concepts, products and services for the Brazilian insurance market.

2 Bradesco Auto/RE Companhia de Seguros received the Gaivota de Ouro Trophy for Excellence in the Transportation Portfolio, in the *VII Prêmio Mercado de Seguros* (VII Insurance Market Award), sponsored by Seguro Total magazine.

Highlights

1 In July, Bradesco Auto/RE Companhia de Seguros launched the Smart Seg (Monitored Remote Service in Traffic). This new system of fast assistance to policyholder's vehicle, by using Segway, an agile and non-polluter mean of transportation, is well suited to light failures, such as battery recharge or tire change.

2 Bradesco Auto/RE Companhia de Seguros was one of the sponsors of the Seminar "The Challenge of Urban Mobility", which occurred on August 18, in Centro de Convenções Millenium, in São Paulo. The seminar, promoted by Anfavea and Sae Brasil, was attended by approximately 250 people and discussed themes on urban mobility challenge, such as planning, urban mobility in cities, public policies and the automobile of the future.

Bradesco Vida e Previdência

Income from Private Pension Plans and VGBL Market Share %

Source: Susep

Up to September 2008, total income from private pension plans totaled R\$8.0 billion.

People Insurance Premiums (Life and Personal Injuries) Market Share %

Source: Susep

Up to September 2008, total income from net premiums written amounted to R\$1.5 billion.

Growth in Technical Provisions in millions of R\$

Technical provisions of Bradesco Vida e Previdência in September 2008 reached R\$54.5 billion, of which R\$26.7 billion was for VGBL, R\$25.4 billion for supplementary private pension plans and R\$2.4 billion for life, personal injury and other lines, a y-o-y increase of 15.0% .

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Private Pension Plans and VGBL Investment Portfolios Market Share %

Source: Fenaprevi

In September 2008, the investment portfolio of Bradesco Vida e Previdência reached R\$56.6 billion, of which R\$54.3 billion came from private pension plans and VGBL and R\$2.3 billion came from life and personal injury and other lines.

Number of Participants in thousands

107

Number of Life Insurance and Personal Injury Policyholders in thousands

Due to its solid structure, innovative product policy and trusted market standing, Bradesco Vida e Previdência maintained its leadership of both markets in which it operates, with a 35.3% share of income from private pension plans and VGBL and a 16.6% share of personal insurance premiums.

Bradesco is also sole leader in VGBL plans, with a 37.4% share, and in PGBL, with a 26.2% share (sources: Fenaprevi data accumulated up to July 2008).

The number of Bradesco Vida e Previdência clients grew by 27.0% in September 2008 compared to September 2007, surpassing the record of 1.9 million private pension plans and VGBL participants and 16.6 million life and personal injury insurance policyholders. This significant increase was prompted by the strength of the Bradesco brand and by the use of appropriate management and sales policies.

In July 2008, the portfolio of investments in private pension plans and VGBL totaled R\$53.9 billion, comprising 38.9% of all market resources.

Awards/Acknowledgements

1 Bradesco Vida e Previdência won awards in 3 categories of the *Prêmio Segurador Brasil 2008* (2008 Brazilian Insurance Company Award): Best Global Performance in Private Pension Plan; Distinguished Sales by Life Insurance Line; and Distinguished Global Sales in Private Pension Plans. The Brazilian Insurance Company Award is an initiative of Segurador Brasil magazine. The technical evaluation was prepared by economist Luiz Roberto Castiglione and takes into account the number of awards obtained by insurance companies, from November 2006 to November 2007.

2 Bradesco Vida e Previdência was awarded as the largest company in net income and Brazil's best insurance group in the supplementary pension plan segment. The award is sponsored by Conjuntura Econômica magazine of FGV. The award criteria were based on the economic-financial performance of the companies last year.

3 Bradesco Vida e Previdência was chosen the Best Supplementary Pension Plan Company of 2007 by Gazeta Mercantil, based on an analysis of Austin Rating, the first national company to grant ratings in Brazil.

4 Bradesco Vida e Previdência is the only Brazilian company recognized at the Regional Educational Achievement Awards 2007. The awards are LOMA's public recognition to companies that maintain significant professional development and qualification plans, investing in the development of their employees, of the industry and in the qualification of their markets.

Bradesco Capitalização

Bradesco Capitalização's outstanding position in the certificated savings plans market is the result of its transparent operating policy, which is focused on adjusting its products to meet the potential consumer demand.

Regionally, Bradesco Capitalização is a leading company in two Brazilian states: with a 29.29% market share in Amazonas and 25.72% in São Paulo, according to the latest figures for July 2008 disclosed by Susep.

Aiming at offering the bond that best suits its clients' profiles and budgets, a number of products were developed that vary in accordance with the type of payment (single or monthly), contribution term, regularity of drawings and related prize amounts. That phase was mainly characterized by its proximity to the public via the consolidation of *Pé Quente Bradesco* family products.

We would also like to highlight the performance of social-environmental products. Among them, it is worth mentioning the following: *Pé Quente Bradesco SOS Mata Atlântica*, which, in addition to enabling the formation of a financial reserve, contributes to reforestation projects of the Fundação SOS Mata Atlântica; *Pé Quente Bradesco Instituto Ayrton Senna*, whose great competitive advantage is the designation of a percentage of the amount collected with bonds for social projects of the Instituto Ayrton Senna, as well as *Pé Quente Bradesco O Câncer de Mama no Alvo da Moda* (Fashion Targets Breast Cancer), by means of which the client contributes to the development of projects for prevention, early diagnosis and treatment of cancer in Brazil, since part of the amount collected is given to the IBCC; and *Pé Quente Bradesco Amazonas Sustentável*, whose part of amount collected is allocated to Fundação Amazonas Sustentável, which develops programs and projects related to environmental preservation and sustainable development.

Rating

Bradesco Capitalização S.A. is currently graded **brAAA Stable** by Standard & Poor's and is maintained as the only company in the certificated savings plans segment with this rating. The solid financial and equity protection standard that Bradesco Capitalização ensures to its clients contributed to this result.

Quality Management System

Bradesco Capitalização S.A. maintains its quality management system according to the ISO 9001:2000 version within the scope of Bradesco Certificated Savings Plans Management. Granted by Fundação Vanzolini, this certification shows the quality of its internal processes and confirms the principle which is the origin of Bradesco Certificated Savings Plans: good products, good services and permanent evolution.

Income from Certificated Savings Plans Market Share %

Source: Susep

Technical Provisions for Certificated Savings Plans Market Share %

Source: Susep

Growth in Technical Provisions for Certificated Savings Plans in millions of R\$

Due to the growing fortification of the volume of technical provisions, Bradesco Capitalização reached the amount of R\$2.6 billion in September 2008, and according to July 2008 data released by Susep, it holds 20.5% of the total volume of technical provisions in the market.

Such results convey safety and reaffirm its financial solidity and ability to honor commitments to its clients.

Number of Certificated Savings Plans Clients in thousands

As a result of a policy of building customer loyalty, focused on the quality of customer service and on offering innovative products, Bradesco Capitalização ended the 3Q08 with nearly 2.5 million clients, which represented an growth of 9% compared to September 2007.

Outstanding Traditional Certificated Savings Plans in thousands

Outstanding Certificated Savings Plans Incentive (With Transfer of Drawing Participation Right) in thousands

Total Outstanding Certificated Savings Plans in thousands

112

The portfolio includes 14.9 million outstanding certificated savings plans. Out of this total, 32.8% are represented by traditional plans sold at the branch network and in the convenience channels Bradesco Dia&Noite. This portfolio had a growth of 9% compared to September 2007. The other 67.2% of the portfolio is represented by plans of the Incentive type (transfer of drawing participation rights), such as the partnerships with Bradesco Cartões, Bradesco Vida e Previdência, Bradesco Auto/RE etc. Considering that the purpose of this type of certificated savings plans is to add value to partners' products or even to provide incentives for customer payments, these plans are sold with reduced terms and grace periods and at a lower unit purchase price.

Awards/Acknowledgments

- 1 Bradesco Capitalização received the *2º Prêmio Brasil de Meio Ambiente* (2nd Brazil Environmental Award) for the Best Work in Environment Communication Program, with the product *Pé Quente Bradesco SOS Mata Atlântica*. The award, which is sponsored by the *Jornal do Brasil* newspaper, was created to encourage the continuity and the expansion of environmental awareness in Brazil. It is for artists and public and private institutions of several sectors which perform an essential and active role in relation to the environment. The prizewinners are chosen by the CNI.
- 2 Bradesco Capitalização won the *Prêmio Segurador Brasil 2008* (2008 Brazilian Insurance Company Award) in the Marketing 10 and Entrepreneurs in the Certificated Savings Plan Area categories. The award is sponsored by *Segurador Brasil* magazine as a way to acknowledge the leadership, performance and achievements of insurance companies last year. It highlights the role of the companies and entities in the development and implementation of concepts, products and services for the Brazilian insurance market.
- 3 Bradesco Capitalização received the Dr. Oswaldo Cruz Award in the category Education and Social/Environmental Responsibility. Ibrasi and SBACE, sponsors of the award, chose it in recognition of the launch of certificated savings plans which allocate part of the revenues of the sale of these products to programs aimed at quality of life of Brazilians.

Highlights

- 1 On February 12, in the city of Piracicaba (State of São Paulo), Bradesco Capitalização, in partnership with Fundação SOS Mata Atlântica, opened a community nursery where 250 thousand seedlings of over 80 different kinds of native trees can be raised. They will be planted on properties in the region, mainly in areas of Atlantic Forest reforestation. These trees will allow the complete neutralization of CO₂ (carbon dioxide) emissions derived from the work of more than 84,000 employees of Bradesco Organization.
- 2 On March 10, Bradesco Capitalização launched the certificated savings plan *Pé Quente Bradesco Amazonas Sustentável*. The product, created in partnership with Fundação Amazonas Sustentável, grants part of the amount collected on behalf of the Fundação to environmental preservation and sustainable development programs and projects. With this new product, Bradesco Capitalização strengthens its social-environmental commitment, which already includes partnerships with Fundação SOS Mata Atlântica, the IBCC and the Instituto Ayrton Senna.

3 From May 30 to June 1, Bradesco Capitalização hosted the 4th edition of *Viva a Mata* at the Parque do Ibirapuera, in São Paulo. Held during the week that celebrates the Atlantic Forest Day (May 27), the event had several activities such as lectures, debates and thematic stands.

Banco Finasa BMC

Consolidated Balance Sheet

| | in millions of R\$ | | | |
|---|--------------------|---------------|---------------|---------------|
| | 2007 (3) | | 2008 (4) | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 24,577 | 27,282 | 44,056 | 50,843 |
| Funds Available | 10 | 8 | 3 | 3 |
| Interbank Investments | 775 | 1,274 | 11,541 | 16,455 |
| Securities and Derivative Financial Instruments | 1,059 | 278 | 311 | 371 |
| Interbank Accounts | 28 | 34 | 70 | 20 |
| Loan and Leasing Operations | 21,633 | 24,396 | 30,195 | 32,017 |
| Allowance for Loan Losses | (1,147) | (1,246) | (1,610) | (1,715) |
| Other Receivables and Other Assets | 2,219 | 2,538 | 3,546 | 3,692 |
| Permanent Assets (1) | 1,915 | 1,987 | 78 | 78 |
| Total | 26,492 | 29,269 | 44,134 | 50,921 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 24,902 | 27,689 | 32,105 | 38,689 |
| Demand, Time and Interbank Deposits | 22,987 | 26,336 | 30,317 | 36,608 |
| Federal Funds Purchased and Securities Sold under Agreements to | | | | |
| Repurchase and Funds from Issuance of Securities | 903 | 95 | | |
| Interbank Accounts | 2 | 2 | 8 | 5 |
| Borrowing and Onlending | 110 | 82 | | |
| Derivative Financial Instruments | 21 | 23 | | |
| Other Liabilities | 879 | 1,151 | 1,780 | 2,076 |
| Deferred Income | 17 | 18 | 24 | 43 |
| Shareholders Equity (2) | 1,573 | 1,562 | 12,005 | 12,189 |
| Total | 26,492 | 29,269 | 44,134 | 50,921 |

(1) Investment Reduction in March 2008: Banco Bradesco acquired an interest of 34.6% in Banco Alvorada, which belongs to Banco Finasa S.A.

(2) The Special Shareholders Meetings held on March 3, 2008 and April 3, 2008 resolved on the capital increase in the amount of R\$5 billion, respectively, totaling R\$10 million.

Consolidated Statement of Income

in millions of R\$

| | 2007 (3) | | | 2008 (4) | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Income from Financial Intermediation | 1,734 | 1,825 | 5,272 | 2,047 | 2,072 | 6,557 |
| Financial Intermediation Expenses | (950) | (1,059) | (2,917) | (908) | (974) | (3,408) |
| Financial Margin | 784 | 766 | 2,355 | 1,139 | 1,098 | 3,149 |
| Provision for Loan Losses | (330) | (344) | (964) | (418) | (427) | (1,288) |
| Gross Income from Financial Intermediation | 454 | 422 | 1,391 | 721 | 671 | 1,861 |
| Other Operating Income/Expenses | (282) | (395) | (1,029) | (457) | (340) | (1,250) |
| Operating Income | 172 | 27 | 362 | 264 | 331 | 611 |
| Non-Operating Income | (2) | (4) | (8) | (75) | (50) | (165) |
| Income before Taxes and Contributions | 170 | 23 | 354 | 189 | 281 | 446 |
| Taxes and Contributions on Income | (24) | (40) | (103) | (74) | (95) | (148) |
| Net Income | 146 | (17) | 251 | 115 | 186 | 298 |

(3) Bound data for comparison purposes.

(4) Already considers the merger of Finasa into BMC, according to the Meeting on April 30, 2008.

Profile

Banco Finasa BMC offers consumer sale financing lines for the acquisition of passenger or cargo vehicles, as well as other goods and services, in addition to offering leasing, traditional personal and loan operations, deductible loans, operating as Bradesco's financing company.

Finasa Segment

Finasa specializes in consumer sale financing lines for the acquisition of passenger and cargo vehicles, as well as other goods and services, in addition to leasing operations and personal loans.

It operates in the granting of financing segment and also in the strategy of entering into operational agreements with large car makers, as well as auto, truck and implements resale, in addition to important retail chains.

BMC Segment

BMC specializes in deductible loans for INSS retirees and pensioners, payroll of companies of the federal, state and municipal public sector, employees of private sector companies, CDC of used vehicles and secured transaction loans.

It operates by means of correspondent banks. In the second quarter, also through correspondent banks, it started granting payroll-deductible loans in branches of Banco Bradesco (Synergy Project) and granting payroll-deductible loans of private sector companies (Federal Government Project) focused on companies which compose the portfolios of Bradesco Empresas and Corporate segments.

Operation Strategy

The Finasa and BMC segments, operating in a different manner, mainly in partnership with stores and retailers, complete the distribution network of the Bradesco Organization's financial products.

For its new business prospects, the Finasa segment hires the services of Finasa Promotora de Vendas, a wholly-owned subsidiary of Banco Finasa BMC, through its 216 branches established nationwide and a structure of business partners; on the other hand, the BMC segment uses its specialized team and prospective opportunities markets. It is currently operating with 1,078 correspondent banks whose distribution includes all Brazilian states.

Operating Performance

Finasa

In the 3Q08, the Finasa segment totaled to R\$28.590 billion from its financing portfolio/vehicle leasing and personal loan, a growth of 25.2% over the same period in 2007. We would like to point out the leasing portfolio which grew by

285.3%, from R\$2.867 billion to R\$11.048 billion as a result of the strategy of assembling a team focused on serving large concessionaires/vehicle retailers, resulting in an increase in the granting of financing in this type.

BMC

In the 3Q08, the segment totaled R\$3.427 billion in loans and financing portfolio with a growth of 119.3% compared to the same period of 2007. The highlight was the payroll-deductible loans portfolio, which enjoyed growth of 96.5%, increasing from R\$1.206 billion in September 2007 to R\$2.370 billion, a result of the strategy and structuring of the team dedicated to agreements with INSS, government bodies and private companies, with the consequent increase of granting of funds in this modality. The production of new business increased from an average of R\$260.9 million/month in the 3Q07, to R\$296.8 million/month in the same period of 2008, with a growth of 13.7% .

During the quarter, loan operations of payroll-eductible loans were granted in the amount of R\$157.3 million. Incorporating the operations granted, total loan operations would be R\$4.619 billion, with a growth of 56.8% on the same period of 2007.

Evaluation of Results

Net income in the period from January to September 2008 was R\$298 million, representing a growth of 18.7% compared to the same period of the previous year.

Banco Finasa BMC closed 3Q08 with shareholders equity of R\$12.189 billion.

Banco Bradesco BBI

Balance Sheet

| | in millions of R\$ | | | |
|---|--------------------|--------------|--------------|--------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 1,418 | 2,244 | 6,312 | 6,711 |
| Funds Available | | | | 2 |
| Interbank Investments | 728 | 538 | 5,122 | 5,627 |
| Securities and Derivative Financial Instruments | 526 | 1,541 | 1,022 | 954 |
| Interbank Accounts | | | 26 | |
| Other Receivables and Other Assets | 164 | 165 | 142 | 128 |
| Permanent Assets (1) | 250 | 269 | 481 | 1,401 |
| Total | 1,668 | 2,513 | 6,793 | 8,112 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 379 | 1,183 | 2,220 | 2,527 |
| Time Deposits | | | 1,578 | 1,807 |
| | 226 | 1,015 | 232 | 253 |

Federal Funds Purchased and Securities Sold
under Agreements to Repurchase

| | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|
| Derivative Financial Instruments | 52 | 58 | 313 | 325 |
| Other Liabilities | 101 | 110 | 97 | 142 |
| Shareholders' Equity (2) | 1,289 | 1,330 | 4,573 | 5,585 |
| Total | 1,668 | 2,513 | 6,793 | 8,112 |

(1) Merger of total shares of Ágora Holdings S.A., changed into wholly-owned subsidiary, pursuant to Special Shareholders' Meeting held on September 17, 2008.

(2) Capital increase in the amount of R\$60.3 million on April 28, 2008, R\$3.0 billion on June 30, 2008 and R\$346.2 million on September 17, 2008, pursuant to the Special Shareholders' Meetings of these dates.

Statement of Income

| | in millions of R\$ | | | | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Income from Financial Intermediation | 28 | 53 | 120 | 70 | 188 | 292 |
| Financial Intermediation Expenses | (5) | (19) | (31) | (53) | (60) | (127) |
| Gross Income from Financial Intermediation | 23 | 34 | 89 | 17 | 128 | 165 |
| Other Operating Income/Expenses | 2 | 23 | 43 | 48 | 23 | 86 |
| Operating Income | 25 | 57 | 132 | 65 | 151 | 251 |
| Taxes and Contributions on Income | | (14) | (24) | (10) | (46) | (64) |
| Net Income | 25 | 43 | 108 | 55 | 105 | 187 |

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

Variable Income

In September 2008, BBI ranked 6th in Anbid's Origination and Distribution ranking, by volume, in variable income in the domestic market. In the 3Q08, characterized by a significant decrease in share offering operations, we would like to highlight our participation as coordinators and joint-bookrunners in the public offering of shares of Cia. Vale do Rio Doce, in the amount of R\$19.4 billion.

Fixed Income

In September 2008, pursuant to Anbid's Origination and Distribution ranking, BBI ranked second, by volume, in fixed income in the domestic market. In 3Q08 we highlight our participation as lead manager of the promissory notes of Bradespar S.A., in the amount of R\$1.4 billion, the debentures of Trisul S.A., in the amount of R\$200 million, the debentures of Companhia de Gás de São Paulo Comgás, in the amount of R\$100 million, the debentures of Localiza S.A., in the amount of R\$300 million and in the issuance of debentures of Companhia de Concessões Rodoviárias, in the amount of R\$300 million. We also participated as managers of the debentures of MRV Engenharia e Participações S.A., in the amount of R\$300 million, and the promissory notes of Telemar Norte Leste S.A., in the amount of R\$3.6 billion.

Structured Operations

BBI develops structures used to segregate credit risks through securitization, using SPEs, loan assignments with shared risk, FIDCs, CRIs and MEDIUM- and long-term financing, structured based on receivables and/or other collaterals.

Additionally, by means of structured financing, BBI provides custom-built solutions in order to enable the most diverse strategic options for corporate expansion and growth, such as pre-IPO financing and acquisition finance, among others.

Our financial advising comprises the identification of the most adequate funding for the transaction, its structuring and implementation, the obtainment of bridge loans, and the intermediation of contact with potential strategic investors who are interested in transferring capital, when necessary.

In 3Q08, we worked on the development and implementation of complex leverage structures, which allowed for the acquisition operations such as: the Frango Assado restaurant network by investment fund Advent International, and the Montelac Alimentos S.A. dairy company by Indústria de Alimentos Nilza S.A.

Mergers and Acquisitions

BBI advises important clients on mergers, acquisitions, joint ventures, corporate restructuring and privatization operations.

According to the latest Announcement Ranking published by Anbid in June 2008, we ranked 1st by number of operations. Among the operations, we highlight: advisory services to Bovespa Holding S.A. in the merger with Bolsa de Mercadorias e Futuros S.A., American Banknote in the acquisition of Interprint, AMC Têxtil in the acquisition of four companies of TF Modas Group, owner of Forum and Triton brands, among others, and to Bradesco in the acquisitions of Ágora Holdings and Mediservice Administradora de Planos de Saúde.

In this 3rd quarter, we highlight:

Advisory services in the structuring and financial support to Rede Energia asset swap operation through which Rede Energia acquired Enersul Energias do Brasil;

Advisory services to Advent International investment fund in the acquisition of Frango Assado network;

Advisory services to Odebrecht Investimentos em Infra-Estrutura Ltda., in the acquisition of Águas de Cachoeiro S.A. (Citágua); and

Advisory services to Alesat Combustíveis S.A. in the acquisition of Polipetro Distribuidora de Combustíveis Ltda.

Project Financing

BBI has a solid track record playing the role of financial advisor and 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.

In the 3Q08, BBI continued to provide financial advisory and/or structuring services for several projects, mainly: (i) Santo Antônio Hydroelectric Power Plant, with installed capacity of 3,150 MW, belonging to Madeira River Complex; (ii) port complexes sponsored by LLX Logística; and (iii) expansion project of the sanitary sewage system of Rio das Ostras (RJ), in the PPP Administrative Concession type; among others.

Treasury

BBI's treasury is complete, acting in the domestic and foreign markets, and comprised of the following areas:

Sales & Distribution

team responsible for the origination and distribution, domestically and abroad, of fixed income products in the primary and secondary markets. Interest rate, currency, commodities and credit derivatives comprise, materially, the range of products provided to our clients.

Markets

management of BBI's owner position in different markets, focused on making the operations available to the clients.

Structured Products

creation and structuring of tailor-made products and transactions involving treasury products, meeting different client demands.

Economic Analysis

team responsible for the total support to treasury operations, contributing with detailed and deep analysis of global economic subjects.

Leasing Companies

As of September 30, the Bradesco Organization controlled the following leasing companies: Bradesco Leasing S.A. Arrendamento Mercantil, Zogbi Leasing S.A. Arrendamento Mercantil and Bankpar Arrendamento Mercantil S.A., besides the leasing portfolio of Banco Finasa BMC S.A., which is directly shown in its financial statements.

Aggregated Balance Sheet

| | in millions of R\$ | | | |
|---|---------------------------|------------------|---------------|------------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 34,414 | 35,474 | 45,282 | 46,510 |
| Interbank Investments | 29,704 | 30,182 | 36,589 | 36,197 |
| Securities and Derivative Financial Instruments | 983 | 1,093 | 1,189 | 1,229 |
| Leasing Operations | 2,977 | 3,451 | 6,598 | 8,199 |
| Allowance for Loan Losses | (114) | (121) | (197) | (252) |
| Other Receivables and Other Assets | 864 | 869 | 1,103 | 1,137 |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Permanent Assets | 70 | 55 | 59 | 54 |
| Total | 34,484 | 35,529 | 45,341 | 46,564 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 31,728 | 32,704 | 42,258 | 43,271 |
| Federal Funds Purchased and Securities Sold under Agreements to Repurchase and Funds from Issuance of Securities | 29,895 | 30,730 | 40,000 | 41,286 |
| Borrowing and Onlending | 331 | 424 | 595 | 676 |
| Subordinated Debts | 619 | 618 | 617 | 316 |
| Other Liabilities | 883 | 932 | 1,046 | 993 |
| Shareholders Equity | 2,756 | 2,825 | 3,083 | 3,293 |
| Total | 34,484 | 35,529 | 45,341 | 46,564 |

Aggregated Statement of Income

| | in millions of R\$ | | | | | |
|---|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Income from Financial Intermediation | 1,319 | 1,354 | 3,979 | 1,915 | 2,353 | 5,875 |
| Financial Intermediation Expenses | (1,197) | (1,226) | (3,609) | (1,761) | (2,173) | (5,406) |
| Financial Margin | 122 | 128 | 370 | 154 | 180 | 469 |
| Allowance for Loan Losses Expenses | (8) | (10) | (19) | (44) | (56) | (122) |
| Gross Income from Financial Intermediation | 114 | 118 | 351 | 110 | 124 | 347 |
| Other Operating Income/Expenses | (7) | (15) | (38) | (8) | 178 | 164 |
| Operating Income | 107 | 103 | 313 | 102 | 302 | 511 |
| Non-Operating Income | 14 | (2) | 12 | (1) | 18 | 16 |
| Income before Taxes and Contributions | 121 | 101 | 325 | 101 | 320 | 527 |
| Taxes and Contributions on Income | (39) | (28) | (102) | (34) | (110) | (180) |
| Net Income | 82 | 73 | 223 | 67 | 210 | 347 |

Leasing Operations Performance Aggregated Bradesco

Leasing operations are carried out by Bradesco Leasing S.A. Arrendamento Mercantil and Banco Finasa BMC S.A.

On September 30, aggregated leasing operations brought to present value totaled R\$19.2 billion (*). Banco Finasa BMC's leasing portfolio is mainly comprised of vehicle operations for individuals.

According to the ABEL, the Bradesco Organization's leasing companies are positioned amongst sector leaders, with a 17.73% share of this market (reference date: August 2008). This good performance is a result of its branch network integrated operations and the maintenance of its diversified business strategies in various market segments, in particular, the implementation of operating agreements with major industries, mainly in the transportation vehicles and machinery/equipment industries.

The following graph presents the breakdown of Bradesco's aggregated leasing portfolio by type of asset:

Portfolio by Type of Asset

(*). It includes leasing operations of Banco Finasa BMC.

Bradesco Consórcios**Management Company**

Balance Sheet

| | in millions of R\$ | | | |
|--|--------------------|------------|------------|------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 315 | 360 | 450 | 522 |
| Securities | 308 | 353 | 440 | 511 |
| Other Receivables | 7 | 7 | 10 | 11 |
| Permanent Assets | 6 | 8 | 12 | 14 |
| Total | 321 | 368 | 462 | 536 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 113 | 124 | 116 | 143 |
| Dividends Payable | 75 | 76 | 70 | 70 |
| Amounts Refundable to Former Groups Now | | | | |
| Closed | 7 | 7 | 8 | 20 |
| Other Debits | 31 | 41 | 38 | 53 |
| Shareholders' Equity | 208 | 244 | 346 | 393 |
| Total | 321 | 368 | 462 | 536 |

Statement of Income

| | in millions of R\$ | | | | | |
|--|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Fee and Commission Income | 61 | 66 | 185 | 79 | 83 | 234 |
| Taxes Payable | (6) | (7) | (20) | (8) | (9) | (24) |
| Interest Income | 8 | 9 | 25 | 11 | 15 | 35 |
| Administrative Expenses | | | | | | |
| (Including Personnel Expenses) | (7) | (8) | (22) | (7) | (8) | (23) |
| Selling Expenses | (5) | (7) | (16) | (11) | (12) | (30) |
| Other Operating Income/Expenses | 1 | 2 | 4 | 1 | 2 | 5 |
| Income before Taxes and Contributions | 52 | 55 | 156 | 65 | 71 | 197 |
| Taxes and Contributions on Income | (18) | (19) | (54) | (22) | (24) | (67) |
| Net Income | 34 | 36 | 102 | 43 | 47 | 130 |

Consortium Groups

Balance Sheet

| | in millions of R\$ | | | |
|-----------------------------------|---------------------------|------------------|---------------|------------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 2,686 | 2,908 | 3,560 | 3,751 |
| Amount Offset | 13,301 | 13,932 | 17,019 | 18,563 |
| Total | 15,987 | 16,840 | 20,579 | 22,314 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 2,686 | 2,908 | 3,560 | 3,751 |
| Amount Offset | 13,301 | 13,932 | 17,019 | 18,563 |
| Total | 15,987 | 16,840 | 20,579 | 22,314 |

Operating Overview

Bradesco Consórcios sells automobiles, trucks, tractors, agricultural implements and real estate, according to the rules of the Bacen.

For the sale of plans offered, the company relies on the Banco Bradesco branch network, responsible for the increase in Bradesco Consórcios' share in the consortium purchase plan market. The variety of plans, coverage, safety and seriousness with which they are traded, associated with the Bradesco brand, are important advantages in the expansion of sales.

In January 2008, Bradesco Consórcios celebrated five years, holding an outstanding position in the consortia market, and is currently the leader in the two main segments, real estate and automobiles, a position achieved in its second year of activity and with an impressive amount of more than R\$5 billion of assets paid to clients.

In May 2008, it ranked 3rd in the segment of trucks, tractors and agricultural implements and in September it reached a record of 18,244 active quotas, with a growth of 92.8% compared to December 2007, continuing to move towards success also in this segment.

In 3Q08, more than 39.7 thousand quotas were sold, registering a record growth of 50.1% y-o-y.

Market

The results recorded by the Consortium System in the 1H08 showed records in several sectors, such as real estate, motorcycles, light and heavy vehicles. Despite the deceleration in the industry and trading, consortia have been presenting increasing figures.

The transportation sector has been serving as a thermometer of the economy, presenting significant growth. In consortia of heavy vehicles, which mainly comprise trucks, semitrailer trucks and buses, there was a 56.3% increase in the trade of new quotas. 1H08 figures totaled 24 thousand, and Bradesco Consórcios contributed with 25% of this market.

Bradesco has been attaining a larger market share in the segments where it operates, as shown in the charts below:

Market Share Real Estate Consortium %

Source: Brazilian Central Bank

Obs.: The market share of ABN and Itaú in August 2007 was not disclosed.

Market Share Automobile Consortium %

Source: Brazilian Central Bank.

Obs.: ABN's market share for August 2007 was not disclosed.

Market Share Trucks, Tractors and Agricultural Implements Consortium %

Source: Brazilian Central Bank

Leadership

According to a strategy defined by the Organization, Bradesco Consórcios leads the vehicle and real estate segments, focusing on an outstanding position in the segment of trucks, tractors and agricultural implements.

In the real estate segment, we ended September with 140,061 active quotas. In the vehicle segment, we ended with 181,377 active quotas, consolidating our leadership.

In the trucks, tractors and agricultural implements segment, we ended with 18,244 active quotas, moving up in May 2008 from 6th to 3rd place in the ranking of Bacen. The public is getting to know the advantages of acquiring assets, such as trucks and tractors, by means of a consortium, enabling us to attain this rank.

The conquest and consolidation of our leadership (real estate and vehicle) are results of ongoing and determined efforts, motivated by the enthusiasm and strength of the Bradesco branch network.

Bradesco Consórcios also points out its continuous actions to increasingly improve its services. For example, we have made significant investments in the qualification of employees throughout the year, following a strong program to keep the sales team informed and trained.

As a result of all these actions, users in general find a safe information source offered with customized assistance via internet. Bearing witness to that, our website is among the most visited in the last years.

Segmentation

Banco Bradesco's entry into this market is part of its strategy to offer the most complete range of product and service options to more than 19 million clients to provide all social classes with the opportunity to purchase items at accessible prices through the consortium quota system, filling a market gap.

Aiming at fully meeting the needs of its clients in 2007, Bradesco Consórcios increased from 120 to 144 months the term of the real estate consortia plans, and from 60 to 72 months the term for the automobile plans, without changing the current rates. Thus, the product became even more attractive, since, by increasing the term, the value of the installments was reduced. In addition, there was a change in the real estate credit ranges offered, which started being from R\$30 thousand to R\$300 thousand, providing more options to the interested parties.

Operating Performance

The distinct method of trading products (real estate, automobiles and trucks), with a specialized and focused team, provided Bradesco Consórcios with a q-o-q growth of 30.6% in 3Q08.

The freedom of choice of the asset is one of the main q-o-q characteristics of the plans sold by Bradesco, once the consortium holder has total freedom to choose at the moment of the drawing, according to the value of the letter of credit.

In the 3Q08, 121 groups were inaugurated and 39.7 thousand consortium quotas were sold, resulting in 50.1% growth y-o-y. Up to September 2008, we recorded accumulated sales higher than R\$12.7 billion and 194 thousand draws, which, in turn, involved 151.3 thousand assets delivered and includes 1,969 groups in progress.

Number of Active Consortium Quotas

Total of Active Consortia Quotas

Number of Consortium Quotas Sold

Total of Consortium Quotas Sold

Number of active quotaholders comprising the 10 largest real estate consortium management companies

Source: Brazilian Central Bank

Obs.: Itaú and ABN were not included in the ranking of the 10 largest managers in August 2007.

Number of active quotaholders comprising the 10 largest auto segment consortium management companies

Source: Brazilian Central Bank

Obs.: ABN was not included in the ranking of the 10 largest managers in August 2007.

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Number of active quotaholders of the 10 largest consortium management companies in the truck, tractor and agricultural implement segment

Source: Brazilian Central Bank

Bradesco S.A. Corretora de Títulos e Valores Mobiliários

Balance Sheet

| | in millions of R\$ | | | |
|--|--------------------|------------|------------|------------|
| | 2007 | | 2008 | |
| | June | September | June | September |
| Assets | | | | |
| Current and Long-Term Assets | 184 | 548 | 621 | 689 |
| Interbank Investments | 54 | 80 | 80 | 56 |
| Securities | 77 | 111 | 244 | 239 |
| Other Receivables | 53 | 357 | 297 | 394 |
| Permanent Assets | 42 | 45 | 114 | 117 |
| Total | 226 | 593 | 735 | 806 |
| Liabilities | | | | |
| Current and Long-Term Liabilities | 132 | 486 | 457 | 515 |
| Other Liabilities | 132 | 486 | 457 | 515 |
| Shareholders Equity | 94 | 107 | 278 | 291 |
| Total | 226 | 593 | 735 | 806 |

Statement of Income

| | in millions of R\$ | | | | | |
|---|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2007 | | | 2008 | | |
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Income from Financial Intermediation | 5 | 5 | 15 | 9 | 12 | 27 |
| Gross Income from Financial Intermediation | 5 | 5 | 15 | 9 | 12 | 27 |
| Other Operating Income/Expenses | 12 | 10 | 29 | 14 | 8 | 34 |
| Operating Income | 17 | 15 | 44 | 23 | 20 | 61 |
| Non-Operating Income (*) | | | | 23 | | 23 |
| Income before Taxes and Contributions | 17 | 15 | 44 | 46 | 20 | 84 |
| Taxes and Contributions on Income | (6) | (5) | (15) | (16) | (7) | (29) |
| Adjusted Net Income | 11 | 10 | 29 | 30 | 13 | 55 |

(*) Preferred shares redemption by Bovespa Holding.

Bradesco Corretora ended September 2008 ranked 12th in the Bovespa accumulated market ranking of the 84 participating brokerage firms. In 3Q08, 44,258 investors were served, and 684,470 shares calls and put orders were executed, summing up a financial volume corresponding to R\$15.488 billion. Bradesco Corretora has been participating with Bovespa in the event *Bovespa vai até você* (Bovespa Goes to You), to popularize the stock market.

In 3Q08, Bradesco Corretora traded 1,061 thousand contracts at the BM&F, with a financial volume of R\$82,280 million, reaching the 25th position in the ranking among the 66 participating brokerage firms. With more than 40 years of tradition and efficiency in capital markets, Bradesco Corretora was the first brokerage firm in the market to make available to its clients the Direct Market Access. DMA is an innovative order routing service via computer, which allows the investor to carry out asset purchase and sale operations directly in BM&F's market, with all convenience and safety, without leaving his/her home or office.

By means of DMA, Bradesco Corretora also starts to provide:

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

Quickness and agility, by sending an automatic confirmation of executed orders;

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

In 3Q08, the retail area of Bradesco Corretora continued the expansion process of activities to improve and better serve individual clients interested in variable income products, promoting the increase of the staff, personal training and investments in the systems which subsidize its activities and the inauguration of new share rooms.

Home Broker Bradesco had a volume of R\$5,342 million traded in the demand market of Bovespa in the period, with 1,163,455 orders received, of which 534,427 were executed, maintaining the 2nd position in the annual ranking of home broker dealers at Bovespa's markets. The client base on September 30, 2008 totaled 163,565 internet users, with

growth of 6.5% compared to June 30, 2008, representing an increase of 9,954 new registrations. The customer service team answered 87,490 calls and received in the same period 14,923 e-mails answered in a maximum of 24 hours.

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We notice that new investors are increasingly trying to get to know the stock market, despite the crisis in the United States, and the internet provides easy access to the stock market at a lower cost.

In 3Q08, Bradesco Corretora inaugurated share rooms in São José do Rio Preto and São Paulo, for a total of fifteen units.

Bradesco Corretora has made all efforts to provide better service conditions to the entire branch/segment network. We point out the strong support to clients in 3Q08, considering the period of uncertainty and global financial market risk. Below we listed the main actions implemented:

39 Managerial Development courses to Prime, Varejo and Empresas managers via the Training Department-Headquarters;

54 Events aimed at clients, 78 committees focused on branch managers and 98 conference calls focused on branch managers; and

Support to managers of all segments in visits to clients.

Bradesco Corretora was granted the Quality System ISO 9001:2000 re-certification by Fundação Carlos Alberto Vanzolini, after audit carried out in September of Sana, Home Broker and BM&F systems.

During 3Q08, Bradesco Corretora continued its expansion in the work with investment clubs, increasing the number by thirteen new clubs registered at BM&FBovespa, totaling 35 investment clubs and equity value of approximately R\$12 million.

During 3Q08, operation desks of New York and London increased their business volume with foreign institutional investors and through entering of new clients, despite the negative effects in the Brazilian stock market as a result of the global loan crisis. We still develop commercial activities by means of road-shows with publicly-held companies and with our investment analysts and desk operators, going to several cities in the United States and Europe to discuss investment opportunities in the Brazilian stock market and present our services. The quarter was characterized by a high volatility in global stock markets, general drop in share prices, especially in emerging markets, and the decrease of total traded volumes. In spite of this unfavorable environment, Bradesco Corretora's revenues for North-American and European investors kept increasing, which proves the quality of our services and the great business potential in international area.

Bradesco Corretora offers to its clients a complete investment analysis service with coverage of the main sectors and companies of the Brazilian market. We started to cover seven companies in 3Q08, already incorporating twenty new companies in 2008 to our coverage universe, a process which will continue in the next quarters. Our team of analysts is composed of nineteen sector specialists (senior analysts and assistants) who disclose their opinions to clients in an equitable way by means of follow-up reports and guides of shares with a wide basis of projections and multiples of comparison. Besides counting on analysis of the team of economists of Banco Bradesco, the brokerage firm counts on its own economic team dedicated to the specific demand of the brokerage firm's clients, focusing on the universe of the stock market.

It also offers the *Programa Tesouro Direto* (Direct Treasury Program) that allows individual clients to invest in federal government bonds via the internet; all they have to do is register at Bradesco Corretora via the website www.bradesco.com.br.

Net income recorded up to 3Q08 amounted to R\$13 million.

On September 30, 2008, shareholders' equity reached R\$291 million, equivalent to 36.1% of total assets that added up to R\$806 million.

Trading on BM&FBovespa

| | 2007 | | | 2008 | | |
|---------------------------------------|----------------------|----------------------|------------------|----------------------|----------------------|------------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Markets BM&F | | | | | | |
| Ranking | 26 th | 25 th | 29 th | 25 th | 25 th | 23 th |
| Contracts Traded (in thousands) | 1,089 | 1,015 | 2,901 | 942 | 1,061 | 3,119 |
| Financial Volume (in millions of R\$) | 79,866 | 71,537 | 201,273 | 66,482 | 82,280 | 232,133 |
| Markets Bovespa | | | | | | |
| Ranking | 13 th | 10 th | 13 th | 12 th | 15 th | 12 th |
| Number of Investors | 31,697 | 34,685 | 92,422 | 102,939 | 44,258 | 151,152 |
| Number of Orders Executed | 455,475 | 556,071 | 1,376,153 | 165,165 | 150,043 | 441,678 |
| Financial Volume (in millions of R\$) | 13,015 | 14,976 | 37,444 | 22,087 | 15,488 | 56,440 |
| Bovespa Markets Home Broker | | | | | | |
| Ranking | 2 nd | 3 rd | 2 nd | 2 nd | 2 nd | 2 nd |
| Number of Registered Clients | 80,790 | 91,576 | 91,576 | 153,611 | 163,565 | 163,565 |
| Number of Orders Executed | 359,888 | 447,293 | 1,088,760 | 683,124 | 534,427 | 1,841,920 |
| Financial Volume (in millions of R\$) | 3,142 | 3,779 | 8,996 | 7,535 | 5,342 | 18,827 |

5 - Operational Structure

Corporate Organization Chart

Main Shareholders

(1) Bradesco`s management (Board of Executive Officers and Board of Directors) comprises the Presiding Board of Fundação Bradesco, maximum Deliberative Body of this Entity.

Reference Date: September 30, 2008

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Main Subsidiaries and Affiliated Companies

Reference Date: September 30, 2008

Administrative Body

Reference Date: September 30, 2008

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Main Ratings Bank

| | | Fitch Ratings | | | | | | Moodys | | | | |
|----------------------------------|---------|---|--|---|--|----------------|------------|--------------------------|------------|-----------------------|--|--|
| | | International Scale | | | | Domestic Scale | | International Scale | | | | |
| Individual | Support | Foreign Currency (1) | | Local Currency (1) | | Domestic (1) | | Foreign Currency Deposit | | Foreign Currency Debt | | |
| | | IDR Delinquency Probability of Issuer Long-term | IDR Delinquency Probability of Issuer Short-term | IDR Delinquency Probability of Issuer Long-term | IDR Delinquency Probability of Issuer Short-term | Long-term | Short-term | Long-term (2) | Short-term | Long-term (2) | | |
| A | 1 | AAA | F1 | AAA | F1 | AAA (bra) | F1+ (bra) | Aaa | P-1 | Aaa | | |
| A/B | 2 | AA | F2 | AA | F2 | AA (bra) | F2 (bra) | Aa | P-2 | Aa | | |
| B | 3 | A | F3 | A | F3 | A (bra) | F3 (bra) | A | P-3 | A | | |
| B/C | 4 | BBB | B | BBB+ | B | BBB (bra) | B (bra) | Baa | NP | Baa3 | | |
| C | 5 | BB | C | BB | C | BB (bra) | C (bra) | Ba2 | | Ba | | |
| C/D | | B | D | B | D | B (bra) | D (bra) | B | | B | | |
| D | | CCC | | CCC | | CCC (bra) | | Caa | | Caa | | |
| D/E | | CC | | CC | | CC (bra) | | Ca | | Ca | | |
| E | | C | | C | | C (bra) | | C | | C | | |
| | | RD | | RD | | DDD (bra) | | | | | | |
| | | D | | D | | DD (bra) | | | | | | |
| | | | | | | D (bra) | | | | | | |
| Brazil's Sovereign Rating | | BBB- | F3 | BBB- | | | | | | Ba1 | | |

(1) Signs of plus (+) and minus (-) are used to identify a better or worse position within a same rating scale.

(2) Numeric modifiers 1, 2 and 3 are added to each generic rating from Aa to Caa, meaning lower or higher risk in the same category.

(3) This is the first governance rating granted in Latin America. The assessment acknowledges that Bradesco adopts excellent corporate governance practices and a relationship policy characterized by high level of quality, transparency and ethics.

■ Ratings considered speculative or lower than a satisfactory risk level.

Main Ratings Insurance Company and Certificated Savings Plans

| | | Insurance | | Certificated Savings Plans | |
|--|--|---|--|----------------------------|-------------------|
| | | Fitch Ratings | | Standard & Poor's | Standard & Poor's |
| Domestic Scale | | International Scale | | Domestic Scale | |
| Domestic Rating of Financial Strength of Insurance Company (1) | | International Rating of Financial Strength of Insurance Company (1) | | Counterparty Rating (1) | |
| AAA (bra) | | AAA | | brAAA | brAAA |
| AA (bra) | | AA | | brAA | brAA |
| A (bra) | | A | | brA | brA |
| BBB (bra) | | BBB+ | | brBBB | brBBB |
| BB (bra) | | BB | | brBB | brBB |
| B (bra) | | B | | brB | brB |
| CCC (bra) | | CCC | | brCCC | brCCC |
| CC (bra) | | CC | | brCC | brCC |
| C (bra) | | C | | brSD | brSD |
| DDD (bra) | | DDD | | brD | brD |
| DD (bra) | | DD | | | |
| D (bra) | | D | | | |

(1) Signs of plus (+) and minus (-) are used to identify a better or worse position within a same rating scale.

■ Ratings considered speculative or lower than a satisfactory risk level.

On April 30, 2008, the risk rating agency S&P increased Brazil's foreign currency long-term sovereign loan rating from BB+ to BBB-, investment grade, as well as the local currency long-term sovereign loan rating from BBB to BBB+, also investment grade.

According to S&P, these increases reflect the development of Brazilian institutions and public policies as shown by the improvement in the fiscal situation and decrease in the country's foreign debt, in addition to the improvement in Brazil's growth trend.

On May 29, 2008, Fitch Ratings (Fitch) increased Brazil's sovereign ratings to investment grade. The foreign currency long-term rating was increased from BB+ to BBB-; local currency long-term rating was increased from BB+ to BBB and the foreign currency short-term rating was increased to F3.

According to Fitch, the increases in these ratings reflect the significant improvement of Brazil's external account, supported by prudent macroeconomic policies and the growth of the local economy despite high government debt.

However, Bradesco already had investment grade foreign currency long-term ratings from Fitch, S&P and Moody's Investors Service prior to the moving Brazil up to investment grade.

This represents a competitive advantage since the investment grade comprises low risk institutions that are able to meet their external commitments, regardless of government actions.

On April 30, 2008, Standard & Poor's Ratings Services increased our foreign currency long-term rating from BBB- to BBB as well as the local currency long-term rating from BBB- to BBB.

According to S&P, the new ratings are due to Brazil's strengthened operational environment and Bradesco's strong financial and commercial profile.

On June 3, 2008, Fitch Ratings increased our foreign currency long-term rating from BBB- to BBB, the foreign currency short-term rating from F3 to F2, the local currency long-term rating from BBB to BBB+ and local currency short-term from F3 to F2.

These increases, according to Fitch, reflect our inherent financial strength, which will benefit from the improvement in the operational environment and continuity of good performance.

Generally, a country's sovereign rating is an evaluation of its capability and will to meet its existing and future obligations up to maturity.

Main Rankings

| Source | Criterion | Position | Disclosure Date |
|---|----------------------|------------------------------|-----------------|
| Forbes the World's Leading Companies Survey | Banks/Forbes 2000* | 1 st (Brazil) | March 2008 |
| Forbes the World's Leading Companies Survey | Banks/Forbes 2000* | 23 rd (Worldwide) | March 2008 |
| Forbes the World's Leading Companies Survey | Overall/Forbes 2000* | 3 rd (Brazil) | March 2008 |
| Forbes the World's Leading Companies Survey | Overall/Forbes 2000* | 85 th (Worldwide) | March 2008 |

(*) Forbes 2000: companies on The World's Leading Companies list are rated based on a combination of criteria that considers income, profit, assets and market value.

Market Segmentation

Focusing its actions on relationships, Bradesco's segmentation process is in line with the market trend that groups clients with similar profiles, allowing personalized customer service and increasing productivity and agility gains. Such process provides the bank with greater flexibility and competitiveness in the execution of its business strategy, giving depth to operations not only in terms of specialization but also in terms of the specific demands of sundry customer profiles, for individual and corporate clients.

Bradesco Corporate**Mission and Values**

Bradesco Corporate's mission is to meet clients' needs, developing long-term ethical and innovative relationships that ensure sustainable growth in harmony with the interests of shareholders and the community.

Bradesco Corporate has values that guide its day-today activities. They are:

- Teamwork;
- Ongoing pursuit of innovation and excellence in customer service;
- Transparency in all its actions;
- Commitment to self-development;
- Adherence to strategic guidelines;
- Creativity, flexibility and initiative; and
- Quick delivery to clients.

Background and Achievements

The Corporate Banking segment was introduced in 1999 to serve companies from its target market. Based on a customer rather than a product standpoint, it maintains centralized relations management, offering in addition to traditional products Tailor-Made and Capital Markets structured solutions through Managers who have a clear vision of risk, market, economic industries and relationships.

Bradesco Corporate's absolute commitment to quality, the essence of a long-term effort, started to take shape in 2000 when the company was granted the ISO 9001:2000 certification, which is a reference for excellence in efficiency in service as evaluated by clients. With the adoption of the best market practices, its Management System has been improving, resulting in the award of the *Prêmio Gestão Banas de Qualidade* (Banas Quality Management Award) in 2006, the *Prêmio Paulista de Qualidade da Gestão Medalha de Ouro* (Paulista Quality Management Award Golden Medal) in 2007, which acknowledges companies with the best management practices, for its efficiency and quality, and the *Troféu Governador do Estado de Excelência da Gestão* (State Governor Trophy for Excellence in Management) in 2008, the highest recognition in the State of São Paulo, which is granted to the best company using world excellence criteria.

Our concern with seeking solutions with significant added value for the Institution is reflected in our partnerships with major retail networks for consumer sales financing, made possible by the relationship and familiarity with this industry's production chain and the synergy that exists among the Bank's segments.

The managed funds include assets (credits, bonds and guarantees) and liabilities (deposits, funds and portfolios) that total R\$143.6 billion.

Target Market

The 1,215 economic groups comprising Bradesco Corporate's target market, primarily large corporations that post sales in excess of R\$350 million/year, are located in the States of São Paulo, both in the capital city and inland towns, Rio de Janeiro, Minas Gerais, Paraná, Rio Grande do Sul, Santa Catarina, Goiás, Pernambuco and Bahia.

Bradesco Empresas (Middle Market)

The Bradesco Empresas (Middle Market) segment was implemented to offer services to companies with sales between R\$30 million and R\$350 million/year, through 68 exclusive branches in the foremost Brazilian capitals and strategically distributed throughout Brazil as follows: Southeast (41), South (16), Mid-West (4), Northeast (5) and North (2).

It aims at offering the best business management, such as loans, financing, investments, foreign trade, derivatives, cash management and structured operations, seeking customers' satisfaction and results for the Organization.

Bradesco Empresas is formed by a team of 44 lead managers and 346 relationship managers who are part of the Anbid Certification Program, as well as 231 assistant managers who render tailor-made services to an average of 35 economic groups per relationship manager, encompassing 12,047 economic groups companies from all sectors of the economy.

Among loan operations, guarantees, deposits, funds and collections, Bradesco Empresas manages funds of approximately R\$57.0 billion.

Bradesco Empresas

In the ongoing pursuit of management excellence improvement, the Bradesco Empresas Department and the Empresas Santo Amaro branch were granted the NBR ISO 9001:2000 certification by the Fundação Carlos Alberto Vanzolini in the scope Bradesco Empresas Segment Client Relations Management and Empresas Santo Amaro SP Branch Client Relations Management respectively.

We also point out the recognition of Bradesco Empresas 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 client satisfaction.

Bradesco Private

Bradesco Private Banking, with its highly qualified and specialized professionals, offers the Bank's clients high-income individuals with minimum funds available for investment of R\$2 million an exclusive line of products and services always aimed at increasing their equity by maximizing returns. Therefore, it seeks the most appropriate financial solution according to a tailor-made concept, considering each client's profile, and providing advisory services for asset allocation, as well as tax and successive guidance.

Bradesco Private Banking, always focused on its proximity to its client base, has ten offices in the cities of São Paulo and Rio de Janeiro, as well as in Porto Alegre, Blumenau, Curitiba, Belo Horizonte, Brasília, Salvador, Recife and Fortaleza.

Bradesco Private Banking is certified by ISO 9001:2000 with scope High Net Income Individuals Relations Management and by GoodPriv@cy (Data Protection Label 2002 Edition) granted by IQNet in Management of Privacy of Data Used in High Net Wealth Clients Relation. In January 2008, it was recognized by Euromoney magazine as the best Brazilian private bank.

Bradesco Prime

Bradesco Prime operates in the high-income clients segment, targeting individuals with monthly income of R\$4 thousand or higher or with investments equal to or higher than R\$50 thousand. Bradesco Prime is composed of qualified teams and its mission is to be the client's first-choice bank, focusing on the quality of relationships and on offering appropriate solutions to their needs, adding value to shareholders and employees within ethical and professional standards. The segment value proposal is based on the following assumptions:

Personalized assistance, provided by relationship managers who manage a small client portfolio and are continually enhancing their professional qualification in order to provide high-level financial consulting services;

Personalized products and services, among them the Bradesco Prime Loyalty Program that aims to encourage the relationship between the clients and the Bank by offering increasing benefits; and

Exclusive branches specifically designed to provide comfort and privacy.

Bradesco Prime also has relationship channels such as: exclusive internet banking (www.bradescoprime.com.br) with the competitive advantage of online chat, where financial consultants interact with clients in real time; a call center with an exclusive service center; and a broad customer service network, composed of its branches, ATM equipment Bradesco Dia&Noite and Banco24Horas, throughout Brazil.

Throughout its history, Prime invested in technology, the improvement in the relationship with its clients and in the qualification of its professionals. Thus, it has also achieved an outstanding position in the Brazilian high-income market and has consolidated its position as having the largest customer service network, with 235 strategically located branches.

Since 2005, the Bradesco Prime Department has been certified by Fundação Carlos Alberto Vanzolini, NBR ISO 9001:2000 rule under the scope Bradesco Prime Segment Management, which was recertified in September 2008 strengthening Bradesco's commitment to continuously improving methods and pursuing clients' satisfaction.

Bradesco Varejo (Retail)

Bradesco is a traditional retail bank that provides high quality service to all segments of the Brazilian population of all social classes. The effort that the Organization makes reflects in the search to democratize banking products and services, aiming to promote social inclusion and better income distribution. The bank has more than 19 million account holders, including individual and corporate clients, who carry out millions of transactions daily in Brazil's largest customer service network.

The broad customer service network is present in all Brazilian regions, providing convenience through branches, service stations, Banco Postal service branches and Bradesco Expresso units, as well as thousands of ATM machines.

To simplify and distinguish our service, daily transactions are safely carried out in channels such as the Fone Fácil service, Internet Banking and Bradesco Celular, a differential since they work 7 days per week, night and day, and can easily and safely accessed.

The retail segment has been focusing on the growth of its client base and loan portfolio. The development of financial products and services, tailor-made to meet customers' profiles, is evidence of our constant search for excellence in service, valorizing the relationships strengthening by identifying market needs and special groups.

Significant investments have been made in staff training, to qualify employees, so that they may provide customized and efficient customer services, consequently increasing clients' loyalty to the Bank.

Bradesco Varejo not only has over 2,900 branches and 2,700 service branches (PAB/PAE), but it also has a digital branch, operating in a virtual environment and offering a courier service, in which a team of managers serves its clients from 8:00 am to 8:00 pm, seven days a week, regardless of location.

Banco Postal

Banco Postal is a brand through which Bradesco offers its products and services in a partnership with ECT. It is an example of the success of correspondent banks due to its large scope, products and services portfolio, and the social role it plays in society.

Banco Postal provides a new outlet for retail banking, reaching all Brazilian cities and allowing millions of Brazilian citizens to enter the banking system. There are 5,924 branches set up in more than 5 thousand Brazilian cities.

More than 1.7 thousand branches were set up in cities that, until then, were devoid of banks, benefiting millions of people who had the opportunity for the first time in their lives to obtain a check book, make a deposit in a savings account, or obtain a loan from a regulated institution.

Thanks to Banco Postal, thousands of INSS beneficiaries can now receive their benefits at a branch close to their homes. Thus, clients can carry out banking transactions with greater ease and without having to travel long distances from their homes to the branch spending a good part of their earnings.

Banco Postal's expansion has also increased the use of credit and debit cards in the municipalities where it is present, as well as the affiliation of the commercial establishments with the Visa network, improving services at the postal branches. Such expansion also provided more options for the local populations to make their payments and become an important means of support to Bradesco's clients who make transactions in Brazil.

Banco Postal also promotes the social-economic development of cities where it is present, facilitating the circulation of money, attracting new merchants and greater supply of goods and merchandise.

Number of Banco Postal Service Branches

Bradesco Expresso

Bradesco has been increasing its share in the correspondent bank segment with the expansion of the Bradesco Expresso network, by means of partnerships with supermarkets, drugstores, department stores and other retail chains.

On September 30, 2008, Bradesco Expresso network totaled 14,562 implemented units.

With Bradesco Expresso, in addition to direct gains for the remuneration received, the store owners now have indirect gains, mainly due to the increase of sales. Such gains, provided by the increased flux of people, potential consumers of the products sold at the establishment, also open possibilities for client loyalty.

Thinking about the well being of its clients and the community in general, Bradesco Expresso offers banking services in establishments that clients identify themselves with and where they already have a relationship closer to their homes or workplaces thus making their banking transactions more convenient and economic.

For Bradesco, this is the best way to reach low-income clients, especially the population deprived of bank services, promoting banking inclusion that would not be possible by means of traditional branches.

Bradesco Expresso has operated in the receipt of consumption bills, tax and collection slips, pre-paid cell phone recharging and withdrawals from checking accounts, savings accounts and INSS.

Number of Bradesco Expresso Units

Number of Transactions Carried out at Correspondent Banks (Banco Postal + Bradesco Expresso) in thousands

142

Customer Service Network

| Customer Service Network | 2007 | | 2008 | |
|--|---------------|---------------|-------------------|-------------------|
| | June | September | June | September |
| Bradesco Service Branches | | | | |
| Branches | 3,031 | 3,067 | 3,193 | 3,235 |
| Bradesco | 3,029 | 3,050 | 3,176 | 3,218 |
| Banco Finasa ⁽¹⁾ | 1 | 1 | | |
| Banco BBI | 1 | 1 | 1 | 1 |
| Banco BMC ⁽¹⁾ | | 15 | | |
| Banco Finasa BMC | | | 16 ⁽¹⁾ | 16 ⁽¹⁾ |
| PABs | 1,083 | 1,103 | 1,181 | 1,185 |
| PAEs | 1,432 | 1,426 | 1,545 | 1,561 |
| PAAAs | 130 | 130 | 584 | 902 |
| Finasa Promotora de Vendas (Finasa Branches) | 392 | 388 | 268 | 216 |
| Outplaced ATM Network Terminals | 2,571 | 2,652 | 2,904 | 3,074 |
| Total Bradesco Service Branches | 8,639 | 8,766 | 9,675 | 10,173 |
| Service Branches – Third Parties | | | | |
| Banco24Horas Network Assisted Terminals | 3,287 | 3,387 | 4,153 | 4,378 |
| Banco Postal | 5,709 | 5,753 | 5,882 | 5,924 |
| Promotora de Vendas – BMC (Correspondent Banks) | | | 1,561 | 1,078 |
| Credicerto Promotora de Vendas (BMC Branches) | | | 13 | 13 |
| Bradesco Expresso (Correspondent Banks) | 9,699 | 10,657 | 13,413 | 14,562 |
| Total Service Branches – Third Parties | 18,695 | 19,797 | 25,022 | 25,955 |
| Total Service Branches in Brazil (Bradesco + Third Parties) | 27,334 | 28,563 | 34,697 | 36,128 |
| Branches Abroad | 3 | 5 | 5 | 5 |
| Subsidiaries Abroad | 5 | 5 | 7 | 7 |
| Overall Total Service Branches (Brazil + Abroad) | 27,342 | 28,573 | 34,709 | 36,140 |
| Finasa – Associated Dealers (**) | 40,071 | 40,299 | 21,151 | 21,726 |
| BMC – Stores and Outlets | | | 12,119 | 11,376 |
| Total Branches Containing ATMs in Brazil Own Network | | | | |
| + Banco24Horas (included in the total) (*) | 11,497 | 11,741 | 13,561 | 14,160 |

ATMs

| | | | | |
|-------------------|---------------|---------------|---------------|---------------|
| Bradesco | 24,498 | 24,911 | 27,362 | 28,092 |
| Banco24Horas | 3,504 | 3,827 | 4,631 | 4,850 |
| Total ATMs | 28,002 | 28,738 | 31,993 | 32,942 |

(*) In September 2008, there were 1,218 overlapping branches between the Bradesco network and the Banco24Horas network.

(**) The reduction was due to the company's strategic repositioning of personal loans and installment sales in stores.

(1) The merger of Banco Finasa into Banco Finasa BMC was approved by Bacen on October 10, 2008.

Customer Service Network Number of Branches

Bradesco Branches vs. Market Share

| Region/State | September 2007 | | | September 2008 | | |
|---------------------|---------------------------------------|--|------------------|---|--|------------------|
| | Bradesco | Total Banks in the Market ⁽¹⁾ | Market Share (%) | Bradesco | Total Banks in the Market ⁽¹⁾ | Market Share (%) |
| North | | | | | | |
| Acre | 5 | 35 | 14.3 | 5 | 36 | 13.9 |
| Amazonas | 60 | 155 | 38.7 | 61 | 156 | 39.1 |
| Amapá | 4 | 28 | 14.3 | 4 | 28 | 14.3 |
| Pará | 49 | 301 | 16.3 | 49 | 304 | 16.1 |
| Rondônia | 18 | 91 | 19.8 | 18 | 91 | 19.8 |
| Roraima | 2 | 19 | 10.5 | 2 | 19 | 10.5 |
| Tocantins | 13 | 89 | 14.6 | 15 | 93 | 16.1 |
| Total | 151 | 718 | 21.0 | 154 | 727 | 21.2 |
| Northeast | | | | | | |
| Alagoas | 12 ⁽⁴⁾ | 127 | 9.4 | 12 ⁽⁷⁾ | 130 | 8.5 |
| Bahia | 209 ⁽⁴⁾ | 769 | 27.2 | 213 ⁽⁷⁾ | 776 | 27.3 |
| Ceará | 93 ⁽⁴⁾ | 375 | 24.8 | 96 ⁽⁷⁾ | 378 | 25.1 |
| Maranhão | 68 | 233 | 29.2 | 68 | 237 | 28.7 |
| Paraíba | 20 | 177 | 11.3 | 21 | 181 | 11.6 |
| Pernambuco | 64 ⁽⁴⁾ | 488 | 13.1 | 70 ⁽⁷⁾ | 492 | 14.0 |
| Piauí | 8 | 116 | 6.9 | 8 | 119 | 6.7 |
| Rio Grande do Norte | 15 | 153 | 9.8 | 15 | 155 | 9.7 |
| Sergipe | 12 | 165 | 7.3 | 13 | 167 | 7.8 |
| Total | 501 | 2,603 | 19.2 | 516 | 2,635 | 19.4 |
| Mid-West | | | | | | |
| Distrito Federal | 31 | 319 | 9.7 | 35 | 326 | 10.7 |
| Goiás | 108 ⁽⁴⁾ | 572 | 18.9 | 111 ⁽⁷⁾ | 574 | 19.3 |
| Mato Grosso | 62 | 252 | 24.6 | 65 | 257 | 25.3 |
| Mato Grosso do Sul | 57 | 231 | 24.7 | 57 | 234 | 24.4 |
| Total | 258 | 1,374 | 18.8 | 268 | 1,391 | 19.3 |
| Southeast | | | | | | |
| Espírito Santo | 39 | 373 | 10.5 | 40 | 378 | 10.6 |
| Minas Gerais | 288 ⁽⁵⁾ | 1,885 | 15.3 | 303 ⁽⁸⁾ | 1,907 | 15.9 |
| Rio de Janeiro | 265 ⁽²⁾ and ⁽⁴⁾ | 1,732 | 15.3 | 282 ⁽²⁾ and ⁽⁷⁾ | 1,772 | 15.9 |
| São Paulo | 1,109 ⁽⁶⁾ | 6,028 | 18.4 | 1,195 ⁽³⁾ and ⁽⁹⁾ | 6,155 | 19.4 |

| | | | | | | |
|----------------------|--------------------|---------------|-------------|--------------------|---------------|-------------|
| Total | 1,701 | 10,018 | 17.0 | 1,820 | 10,212 | 17.8 |
| South | | | | | | |
| Paraná | 179 ⁽⁴⁾ | 1,243 | 14.4 | 189 ⁽⁷⁾ | 1,286 | 14.7 |
| Rio Grande do Sul | 161 ⁽⁴⁾ | 1,480 | 10.9 | 165 ⁽⁷⁾ | 1,497 | 11.0 |
| Santa Catarina | 116 ⁽⁴⁾ | 872 | 13.3 | 123 ⁽⁷⁾ | 888 | 13.9 |
| Total | 456 | 3,595 | 12.7 | 477 | 3,671 | 13.0 |
| Overall Total | 3,067 | 18,308 | 16.8 | 3,235 | 18,636 | 17.4 |

(1) Source: Unicaid Information on Entities of Interest to the Brazilian Central Bank (in 2008, they refer to March 2008).

(2) It includes 1 Banco Finasa branch.

(3) It includes 1 Banco Bradesco BBI branch.

(4) It includes 1 Banco BMC branch.

(5) It includes 2 Banco BMC branches.

(6) It includes 4 Banco BMC branches.

(7) It includes 1 Banco Finasa BMC branches.

(8) It includes 2 Banco Finasa BMC branches.

(9) It includes 4 Banco Finasa BMC branches.

Customer Service Network Branches Market Share

Bradesco Dia&Noite (Day&Night) Customer Service Channels

Bradesco's clients are able to consult their banking transactions, carry out financial transactions and purchase products and services via state-of-the-art technology through the following alternative channels: Auto-Atendimento, Fone Fácil, Internet Banking and Bradesco Celular.

Reiterating our commitment to social responsibility, people with special needs can rely on the Bradesco Dia&Noite (Day&Night) Customer Service Channels, as follows:

Internet banking for the visually impaired;

Personalized assistance for the hearing impaired by means of the digital language in Fone Fácil; and

Access for the visually impaired and wheelchair users in Auto-Atendimento (ATM Network), which is being extended.

Bradesco Dia&Noite (Day&Night) Auto-Atendimento (ATM Network)

Bradesco has its own ATM network. On September 30, 2008, it has 28,092 machines, strategically distributed throughout Brazil. This network provides fast and practical access to a diverse range of products and services. In addition, Bradesco's clients who have debit cards for checking or savings accounts can use 4,850 Banco24Horas machines for withdrawals, viewing their balances and printing statements.

Banking Service Outlets

| Items | 2007 | | 2008 | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | June | September | June | September |
| Total Bradesco Network | 8,210 | 8,354 | 9,408 | 9,782 |
| Branches, PABs, PAEs and PAAs | 5,639 | 5,702 | 6,504 | 6,708 |
| Outplaced Terminals | 2,571 | 2,652 | 2,904 | 3,074 |
| Total Banco24Horas (*) | 3,287 | 3,387 | 4,153 | 4,378 |
| Overall Total | 11,497 | 11,741 | 13,561 | 14,160 |

(*) In September 2008, it includes 1,218 outlets overlapping with the Bradesco network.

Distribution of ATM Network

Obs.: It includes Banco24Horas ATMs.

ATM Network Number of Transactions in millions

Obs.: It includes the transactions carried out at Banco24horas ATMs.

Main ATM Transactions in millions

| Items | 2007 | | | 2008 | | |
|--|----------------------|----------------------|---------|----------------------|----------------------|---------|
| | 2 nd Qtr. | 3 rd Qtr. | Sep YTD | 2 nd Qtr. | 3 rd Qtr. | Sep YTD |
| Number of Cash Withdrawal Transactions | 113.6 | 116.5 | 344.2 | 125.1 | 137.3 | 381.0 |
| Number of Deposit Transactions | 43.9 | 44.4 | 132.5 | 43.1 | 45.2 | 130.4 |

Obs.: It includes the transactions carried out in Banco24horas ATMs.

Bradesco has innovated and made available to its clients the highest number of services as possible.

3Q08 Highlights

Biometric technology reading the veins in the hand used 1.5 million times;
Increase of 21.3% and 23.5% in number and amount, respectively, of personal loans in relation to the same period in 2007; and
At the end of 3Q08, 433 services were made available in ATM machines.

Bradesco Dia&Noite (Day&Night) Fone Fácil

With 24/7 telephone access, clients can obtain information, make transactions and acquire products and services related to their checking accounts, savings accounts, credit cards and other products available in this channel through electronic and customized service.

By means of specific numbers, the client has access to several other telephone service centers. The main ones are: Internet Banking, Net Empresa, Consortium, Private Pension Plan, Finasa and Collection. There is also Alô Bradesco and the Ombudsman, channels which receive compliments, suggestions or complaints.

Fone Fácil Number of Calls in millions

Fone Fácil Number of Transactions in millions

3Q08 Highlights

Prêmio Padrão de Qualidade em Contact Center (Contact Center Standard Quality Award), in the categories:
Retail Bank;
Cards.

VIII ABT Award, in the categories:
Internal Operation Receptive, with the case Concentration of Customer Service to Branches ;
Social Responsibility, with the case Social Initiatives Voluntary Action .

Bradesco Dia&Noite (Day&Night) Internet Banking

Bradesco Dia&Noite (Day&Night) manages a portal, which contains links to 54 related websites, 38 of which are institutional and 16 are transactional.

Since its debut, Bradesco has been innovating and making available the highest number as possible of online services to its clients.

Internet Banking Number of Registered Users in millions

Internet Banking Number of Transactions in millions (*)

(*) Number of transactions carried out via Internet Banking, ShopInvest, Cards, ShopCredit, Certificated Savings Plan, Net Empresa and Net Empresa WebTA and Cidadetran.

| Services | Website | Number of transactions carried out in 3Q08 |
|----------------------------------|--|--|
| Bradesco Internet Banking | www.bradesco.com.br | 99.8 million |
| ShopInvest Bradesco | www.shopinvest.com.br | 1.1 million |
| ShopCredit | www.shopcredit.com.br | 4.3 million |
| Bradesco Net Empresa | www.bradesco.com.br | 19.2 million |
| Bradesco Cartões | www.bradescocartoes.com.br | 5.8 million |
| Net Empresa WebTA | Web File Transmission | 250.0 million |
| Bradesco Cidadetran | www.cidadetran.com.br | 2.5 million |

3Q08 Highlights

Expansion of the process of making available at the Internet Banking check image to all Bradesco's clients;
 Implementation of 10-year Internet Banking Campaign for Visually Impaired Clients;
 Live broadcasting through internet of Apimec states of Ceará, Distrito Federal, Minas Gerais, Rio de Janeiro;
 Implementation of *Pague Fácil service* cell phone recharge in Bradesco Net Empresa; and
 Bradesco Net Empresa Master Assistant, another access level.

Bradesco Dia&Noite Bradesco Celular (cell phone service)

Bradesco, the first bank to provide banking services through cell phones, provides balance statements, payments, prepaid mobile phone recharging, transfers and loans, among others, and utilizes the Bradesco security key card to debit transactions confirmation.

In addition, it has also made available Recarga Direta Bradesco (Bradesco Direct Recharge), a service which allows recharging prepaid cell phones from the very phone, even if it does not have credits to make calls. It also has the serviço de mensagens Bradesco (Bradesco message service), in which enrolled customers receive information on their credit and debit card transactions on their cell phones.

| Services | Website | Number of transactions carried out in 3Q08 |
|-------------------------|--|--|
| Bradesco Celular | www.bradescocelular.com.br | 1.1 million |

3Q08 Highlights

Bradesco services made available via iPhone; and
Innovative broadcasting of Apimec São Paulo through 3G cell phone.

Investments in Infrastructure, Information Technology and Telecommunications

Investments to expand infrastructure capacity, IT and telecommunications are designed to maintain a modern, practical and safe customer service network. The bank is one of the world's most modern companies, creating a unique advantage for its clients and users in Brazil and abroad.

Investments Growth

| | in millions of R\$ | | | | | |
|-----------------------|--------------------|--------------|--------------|--------------|--------------|---------------|
| | Years | | | | | September YTD |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Infrastructure | 469 | 230 | 245 | 354 | 478 | 436 |
| IT/Telecommunications | 1,225 | 1,302 | 1,215 | 1,472 | 1,621 | 1,403 |
| Total | 1,694 | 1,532 | 1,460 | 1,826 | 2,099 | 1,839 |

Information technology, one of the Organization's main strategic bases to support and boost business and characterized by its innovation, enables customers to access secure, cutting-edge and easy-use services with high availability.

At the end of the quarter, Bradesco was innovative by installing of a modern biometric reader of the veins in the hand on ATMs at 863 branches. Due to our clients' wide acceptance, installation is being intensified.

We made available the access to charged checks images to the entire branch network through internet and to individual clients, through Internet banking.

In partnership with Visa, we launched the first contactless card in Brazil, the Bradesco *payWave*, with double-interface technology using a chip and wave antenna. The product will be used for low-value payments through a wave.

We concluded the update phase of our hardware, software and data communication park with state-of-the-art equipment. This large replacement and expansion operation benefits both branches and other service branches, and also our millions of clients.

The construction of a new Information Technology Center - CTI and its current occupation already allow the systemic process of 96% of Mainframe platform. For that environment, 14,020 data transmission circuits, with due contingencies, are being migrated.

Concerning iPhone, launched in Brazil on September 26, 2008, Internet Banking applications are already compatible with 3G version. Our clients may also use these devices thorough the website www.bradescocelular.com.br.

We also would like to point out our actions related to security devices such as chip, biometrics, insurance key card (tancode) and electronic (token) made available to our clients in all alternative customer service channels.

Risk Management and Internal Controls

Credit, Market, Liquidity and Operational Risks and Internal Controls

The Bradesco Organization deems risk management essential in all its activities, using it to add value to its business to the extent that it enables support for the commercial areas as they plan their activities and maximizing the use of our own funds and those of third parties, to the benefit of shareholders and the company.

It also considers risk management activity highly relevant due to the growing complexity of services and products offered by the organization, as well as the globalization of its business. Therefore, the Organization is constantly improving its risk management-related activities, complying with the applicable regulations, recommendations and the best international practices, yet adapted to the Brazilian reality.

The Organization makes considerable investments in activities related to the risk management processes, especially in the qualification of employees, so as to enhance the quality of the operation and ensure the necessary focus essential to these activities and that produce a strong added value.

Corporate Governance

The corporate governance process represents the set of practices that aims at optimizing the performance of a company and protecting stakeholders, such as shareholders, investors, clients, employees, suppliers etc., as well as at facilitating access to capital, adding value to the company and contributing to its sustainability, mainly involving aspects focused on transparency, equal treatment of shareholders and accountability.

Within this context, the Organization's risk management and internal controls process counts on the participation of all segments within the scope of corporate governance, from senior management to several business, operational, product and service areas.

Governance Scope

This structure, always in line with the best market practices, comprises independent board members, policies and committees with specific functions, who establish rules and procedures, providing human and technological resources focused on the execution of their respective activities.

Risk Management Process

The Organization approaches the management of all the risks inherent to its activities in an integrated manner, within a process based on the support from its internal controls structure. This view allows the ongoing improvement of its risk management models, minimizing gaps that could jeopardize their correct identification, classification, evaluation and mitigation.

Risk Management

The structure of the organization's risk management process allows credit, market, liquidity and operational risks to be effectively identified, classified, evaluated, monitored, controlled and mitigated in an integrated manner.

In order to ensure uniqueness in the risk management process, a high-level permanent forum was created with the intention of obtaining synergy among these activities at the Organization. This forum, called the Integrated Risk Management and Capital Allocation Committee, is a statutory body and has as its duty to advise the Board of Directors on the approval of institutional policies, operational guidelines and the establishment of exposure limits to risks within the scope of the Organization. Additionally, there are three executive committees for issues related to credit, market, liquidity and operational risk which, among their responsibilities, suggest the tolerance limits to their respective risks and prepare mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee.

Below we show Bradesco Organization's Risk Management Structure

We would also like to point out the DGRC, which is a dedicated and independent department exclusively focused on activities related to market risk loan, operational management and their integration and internal controls, reflecting the Organization's commitment to risk management, showing the recommendations enacted by the New Basel Capital Accord (Basel II) and the best corporate governance practices. The department coordinates work to comply with Resolutions 2,554 (internal controls), 3,380 (operational risk), 3,464 (market risk) and 3,490 (required reference equity) of the National Monetary Council and with the provisions of the U.S. Sarbanes-Oxley Act, Section 404.

The risk management process in the Organization creates a virtuous cycle that involves:

Risks identification: part of the daily routine of the business, operations, products and services areas. This activity is comprised of identification, classification and the assessment of the level of exposure to risk, the effectiveness of its control, carried out by the internal controls area;

Risks measurement: it involves the use of a series of methodologies, such as calculation of expected and unexpected losses, calculation of VaR, stress tests and use of market benchmarks;

Risks mitigation: it represents the reduction of the estimated gross weighted risks, leading to acceptable residuals by means of the adoption of actions aiming at transferring or implementing effective controls, periodically reevaluated and regularly tested for adequate execution;

Risks monitoring and control: uses the results of measurement models for the establishment of policies and limits. These limits are divided and monitored daily, weekly, monthly or according to each situation. In addition, we have an integrated management system that incorporates several elements, such as specific models for measurement of each risk, historical data base, adequate internal controls procedures and a qualified team in the risk management function, etc.; and

Risk reporting: for each business unit, analytical and consolidated reports provide information about integrated risk management.

New Basel Capital Accord Basel II

Structure and Fundamentals

One of the main functions of the central banks of several countries is the supervision of the financial system under their jurisdiction through prudent rules and practices, aiming at avoiding and mitigating possible banking crises that may deeply affect local economies.

With globalization, the creation of new and complex financial products, a banking crisis in a certain country may cause effects and most of the times more intense, in banking and economic activities of other countries, resulting in the need for alignment of mechanisms and practices of supervision of several central banks, so that to ensure the solvency of the international financial market. Thus, the Banking Supervision Basel Committee created the Basel Capital Accord in 1988. Firstly, the main guideline of this accord was the requirement of minimum capital in relation to the credit risk.

Although the application of this accord is not mandatory, supervisors of each country, observing the prudent aspects, require from the banks under their jurisdiction a minimum capital amount in relation to their portfolio assets, weighted by the risk level determined by the supervisors. Later, in 1996, the Banking Supervision Basel Committee added market risk as another risk factor to be considered for capital allocation.

The evolution of global banking and the acceleration of the pace of integration of several financial systems through complex and sophisticated instruments resulted in the need to improve the capital requirement rules established in 1988 and 1996. After more than six years of study, the New Basel Capital Accord (Basel II), released in June 2004, improved the requirements of the previous accord, based on the three pillars:

The first pillar has two main innovations concerning the previous accord: a) the risk weighing rules which currently are established by the supervising authority may be based on internal models of the banks themselves; and b) the addition to the capital requirement to face the operational risk incurred.

The second pillar comes from the fact that the supervising authority excludes itself from the function of determining the risk level of banking assets in the internal evaluation models.

The fundamental exclusion is that the banks themselves are best qualified to determine them. On the other hand, the supervising tasks of the banking authority are added to the internal risk measurement processes of the banks under its jurisdiction.

The third pillar recommends a set of minimum information for the disclosure to the market, so that it can make a better evaluation based on the risks incurred by each one of the institutions in their activities.

Implementation in Brazil

The Brazilian Central Bank, always aware of the best supervision practices, as of 1994, started guiding its disclosing normative rulings based on the Basel Accord (Basel I) guidelines for follow-up of financial institution risk.

In September of 2007, the Brazilian Central Bank issued Notice 16,137 that updated the initial schedule defined by Notice 12,746, of December 2004, for the implementation of the New Basel Capital Accord (Basel II), according to the following schedule:

- 2007**
 - Establishment of the capital allocation installment for operational risk;
 - Regulation disclosed by means of Circular 3,383 on April 30, 2008.

- 2008**
 - Establishment of eligibility criteria for adoption of internal models for market risk;
 - Implementation of a credit risk management structure; and
 - Disclosure of criteria to prepare a database of internal systems of capital requirement for credit risk.

- 2009**
 - Beginning of the validation process of the advanced version for market risk;
 - Establishment of criteria to implement the approach based on internal ratings for capital requirement for credit risks; and
 - Disclosure of criteria for internal calculation models of capital requirement for operational risk.

- 2010**
 - Beginning of authorization process to use the basic approach based on internal ratings to calculate the capital requirement for credit risk.

- 2011**
 - Beginning of authorization process to use the advanced approach based on internal ratings to calculate the capital requirement for credit risk;
 - Establishment of criteria for the adoption of internal models of capital requirement for operational risk; and
 - Disclosure of an authorization process to use internal models of capital requirement for operational risk.

2012 - Beginning of the authorization process to use the advanced approach based on internal ratings to calculate the capital requirement for operational risk.

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In accordance with the New Basel Capital Accord, the Brazilian Central Bank published Resolutions 3,380 and 3,464 that deal with the structures for operational and market risk management, respectively. It also published Circular Letters 3,360, 3,361 to 3,368, 3,388, 3,389 and 3,383, which define the capital installment methodologies necessary for credit, market and operational risks, respectively, as well as Resolutions 3,444 and 3,490 that change the ascertainment rules of the reference equity and provides for the ascertainment of the required reference equity, respectively, effective as of July 1, 2008.

On September 19, 2008, the Brazilian Central Bank Notice 30 resolved that the proposal on the implementation of credit risk management structure will be discussed in a public hearing between society and supervision.

Implementation of Basel II in the Bradesco Organization

Based on the consulting documents disclosed by the Basel Committee and on the exercises of quantitative impacts (QIS) for the implementation of Basel II, since 2003, the Organization prepares in an integrated manner for its adaptation to the requirements proposed by said documents.

In 2004, with the publication of the definite document about the New Basel Capital Accord (International Convergence of Capital Measurement and Capital Standards), an internal implementation plan was established. Coordinated by the Risk Management and Compliance Department, the plan involves several areas of the Organization and is followed by a PMO structure, under the responsibility of the Organization and Methods Department.

The main compliance activities are targeted at the:

- historical data storage on default, recoveries and operational losses;

- review and update of the loan assignment and recovery models;

- review of limit and guarantee management processes;

- definition, formalization and structuring of data, methods and management of banking and trading portfolios;

- evaluation of the market and liquidity risks data and models;

- definition and formalization of the mark-to-market processes;

- refining of data capture and definition of operational risk management models;

- risk models backtesting structure;

- development and effective application of economic capital models; and

- certification by the internal audit of all processes and models related to Basel II.

All these tasks follow guidance from an Executive Committee appointed by the Board of Directors under the coordination of the organization's CEO, showing our management's total commitment to the implementation of Basel II.

We believe that the implementation of the Basel II approaches in conjunction with best market practices, will improve the risk management process in our Organization.

Integrated Risk Management

A structure dedicated to the consolidated management of risks inherent to the Organization's businesses was set up and is under final phase of implementation, aiming at the integrated management and adequate capital ascertainment of its activities.

The main attributes are as follows:

- Methodology, ascertainment and follow-up of the economic and regulatory capital in view of risks;
- Determination of the scope, relevance and frontiers among risks;
- Ascertainment of the concentrations and correlations among the several risks;
- Standardization of information, methodologies and indicators;
- Simulations to optimize results in view of risks;
- Proposal of risk management and capital allocation policies and strategies updates;
- Validation and accuracy tests of internal risk models (backtesting);
- Monitoring changes of risk profiles in light of new processes, activities or products and services; and
- To follow the work of all risk committees and be responsible for the agenda of the Integrated Risk Management and Capital Allocation Committee.

Credit Risk Management

Credit risk consists of the possibility of occurring losses associated with the borrower's or counterparty's failure to comply with its contractual liabilities, within terms agreed upon.

Loan Assignment

Under the responsibility of the Loan Department, the Organization's loan process complies with the resolutions of the Loan Executive Committee and the Brazilian Central Bank, in addition to being based on the pursuit of security, quality, liquidity and diversification in the application of loan assets.

In a constant search for agility and profitability in businesses, we use methodologies directed at and adequate for each segment in which the Bank operates, guiding the loan assignment operations and the determination of operational limits when adequate.

Loan Policies

Within the norms and loan policy, branches maintain variable limit values according to the size and guarantees of the operations, whose automatic classification is verified against global risk of the client/economic group.

Loan proposals pass through an automated system with parameters that is subject to a continuous improvement process, that supplies indispensable information for analysis, granting and follow-up of loans granted, thus minimizing the risks inherent to loan operations.

To grant mass loans, specialized credit and behavior scoring systems enable greater agility and reliability, besides standardizing procedures in the credit analysis and granting processes.

The Loan Executive Committee located at Bradesco's headquarters was created to facilitate joint decision-making processes within its scope with respect to consultations about limits or operations proposed by the Bradesco Conglomerate, previously analyzed and with the opinion of the Loan Department.

Operations are diversified, well-distributed and focused on individual and corporate clients with sound payment capacity and proven creditworthiness. We take care to ensure that the underlying guarantees are sufficient to cover the risks assumed, taking into consideration the purpose and terms of the loan granted.

Loan Assignment

Methodology Used for Client Assessment and Loan Portfolio

The risk assessment methodology, besides delivering data to establish minimum parameters for loan assignment and risk management, also enables us to define special loan policies in light of clients' characteristics and significance, providing the basis not only for the correct pricing of operations, but also for the definition of adequate guarantees according to each situation.

The risk ratings for corporate clients are made on a corporate basis and periodically followed up, so as to preserve the quality of loan portfolio clients.

With respect to individuals, the risk ratings are mainly defined based on their registered reference variables, of which we highlight: income, equity, restrictions and indebtedness, as well as the standard and past relationship with the Bank.

Credit Risk Control

To mitigate credit risk, Bradesco is continuously following up loan activities processes, for the improvement, examination and preparation of inventories of credit risk models, the monitoring of credit concentration and for the identification of new components that offer credit risks.

Our efforts, which focus on using advanced models to measure risks and the continuous improvement of processes, have also reflected on the performance of the loan portfolio in various scenarios, both in terms of results and solidity.

Credit risk control is made corporately through Credit and Recovery Portfolio Follow-Up meetings.

All meetings are followed by the Executive Board and Officers of the main management areas as well as by the Executive Credit Risk Management Committee, which has the following attributes:

- a) evaluating and recommending risk measurement strategies, policies, rules and methodologies to the Integrated Risk Management and Capital Allocation Committee;
- b) following and evaluating credit risk and measures taken to mitigate risks;

- c) following and evaluating alternatives for credit concentration risk mitigation, aware of those clients who may cause unexpected and unacceptable losses for the Bradesco Organization;
- d) following the implementation of methodologies, models and corporate credit risk management tools;
- e) evaluating the sufficiency of allowance for loan losses for coverage of expected losses on credit operations;
- f) following the movements and development of the credit market, evaluating implications, risks and opportunities for Bradesco Organization; and
- g) regularly informing the CEO and the Integrated Risk Management and Capital Allocation Committee about its activities and making recommendations deemed important.

We would like to point out the following credit risk management activities:

- backtesting and calibration of the models used to measure the loan portfolio's risks;
- active participation in the process of improving risk rating models of clients, respecting the particular characteristics of the business and product segments in which Bradesco operates;
- concentration analysis, by economic groups, activity lines, regions etc.;
- follow-up of critical risks: periodic monitoring of the main events of delinquency by means of individual analysis based on the growth of clients' balances and recovery estimates;
- follow-up of provisions for expected and unexpected losses;
- continuous review and restructuring of internal processes, including roles and responsibilities, qualification, organizational structures review and IT demands; and
- participation in the evaluation of credit risks upon the creation or review of products and services.

In addition, the whole process of credit risk control includes periodical review of projects related to compliance with the best market practices and requirements of the New Basel Capital Accord. In order to improve the management process, all actions in progress are monitored, and we seek to identify and cover any gaps or needs that may arise.

Quality of Portfolio

Compared to the previous quarter, the quality of the total active increased at the end of the 3Q08 due to the growth in the participation of AA-C rated credits in the operations focused on individuals and micro-, small- and medium-sized companies. In the last twelve months, there was an increase in corporate and individual clients.

Loan Operations by Rating %

| Client Characteristics | 2007 | | 2008 | |
|------------------------|-----------|------|------|-----------|
| | September | June | June | September |

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| | AA-C | D | E-H | AA-C | D | E-H | AA-C | D | E-H |
|---|-------------|------------|------------|-------------|------------|------------|-------------|------------|------------|
| Large Companies | 98.5 | 0.8 | 0.7 | 98.7 | 0.5 | 0.8 | 98.7 | 0.7 | 0.7 |
| Micro-, Small- and Medium-sized Companies | 92.6 | 2.2 | 5.2 | 94.3 | 1.8 | 3.9 | 94.4 | 1.7 | 3.9 |
| Individuals | 89.2 | 1.9 | 8.9 | 89.1 | 1.9 | 9.0 | 89.3 | 1.8 | 8.8 |
| Total | 92.8 | 1.7 | 5.5 | 93.4 | 1.5 | 5.1 | 93.6 | 1.4 | 5.0 |

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Provisioning

The methodology to define the PDD exceeds the requirements of Resolutions 2,682 and 2,697 and complementary Circular Letters of the Brazilian Central Bank. The classification process for the purposes of regulatory provision is as follows:

evaluation and classification of the client/ economic group: quantitative (economic and financial indicators) and qualitative (registration and behavioral data) aspects connected to the clients' capacity to honor their commitments are considered;

classification of the operation: evaluation of the client classification connected to the type, liquidity and sufficiency level of the guarantee(s); and

reclassification by delay and renegotiation.

After all classification steps for provision purposes are carried out, the loss expected in 1 year is evaluated, in an attempt to maintain a minimum coverage margin above this loss in order to ensure impacts by a possible acceleration of delinquency not captured by risk classification models applied to the portfolio. In order to calculate this margin, exceeding provisions are considered, which are then allocated in the operations.

In the determination of this margin, the highest amplitude of delinquency above 90 days occurred in the last two years is calculated and applied to the expected loss in the year the portfolio is calculated. For the September 2008 portfolio, the minimum margin calculated was 8.9% .

The total provision amount is composed of the generic (client and/or operation classification), specific (non-performing loan) and exceeding (internal criteria and policies) provisions.

PDD x Delinquency Losses (Percentage over Loan Operation Balance)

The total volume of allowance for loan losses reached R\$9,136 million, representing 5.7% of the total loan portfolio, ensuring a coverage level of 43.9% above the expected loss of 1 year.

It is important to note that the adequacy of the provisioning criteria adopted that can be proved by analyzing the historical data of allowances for loan losses and losses effectively occurred in the subsequent twelve-month period. For instance, in September 2007, for an existing provision of 6.4% of the portfolio, the loss in the twelve subsequent months was 4.4% on that date, that is, the existing provision covered the loss by a margin of more than 40%.

Portfolio Concentration

By Activity Sector

The portfolio distribution by economic activity sector did not have a concentration. Despite their significant participation, operations for individuals are dispersed. In the last quarter we point out the participation and balance growth of the industry (mainly in food and beverage, steel, metallurgy and mechanics sectors).

| Activity Sector | in millions of R\$ | | | | | | | |
|--|--------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2007 | | | | 2008 | | | |
| | June | % | September | % | June | % | September | % |
| Public Sector | 993 | 0.9 | 926 | 0.8 | 851 | 0.6 | 905 | 0.6 |
| Private Sector | 107,198 | 99.1 | 115,431 | 99.2 | 147,557 | 99.4 | 159,729 | 99.4 |
| Corporate | 62,504 | 57.8 | 66,146 | 56.9 | 87,598 | 59.0 | 95,983 | 59.8 |
| Industry | 26,880 | 24.8 | 28,765 | 24.7 | 35,242 | 23.7 | 39,701 | 24.9 |
| Commerce | 16,072 | 14.9 | 15,807 | 13.6 | 21,099 | 14.3 | 21,626 | 13.4 |
| Financial Intermediates | 385 | 0.4 | 342 | 0.3 | 816 | 0.6 | 914 | 0.6 |
| Services | 17,723 | 16.4 | 19,655 | 16.9 | 28,529 | 19.1 | 31,627 | 19.6 |
| Agriculture, Cattle Raising, Fishing, Forestry and Forest Exploration | 1,444 | 1.3 | 1,577 | 1.4 | 1,912 | 1.3 | 2,115 | 1.3 |
| Individual | 44,694 | 41.3 | 49,285 | 42.3 | 59,959 | 40.4 | 63,746 | 39.6 |
| Total | 108,191 | 100.0 | 116,357 | 100.0 | 148,408 | 100.0 | 160,634 | 100.0 |

By Flow of Maturities

The term of operations coming due has been extended, mainly due to CDC/vehicle leasing and real estate loan operations that are, by their nature, of longer terms. Operations with terms longer than 180 days represented 58.2% of the total portfolio in September 2008, against 54.7% twelve months ago.

Loan Operations Flow of Loan Portfolio Falling Due By Terms (in percentage)

By Debtor

In the last twelve months, the concentration levels of loan operations of the total portfolio had an increase in all intervals of the largest debtors, as well as an improvement in the quality of these assets with higher participation of the rating AA and A.

Loan Operations Portfolio Concentration (in percentage)

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

Risk limits are defined by specific committees and validated by the Senior Management, and are determined considering the operations' characteristics and are classified as follows:

Trading portfolio: it comprises all operations involving financial instruments and goods, including derivatives, held to be traded or allocated to hedge other ones in trading portfolio, and which are not limited to its availability to be traded. Operations held to trading are those destined to resell, to obtain benefits from actual or expected price variations, or to arbitration.

Banking portfolio: it comprises the operations not classified in the trading portfolio. They consist of structural operations arising from the Financial Conglomerate's several business lines and their respective hedges.

The compliance with these limits is daily monitored by the market risk area. In addition management reports are made available for management areas and the Senior Management.

Market Risk Control

The market risk is controlled by the meetings of the Executive Treasury Committee as well as the Executive Market and Liquidity Risk Management Committee.

The meetings of the Executive Treasury Committee are held every week and are focused on the following items:

- a) defining operational strategies in order to optimize results and present positions held by the Organization;
- b) analyzing the domestic and foreign political-economic scenario;
- c) following investment limits in public federal, private, domestic and foreign securities;
- d) proposing tolerance limits to the market and liquidity risks exposure for the Bradesco Organization's Integrated Risk Management and Capital Allocation Committee to validate;
- e) following the limits of market risk and management of results;
- f) following the compliance with the minimum liquidity limit according to the established policy;
- g) establishing operational limits of assets, liabilities and currencies mismatches; and
- h) holding special meetings to analyze positions and situations in which the risk, management of results or exposition limits are exceeded.

The meetings of the Executive Liquidity and Market Risk Management Committee are held at least quarterly, and this committee has the following duties:

- a) to ensure the compliance with the Organization's Liquidity and Market Risk Management Policy;
- b) to ensure the effectiveness of the liquidity and market risk management process within the organizational scope;
- c) to approve, with respect to liquidity and market risk management:
 - I. the adopted definitions, criteria and procedures;
 - II. the measure(s) to be adopted, including mathematical, statistical and econometric modeling;
 - III. the mark-to-market criteria/model discussed in the Mark-to-Market Commission;
 - IV. the implementation and/or change of methods and tools; and
 - V. plans of action and strategies for liquidity risk management.

d) to evaluate and submit to the validation of the Integrated Risk Management and Capital Allocation Committee of the Bradesco Organization:

- I. the policy, structure, papers and responsibilities of the premises involved in the liquidity and market risk management process, as well as the reviews carried out according to the periodicity established in the regulation;

e) to validate and report to the Integrated Risk Management and Capital Allocation Committee of the Bradesco Organization the behavior of results, backtestings of models and other matters deemed pertinent;

f) to follow and validate the information about the exposure level to market risk, consolidated and by Premise; and

g) to create conditions to carry out the review work executed by the internal and independent auditors.

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Among the main activities of the market risk management area, which is independent from business management, we highlight:

- to follow, calculate and analyze the market risk of the positions of the Conglomerate;
- to follow the management of results limits established for the positions by the Senior Management;
- to follow the models adopted for measurement of market risks;
- to prepare sensibility analyses and simulate results in stress scenarios for the Conglomerate's positions;
- to meet the demands of regulatory bodies concerning the calculation and sending of information related to the exposure to market risk, as well as the requirement of resulting capital; and
- to analyze and follow the evolution of the markets, involving operations, quotations and liquidity of assets, including pricing methods and evaluation of structured operations and derivatives, in addition to calculation systems of volatilities and correlations.

Market Risk Measurement Models

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

Bradesco is continuously dedicated to the improvement of its market risk measurement models used in the control of exposures assumed by the Conglomerate. Therefore, during this last quarter, the methodology used to determine the trading portfolio risk, parametric VaR for one day, now uses the reliability level of 99% to replace the 97.5% level previously used. In our VaR models, volatilities and correlations are calculated as from statistical methods, in which recent returns are given more importance to.

Regarding the banking portfolio, as of the 3Q08 the EVE methodology started to be used to measure the interest rate risk. This methodology determines the economic impact on positions according to scenarios prepared by Bradesco's economic area, which seek to determine positive and negative movements that may occur in interest rate curves on our investments and funding.

Market Risk Analysis

The 3Q08 was characterized by the increase in high volatility level in domestic and international financial markets. The increasingly uncertainties is a result of the crisis deterioration, affecting not only the financial institutions and securitization entities in the United States of America, European East and West and Asia, among other places, but also other economic sectors, and has already caused the sale, nationalization and even bankruptcy of some of the major financial market symbols. Central banks all over the world met to determine measures to soften the crisis effects. The American central bank was the first to disclose a bailout package to purchase bad mortgage securities, to provide tax incentives to individuals and small entities, and to increase deposits guaranteed by the FIDC.

In spite of the package disclosed by the American government, the US economy is already slowing down, and unemployment index had a slight increase. Inflation, which was the principal concern of the central banks in 2Q08, is now a second-ground theme after the financial crisis aggravation and the decrease in commodity and energy prices and weak perspectives for the world's economic activity.

In the domestic scenario, Bacen acted against the crisis to improve the financial system's liquidity and to reduce pressure over the US dollar price, with sale of the currency and realization of derivatives. With the probable economy slowdown due to the economic crisis and the monetary pressure carried out by Bacen, the market already operates with the possibility of this difficulty ending in the 4Q08.

The increase in volatility and the higher financial exposure in the IPCA coupon risk factor contributed to the increased trading portfolio's VaR in the period.

| Risk Factors | in thousands of R\$ | | | | | | |
|-----------------------------|---------------------|---------------|----------------|----------------|---------------|----------------|----------------|
| | 2007 | | | | 2008 | | |
| | March | June | September | December | March | June | September |
| Pre-fixed | 2,787 | 30,730 | 106,750 | 59,762 | 14,364 | 7,142 | 24,742 |
| IGP-M | 15 | 30 | 48 | 67 | 96 | 117 | 1,231 |
| IPCA | 37,787 | 59,679 | 171,362 | 83,503 | 29,523 | 44,136 | 157,598 |
| Domestic Exchange | | | | | | | |
| Coupon | 462 | 866 | 1,152 | 3,239 | 466 | 390 | 3,733 |
| Foreign Currency | 705 | 5,352 | 6,783 | 835 | 2,089 | 1,382 | 13,150 |
| Variable Income | 2,743 | 967 | 1,450 | 5,527 | 2,823 | 6,629 | 2,863 |
| Sovereign/Eurobonds and | | | | | | | |
| Treasuries | 22,245 | 17,493 | 38,229 | 39,444 | 50,946 | 24,350 | 71,811 |
| Other | 63 | 5,329 | 7,555 | 6,700 | 3,793 | 2,369 | 2,253 |
| Correlation/Diversification | | | | | | | |
| Effect | (11,686) | (68,404) | (217,515) | (129,293) | (46,365) | (24,274) | (72,854) |
| VaR | 55,121 | 52,042 | 115,814 | 69,784 | 57,735 | 62,241 | 204,527 |
| Average VaR in the | | | | | | | |
| Quarter | 42,029 | 60,265 | 86,960 | 82,736 | 58,635 | 91,960 | 97,535 |
| Minimum VaR in the | | | | | | | |
| Quarter | 22,146 | 39,367 | 33,097 | 64,552 | 41,442 | 58,792 | 61,857 |
| Maximum VaR in the | | | | | | | |
| Quarter | 63,103 | 90,034 | 134,092 | 101,611 | 69,571 | 120,378 | 244,827 |

The methodology applied and current statistical models are validated on a daily basis using backtesting techniques. The backtesting compares the daily VaR calculated with the result obtained with these positions (excluding result with intraday positions, brokerage rates and commissions). Its main purpose is to monitor, validate and evaluate the adherence to the VaR model and the number of disruptions must be in accordance with the reliability interval previously established in the modeling. The following chart shows the daily VaR and the corresponding result of the last 12 months, in which the adverse results exceed estimated VaR only once, that is, the number of disruptions is within the limit defined by the reliability level of the model adopted, a proof of its consistency.

Backtesting Trading Portfolio

Obs.: Points located below the line represent disruptions of VaR statistic model used.

To estimate the possible loss not included in VaR, Banco Bradesco evaluates daily the possible effects on the positions of stress scenarios. Stress analysis is a tool that tries to quantify the negative impact of shocks and economic events financially unfavorable to the positions of the institution. Thus, crisis scenarios are determined for risk factors in which the trading portfolio has a position. Thus, considering the diversification effect among risk factors, the possibility of the average estimated loss in a stress situation would be R\$295 million in the 3Q08, and the maximum estimated loss would be approximately R\$477 million.

| Trading Portfolio Stress Analysis | in thousands of R\$ | | | | | | |
|--|-------------------------|----------------|----------------|----------------|----------------------|----------------|----------------|
| | Without Diversification | | | | With Diversification | | |
| | 2007 | | 2008 | | 2008 | | |
| | September | December | March | June | September | June | September |
| Stress Analysis - Trading Portfolio | 889,505 | 626,632 | 275,693 | 272,232 | 758,370 | 209,266 | 476,564 |
| Average in the Quarter | 667,328 | 817,837 | 461,661 | 510,592 | 476,112 | 343,720 | 294,548 |
| Minimum in the Quarter | 473,897 | 626,632 | 232,787 | 294,611 | 264,658 | 109,822 | 199,359 |
| Maximum in the Quarter | 934,854 | 983,025 | 626,992 | 823,568 | 803,121 | 589,580 | 476,564 |

Besides the follow-up and control of VaR and stress analysis, a sensitivity analysis of the trading portfolio is done daily, measuring the effect on the portfolio of the movement of the market curves and prices.

Liquidity Risk Management

Liquidity risk is managed done by the Department of Operational Control and is designed to control the different mismatched settlement terms of the institution's rights and obligations as well as the liquidity of the financial instruments used to manage the financial positions. The acknowledgement and monitoring of this risk are critical since they enable the Organization to settle transactions in a timely and secure manner.

Liquidity Risk Control

The Bradesco Conglomerate has a liquidity policy approved within the scope of the Executive Treasury Committee. The positions are consolidated and distributed daily – some are updated in real time – to the Risk Management and Compliance Department, the Treasury Department and Board of Executive Officers. In this policy, the minimum liquidity levels that the organization intends to maintain are defined, as well as the liquidity management instruments in a normal scenario and a crisis scenario. The policy and controls established fully comply with Resolution 2,804 of the National Monetary Council.

Several reports contain historic information that allows to assessing the behavior and level of liquidity maintained, as well as simulations for at least, one year. Simulations are made from information about scenarios prepared by Research and Economic Studies Department.

Operational Risk Management

Within the corporate scope, the Organization defines operational risk as the risk of loss resulting from inadequate or faulty internal processes, people and systems and from external events which may or may not cause the partial or total interruption of its basic activities. This definition includes the legal risk, but do not consider strategic and image risks.

Operational Risk Control

Operational risk management is based on the preparation and implementation of methodologies, criteria and tools that standardize the form of collection and treatment of the loss historical data and complies with the Brazilian Central Bank regulations, BIS recommendations and best market practices.

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

This system will be added to the organization's operational risk management process, as it enables the calculation for 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 the Brazilian Central Bank, by means of Notice 16,137/07 and the requirements in Resolutions 2,554/98, 3,380/06 and 3,490/07 which provide for the implementation of the internal controls system, operational risk management structure and required reference equity,

respectively, and Circulars Letters 3,078/03 and 3,383/08 that govern the Internal Controls System in consortium management companies and the calculation of capital allocation installment for operational risk, respectively, and also the recommendations included in the New Basel Capital Accord.

The historical data base of losses arising from operational risk completed four and a half years of storage in September 2008 and is in compliance with the minimum provided for in paragraph 672 of the New Basel Capital Accord for application of AMA. The data for calculations for this type of approach are obtained by book accounts entered exclusively for registration of losses resulting from operational risk events. Based on this internally obtained information we made the calculations related to the advanced approach for capital allocation separated by company which comprises the financial consolidated.

Centralized operational risk management encompasses all the Organization's activities, including those of the Grupo Bradesco de Seguros e Previdência. As a result of this strategy, it was possible to obtain synergy and rationalization of resources for the convergence of implementation of concepts of Basel II and Capital Adequacy Ratio II, unifying the criteria within in the scope of the Organization, in conformity with Resolution 3,380 and Circular Letter 3,383 in what concerns the consolidated financial economic statement.

Standardized Operational Risk Approaches

In April 2008 the Brazilian Central Bank published Circular 3,383 and Circular Letters 3,315 and 3,316 that describe the procedures for the calculation of the portion of PRE related to POPR. For purposes of operational risk management and respective capital allocation, the concepts required by the Brazilian Central Bank are comprised of the following approaches:

Basic Indicator: application of a single percentage of 15% on the gross result for the last six semesters;

Standardized Alternative: segregates the gross result of the lasts six semesters years in eight business lines, six of them focused on said result, 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

Standardized Simplified Alternative: it segregates the gross result of the last six semesters in two business lines, the first represented by the sum of the average of the amounts of loan portfolios and of the gross result of the securities portfolio, applying to this the fixed percentage of 3.5% and then 15% (factor β_1), and to the second, represented by the gross result of the other business lines is applied to the percentage of 18% (factor β_2).

Methodology Adopted by the Organization

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

The Standardized Alternative Methodology, as well as the business lines and the documentation of process supporting this method approach that provides greater knowledge of the Organization's products and services and convergence of the concepts adopted by the other risks (credit and market), were validated by the Executive Operational Risk Management Committee on May 16, 2008, approved by the Board of Directors on May 26, 2008, and informed to the Brazilian Central Bank on May 27, 2008, according to Notice 16,913.

In the table below, we show the quarterly growth of capital allocated for the period from July 1 to December 31, 2008, considering the reduction percentage set forth in Resolution 3.383/08.

For allocation purposes, the amount to be considered is of June 2008.

2008

| Approach | June | | September | |
|---------------------------------|--------------------|--------------|--------------------|--------------|
| | in millions of R\$ | % | in millions of R\$ | % |
| Standardized Alternative | 283 | 100.0 | 253 | 100.0 |
| Corporate Finances | 5 | 1.7 | 6 | 2.1 |
| Negotiation and Sales | 91 | 32.0 | 54 | 21.3 |
| Retail | 53 | 18.8 | 54 | 21.4 |
| Commercial | 57 | 20.2 | 60 | 23.8 |
| Payments and Settlements | 51 | 18.1 | 52 | 20.7 |
| Financial Agent Services | 7 | 2.6 | 8 | 3.2 |
| Asset Management | 18 | 6.3 | 18 | 7.1 |
| Retail Brokerage | 1 | 0.3 | 1 | 0.4 |

Operational Risk Advanced Approach

Based on the recommendations in the New Basel Capital Accord, rules promulgated by Resolution 3,380 and information of losses stored in our database, we are dedicated to constructing proprietary models for management and value calculation of capital allocation by means of AMA.

In order to reach this goal, we use the LDA methodology that includes the estimate of distribution of severity (loss amount) and frequency (number of events) for each business line and loss event. In order to model the severity, we use statistical distributions from which we point out the exponential, gamma, weibull and lognormal distributions. For the modeling of the frequency distribution, we use poisson, geometric and negative binomial distributions.

Based on the Monte Carlo simulation methodology, we carried out the simulation of distributions of severity and their frequency. Thus, it is possible to determine the distribution of aggregated loss that reflects the estimate of EL and exposure to risk with the horizon of certain period of time (monthly, quarterly, annually etc.), considering the business and control environment existing at the time of the calculations. In the simulation methodology of aggregated losses, the possibility of using the correlation between loss events or business lines is included, allowing a more accurate determination of the capital related to the exposure to operational risk. Key risks, controls and analysis of scenarios indicators are used to estimate loss models considering changes in business and control environments. We constantly try to update this information with the Organization's departments and affiliated companies, to calibrate the models and studies internally practiced.

We consider the exposure to the operational risk, that is, the capital to be allocated, to be UL, which is represented by the difference obtained between the EL and the VaR measure with 99.9% of reliability, which will be reflected on future capital allocations by the Advanced Approach Methodology. Additionally, we calculated the TVaR measure, which is the expected loss value in case this is higher than the VaR with 99.9% reliability. Below there are the classifications of losses arising from the operational risk:

Aggregated Loss Value

In 3Q08 we concluded the process of association to the world-wide consortium of operational losses database, called ORX, and Bradesco was approved as a member of this institution. There is a perspective that information shall begin to be sent and delivered as of 1Q09. The use of this information will help the calculations of scenarios analyses and comparisons of the positioning of the Organization concerning large global players in relation to operational risk events.

For a better understanding of the following tables, we present the definitions of the 8 categories of loss events and 9 business lines composing the 8 x 9 matrix adopted in our internal model of behavior analyses of operational losses.

Loss Events

1. Internal Frauds fraudulent actions practiced by an employee of the Organization or with his/her indirect participation.
2. External Frauds fraudulent actions practiced by clients or third parties.
3. Human Resources practices related to the management of human resources, labor demands, security and occupational health.
4. Commercial Relations improper commercial practices used in the trading of products and services to clients or in the relationship with third parties, suppliers, service providers etc.
5. External Events damages to facilities, equipment and to persons, as well as facts which result or not in the total or partial interruption of the Organization's basic activities.
6. Information Technology failures in equipment, systems and/or technological infrastructure which result or not in the total or partial interruption of the Organization's basic activities.
7. Processes deficiencies in the drawing of products and services or in the execution of the operational and control activities.
8. Regulatory amendments established by governmental authorities that interfere in private relations and change legally contracted rights and obligations.

Business Lines

1. Corporate Finance – businesses focused on mergers, acquisitions and amalgamation of companies, as well as structuring of financial and investment operations, comprising national or foreign funds.
2. Negotiation and Sales – domestic and foreign treasury operations.
3. Retail – banking operations related to active and passive products and mass services for the public at large.
4. Commercial – operations that provide funds for short- and medium-term loans and financing for commerce, industry and companies that provide services.
5. Payments and Settlements – services related to payments and collections, transfers of funds, compensation and settlement of client orders.
6. Financial Agent Services – front office services provided in outlets made available to clients, whose back office activities are processed in a centralized manner in back-office units, also comprising revenues ascertained with custody of securities, letters of credit, guarantees, sureties, etc.
7. Asset Management – services related to the management of funds and third-party resources, whose management is separated from those pertaining to our own portfolio.
8. Retail Brokerage – provision of services related to the intermediation of securities, comprised of operations carried out on the stock exchange of merchandise and futures.
9. Corporate – encompasses loss event values not liable for registry in any regulated business line, i.e., not necessarily connected to commercialized products or services provided by the Organization.

Operational Risk Analysis

In April 2008, the Brazilian Central Bank required our participation in a new impact study of operational losses recorded, called LDCE, promoted by the Basel Committee by means of AIGOR. The period required was from January 2005 to December 2007 and applied to the consolidated financial. The recovery concept accepted in the calculation of risk exposure would be only that coming from insurance.

We participated in this study and sent all of Banco Bradesco's and related financial companies' data.

For calculations informed in this study we did not use an external loss database, key indexes of risk, scenarios or changes in the Organization's control environment.

Below, we present the result of this study focused on frequency and severity related to more relevant loss events and business lines, considering the period from January 2005 to June 2008.

Distribution of Loss Events by Amount Range

Distribution of Loss Events by Amount

(* Amount related to the Others item, which includes Human Resources, Regulatory, Internal Frauds, Commercial Relations, IT and External Events.

Distribution of Loss Events by Business Line

(*) Amount related to Retail Bank Business Line

Distribution of Loss Event

Business Continuity Management GCN

The business continuity management process is dealt with on a corporate basis, encompassing the Organization's essential activities. The responsibilities and duties are defined and divided into three layers: 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.

Management Model and Business Continuity Control

Business continuity management is based on the preparation of the respective plans for the 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 internal works 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.

Below, we present the life cycle of the developed methodology that is comprised of six phases:

Risk Management and Internal Controls

Phase 1: Presentation and Awareness

Phase 2: Planning

Phase 3: Development

Phase 4: Simulation and Scheduled Tests

Phase 5: Maintenance

Phase 6: Simulation and Non-Scheduled Tests

Phase 1 presents the needs for the project's development, such as the indication of the business processes and respective responsible persons.

In Phase 2, interviews with the areas and persons identified in the previous phase are planned. In this phase, awareness presentations are made for the other functional levels.

In Phase 3, the application of three PCN tools is highlighted:

Impact of Analysis on the Businesses: where we use market software to assist in the identification of critical processes and respective support assets;

RAV: methodology developed internally to identify the evaluation of risks that surround a business environment, either internally or externally;

Documentation of Plans and Resources: where we use a market tool that allows the standardization of information of plans and the management of the periodicity with which they are updated by the premises and related companies.

Phases 4 and 5 ensure the continuity of the maturity process of the plans, reaching the To manage item of the life cycle previously shown.

Phase 6 includes the application of a simulation and non-scheduled test of a certain plan, ensuring that the teams are also prepared for the element of surprise.

Composition of a PCN

It is composed of a set of three plans (PAC, PRD and PCO) that describes how the Organization will respond to an event, ensuring that the critical functions of the business return to an acceptable level of operation within a desirable term. It involves the necessary human resources with pre-established duties before, during and after an event.

PAC Crisis Management Plan

It defines team function before, during and after the occurrence of any event that may affect the continuity of the Organization's critical processes.

PRD Disaster Recovery Plan

It documents the set of alternative procedures to be adopted by the technical support area upon the failure of a technical resource (systems, communications, components, etc.), aiming at its recovery after the event.

PCO Operational Continuity Plan

It is a set of previously defined failure scenarios and respective procedures aimed at maintaining the continuity of critical processes and/or services at a given premises, also considering the lack of components that support them.

Awareness and Training

Initiatives to disseminate the PCN culture carried out through informative lectures for all of a premises employees. The training is based on the disclosure of basic PCN concepts and also about the use of corporate tools.

Internal Controls Management

The internal controls area is one of the units of the Risk Management and Compliance Department that is responsible for the definition and disclosure of methodologies, criteria, procedures and instructions of technical nature to compliance agents in the Organization's departments and related companies to ensure the standardization of inherent activities, normative compliance and effectiveness of internal controls, also pursuant to US Sarbanes-Oxley Act Section 404.

According to what was established in the policy, internal controls are managed by activities directed at risk identification, classification and measurement, evaluation of controls, monitoring and regular report of results to the Internal Controls and Compliance Committee, a statutory body with the following duties, among others:

- a) to evaluate the effectiveness and compliance with the Organization's Internal Controls System;
- b) to evaluate whether the recommendations of improvements in the internal controls were duly implemented by the managers;
- c) to certify compliance with procedures, rules, regulations and applicable laws; and
- d) to analyze the reports issued by the regulatory bodies and internal and external audits concerning the deficiencies of internal controls and respective measures taken by the areas involved.

The diagnoses on the effectiveness of the Internal Controls System are also regularly submitted to the evaluation of the Audit and Internal Controls and Compliance Committees at meetings.

The Internal Controls and Compliance Committee issues a semi-annual opinion on the effectiveness of the Internal Controls System maintained in the Organization and submits it to the approval of the Board of Directors at a specific meeting about the subject.

Internal Controls Management Methodology

The Organization's risk and internal controls management methodology gathers the use of approaches, computerized tools, organizational and people structure, management processes and models. In order to maintain the effective and harmonious operations of these components, Bradesco carries out constant qualification and training programs, disseminates the culture, increases awareness of employees and revises the policies.

In this context, in June of 2008, according to Form 20-F filed with the SEC, the Organization obtained the certification of its internal controls audited by PricewaterhouseCoopers, focused on the preparation of the financial statements related to the fiscal year ended on December 31, 2007 in accordance with the provisions set forth in the U.S. Sarbanes-Oxley Act Section 404.

Continuous Improvement

The Organization exercises all-encompassing management of its main risks based on methodology that gathers five major activities arranged in a logical sequence of execution which, when concluded, offers enough support 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 requirements of ELC – Entity Level Controls established by PCAOB for aspects focused on Corporate Governance; all of them adhere to the regulations of the Brazilian Central Bank and to the principles recommended by the Basel Committee.

Methodology

Activity 1 Formalize the Process document the flow of process to identify risks and controls 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 and follow-up 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.

Activity 5 Apply Corporate Self-Evaluation apply assertions to the Organization's employees with a view to evaluating levels of knowledge, understanding, application and compliance on issues involving integrity, ethical and moral values, policies and rules inherent to the risks and internal controls management.

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.

Analysis of Internal Controls

The Organization's risks and controls undergo an inventory process with respect to process and management and reach information technology and management of access to information in operational environments, currently representing over 1,800 key controls, corresponding to more than 35,000 adherence tests planned to be executed during 2008.

Instances of non-compliance identified with adherence tests executed are represented by punctual and immaterial failures, related to the protection of evidence and do not affect the effectiveness of the controls.

Money Laundering Prevention

The Organization maintains specific policies, processes and systems to prevent and/or detect the use of its structure, products and services for money laundering and financing terrorism. Significant investments are made to train employees with programs in several formats such as the availability of an instruction leaflet, videos, e-learning courses and on-site lectures, including specific courses for areas in which the daily activities require them. A multi-department commission evaluates the pertinence of submitting the suspicious or atypical cases identified to the proper authorities, whether the operation has been carried out or not. The Executive Committee for the Prevention and Combat of Money Laundering and Terrorism Financing meets on a quarterly basis to evaluate the progress of the work and the need to adopt new measures with the intention to align the Organization's Program of Prevention and Combat of Money Laundering Terrorism Financing to the rules issued by the regulatory bodies and to the best international practices.

Information Security

Information security is basically comprised of a set of controls including policies, processes, organizational structures and security rules and procedures. It aims at protecting clients' and the Organization's information, with respect to confidentiality, integrity and availability.

The Bradesco Organization created the Corporate Policy on Information Security, whose guidelines are available on our website, and maintains a formal infrastructure to promote the corporate management of information security, thus providing effective protection for information assets. The Corporate Policy on Information Security includes privacy guidelines, voluntarily set forth by the Bradesco Organization, aiming at protecting the privacy of its clients' data. This reflects the Organization's values and reiterates its commitment to the continuous improvement of data protection methods efficiency.

Capital Management

The Organization's capital management tries to optimize the risk to return ratio so as to minimize losses through well-defined business strategies and maximize efficiency in the combination of factors affecting the Capital Adequacy Ratio (Basel).

Reference Shareholders' Equity in million of R\$

Calculation Statement

| Calculation Basis | Financial Consolidated ⁽¹⁾ | Total Economic-Financial Consolidated ⁽²⁾ |
|---|---------------------------------------|--|
| Shareholders' Equity | 34,168 | 34,168 |
| Decrease in tax credits pursuant to Bacen Resolution 3,059 | (102) | (102) |
| Decrease in deferred assets pursuant to Bacen Resolution 3,444 | (388) | (521) |
| Decrease in gains/losses of adjustments to market value in DPV and derivatives pursuant to Bacen Resolution 3,444 | 1,552 | 1,552 |
| Minority interest/other | 592 | 627 |
| Reference Shareholders' Equity Level I | 35,822 | 35,724 |
| Sum of gains/losses of adjustments to market value in DPV and derivatives pursuant to Bacen Resolution 3,444 | (1,552) | (1,552) |
| Subordinated debts/others | 11,041 | 11,041 |
| Reference Shareholders' Equity Level II | 9,489 | 9,489 |
| Total Reference Shareholders' Equity (Level I + Level II) | 45,311 | 45,213 |
| Deduction of instruments for funding pursuant to Bacen Resolution 3,444 | (51) | (497) |
| Reference Shareholders' Equity | 45,260 | 44,716 |

- (1) Financial companies only.
- (2) Financial and-non-financial companies

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Capital Allocation New Basel Capital Accord

Below regulatory capital allocation amounts based on simulations of June 30, 2008 and the effective allocation on September 30, 2008, both, according to the New Basel Capital Accord, standardized approach, pursuant to the Brazilian Central Bank Resolutions:

| | in millions of R\$ | | | |
|--|----------------------|---------------|----------------------|---------------|
| | Financial | | Economic-financial | |
| Credit Risk | June (simulation) | September | June (simulation) | September |
| Products | | | | |
| Loan Operations (Not Retail) | 6,799 | 8,770 | 7,716 | 8,741 |
| Loan Operations (Retail) | 4,969 | 3,895 | 4,052 | 3,911 |
| Guarantees Provided | 2,947 | 3,210 | 2,957 | 3,045 |
| Loan Commitments | 1,766 | 1,648 | 1,766 | 1,661 |
| Securities Operations | 1,644 | 2,195 | 3,068 | 3,665 |
| Other Assets | 8,885 | 10,202 | 7,747 | 9,159 |
| Total Allocation | 27,009 | 29,920 | 27,306 | 30,182 |
| | | | | |
| Market Risk | | | | |
| | | | | |
| Installments | | | | |
| Interest Rate | 257 | 487 | 658 | 694 |
| Prefixed in R\$ | 23 | 55 | 25 | 59 |
| Foreign Exchange Coupon | 39 | 52 | 39 | 52 |
| Price Index Coupon | 193 | 378 | 591 | 580 |
| Interest Rate Coupon | 3 | 3 | 3 | 3 |
| Shares | 40 | 8 | 368 | 330 |
| Commodities | 10 | 11 | 10 | 11 |
| Foreign Exchange ⁽¹⁾ | 5,798 | | 5,798 | |
| Total Allocation | 6,106 | 507 | 6,835 | 1,035 |
| | | | | |
| Operational Risk ⁽²⁾ | | | | |
| | | | | |
| Business Line | | | | |
| Corporate Finance | 5 | 5 | 5 | 5 |
| Trading and Sales | 91 | 91 | 91 | 91 |
| Retail | 53 | 53 | 53 | 53 |
| Commercial | 57 | 57 | 57 | 57 |
| Payments and Settlements | 51 | 51 | 51 | 51 |
| Financial Agent Services | 7 | 7 | 7 | 7 |
| Asset Management | 18 | 18 | 18 | 18 |
| Retail Brokerage | 1 | 1 | 1 | 1 |
| Total Allocation | 283 | 283 | 283 | 283 |

Main Amounts

| | | | | |
|--------------------------------|---------|---------|---------|---------|
| Assets Weighted by Risk | 303,620 | 279,184 | 312,955 | 286,363 |
| Reference Shareholders' Equity | 43,975 | 45,260 | 43,515 | 44,716 |
| Required Shareholders' Equity | 33,398 | 30,710 | 34,425 | 31,500 |
| Margin | 10,576 | 14,550 | 9,090 | 13,216 |
| Capital Adequacy Ratio (Basel) | 14.5% | 16.2% | 13.9% | 15.6% |

(1) In September, assessed PCAM was R\$1.05 billion, below the 5% of shareholders' equity. Thus, pursuant to Circular Letter 3,389 of the Brazilian Central Bank, PCAM's capital allocation, in this case, equals zero.

(2) Pursuant to Circular Letter 3,383 of the Brazilian Central Bank, a 0.20 multiplier is applied to the Operational Risk amount assessed.

According to New Capital Accord, standardized approach, the capital margin in September stood at R\$13.2 billion for the Economic-Financial Consolidated and Capital Adequacy Ratio stood at 15.6%. We point out that during 3Q08, we exercised the prerogative of excluding the total position of over-hedge on investments held abroad, pursuant to Article 4 of Circular Letter 3,389 of the Brazilian Central Bank.

Cards

| | 2007 | | | 2008 | | |
|--|----------------------|----------------------|----------------|----------------------|----------------------|----------------|
| | 2 nd Qtr. | 3 rd Qtr. | September YTD | 2 nd Qtr. | 3 rd Qtr. | September YTD |
| Number of Cards in thousands | 63,196 | 67,228 | 67,228 | 77,952 | 80,207 | 80,207 |
| Credit | 15,406 | 16,282 | 16,282 | 19,656 | 20,333 | 20,333 |
| Debit | 41,023 | 42,079 | 42,079 | 45,730 | 46,933 | 46,933 |
| Private Label | 6,767 | 8,867 | 8,867 | 12,566 | 12,941 | 12,941 |
| Revenue in millions of R\$ | 12,628 | 13,641 | 38,093 | 15,629 | 16,550 | 47,041 |
| Credit | 7,767 | 8,456 | 23,454 | 9,704 | 10,165 | 29,038 |
| Debit | 3,858 | 4,075 | 11,743 | 4,835 | 5,264 | 14,711 |
| Private Label | 1,003 | 1,110 | 2,896 | 1,090 | 1,121 | 3,292 |
| Number of Transactions in thousands | 186,855 | 205,106 | 569,874 | 228,593 | 240,654 | 691,570 |
| Credit | 92,071 | 103,538 | 282,057 | 115,157 | 119,583 | 347,018 |
| Debit | 82,524 | 86,892 | 250,739 | 98,755 | 105,741 | 299,278 |
| Private Label | 12,260 | 14,676 | 37,078 | 14,681 | 15,330 | 45,274 |

Credit Cards

By making available to its clients the most complete line of credit cards in the country; Bradesco has been increasing its share in the segment. It provides Visa, American Express, MasterCard and Private Label credit cards that stand out for the range of benefits and convenience offered to their users.

To provide more protection and reduce the incidence of fraud, Bradesco started the expansion process of the Visa chip credit card base in the International, Gold and Platinum types of individual clients of the Varejo (Retail) and Prime segments. This growth also enabled the client to have access to the Promotional Platform, a program that allows clients to participate in several promotions and receive gifts or discounts in the transactions.

As of this quarter, Bradesco is authorized to accredit establishments to the Redecard system, in addition to carry out Domicílio Bancário's transfers (a bank account that transacts accounts receivable of suppliers and clients). With such novelty, the Bank broadens its operations in this segment accrediting establishments to the main debit and credit flags in Brazil: Visa, American Express and Mastercard, representing an excellent opportunity for business growth with current clients as well as to conquer new accounts.

In September 2008, Bradesco increased its credit card base by 24.9% compared to September 2007. The number of transactions in 3Q08 climbed 15.5% Y-O-Y.

The revenue for 3Q08 reached R\$10.2 billion with a 20.2% increase Q-O-Q.

In September 2008, Bradesco's American Express card base reached growth higher than 63.5% since we assumed control of this operation in 2006.

Number of Credit Cards in thousands

Credit Card Revenue in millions of R\$

Debit Cards

Bradesco closed September 2008 with 46.9 million debit cards, 11.5% higher than the base of September 2007. In 3Q08, the average number of transactions per card grew 9.1% y-o-y. The total number of transactions made by debit card in 3Q08 was 105.7 million, a 21.7% growth y-o-y.

In terms of revenue, there was an increase of 29.2% y-o-y. The financial volume reached R\$5.3 billion in 3Q08.

This quarter, the service called *Troco Fácil* was made available, in a partnership with Visanet, targeting Bradesco checking and savings accounts cards. At each purchase, clients may request the change in cash, providing the clients with more convenience and easiness, since they now can rely on a new withdrawal channel.

Number of Debit Cards in thousands

Debit Card Revenue in millions of R\$

Private Label Cards

In this market, Bradesco issues cards by means of operating agreements with retail stores that operate in the segments of electrical appliances, supermarkets, department stores, clothing, pharmacy and cosmetics. Agreements with stores Casas Bahia, Comper, Carone, Dois Irmãos, G. Barbosa, Coop, LeaderCard, Esplanada (Grupo Deib Otoch), Luigi Bertolli, Panvel, Drogasil, O Boticário and Colombo can be highlighted. The agreements are a way to appreciate and create loyal clients, making available access to bank products and services.

In 3Q08, revenue added up to R\$1,121 million, with 15.3 million transactions, closing the period with a base of 12.9 million cards.

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Meal and Food Cards

In partnership with other issuers and Visa International, Bradesco constituted Visa Vale and actively participates in the distribution of its cards.

The value proposal for this business, in addition to reducing the operational cost, increases the efficiency of means of payment with 100% electronic transactions, thus offering higher security and convenience for companies and employees.

In 3Q08, Bradesco contributed with a base of 1.8 million Visa Vale cards, representing a y-o-y increase of 22.8% . Revenue in 3Q08 amounted to R\$679 million, a 27.9% y-o-y increase.

Card Income

Card services income reached, in September YTD 2008, R\$2,169.7 million, a growth of 23.2% y-o-y, due to the outstanding performance mainly in revenues on purchases and services.

In September YTD 2008, revenues coming from financing had a 47.7% increase y-o-y, reaching R\$2,436.3 million.

Credit Card Assets

In 3Q08, credit card assets, which include bearer s financing fees, advances to establishments and credit for purchases made in a single or several installments increased by 33.1% y-o-y, ending the quarter with R\$14.1 billion.

Assets Generated by the Credit Card Business in millions of R\$

Social-Environmental Responsibility

Since 1993, Bradesco Cartões has promoted social-environmental and humanitarian actions, transferring a portion of annual card fees to philanthropic entities.

We highlight the issuance of SOS Mata Atlântica, AACD, APAE and Casas André Luiz cards.

International Area

The International Area presents the following framework:

10 Units Abroad (Branches and Subsidiaries)

Branches:

New York Bradesco
Grand Cayman Bradesco (2) and BMC
Nassau Bradesco

Subsidiaries:

Buenos Aires Banco Bradesco Argentina S,A,
Luxembourg Banco Bradesco Luxembourg S,A,
Tokyo Bradesco Services Co., Ltd,
Grand Cayman Cidade Capital Markets Ltd,
Hong Kong Bradesco Trade Service Ltd,

12 Operating Units and 13 Exchange Platforms in Brazil

Belo Horizonte, Blumenau, Campinas, Curitiba, Fortaleza, Manaus, Porto Alegre, Recife, Rio de Janeiro, Salvador, São Paulo and Vitória. There are also 13 exchange platforms located in the ABC region, Belém, Caxias do Sul, Franca, Goiânia, Guarulhos, Joinville, Jundiaí, Londrina, Novo Hamburgo, Ribeirão Preto, Santos and Sorocaba.

In the other regions of the country, the International Area, with respect of business prospecting and opportunities with clients/potential clients, is represented by the business units and branches of the corporate, middle market and corporate retail segments, reporting to the operating unit or nearest exchange platform.

Bradesco Organization, represented by its International Area, consolidates one more period of important support to the inclusion of Brazil in global foreign trade. The numbers presented below confirm this statement.

Export Market

The volume of export exchange contracts entered into from January to September 2008 totaled US\$33.7 billion; this amount allowed the 15.8% y-o-y growth when compared to the US\$29.1 billion recorded in 2007.

It is worth mentioning that the growth presented by the market in the same period was 6.3% .

Thus, market share in this period increased from 20.4% in 2007 to 22.2% in 2008.

Financing for Brazilian Exports

Aligned with the performance presented in exchange closings in this modality, total financings granted to Brazilian exporters also increased. Up to September 2008, total amount recorded is US\$12.5 billion, surpassing approximately 19.0% the amount of US\$10.5 billion granted in the same period of 2007.

It is worth mentioning that these amounts include BNDES EXIM onlending operations, transferred by the International Area, in the amount of US\$746.2 million in 2008 against US\$588.2 million in 2007, a 26.9% growth.

Thus, loan notes and bank letters of credit NCE/CCE are also considered, increasing from US\$276.9 million in 9M07 to US\$2.5 billion in 2008, an 802.9% growth.

Import Market

In this modality, performance obtained in 9M08 was even clearer. Import contracts entered into amounted to US\$17.1 billion, 40.0% higher than the total amount recorded in 9M07, US\$12.2 billion. This result was slightly higher than the market's performance, which was 37.5%.

Like export, market share also had an increase, from 15.8% in 9M07 to 16.3% in 9M08.

Financing for Brazilian Imports

The growth presented by the import market, as previously mentioned, allowed the international area to record a strong increase in these first nine months. Total amount recorded at the end of September 2008 reached US\$2.1 billion, surpassing in 61.5% the total amount recorded in 2007, which was US\$1.3 billion.

Volume of Exchange Closing in billions of US\$

Export Market

Import Market

At the end of 3Q08, the international area shows in its asset portfolio a significant amount of US\$15.4 billion, considering the amounts related to financing for export and import, international guarantees granted, including confirmed export letters of credit, loans to Brazilian companies headquartered abroad, financing for banks headquartered abroad and committed lines.

When compared to the balance in the same period of 2007, which was US\$11.3 billion, the portfolio showed an increase of 36.3% .

The following table shows an analysis of the balances of the several products composing the international area assets on the reference dates of September 30, 2007 and September 30, 2008:

| Foreign Trade Portfolio | September 2007 | | September 2008 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | millions of US\$ | millions of R\$ | millions of US\$ | millions of R\$ |
| Export Financing | | | | |
| Advance on Foreign Exchange Contracts | | | | |
| Undelivered Bills | 2,763 | 5,079 | 3,668 | 7,019 |
| Advance on Foreign Exchange Contracts | | | | |
| Delivered Bills | 684 | 1,257 | 649 | 1,242 |
| Export Prepayments | 2,696 | 4,958 | 3,218 | 6,159 |
| Onlending of Funds Borrowed from BNDES | | | | |
| EXIM | 1,483 | 2,726 | 1,271 | 2,431 |
| NCE/CCE | 366 | 673 | 1,846 | 3,531 |
| Documentary Drafts and Bills of Exchange in | | | | |
| Foreign Currency | 4 | 7 | 3 | 6 |
| Indirect Exports | 3 | 6 | | |
| Total Export Financing | 7,999 | 14,706 | 10,655 | 20,388 |
| Import Financing | | | | |
| Foreign Currency | 579 | 1,064 | 960 | 1,838 |
| Imports Draft Discounted | 534 | 982 | 1,132 | 2,166 |
| Open Import Credit | 158 | 291 | 592 | 1,133 |
| Total Import Financing | 1,271 | 2,337 | 2,684 | 5,137 |
| Collateral | | | | |
| Foreign Collateral Provided | 259 | 476 | 619 | 1,185 |
| Total Foreign Collateral Provided | 259 | 476 | 619 | 1,185 |
| Total Foreign Trade Portfolio | 9,529 | 17,519 | 13,958 | 26,710 |
| Loan via Branches Headquartered Abroad | 1,185 | 2,180 | 912 | 1,747 |
| Financing for Banks Headquartered Abroad | | | 34 | 64 |
| Committed Lines | 626 | 1,150 | 514 | 984 |

| | | | | |
|----------------------|---------------|---------------|---------------|---------------|
| Overall Total | 11,340 | 20,849 | 15,418 | 29,505 |
|----------------------|---------------|---------------|---------------|---------------|

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The funding necessary for foreign trade financing is obtained from the international financial community by means of credit lines granted by correspondent banks abroad. On September 30, 2008, 106 banks, especially U.S., Asian and European banks, had extended credit lines to Bradesco.

Up to September, we recorded that, in addition to the traditional funding source entirely aimed at financing Brazilian foreign trade of correspondent banks, the Bradesco Organization raised US\$925.5 million in the international capital markets. We point out the Securitization Series MT100 operation, with a 6-year term, in the amount of US\$500.0 million paid on March 6, 2008.

The amount raised is due to long- and medium-term public and private placements. These funds were also allocated to the financing of foreign trade and to working capital loan.

The following table lists the outstanding operations on the reference date of September 2008:

Foreign Public Issuances Outstanding Reference Date: September 2008 (Amounts exceeding US\$50 million)

| Issuances | Currency | Million | Date issued | Maturity |
|--|-------------|--------------|-------------|------------|
| Subordinated Debt | US\$ | 150 | 12.17.2001 | 12.15.2011 |
| Subordinated Debt (US\$133.2 million) | Yen | 17,500 | 4.25.2002 | 4.17.2012 |
| Subordinated Debt | US\$ | 500 | 10.24.2003 | 10.24.2013 |
| Subordinated Debt (US\$275.9 million) | Euro | 225 | 4.15.2004 | 4.15.2014 |
| FIRN | US\$ | 125 | 12.11.2004 | 12.11.2014 |
| FIRN | US\$ | 100 | 8.8.2005 | 8.4.2015 |
| FxRN BRL (US\$100.0 million) | R\$ | 227 | 10.3.2005 | 1.4.2010 |
| Securitization Series MT 100 2007-1 Floating (*) | US\$ | 250 | 6.11.2007 | 5.20.2014 |
| Securitization Series MT 100 2007-2 Floating (*) | US\$ | 250 | 6.11.2007 | 5.20.2014 |
| Securitization Series MT 100 2003-1 Fixed (*) | US\$ | 88 | 8.20.2003 | 8.20.2010 |
| Securitization Series MT 100 2004-1 Fixed (*) | US\$ | 68 | 7.28.2004 | 8.20.2012 |
| Securitization Series MT 100 2007-3 Floating (*) | US\$ | 200 | 12.20.2007 | 11.20.2014 |
| Securitization Series MT 100 2007-4 Floating (*) | US\$ | 200 | 12.20.2007 | 11.20.2014 |
| Securitization Series MT 100 2008-1 Floating (*) (1) | US\$ | 500 | 3.6.2008 | 5.20.2014 |
| Perpetual Securities (2) | US\$ | 300 | 6.3.2005 | Perpetual |
| Public Issuances | US\$ | 3,275 | | |
| Private Issuances | US\$ | 518 | | |
| Overall Total (equivalent in US\$) | US\$ | 3,793 | | |

(*) International Diversified Payment Rights Company.

(1) Subject to grace period review annually.

(2) Perpetual Non-cumulative Junior Subordinated Securities.

The main purpose of the branches and subsidiaries headquartered abroad is raising funds in the foreign market for onlending to clients, mainly by means of Brazilian foreign trade financing operations.

The additional activity of the subsidiary Banco Bradesco Luxembourg S.A. is to provide services to private banking clients, as well as to seek foreign trade operations.

The following table shows the book balances of assets and shareholders equity of the units abroad on the reference dates of September 30, 2007 and September 30, 2008:

| Branches and Subsidiaries Headquartered Abroad | in millions of US\$ | | | |
|---|----------------------------|----------------------------|-----------------------|----------------------------|
| | September 2007 | | September 2008 | |
| | Total Assets | Shareholders Equity | Total Assets | Shareholders Equity |
| Bradesco New York | 1,575 | 165 | 3,434 | 175 |
| Bradesco Grand Cayman | 9,668 | 3,883 | 10,961 | 4,507 |
| Bradesco Grand Cayman 2 (1) | | | 429 | 429 |
| BMC Grand Cayman | 51 | 43 | 45 | 45 |
| Boavista Nassau (2) | 9 | 9 | | |
| Bradesco Nassau (3) | | | 25 | 25 |
| Cidade Capital Markets Ltd. Grand Cayman | 36 | 36 | 37 | 37 |
| Bradesco Services Co., Ltd. Tokyo | 1 | 1 | 1 | 1 |
| Banco Bradesco Argentina S.A. | 35 | 30 | 37 | 31 |
| Banco Bradesco Luxembourg S.A. | 518 | 150 | 768 | 160 |
| Total | 11,893 | 4,317 | 15,737 | 5,410 |

(1) Acquisition of Santander / Banespa Grand Cayman Branch on November 1, 2007. In January 2008, there was a US\$300 million capital increase.

(2) Boavista Nassau ended its activities on December 31, 2007. The capital of US\$9 million was transferred to Bradesco Nassau.

(3) Bradesco Nassau started its activities on August 16, 2007.

Cash Management Solutions

Cash management solutions are structured by an area composed of experts. These experts conduct analysis and implement customized solutions following the same parameters and converge on themselves, taking into account the company, its suppliers, its clients, employees, and other stakeholders. These solutions are conditioned to the needs of cash management of the companies, maximizing results in the mutual view of businesses offered and operated with clients, with a technological synergy.

High versatility systems combined with the speed of processed transactions and the strategic service network coverage enable Bradesco to provide Global Cash Management services to companies anywhere in the world.

Partnerships entered into with Banco Bilbao Viscaya Argentaria and Rede Connector completed the offer of financial services aiming at facilitating the management of companies with international treasuries intending to do business in Brazil.

Among the key product and service solutions made available by Bradesco, we point out the following:

Receivables Solutions

Bradesco Online Collection

With a 29.96%* market share, Bradesco Online Collection is leader standing out for its comprehensiveness and several modalities, meeting companies' needs, regardless of their size. The solutions made available provide convenience and safety, in addition to reducing costs and maximizing clients' returns. The Online Collection offers other business opportunities for the Bank.

(* Source: Sisbacen July/2008 basis.

Collections

Developed based on high standards of efficiency and quality, Bradesco's collections serve a dual purpose. On one hand, they seek to provide client satisfaction with appropriate and innovative solutions for the settlement of taxes; on the other hand, they effectively interact with the different government departments on the federal, state and local levels and with public utility concessionaires. Our services distinguish themselves for their speed and security in processed information and amounts collected. Bradesco is leader among the private banks in the collection of the following taxes:

- DARF Collections performance in customer service channels: 19.8% market share⁽¹⁾
- DAS: 16.3% market share; and ⁽¹⁾
- GPS: 14.0% market share. ⁽²⁾

(1) Source: Federal Revenue/Serpro

(2) Source: INSS/Febraban

Payment Solutions

Pag-For Bradesco (Suppliers Payment), Bradesco Net Empresa and PTRB

Following our commitment to efficiency, Bradesco's payment solutions, available via Pag-For Bradesco, Bradesco Net Empresa and Electronic Payment of Taxes products, meet all clients' needs, enabling with agility and security, supplier payments, tax settlements and e-transfers via the internet or by the transmission of files.

Cash Management Solutions

To make the daily cash flow operations of companies even easier, Bradesco has solutions that assist in the management of accounts receivable and payable. These are solutions that bring greater efficiency and agility to the operation, enabling high performance in results generation. Among the main solutions are *Net Finanças Condomínio* (Condominium Property Management via Internet), *Conciliação Bancária* (Banking Reconciliation), *Caixa Centralizado* (Centralized Cash) and Bradesco Plus Office Banking.

Always concerned with market trends, Bradesco is accredited as Registry Authority to issue the Digital Certificate, an authorized electronic signature to be safely used in several situations that require accuracy, authenticity and full faith and credit. This certificate can be used in the electronic signature of agreements in general, exchange operations, transfer of files and other purposes that require electronic safety.

Government Authority Relationship Management

Public administration also requires agility and technology in its every-day activities. In order to serve this market, Bradesco has a specific area and specialized services to entities and bodies of the Executive, Legislative and Judicial

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), notary officers and registers, identifying business opportunities and structuring customized solutions.

An exclusive website, www.bradescopoderpublico.com.br, 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 Bradesco makes 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.

Statistical Data

| | Number of Documents Processed millions | | | | | |
|---------------------------------------|---|----------------------------|----------------------|----------------------------|----------------------------|----------------------|
| | 2007 | | | 2008 | | |
| | 2nd Qtr. | 3rd Qtr. | September YTD | 2nd Qtr. | 3rd Qtr. | September YTD |
| Receipt Solutions | 134.5 | 140.4 | 405.3 | 144.9 | 151.2 | 438.3 |
| Payment Solutions | 40.2 | 44.1 | 123.0 | 50.3 | 56.4 | 153.6 |
| Public Sector (*) | 87.0 | 89.8 | 266.3 | 93.1 | 97.0 | 287.1 |
| Taxes | 22.3 | 23.0 | 70.5 | 22.2 | 25.5 | 74.4 |
| Water, Electricity, Telephone and Gas | 49.8 | 51.9 | 151.2 | 55.7 | 56.0 | 166.7 |
| Social Security (1) | 14.9 | 14.9 | 44.6 | 15.2 | 15.5 | 46.0 |
| Total | 261.7 | 274.3 | 794.6 | 288.3 | 304.6 | 879.0 |

(1) Total of Beneficiaries: more than 5.060 million retirees and pensioners (corresponding to 19.54% of the population subject to INSS, which makes Bradesco the leader among the private banks in benefit payments).

(*) Includes public and privatized utility service concessionaires.

Qualified Services for Capital Markets

Bradesco, by means of the Share and Custody Department, is one of the main suppliers of qualified services for capital markets, being the national leader in qualified custody according to Anbid ranking. With a modern infrastructure and specialized team, Bradesco proposes innovative solutions, expanding service options and generating operating flexibility for its clients.

In addition to structuring the best products and services, it submits its processes to the Quality Management System ISO 9001:2000 and GoodPriv@cy.

We have 13 certifications related to data privacy and quality that ensure absolute tranquility for our clients.

The Share and Custody Department provides qualified services for capital markets related to the bookkeeping of assets: shares, BDRs, investment fund quotas, CRIs and debentures, qualified custody of securities, custody of shares for coverage of DRs, controllership of investment funds and managed portfolios, administrative bank, FIDC, FIP, qualified depository and compensation agent.

Our services:

Assets Bookkeeping

In this segment, Bradesco offers bookkeeping services for shares, BDR, investment fund quotas, CRIs and debentures.

Shares

A pioneer of this segment in Brazil, Bradesco has services that gather all procedures related to the bookkeeping of shares, serving more than 2.9 million shareholders.

The Bradesco System of Book-Entry Shares was developed to serve publicly or privately-held companies in all their needs related to the registration and updating of shares issued, either book-entry or registered shares. By means of the Bradesco Custody website (www.bradescocustodia.com.br), companies may access, online and in real time, the positions of their shareholders, registration and banking data, share movements and may also consult their investors resolved dividends (dividends/interest on shareholders' capital) paid and/or to be paid. On a daily basis, the system makes available the companies' total base of shareholders, showing the position of shares registered in the records of the Depository Financial Institution and/or CBLIC. Bradesco also offers to investors of the companies to which it provides share bookkeeping services customized assistance by means of the nationwide branch network.

We would like to point out the participation of Bradesco as the depository financial institution of companies' shares in IPO operations whose market share was 50% among the structured operations in 3Q08.

Brazilian Depository Receipts

Pioneer and responsible for the development of the depository service of BDRs traded on the stock exchange, Bradesco offers as part of its bookkeeping service of BDRs the registration of the program with CVM and Bacen, the control of issuances and cancellations of BDRs and the management of all events in addition to customized assistance to investors through the branch network.

Investment Fund Quotas

The Bradesco System of Book-Entry Quotas was developed to meet the needs of our clients in the activities related to their managed funds and in the bookkeeping of quotas of these funds, targeting the access to their positions, registration data of quotaholders and issuance of reports.

The Bradesco Book-Entry System eliminates the complexity of the conventional system, facilitating the work of brokerage firms in negotiations and making possible the conquest of new quotaholders in any part of Brazil, once the system has a national scope. In addition, we realize the control and registration of movements and process the payments of proceeds.

Debentures

The system records the issuance of debentures and controls the movement, processing the payments of rights granted to debenture holders and maintaining control of the balances of debentures registered in the SND. Managerial reports for the follow-up of the debentures and debenture holders are sent to the issuing company.

In issuance of debentures operations we reached a 49% market share, considering the volume of Brazilian Reals of issuances carried out.

Administrative Bank (Debentures/Promissory Notes)

The Share and Custody Department operates as the liquidator of the issuing company in the Cetip, by means of SND and/or of CBLC Bovespa FIX, complying with all legal procedures described in the System Operation Regulations.

Up to 3Q08, the total financial volume of issuances reached R\$53.5 billion, and Bradesco held 52.7% of market share.

Main Indicators in 3Q08:

| | |
|-----------------------|--|
| Book-Entry Shares | 225 companies, with market value of R\$552 billion, comprising more than 2.9 million shareholders. |
| Book-Entry Debentures | 78 companies with 102 issues, totalizing a restated amount of R\$112.6 billion. |
| Book-Entry Quotas | 95 closed funds, with restated amount of R\$15.1 billion. |
| BDR | 3 programs, with market value of R\$129.3 million. |

Custody, Controllership and Investment Fund Management and Managed Portfolios

Targeted at companies, assets, foundations, insurance companies and private pension plan entities, the services for this segment have continuously grown.

Qualified Custody of Securities

With innovative solutions and great operational flexibility, in April of 2007 Bradesco took over the leadership of the national segment of Qualified Custody of Securities, according to Anbid ranking.

The Qualified Custody service includes the physical and financial settlement of assets, their custody, and the management and information of events associated to these assets. It also includes the financial settlement of derivatives, exchange agreements of financial flows, swap and forward operations, as well as the payment of fees related to the service provided, such as, but not limited to, rate of movement and registration of depositories and chambers and systems of settlement. In this segment there are activities that are related to the following factors: the control and exercises of the rights related to fixed income and variable income events and the flow of payments and receipts of deposited assets; physical settlement of fixed income, variable income and futures market operations; maintenance of investor registration with depository agents and/or custody of physical assets; conciliation of assets such as clearings and banking of checking accounts; operations in the over-the-counter market on behalf of investors, daily updating of the equity and control of assets deposited in CBLC, Selic, Cetip and BM&F.

Custody of Shares for Coverage of DRs

Bradesco launched the first Brazilian DR program. This service consists of the registration of the program in CVM and in Bacen, the control of issuances and cancellations, the receipt of rights on shares and the remittance of funds abroad. In addition, it carries out in the depository bank the transmission of information related to resolutions made at the meetings of the issuing companies of DRs.

Controllership and Management of Investment Funds and Managed Portfolios

Bradesco, in addition to providing the Custody service, counts on the best structure in the provision of services of controllership for investment funds and managed portfolios.

In this segment there are activities related to the following factors: the control of movements of cash, risk and legal framing and investment policy; banking and fixed income assets traded with Selic or Cetip conciliation, and variable income assets, traded at the stock mercantile exchanges; registration of purchase and sale operations of assets comprising the portfolio of funds/portfolios; accounting of assets, provisions, movement of quotaholders. These activities aim at the preparation of trial balances and periodic reports for the statement of income sent to proper bodies and to quotaholders, and are monitored by a control team, which verifies the compliances related to the legal and contractual aspects, to the investment policy and the specific client rules, aiming at eliminating risks involved and ensuring the total quality of services provided.

Main Indicators in 3Q08:

| | |
|----------------|---|
| Custody | R\$404.8 billion in assets under custody (funds, portfolios, DRs and receivable funds). |
| Controllership | R\$432.8 billion distributed across 7,569 investment funds and portfolios under management. |
| DR | R\$65.6 billion in 13 programs. |

Receivables Securitization Fund FIDC

The service is based on the following activities: receiving and analyzing the documentation that proves the existence of receivables; verifying whether the receivables are framed in the eligibility criteria of the fund; physically and financially settlement of the acquisitions and sales of receivables and other assets of the fund portfolio; operational follow up of the fund portfolio, such as maturity of the receivables, verification of concentration indexes and other obligations described in the regulation of the fund; executing the collection of receivables duly complying with contractual obligations or those not complying with contractual obligations; the preparation of all the documentation required for compliance with legal requirements; and meeting the clients' needs, as well as helping them in the follow-up aspects of the collection of receivables.

| | |
|------|-----------------------------|
| FIDC | R\$9.8 billion in 51 FIDCs. |
|------|-----------------------------|

Qualified Depository

This is a type of service provision in which the Bank, as an independent entity, agrees to receive, keep in custody, meet and settle operations in favor of the contracting parties, as agreed in the contract, for greater comfort of financial obligations guaranteed or assumed, maintaining the control and the supervision by means of an escrow account.

Qualified Depository 1,275 contracts with financial volume of R\$3.3 billion.

Compensation Agent

This is a type of service provision for financial institutions (brokerage firms and distributors of securities) and qualified institutional investors (managed portfolios, investment funds and clubs). In this position, Bradesco is responsible, before the CBLC, for the physical and financial settlement of the operations registered on Bovespa, within daily operational limits which are established due to guarantees presented by the respective clients in view of the volume and type of operations carried out on the stock exchange.

Compensation Agent Volume of R\$37.2 billion

Assets under Custody Growth in billions of R\$

Corporate Processes

Ombudsman

The Bradesco Organization always had the philosophy of giving voice to its clients and users of banking products and services, innovatively creating in April of 1985 the service Alô Bradesco (Hello Bradesco), the first financial market communication channel for suggestions and complaints, five years prior to the launching of the Consumer Defense Code. This channel enhanced relations and has been an important strategic tool for relations transparency.

As a result, we implemented the ombudsman's office in July of 2005, centralizing all manifestations recorded in different channels, including those stemming from the Central Bank and Procon.

In compliance with the rule of the National Monetary Council, published by means of Bacen Resolution 3,477 of July 26, 2007, the departmental director in charge of the ombudsman's office and the ombudsman himself was appointed, and a 2nd level service was created so that clients may check the solution found for their complaint previously recorded by the customer service network through Alô Bradesco, by phone, or through the internet channel, by e-mail, in the Talk to Us section.

It is incumbent upon the ombudsman's office to manage all these manifestations, follow-up on the term and quality of answers offered, provide product, service and process managers with updated information so that these managers can learn from these warnings received and anticipate compatible solutions with needs and demands of our clients. The ombudsman's office must also continuously follow the notes until the realization of correction actions.

Quality Management NBR ISO 9001:2000 Certifications

The Bradesco Organization has adopted management systems as tools that helps in the execution and operation of its processes in a transparent and systematic manner.

The management system is comprised of an organizational structure, planning activities, responsibilities, practices, procedures, processes and funds for the development, implementation, revision and maintenance of the Organization's policies.

The SGQB is an important tool of the Bradesco Organization, with the purpose of continuously improving the performance of processes, taking into consideration the needs of all interested parties. By means of the SGQB, the premises can show their capacity to provide products/services that meet clients' and the applicable regulatory requirements, aiming at increasing clients' satisfaction.

The Bradesco Organization has a group of highly qualified professionals, responsible for defining the SGQB methodology and management of the implementation process.

In the permanent quest to provide its clients and users with the ease and comfort that only an All-Inclusive Bank can offer, the Bradesco Organization received the acknowledgement in 197 processes certified in ISO 9001:2000, all related to its products and services.

The ISO 9001:2000 certifications are formal evidence that all the activities related to certified processes were planned, implemented and controlled according to international acknowledgment norms.

The ISO 9001:2000 certifications motivate the Organization to advance in its quality management practices, which represent a great advantage in business management, as well as significant contributions to issues of sustainability and corporate governance, building a strong base for the adoption of world class excellence criteria in its processes.

Data Protection and Privacy Seal GoodPriv@cy

GoodPriv@cy Data Protection and Privacy Seal is an internationally established standard comprised of requirements aimed at the management of data protection and privacy at organizations.

Bradesco Data Protection Management System aims to standardize protection management, thus minimizing risks related to violation in data protection and failures in information security, by means of compliance with the legal and internal requirements and the continuous improvement of data protection and privacy processes.

As the Bradesco Organization is a pioneer in technological innovation, it constantly invests in IT, concerned about information security in all levels.

Therefore, it establishes procedures in the ethical treatment of personal data collected for any purpose, including the establishment of the Information Security Corporate Policy and the Information Security Corporate Rule.

The certifications show this practice and reiterate the Organization's permanent concern about its clients and users' data security and protection. Out of the 18 GoodPriv@cy certifications granted in Brazil, 15 belong to Bradesco Organization (Source: <http://www.iqnetcertification.com/index.php?page=searchcomp&orderby=country&limite=0&liv1=1&liv2=&liv3=> accessed in September/2008).

Bradesco Organization GoodPriv@cy Certifications:

Fax Fácil

Fone Fácil

Home Broker

Internet Banking

Private

Custody Liabilities Dockets

Custody Assets Dockets

Custody Report Data Privacy

WebTA File Transference

NetEmpresa

ShopCredit

Electronic Commerce Individuals

Electronic Commerce Corporate

Cards

Password Privacy Management

Methodology for Process Mapping and Documentation

This is the corporate methodology for process mapping and documentation whose goal is to enable the Bank's departments to map and document the product and service processes it manages, in a systematized and standardized manner.

The result of the documentation is stored in a specific corporate database, from which the documentation requested is provided concomitantly, in order to comply with:

ABC;

Bradesco Quality Management System NBR ISO 9001:2000;

Internal Controls and Compliance;

Section 404 of the Sarbanes-Oxley Act; and

Ongoing Improvement of Processes.

The methodology establishes a standardized document structure, which is adopted by the departments and allows an overview of processes from products/services, as follows:

Organization Chart;

Product and Service Tree;

Context Diagram;

Process Macro Vision;

Process Flow; and

Activity Detailing.

The structure defined for the methodology, combined with the information on products and services, effectively enables analysis and diagnosis for the development of operations aimed at improving processes and complying with the requirements of management systems.

Activity-Based Costing Program

Designed to support the Bank in its actions to improve processes and optimize productive resources, such as practices recommended for decreasing costs, Bradesco adopted ABC, which measures the cost and performance of costing activities, resources and objects.

Thus, the knowledge of the Bank's activities, as well as the correct measurement of the resources consumed by these activities, allows for a more accurate analysis of the cost/benefit ratio of each of the Organization's productive processes and results centers.

We highlight that as a result of the application of Activity-Based Costing, the Bank is now meeting the following targets: improvements to allocation of costs to products, channels and customers; support for qualification studies and negotiation of fees; subsidies for product, unit and client profitability systems; support for studies concerning outsourcing, merger and equipment sharing; and support for cost rationalization studies.

Activity-Based Management Program

Seeking to explore potential applications of the information base of the ABC, we are in the process of adopting a cost management model by means of ABM that will rapidly lead to the prevention of costs and a proactive approach regarding the identification of opportunities.

Concurrently, as processes are improved, operating performance can be seamlessly integrated with Bradesco's strategic goals to create and/or support Bradesco's competitive advantages and add value both for clients and shareholders.

Thus, the future mission of Activity-Based Management is to provide permanent support for the planning and control of the Bank's business processes, ensuring that tactical and operational issues are continually improved, as well as support their strategic guidance.

Integrated Management System ERP

In the pursuit of improving results as well as extending its capacity to manage the Organization's resources to provide permanent and appropriate support for its operations, Bradesco adopted one of the most modern concepts for integrating organizational processes, using ERP, mySAP Business Suite solution.

The implementation of this system represents an innovation in terms of the handling of the value chain supporting Bradesco's financial industry, comprised of analyses dimensions focused on processes, people, organizational structure and technology.

Initially, the system will integrate processes in human resources, training, material and service purchases, accounts payable, physical and fiscal receiving, fixed assets and accounting, in addition to the availability control process for the effective follow-up of the Bank's administrative expenses.

Currently, Works Management, Maintenance Management, Cash Management, Real Estate Management, Supplies Management (Auction and Electronic Quotation), Audit Management, Banking Accounting and Consolidation of Financial Statements processes are being implemented.

The adoption of the Integrated Management System for the processes already implemented by the areas integrated through this technology allowed them to renew processes and review organizational structures and over 85,000 system users were qualified via traditional and e-learning training.

As the main result of the implementation of the Integrated Management System, Bradesco will benefit from the organization and standardization of the processes carried out in different areas, agile decision-making and secure operations, as well as decreased operating costs and increased productivity. These factors are crucial for the Organization's growth, especially in light of the current fierce competition in the financial area, prompting us to pursue increasingly effective management methods designed to ensure that all of Bradesco's business potential is properly leveraged.

Acknowledgements

Bradesco was granted the most important recognition award in the world financial sector: it is the Best Bank in Brazil, according to Euromoney magazine. The Awards for Excellence 2008 is granted to institutions with global and regional operations in more than 100 countries.

Bradesco is the best ranked Brazilian financial institution among the world's 500 largest companies in Fortune magazine's list.

Bradesco is the bank with higher capital and asset volume level in Latin America, according to the traditional TOP 1000, a list of the world's largest and solidest banks, published on an annual basis in The Banker magazine, edited by Financial Times.

Bradesco has the most valuable brand in Brazil, assessed at R\$11 billion, according to a survey carried out by the consulting firm BrandAnalytics/ Millward Brown for ISTOÉ Dinheiro magazine. The consulting firm BrandFinance, in partnership with Gazeta Mercantil, also elected Bradesco as the most valuable brand in Brazil.

The Bank is the Brazilian publicly-held company which best disclosed its sustainable practices through internet in 2007, according to a survey on sustainability in websites carried out by the consulting firm Management & Excellence (M&E) and published by Razão Contábil magazine.

Bradesco is highlighted in the 2008 edition of *Anuário Melhores e Maiores* (Best and Largest Annual) of Exame magazine, which comprises Brazil's 500 largest companies. The annual also confirms the Bank's position as leader in shareholders' equity. Bradesco Vida e Previdência and Bradesco Saúde rank first and second, respectively, among the best insurance companies in sales.

The Organization was pointed out in the special edition of ISTOÉ Dinheiro magazine, which discloses Brazil's 500 best companies. Bradesco is the first financial institution in the general ranking of companies from all sectors and is the best in social-environmental responsibility actions. Grupo Bradesco de Seguros e Previdência is the best in its sector.

Banco Bradesco and Grupo Bradesco de Seguros e Previdência are among the leaders in Brazilian financial market, according to the 2008 edition of Valor 1000 Annual, of Valor Econômico newspaper. Bradesco Saúde, for the third consecutive year, ranked first in Health Line category.

Guia Exame de Investimentos Pessoais (Exame Personal Investments Guide) 2008 edition highlights Bradesco as the best fund manager in leveraged segments.

Bradesco ranked first among financial institutions with best sustainability and corporate governance practices in Latin America, according to a survey of the Spanish consulting firm M&E.

The Bank won the first edition of *Prêmio Personalidade Ambiental 2007* (2007 Environmental Entity Award), offered by ADVB-SP.

Bradesco is considered the best financial institution to work for in Brazil, according to *Guia Você S/A Exame As 150 Melhores Empresas para Você Trabalhar 2008* (2008 150 Best Companies to Work for). It is the ninth time, and the fifth consecutive year, that Bradesco is included in the list.

It is also among the 100 Best Companies to Work for in Brazil, according to survey of Época magazine, with evaluation of Great Place to Work Institute, the main consulting firm specialized in people management in the world.

6 - Social-environmental Responsibility

Bradesco Organization and the Social-environmental Responsibility

Bank of the Planet

In line with the strong tendency also present in the financial sector, Bradesco has decided to intensify its social and environmental commitments aware of the new world reality of climate change and how to deal with global warming. Other than spreading the concept of sustainability among its employees, suppliers and commercial partners, Bradesco aims to incorporate, day-by-day, innovative management practices. For this purpose, the Organization has focused on aligning its responsible conduct with its commitment to environmental conservation such that it ensures its commitment to sustainable development and, at the same time, financial return.

At the end of 2007, the Organization took a historic step to confirm this posture, expanding the role of banks and its focus on sustainability when it launched the Bank of the Planet. The initiative represents a milestone in the Organization's path and aims to unify social and environmental actions, creating new products and services and investing in the more seamless interaction of people with the environment. More than guaranteeing the continuity of its business, Bradesco decided to expand its market operations in order to contribute to the continuity of the planet.

Such an initiative is aligned with the principal international agreements and commitments that Bradesco has adopted in its management: Equator Principles (since September 2004), Global Compact (November 2005) and the Millennium Development Goals.

To learn more about Bradesco's social and environmental initiatives, visit www.bradesco.com.br/rsa.

The material events for the period are as follows:

Bradesco is once again selected to be part of the Dow Jones Sustainability Index

Banco Bradesco, for the third consecutive year, was selected to be one of the companies of the restricted group that comprises the DJSI, New York Stock Exchange index which brings together companies with the best corporate governance practices, transparency, ethics and social-environmental responsibility.

Currently only 8 Brazilian companies, among the 45 ones invited in Brazil, are part of the list.

Worldwide a total of 320 companies from 19 economic sectors are in the list.

The index, audited by PricewaterhouseCoopers, is a quality reference for investors' analysis worldwide, since it identifies the listed companies which search for integration of economic, environmental and social factors in its business.

Bradesco is granted the *Prêmio de Melhor Site de Sustentabilidade* (Best Sustainability Website Award)

The fourth annual survey developed by the Spanish consulting firm Management & Excellence X M&E, published in the *Razão Contábil* magazine's July edition, states that Bradesco is one of the companies that better discloses the sustainability, corporate governance and social-environmental responsibility actions in its website, and this is the second year that the Organization is part of the ranking, in addition of being one of the most sustainable banks in Latin America.

The survey *Best Sustainability Website* analyzes how the companies report their sustainable management, using 81 internationally accepted criteria. 50 companies listed in Ibovespa – the most important indicator of the average performance of shares traded in São Paulo Stock Exchange – up to December 2007 were evaluated.

Bradesco received the award on July 16 in Bovespa's auditorium, in an event whose theme was Communication and Sustainability in the Capital Markets, promoted in partnership between the IBRI, M&E and Razão Contábil magazine. William Cox, M&E officer and coordinator of the survey, highlighted the Brazilian banks for these are ahead when compared to Europe and the United States in relation to compliance with risk prevention.

Bradesco stands out among ISTOÉ Dinheiro magazine's best companies ranking

The Organization leads the general insurance sector and sustainability rankings, and is highlighted by the ISTOÉ Dinheiro magazine, which presents the 500 best companies in Brazil. Bradesco is the first financial institution included in the general ranking comprising companies from all sectors, in addition to having the best social responsibility and environmental actions. Grupo Bradesco Seguros e Previdência is the best in its sector.

The creation of Fundação Bradesco in 1956 and the actions composing the Bank of the Planet were reaffirmed in the publication as Bradesco's pioneer attitude in social-environmental responsibility. In relation to Grupo Bradesco Seguros e Previdência, the pioneer action is the offer of different products to all profiles, taking advantage of market opportunities.

Indicators such as financial management, human resources management, quality management and innovation, social and environmental responsibility and corporate governance are considered in the survey when choosing the best companies. They show that Bradesco has a good performance and leadership in financial market, in addition to being committed to sustainability causes.

Bradesco is part of the Goldman Sachs sustainability list

Bradesco was the only Brazilian bank to comprise the GS Sustain report list, prepared by the North-American investment bank Goldman Sachs.

The study, which analyzed 50 banks from 17 countries, indicated Bradesco as one of the seven financial institutions better ranked in social and environmental governance practices, management and profitability over the next five years and recommended the Bank as an option for long-term investment. Bradesco is also the financial institution leader in these aspects in the main emerging markets in the world. Only one more bank from BRIC group accompanied Bradesco in the list.

In the North-American bank's assessment, by the conviction that the sustainability is a material competitive advantage, Bradesco is more capable to maintain good return indexes on invested capital, due to its excellent management.

III Fórum de Longevidade

In September, Bradesco Vida e Previdência carried out the III *Fórum de Longevidade* (III Longevity Forum), an annual event which promotes the discussion on matters related to long-lived Brazilian population.

The meeting included the following lecturers: Lowell Catlett, professor of Economics at the New Mexico State University, in USA, who talked about the manner of dealing with longevity and planning the future; Mário Sergio Cortella, philosopher and doctorate in Education and professor of PUC-SP, who discussed the legacy we will leave to future generations; and José Carlos Libânio, social scientist, former UN's coordinator and former member of Greenpeace and WWF, who discussed the relation among longevity, health, happiness and money.

For further information, access www.espacovivamais.com.br.

Bradesco's Contributions to Environmental Conservation

Aware of the need to maintain adequate facilities without disregarding environmental aspects, Bradesco has adopted practical measures that contribute to environmental conservation.

The Organization permanently seeks to apply new technologies to minimize its impact on ecosystems. It also seeks contracted companies' commitments to the Bank's goals, as well as the ongoing awareness of its staff in the pursuit of eco-efficiency.

1) Program for the Neutralization of Carbon Emissions

With a view to neutralizing its GHG emissions, Bradesco was the first bank to launch a measurement program of its direct and indirect participation in the emission of these gases into the atmosphere. The proposal is that all of Bradesco's business chain - including clients, suppliers and other stakeholders - takes part in this cause in the medium term.

In the first stage of the program, Bradesco did a survey of all the GHG emissions referring to operations at Cidade de Deus - its headquarters in Osasco (SP) - calculated in accordance with GHG Protocol methodology and ISO 14064. In 2007, the Organization increased the inventory scope of GHG emissions.

2) Resources Consumption Rationalization

Intending to rationalize electricity and water consumption, Bradesco maintains an area dedicated to managing the consumption of these strategic resources. Its functions consist of managing electricity demand agreements with the concessionaires and permanently researching more efficient and intelligent new technologies for its equipment, observing the environmental conservation policy.

Bradesco, always concerned about this issue, invests in the awareness of its network branches. Thus, it indicates consumption targets for each branch - based on size, quantity of equipment installed and number of employees, following up on results and also releasing information about the rational use of electricity and water in circulars, internal newsletters, and the intranet, among others.

a. Electricity

Timing machines were installed at the branches to automatically turn off lights, allowing easy utilization at scheduled hours. Turning off lights in unused areas and using natural light are also encouraged.

Similar care is used in the acquisition and installation of air-conditioning systems, such as thermo-accumulation devices, which reduce energy consumption at peak hours. Employees are encouraged to optimize the use of elevators, air conditioning and other energy consuming equipment.

In addition, more than 250 mercury vapor lamps installed in the lampposts of Cidade de Deus were replaced by sodium vapor lamps. Approximately 30 thousand 40-Watt bulbs have been replaced by 32-Watt bulbs, substantially reducing energy consumption without losing lighting efficiency. Electronic ballasts which consume less energy than the normal ones were also installed, as well as breaking down circuits and the subsequent adjustments were made in the general electric condition, allowing disconnection by area. Since the beginning of 2008, in corridors, bathrooms and halls on the premises of Cidade de Deus, 1,489 incandescent bulbs were replaced by 9 to 26-Watt compact fluorescent bulbs, providing higher light efficiency and low consumption.

b. Water

The same concern is expressed in relation to the rational use of water. Thus, the premises are periodically oriented with respect to the monthly accompaniment of consumption and maintenance aiming at preventing possible leakage of valves, toilets and faucets. Technical measures contributing to the reduction of water consumption have been adopted, such as, for instance, replacing manual faucets for automatic ones for use on the headquarters premises and common valves for coupled boxes in the Avenida Paulista building, for an estimated 50% reduction of consumption.

In 2008, we improved our water reuse practice. Up to 3Q08, the Organization reused 550 m³ of water, provided by a newly developed tank that collects and stores rainwater at Cidade de Deus, which is used to water gardens and wash sidewalks and streets. The development of four more tanks with total capacity of 309 m³ for the same purpose is in progress.

In addition, at Avenida Paulista an old fuel tank for the generators was adapted as a container to receive and store rainwater destined for watering gardens. Taking into account only the water consumed in this building in 2007, this measure enabled an economy of 37 m³ in annual water consumption. In 2008, 60 m³ of water were already reused.

The Organization considers the possibility of reusing water that comes from the partial sewage treatment generated at the headquarters, for watering and usage in air conditioning towers. The parking lots of Cidade de Deus have been improved for better rainwater absorption, and the low walls have been removed for better drainage. In the restoration of sidewalks, permeable material has been used, also allowing better ground absorption of rainwater.

3) Solid Waste Disposal

a. Paper and Cardboard

Up to 3Q08, approximately 190 tonnes of paper and cardboard were collected every month at our main administrative centers, where there are recycling programs. Bradesco is considering the possibility of implementing these programs in other regions and methods to assess the quantity of paper consumed with both office paper and forms, focusing on the reduction of consumption of these materials.

Concerning requests of printing material and forms through the online supply website, a monthly average of request by users was established according to the values spent in the previous year. With this information, requests above average will be analyzed and the solicitor will be contacted, aiming to reduce the quantities requested. Given that expenses will be tracked and facilities encouraged to reduce costs, by extension consumption will be reduced.

Focusing on consumption reduction, as of May 2008 Bradesco implemented on the online supply website a tool to control printing materials and office supplies expenses. This routine provides branches and regional offices feasibility in the form of statements (monthly average of expenses, requests and balance), avoiding unnecessary costs. Consumption will also be reduced.

Bradesco also standardized the dispensers and respective consumables (toilet paper, paper towel and liquid soap) used in the bathrooms of Cidade de Deus and administrative buildings. Assessments concluded that, even needing to install more equipment and the population increase (employees and service providers) at Cidade de Deus, there was a decrease in consumption: toilet paper, 3.1%, paper towels, 37%; and liquid soap, 20%. Besides the economic aspects and quality improvement, this measure contributes to conscious consumption, since the new toilet paper and paper towel liberation system inhibits waste and reduces consumption.

b. Metal, Glass and Plastics

At Cidade de Deus and administrative centers, Bradesco maintains metal, glass and plastics recycling programs. In 2007, approximately 30 tonnes of these materials resulting from maintenance processes were recycled. In 2008, 14 tonnes of these materials were recycled. This practice has been encouraged and improved by means of in-house campaigns and actions, with the expectation of expanding to other centers, as well as increasing the quantity of recycled products, improving the measurement methodology to obtain data.

A project to centralize the management of 33 buildings in Cidade de Deus is under study; the project would enable better monitoring of waste matter generated and the ecologically correct way to discard this type of material. This is in addition to the increased number of maintenance and service agreements with specific clauses focused on sustainability which highlight co-responsibility for the appropriate disposal of waste materials.

The use of biodegradable plastic bags has also been implemented at all of Bradesco's premises. This material degrades completely within a short period of time, minimizing the impact on the environment. At Cidade de Deus and at the administrative centers, plastic bags color-coded to corresponding waste collected are also used to facilitate the recycling process of these materials.

c. Lighting

There are more than 36 thousand light bulbs installed in Cidade de Deus buildings. More than 600 lamps are replaced monthly. Concerned with the appropriate disposal of this material, the Organization included in maintenance agreements a specific clause about the service company's obligation to practice ecologically correct disposal. In 2007, approximately 30 thousand lamps from the headquarters and administrative buildings were sent to recycling. In 2008, approximately 15 thousand lamps were already correctly disposed.

In August 2007, ecologically correct collection and disposal of this type of material was implemented in more than 200 branches in the city of São Paulo, and future expansion to other network branches is expected.

d. Technological Waste

In 2008, the Organization started a pilot project related to the management of technological waste resulting from the maintenance and replacement of electric and electronic equipment, in order to recycle and properly dispose of this material. Until now, approximately 125 tonnes of this material were properly disposed of.

e. Other Waste

At Cidade de Deus, approximately 115,000 m² of green area is maintained, with more than 4,100 trees cataloged under the replacement and planting program. In maintaining these areas, swept up dried leaves and branches are crushed. The crushed material (nearly 1.5 ton/month) is used as fertilizer and in gardening, contributing to natural ground strengthening and avoiding the disposal in landfills. Grass clippings are also used as input.

4) Use of Sustainable Products

a. Recycled Paper Usage Program

This program, based on the certainty that Bradesco can contribute to the dissemination of environmental responsibility, has been gradually implemented in the Organization. The decision to use recycled paper was made after long negotiations with suppliers, and even if it does not optimize costs, the most important consideration was the environmental benefits. Recycled paper is used in the production of internal and external communication material, such as posters, magazines, circulars, business cards, statements distributed to clients and check books. Currently, nearly 90% of the paper consumed per month is recycled paper.

b. Remanufactured Cartridges

For several years Bradesco has used remanufactured cartridges in printers, aiming to reduce environmental pollution in addition to reducing costs. Of the 29 types of toner cartridges on the consumption list, 24, that is, 83%, are remanufactured products.

c. Certified Wood

Recently, pencils manufactured with certified wood were made available at the facilities. The raw material used contributes to the fight against exploitation of illegal wood of predatory origin, besides minimizing environmental degradation.

In 2007, 64 m³ of wood from reforested areas were used in furniture and division walls equipping the administrative center buildings. In 3Q08, we used approximately 14 m³ of wood.

d. Biodegradable Cleaning Products

In Cidade de Deus, biodegradable products are used in cleaning and maintenance services. Contracted companies are encouraged to use products of this kind, which will later become a requirement to be considered in further agreement renewals.

This measure integrates an improvement program seeking to standardize biodegradable products, appropriate dilution according to the manufacturer's recommendations and the obligation to present information about chemical products used on the Organization's premises.

Human Resources

The foundation to sustain the Bradesco Organization's businesses is based on acknowledging the value of its staff's performance and achievement potential.

The company offers its employees ongoing professional development opportunities in a healthy, safe and ethical environment with transparent commitments and goals.

Bradesco believes in its ability to promote sustained growth for people and by people.

The company seeks to maintain a model of excellence in human resources management guided by respect and transparency in its relations through continual investment in development, knowledge sharing and valuation of the human being without discrimination.

Bradesco adopted a closed-career policy, whereby admission occurs at entry levels and growth opportunities are directed at staff, allowing access to all hierarchical levels.

This assurance of professional development and growth opportunities allows employees to imagine the possibility of holding all positions: leadership, supervision, management as well as senior management. This is a motivational factor for all staff, stimulating creativity, innovation and the ceaseless search for knowledge and renovation.

By joining Bradesco Organization, whose closed-career system privileges, supports and heavily invests in the growth and development of its staff, employees start a career full of opportunities connected with their effort and dedication.

Encouraging our professionals to go beyond their limits and stimulating their creativity in the search for solutions, aiming at self-realization, clients' satisfaction and business expansion, have been a priority for Bradesco and is one of the premises of our Human Resources Management Policy.

Only creative and innovative teams, highly skilled with guaranteed career opportunities can surpass goals and show the excellent results that have highlighted the Organization.

Incentivizing creativity and investing in the professional and personal qualification of our employees are essential for Bradesco's success, contributing significantly to the strength of its brand and the accomplishment of its market strategies.

Bradesco's operations are present in and continuously expanded throughout the country, providing job opportunities in all segments of operation.

A Bank that takes into account, by means of its clients and partners, the diversity that exemplifies the Brazilian social structure, has a fundamental commitment to respect Brazil's cultural and ethnic diversity. This is part of Bradesco's strategic vision promoting good organizational performance.

Certification in International Rules

In 2006, we achieved the OHSAS Rule 18001:1999 certification of Occupational Safety and Health that allows the establishment and development of conditions that contribute to a safe and healthy work environment. The certification was granted to the building located at 1450 Avenida Paulista, São Paulo, State of São Paulo, and in December 2007, the Organization updated the certification to the 2007 version. In May 2008, Bradesco obtained the certification again.

In line with the sustainability concept added to our business strategy, in 2006 we implemented the Bradesco Social Responsibility Management System, based on the SA 8000®:2001 International Rule.

This rule sets forth requirements in compliance with the human resources management policy of the Bradesco Organization and seeks to promote ongoing improvement of relationships and the work environment, extending this commitment to respecting human rights, children's rights and fundamental labor rights to its suppliers.

In 1H07, Banco Bradesco received the SA 8000®:2001 Rule certification, the first among financial institutions in the Americas to receive an international social responsibility certification. In August 2008, Bradesco received the certificate for the third time.

Banco Bradesco has been certified in the SA 8000®:2001 International Rule of Social Responsibility in management of human resources operating in the business and related companies areas, located at the building at 1450 Avenida Paulista, São Paulo, State of São Paulo and in the Human Resources Department at Bradesco's headquarters in Cidade de Deus, Osasco, State of São Paulo.

Hoping to expand its scope, Bradesco is working towards the certification of the main administrative centers in the country.

The Best Place to Work

Over the past years, we have shared with all our employees the satisfaction and importance of being included in indexes ranking the quality of relations and the work environment.

Every year, around 3,500 employees in all hierarchical levels from all business and activity lines voluntarily participate in research about the organizational environment through questionnaires and interviews. They assess items such as the work environment, benefits, compensation, professional development, ethics, citizenship values and social responsibility of companies.

The company seeks to promote transparency, respect and confidence so as to ensure a motivating and challenging organizational environment. Over the past years, the acknowledgment in several rankings considering these indicators means it is on the right track.

The company was listed for the ninth year in *Guia Você S/A Exame As Melhores Empresas para Você Trabalhar* (The Best Companies to Work For) and, in addition to being part of this select group, Bradesco has also been acknowledged among the 50 Best Companies for Women to Work For for four years. In 2006, Bradesco was considered as one of the Best Companies for Executives in Brazil.

Guia Você S/A Exame is considered the best and most comprehensive study on organizational environment in Brazil and, since 2006, it has presented the index of happiness at work in which Bradesco is highlighted for providing its employees with a positive corporate environment, promoting everyone's well-being.

In 2008, Bradesco was once again selected one of the 100 Best Companies to Work For in Brazil by a study developed by the Great Place to Work Institute published in a special edition of *Época* magazine.

We are the first financial institution to be part of the 10 Best Companies in the IDHO list, distinguished in Corporate Citizenship, Transparency and Sustainability. We are also among the lists 20 Best Companies in Human Resources Practices and the Best Companies for Executives, for the second consecutive year. The latter presents the companies in which the executive group, comprised of officers, managers and supervisors, reports feeling more satisfaction at work.

For the fourth consecutive year, Bradesco was highlighted in the survey *As Melhores na Gestão de Pessoas* (The Best Companies in People Management) of Valor Carreira magazine, edited by Valor Econômico newspaper. It was the first bank to be in the ranking. In 2007, Bradesco ranked first among the companies in the survey.

These results show the recognition of Bradesco's commitment not only to its clients, but also to its employees. Developing talent with professional training, stimulating education and maintaining a fair and dynamic organizational structure, the Organization tries to offer conditions so that each employee can grow and build a solid career as a result of a relationship policy based on respect and valuation.

Human Resources Management Policy of Bradesco Organization

We reaffirm our commitment to our employees by formalizing guidelines for the management and development of our human resources through the Human Resources Management Policy of the Bradesco Organization. The basic assumptions are:

1. To comply with all the requirements, regulations and legal conventions concerning work relationships and environment applicable to our activities;
2. To assume the public responsibility of defense and protection of human rights, children's rights and fundamental labor rights in accordance with national and international principles, standards and treaties;
3. To respect the diversity and dignity of human beings, preserving their individuality and privacy and not admitting any discriminatory practices of any nature, be it in the work place or in any of our relationships with the internal and external public;
4. To ensure a good relationship among all professionals of the Organization, maintain a safe and healthy work environment and provide conditions for great performance and productivity levels;
5. To contribute to the improvement in the quality of life of employees, offering conditions for the balance between work, health and family;
6. To encourage our professionals to push their limits and stimulate creativity in the search for solutions, aiming for self-realization, clients' satisfaction and business expansion;
7. To promote the constant development and improvement of the technical and behavioral potentials of our employees and make available favorable mechanisms that allow them to manage their personal and professional growth plans in order to ensure the continuous improvement of management processes; and
8. To ensure the priority of opportunity for individual professional growth by means of permanent investment and development of internal responsibilities, by the valuation and respect of knowledge and professional qualification acquired during the career.

In addition to the principles set forth in the Organization's Human Resources Management Policy, we have implemented the Bradesco Social Responsibility Management System, based on the SA 8000®:2001 Rule, whose requirements aim at promoting continuous improvement of work relationships and environment, extending the commitment to respecting human rights, children's rights and fundamental labor rights to our suppliers.

Social Responsibility Requirements – SA 8000®:2001 Rule

1. Child Labor
2. Forced Labor

3. Occupational Health and Safety
- 4 Freedom of Association and Collective Bargaining Rights
5. Discrimination
6. Disciplinary Practices
7. Working Hours
8. Compensation
9. Management System

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In-house Communication

We invest heavily in our in-house communication so that our employees are effective participants of the Organization's strategy for expansion of results.

Simultaneously and from any location in the country, Bradesco's employees receive key information via intranet and e-mail.

On a daily basis, the Organization makes available the Sempre em Dia newsletter, with articles on the Bank's strategic direction, product launches, quality practices and business focus.

Brochures and magazines are periodically published and addressed to each employee.

Produced according to the highest standards of quality, the video editions of TV Bradesco provide institutional messages and technical guidance on a monthly basis. Created in 1990, TV Bradesco is one of the country's oldest corporate television projects.

Annual goals and organizational strategies are disclosed at meetings of the leadership, where the Organization's officers, regional, branch and department managers all participate. All issues are referred to their respective teams.

To build better, more energetic and transparent communication between the Human Resources Department and the staff, we have created ALÔ RH, a fast and effective communication channel that provides information about benefits, legislation, and human resources policies and practices, in addition to responding to suggestions and complaints. This channel offers the option of anonymity, ensuring complete secrecy to those who use it.

ALÔ RH's service standard implies a full understanding of questions and the correct and referral of all issues immediately, or within a maximum of 72 hours via telephone, e-mail, or fax. Thus, we have created an effective dialog and interaction process between the company and its employees.

From January to September 2008, ALÔ RH recorded 48 thousand calls that included clearing up doubts, and responding to suggestions and complaints.

The Human Resources Department as part of its functional structure the Union Relations area, whose mission is to maintain a permanent dialog and interaction channel with union representatives nationwide, receiving manifestations, clearing up doubts, and permitting a relationship based on accessibility, agility and proactivity between the parties involved.

People Management

Bradesco maps its human capital through individual interviews with employees and their leaders. The focus is identifying corporate skill, offering support to professional growth and searching for goals and results by means of the development of essential competencies of the Organization's human resources.

The company has already recorded over 42.5 thousand employees' profiles in this process.

Based on this knowledge, leaders and employees acquire the means to share actions focused on improving their individual and team performance, making the practice of feedback effective by generating professional improvement and short, medium and long-term results.

The maintenance of such work is the management of skills with the involvement of employees and their leaders by means of constant follow-up, guidance and technical and behavioral development.

Respect for Diversity Social Inclusion

Bradesco respects the diversity and dignity of human beings by preserving their individuality and privacy, not admitting discriminatory practices of any nature, be it at the work place or in any of the company's relationships with the internal and external public.

The appreciation of diversity is incorporated in the Human Resources Management Policy of the Bradesco Organization. The employee relationship guidelines are based on appreciation of professionals and are in accordance with the Global Compact principles, among other international human rights regulations.

Bradesco's success is based on teamwork, with each employee contributing so that the Organization can constantly innovate and modernize, embracing more and more all the possibilities of diversity, which is an ever-present value in its daily operations, through amplifying the client base, geographic reach and staff in the most diverse places.

Our presence throughout the Brazilian territory shows our commitment to serving all of our publics equally.

Bradesco has gone far beyond the commercialization of products and services, with the purpose of becoming more familiar with many different social groups in order to ensure services that meet their needs and work together towards the country's sustainable development.

To effectively contribute to improving the company's relationship with its different publics as well as maintaining balanced internal demographics both in admission and retention of talent, Bradesco created the Diversity Appreciation Work Group, composed of representatives of different areas that discuss actions aimed at achieving these results.

Believing in people and understanding and welcoming differences are pioneering values present throughout Bradesco's history, making it a bank that constantly works towards being an agent of development.

This issue is broadly supported in the Code of Ethics and the Corporate Social and Environmental Responsibility Policy of the Organization.

Ethnic Groups

We ended 3Q08 with 13,127 employees of African descent and 6,276 of them hold managerial positions.

Since 2005, we are partners with Unipalmare through a professional qualification program aimed at hiring interns to work in important business areas of the Bank. Unipalmare's mission is to promote the inclusion of black citizens in higher education in the country through NGO Afrobrás.

The two-year program is divided into various modules. It also relies on a partnership with renowned institutions such as FGV, USP, FIPE, Fipecafi and FIA.

Students work in technical and business areas of the Bank and are trained to improve themselves as citizens and qualified professionals for the job market.

The program, which started with 30 interns, has been expanded and currently employs 74 students.

Inclusion Policy for People with Disabilities

Bradesco was one of the banks sponsoring the Professional Qualification Program of the Febraban, which qualified professionals with disabilities to hold positions in the job market.

Aiming at hiring and retaining people with disabilities, Bradesco has established partnerships with specialized entities focused on the inclusion of these professionals, qualifying them and creating job opportunities in the Organization.

In 2007, we established a partnership with a specialized consulting firm in order to develop and implement the Bradesco Inclusion Program for People with Disabilities, with the primary goal of contributing to the solidification of an inclusive organizational culture.

We have a specific area in our call center comprised of visually impaired employees operating in outbound telemarketing, thus allowing the full performance of their activities.

Currently, Bradesco has a staff of 1,239 people with disabilities.

Through Bradesco's website, in the Career Opportunities link, the company offers an exclusive channel to collect people with disabilities' résumés.

Due to the importance of this issue, Bradesco created a permanent work group focused on issues involving accessibility. One of the actions developed by the group was the preparation of a video training module for the entire staff about the subject.

Opportunities for Women

Bradesco ended 3Q08 with 41,218 female employees, corresponding to approximately 48% of the staff. Bradesco has 19,563 women in leadership positions, including the Board of Executive Officers and the Board of Directors.

In the Prime segment, 73% of the staff is composed of women.

Internship Program

In order to provide real professional development opportunities, the Bradesco Organization offers an internship program in all operational and business areas, allowing students to link their academic learning with the practical application, thus being effectively prepared for the job market. Currently, the program benefits 745 students.

Trainee Programs

Fundação Bradesco's information technology students have the opportunity to start their professional career as employees in the Systems Development Department of the Organization. In order to do so, students are provided with a structured program addressing technical and behavioral approaches with theoretical experience in the classroom and practice in the department. All students approved in the selection process are hired.

Youth Apprentice Program

The Youth Apprentice Program was implemented by the Bradesco Organization in 2004 and is executed in partnership with Fundação Bradesco and other qualified entities, encompassing the administrative centers and branches throughout the country.

The program anticipates the hiring of youths from 16 to 24 years old, with the purpose of providing personal and professional development to adolescents.

We ended 3Q08 with 1,380 apprentices and 2,305 youths have already participated in the program.

Young Citizen Program

With a view to reinforcing Bradesco's actions in the social responsibility area, the company entered into a partnership with the São Paulo State Government through the Young Citizen Program - My First Job.

The program provides students with their first professional experience, preparing them to exercise citizenship through a paid internship. These students come from more socially vulnerable families, are between 18 and 21 years old, regularly enrolled and effectively attending high school classes in the state public school system.

618 youths have already participated in the program.

Occupational Health and Safety Policies

Bradesco is a company that develops programs in health, disease prevention and safety so as to optimize work conditions.

Occupational safety and health are addressed in two premises of the Organization's Human Resources Management Policy:

- To ensure a good relationship among all the professionals of the Organization, maintaining a safe and healthy work environment and providing conditions for excellent levels of performance and productivity; and
- To contribute to the improvement of employees' quality of life, offering them conditions to balance work, health and family.

Bradesco offers its employees an adequate work environment with conditions for complete physical, mental and emotional well-being.

Bradesco invests in programs and methodologies that allow the mapping and identification of the causes of symptoms and diseases occurring in the work environment and relationships, aiming at promoting health and disease prevention on a broad basis.

The issues addressed include repetitive stress injury, stress, chemical addiction (alcohol/drugs/tobacco), obesity, cardiovascular diseases, sexually transmitted diseases, and AIDS, among others. Those campaigns are carried out monthly through Interação magazine and in the Sipat.

From hiring, Bradesco's employees receive information and orientation on behavior and conduct adequate for maintaining health and improving quality of life.

Bradesco has been an active member of the CEN for HIV/AIDS Prevention that works to promote and strengthen the fight against such an epidemic in the work place, disseminating information to a considerable portion of workers, family members and the community as a whole about safe methods to prevent the infection by HIV virus.

Another outstanding issue related to quality of life is the search for balance between the employee's personal and professional lives. We are ever concerned with our employees' working hours so that they don't surpass their contracted hours and are able to fulfill their personal commitments and leisure.

In order to offer an appropriate environment and extra emotional support to employees, the Bank created a relaxation room in its call center at the Santa Cecília building in the city of São Paulo. The reserved room has an infrastructure

different from other environments in the Organization. There, employees find comfort and materials that help them relax and soften the impact of day-to-day activities inside and outside of the call center. The room is available to everyone who may possibly go through psychologically and emotionally taxing situations.

Thus, we consider the Bradesco Occupational Safety and Health Management System reiterates the commitment to the safety and health of our employees with the adoption of programs for ergonomic management and awareness about the importance of safety and health in the workplace.

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Benefits

Our management model is grounded in our belief in people.

We recognize the value of performance and people's potential for accomplishment as being the foundation of the Bradesco Organization's business.

We know that in order to have better performance, people need to have prospects and confidence in the future, their basic needs must be met, and their families' well-being guaranteed. For that reason, we have put together a benefits package which, going well beyond legal requirements, provides our employees and their families' safety and comfort in the supplying of their basic needs, professional development and special loan conditions for acquiring goods and property.

This management strategy contributes to a healthier, more productive and participative work environment, providing conditions for great performance levels and better results.

The special benefits we provide to our employees constitute one of the Organization's talent attraction and retention factors, in addition to contributing to Banco Bradesco's recognition as one of the best companies to work for in Brazil.

Health and Dental Insurance

Our employees and their dependents have access to health- and dental care plans with premiums fully paid by the Bank. The health insurance includes non-traditional treatments, such as dialysis, organ transplants, acupuncture, homeopathy, myopia correction, GPR, heart valve, physiotherapy and AIDS treatment (with reimbursement of expenses for prescriptions drugs).

The dental insurance includes preventive and surgical treatment, oral rehabilitation, pediatric dentistry, endodontics, periodontology and prosthodontics. Implants are offered at lower-than-market costs through agreements.

From January to September 2008, there were 2,906,803 medical and hospital consultations and 436,982 dental consultations.

Supplementary Private Pension Plan

Bradesco makes available for all its employees a supplementary private pension plan, in which the Organization contributes with 50% of the monthly installments, including in a Christmas bonus.

The plan guarantees coverage to the retiree, the retiree's widow or widower and their children under the age of 21, or up to the age of 24 if they are in college.

Group Life Insurance

All Bradesco's employees have access to group life and personal accident insurance with subsidized costs. Employees retired by INSS who were laid off without just cause are offered the option to maintain the policy, with subsidized costs.

Social Services and Psychological Assistance

Bradesco's employees and their dependents are provided with social service and psychological assistance in situations of need and emergency.

Services are offered in the most diverse situations: medical treatment, accidents, decease in the family and release of special loans.

As from January 2008, nearly 7.3 thousand cases of social and psychological assistance were attended.

Such initiative shows Bradesco's concern with its employees' well-being when facing personal problems.

Snack Supply

Bradesco's employees receive snacks free of charge all working days.

In 9M08, we invested around R\$31 million, distributing approximately 20.5 million snacks.

Medicine

For the states of São Paulo and Rio de Janeiro, Bradesco offers agreements with the drugstores Drogasil and Drogasmil, for the purchase of medicine at lower than market cost.

Influenza Vaccination

Bradesco has an annual vaccination campaign against influenza, offering the vaccination free of charge to all its employees and at subsidized prices to their dependents. During the 2007 campaign, 54,750 doses of the vaccine were given, with a cost of over than R\$1.7 million.

Leisure Activities

In Cidade de Deus, Osasco, Bradesco maintains an area with swimming pools, a track, soccer field, basketball, volleyball, soccer, tennis and squash courts for leisure and recreation activities for employees and their dependents.

Up to September 2008, 40 thousand visits to the facilities were recorded.

Social Loan

Through Caixa Beneficente (Benefit Fund), the Organization offers financial assistance to its employees, granting loans with subsidized fees, for emergencies, educational expenses, acquisition of orthopedic apparatuses, glasses, funerals, psychologists, psychiatrists and speech therapists, among others.

Credit for Acquisition of Computers, Vehicles, Real Estate and Personal Expenses

Bradesco offers loans to its employees with subsidized fees for acquisition of computers and vehicles and for personal expenses. Employees and their first relatives may also finance the acquisition of residential real estate at lower interest rates.

Online Shopping Channel

The ShopFácil Funcionário is a special online shopping channel through which Bradesco negotiates special discounts directly with several product suppliers. Bradesco also has partnerships with some stores through which employees have access to special prices and payment options.

Other Benefits provided for by law and in the Collective Convention of Bank Employees:

- Transportation Vouchers
- Meal Vouchers

- Food Vouchers
- Maternity/Paternity/Wedding/Death Leave
- Funeral Assistance
- Day Care/Baby Sitter Assistance
- Professional Requalification Allowance

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Human Resources September 2008

On September 30, 2008, Bradesco and its subsidiaries had 85,577 employees.

The following table presents the number of employees in the last periods:

| | December | | | | | September |
|-------------------|----------|--------|--------|--------|--------|-----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Banco Bradesco | 59,430 | 62,013 | 61,347 | 63,163 | 65,050 | 68,283 |
| Subsidiaries | 9,407 | 11,631 | 12,534 | 13,577 | 17,054 | 17,294 |
| Bradesco Subtotal | 68,837 | 73,644 | 73,881 | 76,740 | 82,104 | 85,577 |
| Banco BCN | 5,203 | | | | | |
| Subsidiaries | 1,741 | | | | | |
| BCN Subtotal | 6,944 | | | | | |
| Amex Brasil | | | | 442 | | |
| Subsidiaries | | | | 2,124 | | |
| Amex Subtotal | | | | 2,566 | | |
| Banco BMC | | | | | 669 | |
| Subsidiaries | | | | | | |
| BMC Subtotal | | | | | 669 | |
| Total | 75,781 | 73,644 | 73,881 | 79,306 | 82,773 | 85,577 |

Below, we highlight some of Bradesco's human capital indicators in September 2008:

| Gender | Age | Years of Service with Bradesco | Educational Background | Type of Position |
|--------|-----------------|--------------------------------|------------------------|------------------|
| | Younger than 30 | Less than 5 years | | |
| | | 52% | 43% | |
| | | | High School | 16% |
| Men | 52% | From 31 to 40 | From 6 to 10 years | 20% |
| | | 25% | University | 83% |
| | | | Other | 1% |
| Women | 48% | From 41 to 50 | From 11 to 20 years | 18% |
| | | 19% | | |
| | | | | Commissioned |
| | | | | 51% |
| | Older than 50 | More than 20 years | | |
| | | 4% | | 19% |

Personnel Expenses

In 9M08, Bradesco's personnel expenses reached R\$5,277 million, including those related to compensation, taxes, benefits, training, and employee profit sharing, among others.

The following pie graphs show the percentage share of each item in relation to Bradesco's total personnel expenses in 9M07 and 9M08.

Breakdown of Personnel Expenses

Personnel Expenses by Business Segment

Training and Development

Believing in people's value and in the development capacity of each individual is one of the Organization's declared values, made possible by actions that aim to qualify and develop its professionals, making training programs in line with organizational strategies available, comprising all the Organization's areas and all employees from different positions, motivating self-development and the constant search for improvement.

In charge of the Organization's Training Management process, which is certified by NBR ISO 9001:2000 since December 2002, the Staff Training Department has the purpose of, by means of the most modern qualification media, reinforcing its commitment to contributing to the development and appreciating the staff and the employees through the constant search for quality.

Investments in educational programs for employees of the Bradesco Organization increase each year and show the importance given to team qualification as a competitive advantage to the success of its results. Among others, these aspects make Bradesco an all-inclusive bank that respects the client and shows its various actions with transparency and credibility, reflected by its employees' culture of qualification, commitment and involvement.

For 2008, an R\$84.9 million budget, 42% higher than average investments over the last 5 years, was made available to fund the continuation of the main training programs targeted at several areas of the Organization and the implementation of new programs as a part of corporate business strategies.

In this special context of knowledge management, the Bradesco Organization has strongly invested in training programs that prioritize the fortification of internal competencies and the development of talents as support to the mission described in the internal people management policy: Recognizing that people are the sustaining basis of our business, our mission is to attract, develop, recognize, manage, esteem and stimulate the Bradesco Organization's talents through permanent construction of an integrated value relation among corporate activities.

Training and Development

The scope of participation in training, bearing in mind the homogeneity of staff development and qualification possibilities, as well as the geographic distribution of branches and number of employees, is shown by the percentages of participation in all regions in accordance with the country's economic and financial factors, with 70% in the southeast region, 22% in the northeast and south regions and 8% in the Midwest and north regions.

Also important is the percentage of participation in training among male and female employees, which is also equitable in relation to the staff distribution with respect to gender with 49.8% participation of the males and 50.2% of the females.

From January to September 2008, training programs had 1,081,899 participants in the various available media: TreiNet, video training, brochures and on-site courses 1,619 different courses were available and R\$61.6 million was invested.

On-Site Courses

In 9M08, there were more than 132 thousand participants at on-site courses, mainly programs for the retail sector encompassing nearly 37 thousand participants in several programs. We would like to highlight the Retail Credit program, a partnership with Sebrae focused on loan analysis and granting for micro- and small businesses, expecting to contribute to the financial growth and strengthening of these clients in the competitive market.

We also provide a Credit Business course, a program that was implemented for the managers of corporate accounts in the retail sector. It aims to improve service, identify the clients' needs through a commercial approach, negotiate adequate proper credit lines and improve client loyalty and results, providing the necessary knowledge and techniques for the business' ongoing expansion.

In the ongoing search for service excellence, we count on the courses Assistance - A New Business View, Bank Cashier Workshop and Pre-Assistance Techniques. These courses are specifically focused on quality of service and on teams' preparation and awareness directly connected to the assistance of new clients.

This year, we would like to point out the following courses: Interpersonal Relationships, Verbal Communication and Personal Marketing, and Perception Techniques. They provide behavioral skills and training essential for the development of employee activities on several hierarchical levels.

We also carried out important courses in partnership with renowned educational institutions in Brazil, such as Faculdade Largo São Francisco/USP (Basic Law), FGV (Business Administration and Finance) and FIPE/USP (Economics and Markets, and Financial Intermediation), with the purpose of expanding view of the globalized and market of professionals operating in several segments and who are directly focused on corporate relationships and businesses.

In order to contribute to the improvement of professionals working in the PAB segment, we created special programs focused on the clients' needs, businesses and strategies, such as: Business Programs for PAB, Credit Strategies, and Business Practices, among others.

Other highlights are the courses designed for branch managers of the Prime and Retail sectors, such as: Leadership and Technical Supplementary Qualification for Branch Managers – First Management, that improves the technical and behavioral skills required for this position; and the Coaching, Entrepreneurship and Results Leadership Program, which prepares professionals to perform as team managers in the current scenario by absorbing the necessary skills and instruments to transform work groups into enterprising and winning teams focused on business leverage and better corporate results.

As an alternative for the employees’ professional development process which operates in Prime and Retail segments, we launched the *Programa Afinado Competências* (Improved Competence Program), with the main purpose of raising the employees awareness regarding their role in the self-development process and improving their key competences for new challenges and internal career development.

As a supplement to the qualification process, we are currently developing the PAA Managers Education Program, which increases professionals’ view about the sector and market niche on which they focus. Thus, participants are able to identify and understand the specific needs and expectations of their clients, establishing service strategies and business planning.

In order to provide initial qualification for account managers, we count on basic business and individual and corporate client education programs that provide the technical, behavioral and commercial education essential for the initial development skills necessary for this position.

Currently, we also run the Preparation and Integration of New Branches program for the retail and Prime sectors, which primarily hopes to give new branch employees a wider vision of the market segment they focus on and develop behavioral and interpersonal skills essential for identifying the specific needs and expectations of their clients and review the customer service and business policies and strategies of their segments.

We would also like to point out the Individual and Corporate Client Business Skills Development Program designed to provide technical and commercial education for professionals who work in branches’ business areas, highlighting knowledge and behavioral development and improvement, favoring proper relationships and meeting clients’ needs and focusing on results.

Another current program is the Individual and Corporate Client Education Program for Assistant Managers, qualifying professionals of retail branches responsible for the structure and implementation of credit product processes, thus providing quality, efficient operations.

We would also like to highlight Prime sector programs, for which we created the Managerial Development Program for Relationship Managers to provide participants with technical, operational and commercial knowledge related to the segment’s business, thus improving service for these clients and optimizing the Organization’s results. Other highlights are the Shares and Capital Markets and Investments courses that revive technical and commercial aspects essential to trading so that clients can see Bradesco as an all inclusive bank; and the Qualification programs for administrative managers and assistant managers that prepare the team to execute its responsibilities and functions in the Prime segment.

The qualification process is continued with the Coaching Leadership, Entrepreneurship and Results Program that enables professional improvement and consolidation of participants' roles as people managers and coaches so they can use their teams to achieve their goals.

We intensified the Business and Financial Consulting Program developed by FIA, which qualified and trained the Prime relationship manager teams with techniques and methodologies favoring their performance as financial and business consultants. The program helps them identify and stimulate clients' needs and presenting viable solutions or profitable investments while taking ethical and social elements into account, as well as focusing on results for the client and the Organization. We launched the Agribusiness: Risk and Opportunity Identification program that increases group knowledge of the agribusiness market, its potential, current situation and future trends. This program focused on the development of the managers' commercial view so that they perform the proper planning and follow-up of agribusiness clients/results, aiming the identification of opportunity and risk signals, as well as on the meeting clients' needs and expectations in order to ensure the achievement of established segment goals. We also made available the Commercial Specialization Course in Real Estate Loan, which expands the segment employees' view on the real estate market so that they may identify and stimulate clients to new business opportunities, as well as strengthen commercial approaches to increase business.

For the Bradesco Empresas and Corporate segments, we recently launched the Strategic Business Vision and Strategic Finance Programs, which encourage professionals to innovate their managerial practices in the face of their market challenges, beginning at self-knowledge and moving to an analysis of the institutional and organizational environments. These programs also allow the conciliation between corporate theory and practice, focusing on analysis, assessment and innovation in their activities. Continuing with new launches, the Program for Qualification of Bradesco Empresas' and Bradesco Corporate's Assistant Managers was developed to expand the team's technical and managerial view, necessary to professional development, taking into consideration their duties and responsibilities.

For the Planning, Control and Corporate Client Operations area, we recently made available the Services and Process Management Program to make the participants aware of the importance of services and process management, by providing a basic set of knowledge and instruments.

The training programs for the Bank's departments and its affiliated companies stand out due to more than 90 thousand attendees in several external events run by specialized companies that offer vacancies to the general public, and in internal events developed by specialized consultants as well as by teams of instructors, which are Bradesco employees.

We continued to offer courses with content related to development of behavioral skills on a quarterly basis. Meeting Techniques, designed to prepare, carry out and assess the results of efficient meetings, Presentation Techniques, whose purpose is to improve presentation skills in a simple and objective manner, and Service: A New Corporate View, which reinforces the importance of interpersonal relations when serving internal and external clients, are examples of these courses.

Specifically for managerial positions, we continued the Interpersonal Relationships, Verbal Communication and Personal Marketing, Economy and Markets, Financial Intermediation, Administration and Finance and Management Skills Development courses.

This year, two new courses were launched for the business and related companies areas: Leadership Techniques, focusing on the development of interpersonal skills, increasing motivation and improving leadership practices, aimed at leaders under development; and Coaching Leadership, Entrepreneurship and Results, whose purpose is to develop managers awareness of their role of team builders and knowledge multipliers.

Among the several actions developed in the departments, we point out the following:

Competence Development Training carried out for the Client Relations Department, which was provided to all staff, with a program divided into several phases within approximately 5 months, including practice activities, group and individual courses.

Training for the specialization of the General Inspectorate Audits team, related to audit techniques and support tools.

The lecture Corporate Behavior: The Complete Professional was given to all Operational Control Department; with a stimulus approach, it is targeted to quality and proactive and positive attitudes in work.

The lecture Change Challenges, targeted to all Risk and Compliance Management Department, stimulated people to think about organizational changes considering ongoing worldwide changes, challenging professionals to the ongoing search for innovation.

Another lecture that is pointed out has been provided to all Organization and Methods Department: Competitive Edge: the great human question! As the name suggests, it is a reflection on the need of each professional to find his/her competitive edge.

Also in this period, training for information technology areas was attended by more than 7,900 professionals, hoping to improve storage performance and information availability to internal and external clients.

The Project Management Program was continued, and 144 professionals were already trained; there are currently 201 professionals in training, so as to provide solutions ensuring quality of technology systems. In addition, 73 employees are in training to obtain the PMP certification. As a competitive edge, the Software Quality Certification programs, presenting several software engineering techniques and concepts about product quality, have been continued. It is composed of 33 professionals who should join the 85 already certified. We would also like to highlight the Certification for Experts in Functional Points, which qualifies employees to measure systems according to standard techniques in the international market. Currently, we count on 59 certified employees and 20 employees are being trained for the exam.

In line with the IT Improvement Project, we have promoted courses about the new system development methodology for approximately 476 professionals in addition to training on processes for answering IT requests with a new tool for 186 employees of several branches. We also carried out technical/operational courses and lectures about Cobit, IT Governance and Critical Chain that aim faster and more effective service in identifying IT needs.

Anticipating the preparation and qualification of new professionals that will create an atmosphere of renovation and qualification for operation in IT areas, we are promoting the IT Qualification Program for trainees and interns. We currently have 53 trainees from Fundação Bradesco and 81 interns from renowned universities.

We continued the first qualification class on best international market practices for business analysts for 26 professionals from the Business Technology Department.

Also in IT areas, we have 22 employees taking MBA, graduate courses focused on IT at several renowned educational institutions. In addition, we have two Corporate Management MBA classes with a total of 65 professionals focusing on business technology, in partnership with FIA/USP that aims at qualifying them with managerial and business skills to operate on an integrated basis within the company's scope with the domestic and foreign markets and society.

We would like to point out that Bradesco Seguros e Previdência training, which involved more than 56 thousand participants, continues this year through *UniverSeg - Universo do Conhecimento de Seguro* (Insurance Knowledge Universe), consolidating new actions that reflect the strength of the project, such as: the second MBA in Business Management with a focus on Insurance class, in partnership with Ibmecc-RJ, benefiting 41 professionals at management and superintendence levels; and the Technical Workshops:

Normative Resolution 167 of the ANS and Automobile Claim Regulation courses, which update and improve the professionals operating in Bradesco Saúde and Bradesco Auto/RE in the norms and process procedures set forth for 2008.

We began this year's programs with the Qualification for Production Supervisors and Assistants program with professionals who entered the commercial area from the market. The Market Quality and Profile, Competitive Strategies of Service and DRI courses were also provided to insurance employees.

We developed the Integration, Teams Development / High Performance and Sales Seminars for Bradesco Auto/RE (Operational Technical / Corporate Production and Mass Production Officers) and Accountancy Board of Bradesco Seguros. We also implemented the first Basic Reinsurance workshop class, aiming at meeting the insurance company employees' needs of knowing this line upon the market opening.

For the brokers who sell Bradesco Seguros' products, on the insurance market and in the Bank's branches, we continued the basic courses such as Vehicle, Equipment, Residential, Corporate, Health, SPG, Dental, Applied Sales and Communication & Professional Development, which aim at providing information that sets our products apart from the competitors as sales persuasion.

We also created the Mass Basic Lines program to support the brokerage companies operating as partners in the commercialization of Bradesco Auto/RE products and the Sales Workshop course, which provides tools to help the broker better develop his sales strategy for Bradesco Auto/RE products. We resumed the project *From Broker to Broker*, with the participation of market brokers in two lectures focused on relevant issues involving sales tactics and strategies. The lectures are:

- **New Challenges for the Successful Broker** invites the broker to think about the importance of the Basic Lines portfolio scope as a sales portfolio; and
- **Unfair Competition: Is There a Cure?** , encourages the Broker to think about the seriousness of this issue, suggesting some practices that contribute to the solution of this ever present issue, that directly affects the insurance broker, making the efforts of insurance companies in products and market positioning useless.

That BVP needs were met was shown by launching the Managerial Development Program, which was designed to ensure a process to development skills, identified using skills mapping with managers of the areas of several BVP departments. It represents a new concept because, in addition to the punctual action of classroom training, we have developed several extracurricular activities compatible with the reality of these professionals.

Another highlight is the LOMA Certification preparatory course for superintendents and managers of BVP. LOMA is an international association of more than 1,200 insurance and financial services companies present in 80 countries that conducts research and develops educational activities to improve the operations of insurance and private pension plan companies. The professional designation of LOMA is considered an excellence standard for insurance and financial services industry professionals.

We held the 5th Integration Meeting for 1,758 Scopus professionals of to encourage the development and growth process of employees in the Scopus services area, mainly to integrate the teams and value the professional to constantly improve the quality of service to clients and, as a result, produce better results for the company.

For BRAM, we created the Executive Coaching program, focusing on skill development in a structured and customized environment to develop leadership skills customized to the needs detected by mapping.

We would also like to point out for BRAM and BBI professionals, the preparatory course for the CFA Certification that included 25 participants. Established in 1962, CFA is an international certification for expert analysts and a global benchmark in knowledge about investments, quality and ethics.

For Finasa, we held workshops about professional stance to disseminate concepts and values, 574 employees from several levels and positions participated in the course; Professional Sales Management, for managers and promoters, invested in improving the sales skills of the sales team, and managers preparation to follow and facilitate the development of these skills in his or her team. The Credit Analysis program demonstrates that understanding that credit well granted is an important factor in the quality of operations.

We continued the Time Services training program with the 313 participant Trading Techniques course, designed to encourage a culture of negotiation that values quality of the relationship, offering value-added solutions and products to the client and to the Organization. The Supplementary Special Services program which involved 52 employees was meant to clarify the advantages clients have in including relatives as supplements on their cards, obtaining many advantages. In addition, the Integration program developed for recently hired employees was administered to present the Bradesco Organization, its history and its values to new hires.

Number of On-Site Participations over the Last Quarters

Partnerships with Universities and Colleges

Since 1996, in partnership with educational institutions such as FIA, FIPE, Fipecafi, FGV and Ibmec, more than 2,000 of Bradesco's employees have obtained MBAs, specialization and master's degrees courses and otherwise continued their education, which is important to maintain quality of information provided and for staff qualification to be in line with the most modern management practices.

This year, we have a class working toward their MBA Controller (Fipecafi), two classes for the MBA in Banking Businesses (FGV-SP), two classes for the MBA in Corporate Management focused on Business Technology (FIA) and one class for the MBA in Business Management with a focus on Insurance (Ibmec-RJ). Two classes for the MBA in Online Banking Businesses (FGV-RJ) were concluded, totaling 304 professionals from different areas of the Organization.

Certification in Investment Products

Preparatory courses for the Certification in Investment Products are in progress and are specially designed for employees who need to obtain the certification, after study of the material previously made available.

This year we used a new media, i.e., the *Treinamento Telepresencial*, in the preparatory course for Anbid's CPA 10 certification.

According to this methodology, classes are provided in a studio in São Paulo and broadcasted via satellite through the TV Corporativa channel to receiver units in several places, which allows a large target public receiving the information.

This tool enables scale gains, since this course is given to a larger number of professionals in relation to the workshop traditional method.

From January to September 2008, 3,266 professionals were certified. This year, 64.9% of Bradesco's candidates were certified, versus 45.9% of all candidates. This fact reiterates the Organization's concern with adequately preparing its professionals as well as employee involvement during the certification process.

These figures translate to the certification of 19,077 professionals directly involved in customer service at network branches and in serving qualified investors, in compliance with Resolution 3,158/03 of the Brazilian Monetary Council.

TreiNet Training through the Intranet/Internet

TreiNet, a special training tool, allows the fast, indiscriminate dissemination of new knowledge to all staff. It is an important instrument for personal and professional development.

Bearing witness to this are the over 3 million instances of participation in the 115 available courses since its implementation in 2000. This year, there were more than 765 thousand instances of participation, representing, on average, one course per month to each Organization's employee.

This year, fourteen new courses have been launched:

Bradesco University Account: to provide information about the Bradesco University Account, disclose its advantages and increase business opportunities;

Individual Client Multirisk: training related to Basic Lines was restructured and organized into five courses. This is the second course of the series and aims at providing information on the multi-risk insurance for Individual Clients;

Introduction to the Quality Management System: teaches the basic concepts of the Bradesco Quality Management System and the role of employees in this process of disseminating quality concepts at the Organization;

Integration into Bradesco Vida e Previdência: to provide information that may contribute to the integration of employees into Bradesco Vida e Previdência and into the Bradesco Organization;

Insurance Commercialization Planning: designed for insurance brokers and provides information that contributes to the improvement of their sales performance;

Personal Finances Management and Planning: the course provides information and strategy for an effective financial planning. It is useful information to achieve personal and family projects;

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TreiNet Training through the Intranet/Internet

Insurance Commercialization II Approach and Relationship: this is the second course of the series and is related to the negotiation itself, from the approach to the after sales;

Sustainability: it presents the world's environmental issue history and the sustainable development concept, in addition to strengthening the sustainability culture in our Organization;

Introduction to Office 2007: it presents the initial functions and main information so that users may start to take advantage of Office 2007's features;

Word 2007: it presents the main Word 2007 resources and explains how to edit texts efficiently; and

Libras: organized in four sequential courses, the purpose is to provide basic knowledge of Libras - Brazilian Sign Language, to improve the customer service to deaf clients in branches and other Organization's premises.

For English language learning, on-line training has also been a competitive advantage, enabling the participation of around 1,500 employees in courses from basic to advanced level.

Through the Fundação Bradesco Portal, some TreiNet courses are available for clients who hold a Bradesco University account. Moreover, by means of Bradesco Seguros e Previdência's website 100% broker, TreiNet is also available for brokers and dealerships who sell the Organization's insurance products.

Number of Courses Launched in TreiNet

Brochures and Video Training

Based on the demands of Bradesco's areas on standard and operational issues and with a view to employees orientation, this year we have created eleven brochures on the following issues:

Investment Diversification Practices: to guide employees to completely serve the business needs of investors;

New Service Packages to provide information on changes in Packages and the realignment of some fees, among other things;

SALE System developed for the Prime segment, there is a guide for managers teaching how to use the system to manage their portfolios, since the system warns when there is credit risk;

PCME Market Winning Platform, to guide the retail segment managers about the Market Winning Platform, a tool that aims to provide a view of Bradesco's and competitors' market potentials in a certain influence area to support the branches in the winning of new corporate clients;

New Rules of Bank Fees for Individuals with the purpose of informing branches' employees as to the new Resolution 3,518 of Bacen about new parameters for bank fees;

Corporate Client Managerial Assistance with the purpose of guiding retail segment managers of corporate accounts as to the necessary aspects of building deep bonds with Bradesco, that is, to make the client feel completely assisted by the bank with specific solutions for his or her business;

Leasing Version 2 to explain what is leasing, so that employees may contract this type of operation safely;

CADU with the purpose of guiding the employees in relation to (CADU) explaining what is this tool, its importance, benefits and implications;

CET Finasa with the purpose of guiding Finasa's employees and partners in relation to the rule established by Bacen, in which all financial institutions are required to show the client all costs of a financing operation;

NDEV System information about use, resources and functionalities of NDEV system, targeted at guiding branches' employees in the daily analysis of accounts with outstanding debt or debt risk; and

Customer Service Quality to train the branches' employees in order to improve customer service and relationship with their clients in order to exceed clients' expectations.

Five new Video trainings were also launched:

Politically-Exposed People for the Branches' employees to support people who operate in the public sector;

Bradesco Retail Service Standards which sensitized employees about the importance of ensuring the quality in the assistance, by means of Bradesco service standards;

CADU with the purpose of creating a corporate view which enables the implementation of clients' existing registry data unification;

Quality in Customer Service to make branches employees aware of the fact that the final client's perception as to the quality of service rendered is affected by each employee's action; and

Organization at the Work Place to improve the relations at the work place, as well as the quality of life.

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Social and Corporate Responsibility

With the purpose of spreading the sustainability culture among the Organization's employees, the Challenge of the Planet was launched in September 2008. This initiative aims at making professionals aware of this important theme, allowing the assimilation of a sustainable behavior in their every-day attitudes, in addition to disclosing the Organization's position in relation to it. The Challenge of the Planet is an educational competition, made through TreiNet, with eliminatory rounds, privileging the knowledge available in several study sources acquired by professionals. Additionally, we continued projects that focus on human valuation, such as: the Youth Apprentice Program, Young Citizen Program and the Internship Programs with students from different universities, among them the Bradesco Unipalmares (Universidade da Cidadania Zumbi dos Palmares) Program. These programs benefit youths beginning their careers with qualification, social inclusion, and personal and professional development. Also under this context, Bradesco developed preparatory training in Libras - Brazilian Sign Language (sign language for deaf-mute people), for employees providing direct services to clients with disabilities, including hearing impaired clients, in order to guarantee accessibility to our branches.

Number of Employees in Training in thousands

Total Amount Invested in Training in millions of R\$

Fundação Bradesco

Background

Fundação Bradesco, a non-profit organization with headquarters at Cidade de Deus, Osasco, State of São Paulo, was founded in 1956 and declared to be of Federal Public Utility by Decree 86,238, on July 30, 1981.

Aware that education should correspond to equal opportunities and personal and collective fulfillment, Fundação Bradesco currently maintains 40 Schools primarily installed in the country's most underprivileged regions in all Brazilian states and the Federal District.

Targets and Goals

A pioneer in private social investment, Fundação Bradesco's primary mission is to provide quality formal education to children, youths and adults so they can achieve personal fulfillment through their work and the effective exercise of citizenship.

In the last ten years, Fundação Bradesco has provided quality traditional and distance education courses free of charge to 1,474,000 students, including children, youths and adults.

In 2008, the goal is to exceed 411,665 instances of service across performance segments. Out of these results, 110,415 students will be served in their own Schools, in basic education, from kindergarten to high school and high school technical education; in youth and adult education; and in the preliminary and continuing qualification. In addition to these benefits, through the virtual school, its e-learning portal, and CIDs, there will be more than 300 thousand instances of service. Uniforms, school supplies, meals and medical and dental assistance are ensured for approximately 50 thousand Fundação Bradesco students in basic education free of charge.

Areas and Methods of Action

Basic Education

Basic Education, which includes kindergarten, elementary school (first to ninth grades) and high school, encompasses more than 45% of all students in courses provided free of charge by Fundação Bradesco each year. In addition, the students receive free school supplies, uniforms, meals and health and dental assistance.

Fundação Bradesco is constantly evaluating the contemporary learning trends and, thus always bringing new challenges for its teaching methods so that the conclusions involve all schools and that they propose ongoing interaction among them.

The school is envisioned as a privileged environment for exercising citizenship values. Students are regarded as original, creative human beings and culture producers who learn through experiences in both school and society. Hence, their potential and need to interact and reflect on the diversity of knowledge are approached in the classrooms.

Fundação Bradesco's multi-disciplinary education seeks to provide students with access to practical and theoretical content, based on the principle that the development process is both dialectic and constructive. With this intent, Fundação Bradesco offers several continuing education opportunities to educators, including traditional and distance education courses.

Concomitant to teacher's education, the Fundação also produces teaching materials and resources. Books are used by students from the 1st to the 5th grade of elementary school, philosophy material for high school, and CD-ROMs and DVDs for teachers with work guidelines.

High School Technical Education

Based on the commitment to offer technical professional education capable of guaranteeing students the continuous right to develop their skills for a fruitful and social life, Fundação Bradesco corresponds to the new model of technical education in force in Brazil. Bradesco structured course syllabi, prioritizing the market and societal demands from a brand new perspective, offering work preparation.

Based on the professional areas of Agribusiness, Management, Industry (Electronics) and Information Technology, a number of courses were developed and offered according to the specific needs of the communities in which the Schools are located.

The syllabi of these courses aim to ensure a close relationship between work, knowledge and citizenship. The target is to develop creative, productive and business-minded citizens, as well as showing students the importance of continuing education.

By offering students who come from underprivileged backgrounds courses whose syllabi will facilitate their entry and re-entry into the labor market, Fundação Bradesco provides access to the emerging and fast-changing business world.

Preliminary and Continuing Qualification

Fundação Bradesco offers this kind of education free of charge to meet the needs of updating and qualifying laborers at different educational levels. There are more than 100 options of free courses, with flexible agendas that allow alterations according to the realities of the labor market in the following professional areas: Management, Personal Image (Fashion and Personal Beauty Care), Industry (Electrical, Electronics and Printing Technology), IT, Leisure and Social Development, Tourism and Hospitality (Tourism, Hospitality and Catering Services). In the agribusiness area, Fundação Bradesco offers courses that include artificial insemination techniques.

Youth and Adult Education

These youths and adults come from different regions but often have similar life stories and are mostly comprised of laborers and housewives who were unable to attend or remain in school up to the conclusion of their studies. At Fundação Bradesco, they can take adult literacy courses and graduate from both elementary and high school levels and apply to universities to improve their employment prospects and most importantly to increase their skills.

Youth and Adult Education courses are given in two segments: Youth and Adult Literacy and Tele-education for Elementary and High School Equivalency.

The Tele-education courses are offered in Fundação Bradesco Schools or at companies that have entered into operating agreements with it, with flexible timetables to suit different work shifts once the classrooms are taken to the companies, respecting different working hours and avoiding the need for students to commute to Schools. Another reason for the programs' good performance is related to the investments made by Fundação Bradesco in technical-learning resources.

Developed for the parents of students who attend Fundação Bradesco Schools, the Adult Literacy Course is structured around a social-constructivist concept, whereby the student becomes an active subject in the learning process. The topics addressed during classes arouse interest and motivate learners, guaranteeing the success of the course.

Fundação Bradesco's main goal is to prepare students to improve their life conditions based on the acquisition of organized knowledge, since according to Bradesco's philosophy, education alone is capable of forming citizens who are participative and aware of their role in society.

Distance Learning Virtual School

Maintained by Fundação Bradesco since 2001, the e-learning Virtual School portal, in partnership with well known worldwide content providers, enables the spread of the services of its 40 Schools beyond their physical locations.

Based on the pedagogical mediation concept, in which the student is the main agent of his or her own learning, the Virtual School currently offers 184 distance and hybrid education courses in the IT area, benefiting around 165 thousand students and teachers. The portal allows experience, knowledge and information exchange through online tools, such as chats, conferences and a virtual campus which may include more than 150 thousand users. In 2008, we expect to serve more than 180 thousand people.

Digital Inclusion

Fundação Bradesco promotes fast and easy access to new information technologies for people who live near its Schools through CIDs.

In addition to being a learning and professional qualification center by offering short and long-term courses similar to those provided in Fundação Bradesco Schools, the CIDs also work as a discussion forum of local problems, associated with companies in partnership with the Bradesco Organization, public schools, universities and Brazilian and foreign research centers, such as the USP and Media Lab (MIT).

Currently, the Fundação maintains 100 CIDs, with an estimate of more than 100 thousand instances of service in 2008 for users of different profiles, such as indigenous peoples, people of African descent, youths, adults, the elderly and urban and rural communities in all Brazilian regions.

Material Facts

Fundação Bradesco carried out the *V Encontro Nacional de Assistentes de Direção* (V Principal Assistants National Meeting). The event was attended by Education Assistants of the School Units, during one week, at its headquarters in Osasco, State of São Paulo, and the theme was *Actions and Results*.

Fundação Bradesco supported and sponsored Expo T&C *Exposição de Tecnologia e Ciência* (Technology and Science Exhibit), which took place simultaneously to the 60^a Reunião Anual da SBPC (*60th Annual Meeting of SBPC*), at Campinas University, in São Paulo, where works from the Campinas/SP, Osasco I/SP and Jardim Conceição -Osasco/SP School Units were exhibited.

More three new small nurseries to develop seedlings from Atlantic Forest were opened in Garanhuns/PE, Itajubá/MG and Natal/RN School Units, totaling 18 units for community environmental education and awareness raising, affirming even more the partnership with Fundação SOS Mata Atlântica. Fundação Bradesco's teachers and students are given technical qualification from Fundação SOS Mata Atlântica to handle species and promote environmental education and reforestation initiatives in partnership with local social activists.

The Bradesco Historic Museum, which completed 25 years of activities, presents the exhibit *Bradesco e Imigrantes Japones: uma sólida amizade* (Bradesco and Japanese Immigrants: a solid friendship), with objects of *Coleção Japão* (Japan Collection) that are part of its assemblage, to celebrate the hundredth anniversary of Japanese Immigration to Brazil.

Fundação Bradesco sponsored the *Congresso Internacional de Educação para Surdos* (International Conference of Education for Deaf), promoted by Fundação de Rotarianos de São Paulo, whose theme was *Bilingualism: practices and perspectives*.

Fundação Bradesco was part of the *XIII Exposição Agropecuária de Garanhuns* (XIII Garanhuns Farming and Ranching Exhibit), an event focused on producers, technicians, students and people directly and indirectly related to the agribusiness sector. The Garanhuns/PE School Unit participated in the exhibit to disclose its work carried out related to this segment.

Feira de Santana/BA School Unit took part in the *XXXIII Expofeira - Exposição Agropecuária de Feira de Santana* (Feira de Santana Farming and Ranching Exhibit), a fair focused on exhibitors, cattle farmers, companies, rural producers and general public interested in Brazilian farming, ranching and agribusiness.

Fundação Bradesco supported the *4^o Encontro Paulista de Fundações* (4th São Paulo Foundations Meeting) carried out by APF, with the theme *Foundations in São Paulo, Brazil and Worldwide*, with the purpose of discussing manners to strengthen foundations' representativeness in government bodies, community and communication channels.

Fundação presented projects performed in its Canuanã/TO and Bodoquena/MS farm schools during the *VI Exposição de Tecnologia Agropecuária - Ciência para a Vida* (VI Farming and Ranching Technology Exhibit - Science for Life). Developed by Embrapa, it is considered the most important Brazilian event in the sector, strategically created to promote farming and ranching and develop science and technology.

Fundação Bradesco carried out the *Encontro Nacional de Orientadores* (National Advisors Meeting). The event was attended by 104 Educational, Pedagogical and Professional Advisors of its School Units, during one week in São Paulo, state of São Paulo, and the theme was *Aligning Actions and Results*.

Main Acknowledgments

51^o Concurso Cientistas de Amanhã (51th Scientists of Tomorrow Contest) Brazilian Institute of Education, Science and Culture and Unesco São Paulo Commission. The projects Test for the availability of biodiesel production to small producers in a handicraft manner by means of animal fat and Market research of the main vegetable species consumed in the city of Formoso do Araguaia, developed by students of High School Technical Education course in Farming and Ranching of Bodoquena/MS and Canuanã/TO School Units, received, respectively, Ibecc Unesco Award and Motion of Applause.

Brazilian First Lego League Championship Power Puzzle promoted by First of Brazil. Free Access team of Osasco School Unit ranked first in category Missions Robotics Challenges.

IV Expociências Latino-Americana ESI-AMLAT (IV Latin-American Science Exhibit) carried out by Milset América Latina. The project Use of propolis in the preventive control of tomato pests and diseases, prepared by students and teachers of High School Technical Education course in Farming and Ranching in the Bodoquena/MS School Unit, ranked fifth in the Botany category.

Prêmio Microsoft Educadores Inovadores Brasil (Microsoft Award for Brazilian Innovative Teachers) The projects Point of ideas and environmental solutions in 4R and Physics in the Park Educational Robotics and Accessibility, developed by teachers of Rio de Janeiro/RJ and Osasco I/SP School Units, were finalists. The first one of them ranked among the best four of the contest and will be presented in the world event Microsoft Innovative Teachers Forum, in Thailand.

VIII Mostra de Inovações Pedagógicas (VIII Pedagogic Innovations Exhibit) carried out by SESC/MG The projects What it has to do with Physics and Poetical Roads: art and poetry in roads, reading and writing in school, prepared by teachers of Fundação Bradesco s Pinheiro/MA and São João Del Rei/MG School Units ranked second and third in High School and Elementary School (from 6th to 9th grade) categories, respectively.

Prêmio Belgo ArcelorMittal de Meio Ambiente (Belgo ArcelorMittal Environmental Award) this year s contest was promoted by Fundação Belgo ArcelorMittal de Meio Ambiente, with the theme Feel the climate! A discussion about Earth heating. Among the five finalists, two projects were developed by Fundação Bradesco: Jardim Conceição/SP School Unit, with the work Climate and Energetic Challenge and Osasco Unit I/SP School Unit, with the project Know how to look after.

Partner Conhecimento Tribute The role of Financial Institutions in the Community. Fundação Bradesco is acknowledged by its work developed in the community.

Prêmio Victor Civita Educador Nota 10 (Victor Civita Best Teacher Award) granted by Fundação Victor Civita. Three teachers of Marília/SP, Natal/RN and Campinas/SP School Units were among the 50 finalists. One of them was classified among the 10 finalists to the Award.

Fundação Bradesco, by means of Youth and Adult Education, participated in the **XVII Prêmio Volvo de Educação para o Trânsito** (XVII Traffic Education Volvo Award). João Pessoa School Unit was granted the *prêmio Regional Nordeste* (Northeast Region award) for the project Car crashes in Cuiá curve: what Physics and Mathematics have to do with it. In addition, a station placed in company Tavex in the city of Americana/SP was granted the award in the National General category with the project High Speed: so what? which received Volvo National trophy.

School Locations

The majority of Fundação Bradesco's educational units are located on the outskirts of major cities or in rural areas where there is a significant lack of educational and welfare assistance. Thousands of students all over Brazil are given the opportunity to study at these schools.

| Schools | Students | Schools | Students |
|--|----------|---------------------|----------------|
| Aparecida de Goiânia-GO | 2,104 | João Pessoa-PB | 2,348 |
| Bagé-RS | 2,321 | Laguna-SC | 2,080 |
| Boa Vista-RR | 2,525 | Macapá-AP | 2,112 |
| Bodoquena-MS | 1,353 | Maceió-AL | 2,195 |
| Cacoal-RO | 2,464 | Manaus-AM | 2,513 |
| Campinas-SP | 4,404 | Marília-SP | 3,163 |
| Canuanã-TO | 1,552 | Natal-RN | 2,252 |
| Caucaia-CE | 2,313 | Paragominas-PA | 2,300 |
| Ceilândia-DF | 3,415 | Paranavaí-PR | 1,921 |
| Cidade de Deus Osasco-SP | | Pinheiro-MA | 2,148 |
| Unit I | 4,026 | Propriá-SE | 2,221 |
| Unit II | 2,816 | Registro-SP | 2,436 |
| Education Stations of Youths and Adults | 6,180 | Rio Branco-AC | 2,848 |
| Preliminary and Continuing Qualification | | | |
| of Workers | 6,215 | Rio de Janeiro-RJ | 4,308 |
| Conceição do Araguaia-PA | 2,492 | Rosário do Sul-RS | 975 |
| Cuiabá-MT | 2,397 | Salvador-BA | 2,211 |
| Feira de Santana-BA | 886 | São João Del Rei-MG | 2,537 |
| Garanhuns-PE | 971 | São Luis-MA | 2,469 |
| Gravataí-RS | 3,609 | Teresina-PI | 2,422 |
| Irecê-BA | 2,635 | Vila Velha-ES | 2,191 |
| Itajubá-MG | 2,577 | | |
| Jaboatão-PE | 2,765 | | |
| Jardim Conceição Osasco-SP | 2,745 | Total (*) | 110,415 |

(*) Forecast of service for 2008.

Fundação Bradesco An Educational Project as Large as Brazil

Funding Sources

Funds to finance Fundação Bradesco activities come exclusively from income derived from the Fundação's assets.

| | |
|--|---------------------------|
| Funds invested in the last 10 years (*) | R\$1.392 billion |
| Funds invested in 2007 | R\$200.982 million |
| Funds expected for 2008 | R\$220.069 million |

(*) in nominal values, equivalent to R\$3.074 billion, restated by CDI/Selic rate until December 2007.

Courses Grades

| | Assistance Forecast for 2008 | |
|---|---|-----------------------|
| | Number of Students | % of Total |
| Basic Education | 49,534 | 12.03 |
| Youth and Adult Education | 19,667 | 4.78 |
| Preliminary and Continuing Qualification | 41,214 | 10.01 |
| Subtotal | 110,415 | 26.82 |
| Distance education (CIDs and Virtual School) | 301,250 | 73.18 |
| Total Services | 411,665 | 100% |

Student Profile Reference: Service in 2007

Increase in the Number of Students Assistance in Schools

Finasa Sports Program

Through the Finasa Sports Program, the Bradesco Organization shows its support for the development of citizenship and social inclusion of children and youths between 9 and 18 years of age.

During its 20 years of activity, Finasa Sports entered into many partnerships, among which the most outstanding is the agreement with Osasco's Local Government. This partnership contributes to expand the program's social reach.

Currently, the program has a total of 121 professionals carrying out activities at state and local schools, Osasco's municipal sports centers, the SESI Osasco unit, Fundação Bradesco and private schools, assisting more than 2,000 girls free of charge in 53 qualification centers and specialists' centers, in volleyball and basketball.

Most of these girls come from underprivileged backgrounds.

The program's main goal is complete development through a healthy activity such as sports, education, health and well-being programs that help raise these girls' awareness about citizenship so that they can be in charge of their own lives and make socially responsible choices.

The program also supports the formal education process by adopting as a requirement the girls' enrollment and attendance in regular schools.

At the training centers, all students have guaranteed access to quality sports education, regardless of their physical characteristics, such as weight, height or sports skills.

The activities for children and young adults at the specialists' centers, besides sports education with medical, psychological, physiotherapeutic and nutritional follow-up, also include regular information on hygiene, stress, adolescence, drug use and teen pregnancy prevention, turning these places into true citizenship centers.

This program also offers a support structure according to categories, with benefits such as life insurance and health care, among others, including sports equipment used in training and competitions.

Practicing, in addition to contributing to a healthy life style, is responsible for the formation of high level athletes, enabling the players' participation in Finasa Osasco's adult volleyball team and in the children's and junior's Brazilian female volleyball and basketball teams.

It is the first social sports program to receive funds from tax incentives, made available by the *Estatuto da Criança e do Adolescente* (Statute of Children and Adolescents) through the agreement executed between Conanda and the Ministry of Sports in 2003. The Finasa Sports Program is a benchmark in sporting activities of this nature.

Social-cultural Events

During 3Q08, Bradesco Organization supported and sponsored dozens of socio-cultural events in different locations of Brazil, from regional festivals that preserve folk traditions to internationally renowned spectacles.

The Bank sponsors the exhibitions *Einstein*, in São Paulo, and *Darwin Brasil* in Brasília, in Distrito Federal, and in Goiânia, in the state of Goiás. The events have educational support of Fundação Bradesco.

It sponsored the plays *Hamlet*, in FAAP Theater, in São Paulo; *A Alma Boa SetSuan*, in Renaissance Theater, also in São Paulo; *Ensina-me a Viver*, in Leblon Theater, in Rio de Janeiro; and *Noé Noé Deu a Louca no Convés*, in Tuca Theater, in São Paulo.

For the fourth consecutive year, it sponsored the *Festival Internacional de Inverno de Campos do Jordão* (Campos do Jordão International Winter Festival), in the countryside of São Paulo, as well as the Winter Festivals of Garanhuns, in Pernambuco, and Vitória da Conquista, in Bahia.

It sponsored the presentations of High School Musical in the cities of São Paulo and Belo Horizonte, and *Mozarteum Brasileiro* in Rio de Janeiro, São Paulo and Santos; the Brazilian Symphony Orchestra, in São Paulo and Rio de Janeiro; and the opera *Os Caçadores de Pérola*, in Centro Cultural Judaico, in São Paulo. In addition, the tour of the singers Mônica Salmaso, Fortuna and Elba Ramalho in Brazil, and the concert of Roberto Carlos, in São Paulo, the Music Festival of Itajaí, in Santa Catarina, and San Genaro Feast, in São Paulo, were also sponsored by the Bank.

In social and environmental area, Bradesco sponsored the *II Mostra de Responsabilidade Social da Fiesp 2008* (2008 II Fiesp Social Responsibility Exhibition) and the event *Ecos do Planeta*, both carried out in Ibirapuera Park, in São Paulo. It also sponsored the *Jantar Por Uma Boa Causa* (a dinner for a good reason), for the Community Association of Santos for Assistance of HIV/Aids Carrier, in Santos.

Grupo Bradesco de Seguros e Previdência sponsored several cultural initiatives, such as the show *Tom & Vinícius, o Musical*, which tells the importance of the partnership between Tom Jobim and Vinícius de Moraes in the Brazilian culture history, and the exhibition *50 Years of Bossa Nova*, in UN's headquarters, in New York. The play *Cocoricó Uma Aventura no Teatro*, in São Paulo, is sponsored by Bradesco Vida e Previdência.

Social Report Nine-month Period of 2008 and 2007

1) Calculation basis

| | 9M08 | in thousands of R\$ | 9M07 | in thousands of R\$ |
|---------------------------------|------|---------------------|------|---------------------|
| Net revenue (NR) ⁽¹⁾ | | 12,956,790 | | 13,431,905 |
| Operating income (OI) (**) | | 7,216,145 | | 7,168,342 |
| Gross payroll (GP) | | 5,276,483 | | 4,749,366 |

2) Internal social indicators

| | in thousands of R\$ | % of GP | % of NR | in thousands of R\$ | % of GP | % of NR |
|--|---------------------------|-------------|-------------|---------------------------|-------------|-------------|
| Meals | 452,250 | 8.6 | 3.5 | 402,658 | 8.5 | 3.0 |
| Taxes | 939,897 | 17.8 | 7.3 | 837,409 | 17.6 | 6.2 |
| Private pension plans | 180,048 | 3.4 | 1.4 | 232,864 | 4.9 | 1.7 |
| Healthcare | 255,654 | 4.8 | 2.0 | 241,658 | 5.1 | 1.8 |
| Occupational health and safety | | | | | | |
| Education | | | | | | |
| Culture | | | | | | |
| Professional qualification and training | 61,575 | 1.2 | 0.5 | 51,041 | 1.1 | 0.4 |
| On-site child care and child-care benefits | 32,305 | 0.6 | 0.2 | 31,002 | 0.7 | 0.2 |
| Employee profit sharing | 428,764 | 8.1 | 3.3 | 372,787 | 7.8 | 2.8 |
| Other | 94,575 | 1.8 | 0.7 | 83,691 | 1.7 | 0.7 |
| Total internal social indicators | 2,445,068 | 46.3 | 18.9 | 2,253,110 | 47.4 | 16.8 |

3) External social indicators

| | in thousands of R\$ | % of OI | % of NR | in thousands of R\$ | % of OI | % of NR |
|---|---------------------------|-------------|-------------|---------------------------|-------------|-------------|
| Education (*) | 5,669 | 0.1 | | 1,021 | | |
| Culture | 28,601 | 0.4 | 0.2 | 13,267 | 0.2 | 0.1 |
| Health and basic sanitation | 3,608 | | | 4,066 | 0.1 | |
| Sports (**) | 13,952 | 0.2 | 0.1 | 3,484 | | |
| Prevention of hunger and food security | 60 | | | 1,100 | | |
| Other | 17,221 | 0.2 | 0.2 | 9,153 | 0.1 | 0.1 |
| Total contribution to society | 69,111 | 0.9 | 0.5 | 32,091 | 0.4 | 0.2 |
| Taxes (excluding social charges) | 3,317,700 | 46.0 | 25.6 | 4,286,237 | 59.8 | 31.9 |
| Total external social indicators | 3,386,811 | 46.9 | 26.1 | 4,318,328 | 60.2 | 32.1 |

4) Environmental indicators

| | in thousands of R\$ | % of OI | % of NR | in thousands of R\$ | % of OI | % of NR |
|---|---|---|---|---|----------------|--------------------|
| Investments related to company production/operation | | | | | | |
| Investments in external programs and/or projects | 8,088 | 0.1 | 0.1 | 9,878 | 0.1 | 0.1 |
| Total investments in environmental protection | 8,088 | 0.1 | 0.1 | 9,878 | 0.1 | 0.1 |
| With regards to the establishment of "annual goals" for minimizing waste, general production/ operation consumption and increasing the efficient use of natural resources, the company: | () has no established goals () complies (0 to 50%) | () complies (51 to 75%) () complies (76 to 100%) | () has no established goals () complies (0 to 50%) | () complies (51 to 75%) () complies (76 to 100%) | | |

5)) Employees indicators

| | 9M08 | 9M07 |
|--|-------------|-------------|
| Employees at the end of the period | 85,577 | 81,943 |
| Admissions during the period | 9,640 | 7,607 |
| Outsourced employees | 8,074 | 7,556 |
| Trainees/interns | 897 | 961 |
| Employees older than 45 | 8,821 | 7,940 |
| Female employees | 41,218 | 39,074 |
| % of management positions held by women | 44.6 | 43.1 |
| Employees of African descent | 13,127 | 12,356 |
| % of management positions held by employees of African descent | 14.3 | 14.1 |
| Employees with disabilities or employees with special needs | 1,239 | 1,000 |

6) Key information regarding the exercise of business citizenship

| | 9M08 | Targets | 9M09 |
|--|--|--|--|
| Ratio between maximum and minimum salary: | 18.7 | I | |
| Total number of occupational accidents: | 717 | Employees awareness to avoid work accidents | |
| The company's social and environmental projects were established by: | () directors (x) directors and managers | () directors (x) directors and managers | () all employees () all employees |

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| | | | | |
|--|--|---|--|---|
| Occupational safety and health standards were defined by: | <input type="checkbox"/> directors all employees | <input type="checkbox"/> <input checked="" type="checkbox"/> all + Cipa | <input type="checkbox"/> directors all employees | <input type="checkbox"/> <input checked="" type="checkbox"/> all + Cipa |
| With regards to freedom of trade union activities, collective bargaining rights and internal employee representation, the company: | <input checked="" type="checkbox"/> does not interfere | <input type="checkbox"/> complies with OIT rules | <input type="checkbox"/> does not interfere | <input type="checkbox"/> complies with OIT rules |
| Private pension plans are offered to: | <input type="checkbox"/> directors and managers | <input type="checkbox"/> <input checked="" type="checkbox"/> all employees | <input type="checkbox"/> directors and managers | <input type="checkbox"/> <input checked="" type="checkbox"/> all employees |
| The company's profit sharing plan is distributed to: | <input type="checkbox"/> directors and managers | <input type="checkbox"/> <input checked="" type="checkbox"/> all employees | <input type="checkbox"/> directors and managers | <input type="checkbox"/> <input checked="" type="checkbox"/> all employees |
| When selecting suppliers, the ethical, social and environmental responsibility standards adopted by the company: | <input type="checkbox"/> are not considered | <input type="checkbox"/> <input checked="" type="checkbox"/> are required and suggested | <input type="checkbox"/> are not considered | <input type="checkbox"/> <input checked="" type="checkbox"/> are required and suggested |
| With regards to the participation of employees in voluntary work programs, the company: | <input type="checkbox"/> does not interfere | <input type="checkbox"/> <input checked="" type="checkbox"/> organizes support and encourages participation | <input type="checkbox"/> does not interfere | <input type="checkbox"/> <input checked="" type="checkbox"/> organizes support and encourages participation |
| Total number of consumer complaints and criticisms: | In company: 105,764 At Procon: 11.913 | In court: 84,370 | Prepare and make our employees aware, thus reducing the number of complaints | |
| % of complaints and criticisms solved: | In company: 100% At Procon: 100% | In court: 75.6% | In company: 100% At Procon: 100% | In court: 100% |
| Total value added to be distributed (in thousands of R\$) | 9M08: 14,508,426 | | 9M07: 14,442,974 | |
| Distribution of value added: | 26.8 % government 14.3 % shareholders | 31.7 % employees 27.2 % retained | 31.0 % government 14.8 % shareholders | 28.7 % employees 25.5 % retained |

7) Other information

The information contained in the Social Report was reviewed by PricewaterhouseCoopers Auditores Independentes.

(*) The information above does not include funds invested by Fundação Bradesco (one of Bradesco's controlling shareholders).

(**) For comparison purposes, the amounts related to 9M07 were included.

(1) Net revenue (NR) is considered Gross Income from Financial Intermediation. I
Inapplicable

7 - Report of Independent Auditors

Report of Independent Auditors on Limited Review of Supplementary Accounting Information presented in the Report on Economic and Financial Analysis and in the Statement of Social Responsibility

To the Board of Directors
Banco Bradesco S.A.

1. In connection with our limited reviews of the Quarterly Information of Banco Bradesco S.A. and its subsidiaries (consolidated) as of September 30, 2008 and 2007, on which we issued a report without exceptions dated October 24, 2008, we have carried out a limited review of the supplementary accounting information contained in the Report on Economic and Financial Analysis and in the Statement of Social Responsibility. This supplementary information was prepared by the Bank's management for the purpose of additional analysis and is not a required part of the quarterly information.

2. Our work was carried out in accordance with the specific standards established by the Institute of Independent Auditors of Brazil - IBRACON, in conjunction with the Federal Accounting Council - CFC, for the purpose of reviewing the supplementary accounting information described in paragraph one and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Bank and its subsidiaries with regard to the main criteria used for the preparation of this additional accounting information and (b) a review of the significant information and the subsequent events which have, or could have significant effects on the financial position and operations of the Bank and its subsidiaries.

3. Based on our limited review, we are not aware of any material modifications which should be made to the supplementary information, referred to above, in order for such information to be fairly presented, in all material respects, in relation to the quarterly information, referred to in paragraph one, taken as a whole.

4. As described in Note 35(b), Law 11.638, was enacted on December 28, 2007 and became effective on January 1, 2008. This law amended, revoked and introduced new provisions to Law 6.404/76 (the Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Even though this law has already come into force, some of the changes introduced depend on standardization by the National Monetary Council - CMN, the Brazilian Central Bank BACEN, the National Council of Private Insurance - CNSP and the Superintendency of Private Insurance - SUSEP prior to their full application by the institutions subject to regulation. Accordingly, during this transition phase, BACEN, through Release 16.669 of March 20, 2008 and SUSEP, through Circular-letter SUSEP/DECON/GAB/no. 005/2008 of June 9, 2008, have waived the application of the provisions of Law 11.638/07 for preparation purposes of the interim financial statements in 2008. As a result, the accounting information contained in the quarterly information referred to in paragraph one was prepared in accordance with specific instructions from BACEN and SUSEP and does not consider the changes to the accounting practices introduced by Law 11.638/07.

5. As described in Note 15, the goodwill on investments in associated and subsidiary companies was amortized.

São Paulo, October 24, 2008

Audidores Independentes
CRC 2SP000160/O-5

Washington Luiz Pereira Cavalcanti
Contador
CRC 1SP172940/O-6

8 - International Accounting Standards IFRS

International Accounting Standards IFRS

Introduction

The International Accounting Standards, currently known as IFRS, are international accounting pronouncements published by the International Accounting Standards Board (IASB), based on principles rather than specific rules.

These rules are high-quality pronouncements, comprehensible and applicable, providing for transparency and comparability of information presented in financial statements and other accounting reports, enabling an easier understanding among participants of worldwide capital markets and other users of accountancy for making economic decisions.

The process of converging into the international accounting standards became very important due to the great changes in the global economic scenario in recent years, significantly represented by the accelerated globalization process of the economy.

The IFRS rules were adopted by European Union countries as of December 31, 2005, with the purpose of converging the consolidated financial statements prepared by their companies. This initiative was internationally embraced by the financial community. Currently, in addition to countries that are already adopting the international rules, many others have official convergence projects for their local accounting rules into the IFRS, including Brazil.

History of the Creation of the IAS/IFRS

In 1973, the IASC was created by professional accounting bodies from Germany, Australia, Canada, United States, France, Ireland, Japan, Mexico, Netherlands and United Kingdom. This new entity was created with the purpose of preparing and publishing, in a completely independent manner, a new standard of international accounting rules that could be internationally accepted. The IASC is a non-profit, independent foundation, with its own funds originated from contributions of several international bodies, as well as major auditing companies. The first accounting pronouncements published by IASC were called IAS. Many IAS rules are still currently in force, despite of undergoing amendments over time.

In 1997, the SIC was created, which is a technical committee within the structure of IASC in charge of the publications of accounting interpretations, also called SIC, whose purpose is to clarify the users' doubts.

In 2001, IASB was created to take the technical responsibilities of IASC and with the purpose of improving the technical structure of formulation and validation of new international accounting pronouncements to be issued, which were called IFRS. The new name chosen by IASB showed the committee's interest in progressively changing the former accounting pronouncements into new internationally accepted standards of financial reporting with the purpose of meeting the growing expectations of users of the financial information (analysts, investors, institutions etc.). In December 2001, the name SIC was changed to IFRIC. This Committee became responsible for the publication, as of 2002, of all interpretations about the set of international rules, called IFRIC.

In March 2004, many IAS/IFRS rules were published by IASB, including IFRS 1, which defined the principles to be observed by the companies in the conversion process and the first publication of financial statements in IFRS.

In 2005, all European publicly-held companies started to adopt mandatorily the rules in IFRS for the publication of their consolidated financial statements.

Organizational Structure of IASC

IASC Foundation is an independent organization which has two main bodies: the Advisory Council and IASB. The SAC and IFRIC are also part of its structure.

IASC Foundation appoints IASB's members and provides the necessary resources. However, IASB has the exclusive responsibility of preparing the international accounting rules.

Source: IASB

The international rules are a set of technical pronouncements composed of:

- **IAS**: the first pronouncements issued by IASC.
- **SIC**: the first interpretations issued by IASC.
- **IFRS**: the most recent pronouncements issued by IASB.
- **IFRIC**: the most recent interpretations issued by IASB.

Framework (Conceptual Structure)

The conceptual structure for the preparation and the presentation of international financial statements is detailed in the Framework for the Preparation and Presentation of Financial Statements.

The Framework is not an international accounting rule but a description of the basic concepts which must be respected in the preparation and presentation of the international financial statements. It defines the intrinsic spirit and the general philosophy of the international accounting rules and aims: (i) to assist IASB and IFRIC in the development and interpretation of the international accounting rules; (ii) to guide users of accounting in the preparation of the financial statements; and (iii) to help auditors form their opinions.

Obs.: all international pronouncements are published by IASB in English.

The Composition of Financial Statements

- Balance Sheet
- Statement of Income
- Statement of Cash Flow
- Statement of Changes in Shareholders' Equity
- Notes to the Financial Statements

Benefits of the Convergence to the International Accounting Rules

- To provide high quality, understandable, transparent and comparable accounting information, regardless of the country of origin.
- To strengthen the credibility of the information both by internal and external investors.
- To participate in the globalized capital markets.
- To facilitate the follow-up and comparison of the economic-financial condition and of the performance of the Institutions.
- To optimize the allocation of capitals and contribute to reduce of funding costs.
- To eliminate the need of preparation, by the Institutions with international operations, of multiple sets of financial statements, contributing to reduce operational costs.
- To reduce the regulatory cost.
- To centralize the issuance of accounting rules.

World Outlook

Currently, more than 100 countries require, allow the use, or have a policy of convergence of their accounting practices to IFRS.

Source: The Journal of the IASB and the IASC Foundation INSIGHT Q3 and Q4, 2007.

Since 2005, by means of the commitment assumed by several countries of the world to adopt the International Accounting Rules, significant progresses have been reached by IASB towards global convergence.

It is worth pointing out that in the United States, SEC approved, on November 15, 2007, a procedure for foreign companies to file their financial statements, already as of 2008, according to IFRSs, without the need of reconciliation of the result and the shareholders' equity. Bradesco has not defined yet the replacement date of its financial statements prepared in conformity with the US GAAP, recorded at SEC for financial statements prepared in conformity with IFRSs.

The presentation of the financial statements in IFRS is internationally recognized as a good corporate governance practice and was approved by the FSF, an organization composed of central banks and ministries of finances of the world's most industrialized countries, within them the so called G7, as well as of the IMF, World Bank, Iosco. The presentation of the financial statements in IFRS is also included among the corporate governance principles recommended by the OECD.

IFRS in Brazil

The CFC, by means of CFC Resolution 1,055, as of October 7, 2005, created the CPC with the purpose of studying, preparing and issuing technical pronouncements about international accounting procedures to allow the issuance of rules by the Brazilian regulatory entity, aiming the centralization and uniformization of its production process, always taking into consideration the convergence of the Brazilian accounting standard to international standards. The following are members of the CPC:

- 1) Brazilian Association of Publicly-Held Companies (Abrasca);
- 2) Association of Investment Analysts and Professionals of the Capital Markets (National Apimec);
- 3) Bovespa;
- 4) CFC;
- 5) Fipecafi; and
- 6) Ibracon

In addition to the six entities comprising the CPC, representatives of the following bodies will always be invited to take part in the works: Bacen, CVM, Susep and the Brazilian Federal Revenue. Other entities or experts may also be invited.

The CFC Resolution 1,103, of September 28, 2007, also created the Managing Committee of Convergence in Brazil. The Committee is composed by CFC itself, by Ibracon, by CVM and by Bacen and mainly aims at making viable greater transparency of financial information to the market by means of accounting and audit reforms, always considering the harmonization with the international accounting rules.

The Brazilian Central Bank by means of Notice 14,259, of March 10, 2006, made mandatory the preparation and publication of Consolidated Financial Statements in IFRS, for Financial Institutions, as of December 31, 2010.

The CVM issued on July 13, 2007, CVM Rule 457 making mandatory the preparation and publication of Consolidated Financial Statements in IFRS, for Brazilian Publicly-Held Companies, as of December 31, 2010.

On its turn, the Susep Circular 357, of December 26, 2007, required the preparation and publication of Consolidated Financial Statements in IFRS, as of December 31, 2010.

The convergence to IFRS is considered one of the great changes in the Brazilian accounting structure since 1976, year of publication of the Brazilian Corporation Law (Law 6,404). The President of the Republic sanctioned, on December 28, 2007, Law 11,638, the new accounting Law which introduced certain IFRS principles in the Brazilian accounting. The new Law 11,638/2007 was created from the Bill 3,741/2000, amending and revoking certain provisions of Law 6,404/1976. Eight years ago, CVM created a work group composed of representatives from several entities dealing with financial statements (companies, auditors, analysts, investors, users, inspectors and researchers), called Advisory Commission for Accounting Affairs. The group prepared the first review proposal of former Law 6,404/1976. Law 11,638/2007 introduced articles which give powers to CPC to prepare accounting standards aiming the convergence with the international accounting rules. The Law is in effect since January 1, 2008.

In a world trend, we understand that the growing importance of accounting has caused the search for internationalization of accounting rules. That requires an internal harmonization and an unavoidable alignment with the accounting development which occurs in the world, as a result, specially, of the need to obtain greater credibility in the Brazilian accounting principles. The Federal Accounting Council followed and participated actively in the evolution of this project and seeks to align the Brazilian accounting to IFRS.

Additionally, Bacen Notice 16,669, of March 20, 2008 (in accordance with CVM Rule 459) disclosed a schedule aiming the compliance with Law 11,638, estimating the issuance of several accounting rules during 2008, namely:

| Change Required by Law 11,638/2007 | | Initial term set for the issue of normatives |
|---|--|---|
| 1. | Inclusion of the Statement of Cash Flows in replacement to the Statement of Changes in Financial Position | July/2008 |
| 2. | Creation of a subgroup in Permanent Assets for registration of Intangible Assets | July/2008 |
| 3. | Adequacy of the concept and composition of Capital Reserves | July/2008 |
| 4. | Adequacy of the concept and composition of Profit Reserves, with the inclusion of the Reserve of Tax Incentives and the account Retained Earnings or Accumulated Deficit | July/2008 |
| 5. | Examination of the aspects related to revaluation of premises and equipment | July/2008 |
| 6. | Evaluation and registration of the recoverable value of assets | July/2008 |
| 7. | Adequacy of the concept and accounts which compose the subgroup Deferred Assets | September/2008 |
| 8. | Adequacy of the concept and accounts which compose the subgroup Property, Plant and Equipment | September/2008 |
| 9. | Merger and spin-off operations of companies | September/2008 |
| 10. | Evaluation of investments in affiliated companies and subsidiaries | September/2008 |
| 11. | Examination of the aspects related to equity evaluation adjustment | September/2008 |
| 12. | Accounting of financial leasing operations | September/2008 |

13. Updating of long-term assets and liabilities

September/2008

As we can see, Brazil is one of the countries which undertook to align its accounting practices with the IFRS practices and its convergence process is moving fast.

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Adoption of the International Accounting Rules by Banco Bradesco

Bradesco is in an advanced phase of determining the accounting effects of transition to IFRS and has invested significant resources in an extensive project in the preparation of complete financial statements in IFRS. The Management understands that the preparation of financial statements in IFRS, in addition to being a requirement of CVM for publicly-held companies listed in the Novo Mercado of Bovespa, directly meets the Bank's commitment to the adoption of the best corporate governance practices, focusing on transparency of financial and management information.

Bradesco is evaluating the impacts of applying IFRS 1 in which the exemptions allowed for the Bank in the transition to IFRS and possible impacts of exceptions on its financial and equity position on the transition date will be selected. The Bank understands preliminarily that some of these exemptions may generate impacts, such as:

Business combinations IFRS 1 allows that business combinations occurred before the transition date are not remeasured, retrospectively, in conformity with IFRS 3 (Business Combinations). The use of this exemption is very important to the Bank, since several acquisitions occurred before the IFRS transition date.

Pension plans IFRS 1 allows the immediate recognition, on the transition date of all actuarial gains and losses of pension plans of defined benefit sponsored by the Bank.

In addition to the impacts of the IFRS 1 application, accounting impacts may be generated due to the application of other IFRSs on the transition date, such as:

Business combinations The goodwill in the acquisition of new business combinations occurred after the transition date, which was amortized in BR GAAP, should be remeasured according to IFRS 3 (Business Combinations), being separated into goodwill (which cannot be amortized and it is subject to the annual impairment test) and into intangible assets with defined useful life (which can be amortized).

Designation of categories for financial assets and liabilities Due to the application of IAS 39 all financial assets and liabilities must be duly classified into one of the four categories provided for in this international rule (held-to-maturity assets, assets at market value by means of the income for the period, available-for-sale assets and credit operations and receivables). Consequently, the Management is evaluating the possible impacts of the application of IAS 39 and measurement of fair market value for financial assets which have not been classified into any of these categories as they were not designated in similar categories in BR GAAP.

Measurement of loan operations and receivables by the effective interest rate method According to IAS 39, expenses and revenues of financial assets origination valued at the amortized cost (for instance, loan operations with clients) must be incorporated in to the calculation of the effective interest rate of the operation and amortized during the effectiveness term of the agreement. In BR GAAP these expenses and revenues are immediately recorded in the income for the period when incurred.

Insurance agreements and investment agreements In BR GAAP, the agreements of insurance, certificated savings plans and supplementary pension plans (for instance, PGBLs and VGBLs) are accounted for as insurance agreements and the respective premiums received are recorded in the income for the period. According to IFRS 4, agreements are classified as insurance agreements or as investment agreements based on the significant risk analysis of insurance transferred to the Bank, taking into consideration scenarios with commercial substance and the occurrence of an event which adversely affects the policyholder. The agreements classified as investment agreements as they do not transfer significant insurance risk to the Bank are evaluated according to IAS 39. The insurance agreements are subject to a minimum adequacy test of the liability, considering the best estimate of the Management of all future contractual cash flows of these agreements (including salvage, recoveries and indemnities to which the Bank is contractually entitled to) not taking into consideration the risk mitigation effect by means of reinsurance agreements. Provisions for risk equalization, catastrophes, or not supporting agreements are not allowed by IFRS 4 on the transition date.

Classification of leasing agreements According to IAS 17 (Leases), leasing agreements must be classified as operational or financial leasing agreement according to an economic model of transfer of risks or benefits of under-lying assets between the parties in the agreement. The Management is evaluating the possible impacts of applying IAS 17 on all its leasing agreements.

Financial guarantees rendered to third parties According to IAS 39, financial guarantees rendered to third parties must be accounted for initially at fair market value upon granting of the guarantee and amortized during the effectiveness period of the risk. Subsequently, these guarantees are evaluated by the highest amount between the non-amortized balance of the guarantee and the amount of the best Management's estimate by the present liability for agreements whose default event of the client has occurred.

Hyperinflation on non-monetary assets and liabilities As a result of the application of rule IAS 29 (Financial Reporting in Hyperinflationary Economies), the inflationary effects on non-monetary assets and liabilities, until June 30, 1997, date on which Brazil was no longer considered a hyperinflationary economy, will be determined. Such assets and liabilities were restated by UFIR until December 31, 1995, in BR GAAP.

Provision for non-declared dividends payable The effects of the reversal of the provisions recorded in the liability according to BR GAAP (Brazilian rules) of dividends higher than the minimum mandatory dividends which had not declared before the end of the year must be reflected in the IFRS financial statements.

Minority interest in subsidiaries According to IAS 27 and IAS 1, the balances of minority interest are considered as an integral part of the shareholders' equity of the Bank. In BR GAAP the minority interest is considered as a separate component of the liability between the group of shareholders' equity and the group of deferred income. In IFRS, in the event certain investment vehicles or special purpose entities are consolidated (as a result of the application of SIC 12 or IAS 27), the minority interests are adjusted, adequately, however in the event these interests have characteristics of a financial liability (for instance, quotas of funds immediately redeemable by third parties at fair market value), according to IAS 32, these interests are classified as liability and do not affect the Bank's shareholders' equity.

9 - Financial Statements, Independent Auditors' Report and Report of the Fiscal Council

Management Report

Dear Shareholders,

We are pleased to present the consolidated Financial Statements of Banco Bradesco S.A. for the period ended on September 30, 2008, pursuant to the Brazilian Corporate Law.

The world's financial markets have started to be affected by economic volatility. Despite the situation, the Bradesco Organization remains realistic, intensifying its concern with the development of global events, while at the same time, we are optimistic about Brazil's outlook and have a solid and positive vision of the future.

At the Bradesco Organization, among this period's important events, we would like to point out:

on August 18, Bradesco entered into an operating alliance with The Bank of Tokyo Mitsubishi UFJ, Ltd. to manage and distribute investment funds, by means of its respective asset management companies BRAM - Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários and MUAM - Mitsubishi UFJ Asset Management Co. Ltd;

on August 27, Bradesco joined Connector, a global network of 13 partner banks and is the first Bank of Latin America to be a member of this network. With this alliance, corporate clients will be able to use cash management services in 30 countries where these banks operate;

on September 3, the Brazilian Central Bank approved the Private Instrument of Share Merger Commitment and Other Covenants, aiming the acquisition of all capital stock of Ágora Corretora de Títulos e Valores Mobiliários S.A. by Banco Bradesco BBI S.A.

on September 4, Bradesco was again included in the Dow Jones Sustainability World Index (DJSI), an index of the New York Stock Exchange that lists the world's best companies that adopt good corporate governance practices, including transparency, ethics, social and environmental responsibility;

From January 1 to September 30, 2008, Bradesco recorded a Net Income of R\$6.015 billion, or R\$ 1.96 per share, and an annualized profitability of 26.28% on the average Shareholders' Equity (*). The annualized return on average total assets stood at 2.11% when compared with 2.69% y-o-y.

The Company's taxes and contributions in the period, including paid or accrued social security contributions, calculated based on the main activities carried out by the Bradesco Organization, totaled R\$ 4.258 billion in 9M08, equivalent to 70.79% of the adjusted Net Income. Relative to taxes corresponding to the financial intermediation, the 4.298 billion was withheld and paid by the Organization.

The improvement of IEO in the previous twelve months, from 41.77% on September 30, 2007 to 41.56% on September 30, 2008, reflects the strict control of administrative expenses together with the permanent effort to increase revenues.

At the end of the quarter, the paid-up Capital Stock was R\$23 billion. Added to Equity Reserves of R\$11.168 billion, it composed the Shareholders' Equity of R\$34.168 billion, with 16.96% y-o-y growth corresponding to the equity value of R\$11.13 per share.

Managed Shareholders' Equity accounts for 8.23% of the consolidated assets, which amounted to R\$422.706 billion, a 33.07% increase over September/2007. Thus, the capital adequacy ratio reached 16.21% in the financial consolidated and 15.62% in the economic-financial consolidated, therefore higher than the minimum of 11% set forth by Resolution 2,099 of August 17, 1994 of the National Monetary Council, in accordance with the Basel Committee. At

the end of the quarter, the shareholders' equity to fixed assets ratio, compared to the Consolidated Reference Shareholders' Equity, stood at 47.38% in the financial consolidated and 17.62% in the economic-financial consolidated, within the maximum limit of 50%.

In compliance with the provisions in Article 8 of Circular Letter 3,068 of November 8, 2001 of the Brazilian Central Bank, Bradesco states that it has the financial capacity and intention to hold to maturity the securities classified in the held-to-maturity securities' category.

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On September 30, the volume of funds raised and managed by Bradesco Organization amounted to R\$571.740 billion, a growth of 26.30% y-o-y, distributed as follows:

- R\$226.634 billion in demand deposits, time deposits, interbank deposits, other deposits, open market and savings accounts;
- R\$187.995 billion in asset management, including investment funds, managed portfolios and asset management quotas, 12.18% higher than September/2007;
- R\$88.292 billion recorded in the exchange portfolio, borrowing and onlending, our own working capital, tax payment and collection of related taxes, funds from issuance of securities, subordinated debt in the country and other funding;
- R\$62.888 billion recorded in technical provisions for insurance, supplementary private pension plans and certificated savings plans, with an increase of 13.68% y-o-y;
- R\$5.931 billion in foreign funding, from public and private issuances, subordinated debt and securitization of future financial flows, representing US\$3.098 billion.

At the end of the period, the balance of the loan operations amounted to R\$197.250 billion, and this amount includes:

- R\$6.788 billion in advances on foreign exchange contracts, for a total portfolio of US\$10.655 billion of export financing;
- US\$2.684 billion operations in import financing in foreign currencies;
- R\$19.247 billion in leasing;
- R\$11.343 billion in businesses in the rural area;
- R\$56.190 billion in consumer financing;
- R\$29.640 billion from sureties and guarantees;
- R\$6.468 billion from credits receivable from credit cards;
- R\$13.911 billion referring to onlending operations of external and internal funds, mainly coming from the BNDES, standing out as the main fund onlending agent.

In relation to real estate loans, from January to September 2008, the Organization allocated to home building and acquisition funds amounting to R\$4.812 billion, composed of 38,940 properties. Through the website www.bradescoimoveis.com.br, clients and users may consult the projects financed by Bradesco whose units are made available for sale by real estate developers and real estate agencies that are partners of the Bank.

To support the capitalization of companies, Bradesco, through Banco Bradesco BBI S.A., intermediated primary and secondary operations of shares, debentures and promissory notes, as well as operations of Receivables Securitization Fund, which totaled R\$36.543 billion in the 9M08, accounting for 38.40% of the volume of these issuances registered at CVM, including the total amount of operations. Bradesco also stood out in mergers and acquisitions, project financing, structured operations and treasury, dealing with the structuring, origination, distribution and management of clients' assets, financial flows and inventories.

Grupo Bradesco de Seguros e Previdência, holding an outstanding position in Insurance, Supplementary Pension Plans and Certificated Savings Plans segments, posted a Net Income of R\$2.098 billion and Shareholders' Equity of R\$8.688 billion on September 30. Insurance premiums written, pension plan contribution and certificated savings plans expenses stood at R\$16.945 billion, growth of 10.72% y-o-y.

On September 30, the Bradesco Organization's network available for clients and users, composed of 30,671 outlets, 28,092 machines of the Bradesco Dia&Noite (Day&Night) ATM Network, 27,668 of which operate even on weekends and holidays. In addition, 4,850 machines of the Banco24Horas (24-hour Bank) were made available for Bradesco clients for withdrawal operations, issuance of statements and balance consultation. Our network also includes 1,078 Correspondent Banks of Banco Finasa BMC to provide services in the payroll- deductible loan and vehicle segments;

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- 3,235 Branches in Brazil: 3,218 of Bradesco, 16 of Banco Finasa BMC and 1 of Bradesco BBI;
- 5 Branches overseas: 1 in New York, 3 in Grand Cayman and 1 in Nassau, in the Bahamas;
- 7 Subsidiaries overseas: Banco Bradesco Argentina S.A., in Buenos Aires, Banco Bradesco Luxembourg S.A., in Luxembourg, Bradesco Securities, Inc., in New York, Bradesco Securities UK Limited, in London, Bradesco Services Co., Ltd., in Tokyo, Cidade Capital Markets Ltd., in Grand Cayman; and Bradesco Trade Services Limited, in Hong Kong;
- 5,924 Banco Postal branches;
- 14,562 Bradesco Expresso outlets;
- 3,648 Corporate site branches;
- 3,074 Outplaced terminals of Bradesco Dia&Noite (Day&Night) ATM Network;

216 Branches of Finasa Promotora de Vendas, a company present in 21,726 car dealers. Pursuant to Rule 381 issued by the Brazilian Securities and Exchange Commission, in the quarter the Bradesco Organization neither contracted nor had services rendered by PricewaterhouseCoopers Auditores Independentes other than those related to the independent audit at levels exceeding 5% of total costs thereof. The policy adopted complies with the principles preserving the auditor's independence, pursuant to the internationally accepted criteria, such as: the auditor shall neither audit his own work, nor perform management duties with his client or promote his interests.

Regarding the Human Resources Department, Bradesco maintains its in-depth training program, concerned with the qualification and professional development of its staff, with increasingly positive results in terms of service quality and efficiency of services rendered. During the period from January to September, 1,619 courses with 1,081,899 participants were conducted. The assistance benefits, which aim at ensuring well-being, the improvement of quality of life and safety of the employees and their dependents, comprised 182,008 lives by the end of the quarter.

In the social area, contributing to the improvement of Brazilian education, the Organization has been developing a large social and educational program through Fundação Bradesco for more than 51 years, maintaining 40 schools primarily in socially, economically poor regions in all Brazilian states and in the Federal District. For this year, with a planned budget of R\$220.069 million, it will assist over 411 thousand people in its many segments, such as free, quality education for 110 thousand students in their own schools, in Basic Education from Kindergarten to High School Adult and Youth Education Courses, and Initial and Continuing Education for Workers. It will also assist 301 thousand people in other on-site and distance learning courses through the Virtual School, its e-learning portal, and CIDs. In addition, about 50 thousand basic education students are also provided with free food, medical and dental assistance, uniforms and school supplies.

The Bradesco Organization has been developing Finasa Sports Program for 20 years, which has qualification centers with volleyball and basketball training centers at Fundação Bradesco in Osasco, SP, and in local schools and sports centers in the city. It currently assists more than 2 thousand girls between 9 and 18 years of age. For the end of this year, the construction of the new and modern Sports Development Center is expected to be concluded, also in the city of Osasco, state of São Paulo.

Bradesco's growth strategy, always grounded on the pursuit of efficiency and quality of its products and services, reaffirms its ability to exceed expectations, enabling us to achieve the results recorded in the period. For the positive results obtained, we thank the support and confidence of our shareholders and clients, as well as the work of our employees and other collaborators.

Cidade de Deus, October 24, 2008

**Board of Directors and
Board of Executive Officers**

(*) Does not take into account the mark-to-market effect of available-for-sale securities recorded in shareholders equity.

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Consolidated Balance Sheet in thousands of R\$

| | 2008 | | 2007 |
|---|--------------------|--------------------|--------------------|
| | September | June | September |
| Assets | | | |
| Current assets | 319,213,713 | 311,422,471 | 248,684,558 |
| Funds available (Note 6) | 7,259,572 | 5,134,195 | 4,100,286 |
| Interbank investments (Notes 3b and 7) | 56,603,539 | 73,020,232 | 39,169,085 |
| Investments in federal funds purchased and securities sold under agreements to repurchase | 52,699,764 | 67,421,911 | 33,682,460 |
| Interbank deposits | 3,917,213 | 5,613,708 | 5,486,962 |
| Allowance for losses | (13,438) | (15,387) | (337) |
| Securities and derivative financial instruments (Notes 3c, 3d, 8 and 32b) | 114,072,593 | 102,326,284 | 94,065,610 |
| Own portfolio | 89,235,798 | 82,905,367 | 75,061,017 |
| Subject to repurchase agreements | 6,356,991 | 7,117,375 | 6,387,867 |
| Derivative financial instruments | 1,156,971 | 1,178,321 | 2,122,255 |
| Restricted deposits Brazilian Central Bank | 12,698,772 | 7,129,041 | 3,492,145 |
| Subject to collateral provided | 4,579,736 | 3,641,316 | 3,904,319 |
| Securities purpose of unrestricted purchase and sale commitments | 44,325 | 354,864 | 3,098,007 |
| Interbank accounts | 26,528,741 | 25,619,040 | 20,470,276 |
| Unsettled payments and receipts | 955,662 | 954,607 | 438,073 |
| Restricted credits: (Note 9) | | | |
| Restricted deposits Brazilian Central Bank | 25,540,902 | 24,580,053 | 19,989,155 |
| National Treasury rural loan | 578 | 578 | 578 |
| SFH | 5,205 | 5,398 | 5,699 |
| Correspondent banks | 26,394 | 78,404 | 36,771 |
| Interdepartmental accounts | 95,551 | 90,980 | 89,708 |
| Internal transfer of funds | 95,551 | 90,980 | 89,708 |
| Loan operations (Notes 3e, 10 and 32b) | 74,329,918 | 70,825,659 | 59,834,389 |
| Loan operations: | | | |
| Public Sector | 80,670 | 64,871 | 74,476 |
| Private Sector | 80,266,791 | 76,540,102 | 64,864,097 |
| Allowance for loan losses (Notes 3e, 10f, 10g and 10h) | (6,017,543) | (5,779,314) | (5,104,184) |
| Leasing operations (Notes 2, 3e, 10 and 32b) | 6,263,071 | 4,953,409 | 2,552,840 |
| Leasing receivables: | | | |
| Public sector | 62,418 | 58,915 | 47,956 |
| Private sector | 10,998,929 | 8,659,037 | 4,663,085 |
| Unearned income from leasing | (4,554,971) | (3,583,003) | (2,053,695) |
| Allowance for leasing losses (Notes 3e, 10f, 10g and 10h) | (243,305) | (181,540) | (104,506) |
| Other receivables | 32,153,869 | 27,482,392 | 26,721,100 |
| Receivables on sureties and guarantees honored (Note 10a-2) | 27,881 | 20,961 | 1,879 |
| Foreign exchange portfolio (Note 11a) | 13,434,729 | 12,243,328 | 11,620,984 |
| Receivables | 431,575 | 307,764 | 197,995 |
| Trading securities | 1,579,371 | 860,821 | 572,486 |
| Insurance premiums receivable | 1,389,206 | 1,341,014 | 1,403,833 |
| Sundry (Note 11b) | 15,437,682 | 12,822,360 | 13,009,823 |
| Allowance for other loan losses (Notes 3e, 10f, 10g and 10h) | (146,575) | (113,856) | (85,900) |

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| | | | |
|---|-------------------|-------------------|-------------------|
| Other assets (Note 12) | 1,906,859 | 1,970,280 | 1,681,264 |
| Other assets | 525,646 | 563,390 | 384,172 |
| Provision for depreciation | (197,284) | (212,269) | (177,329) |
| Prepaid expenses (3g and 12b) | 1,578,497 | 1,619,159 | 1,474,421 |
| Long-term receivables | 98,571,556 | 87,825,711 | 65,423,906 |
| Interbank investments (Notes 3b and 7) | 747,148 | 671,952 | 686,766 |
| Investments in federal funds purchased and securities sold under agreements to repurchase | | | 162,150 |
| Interest-earning deposits in other banks | 747,148 | 671,952 | 524,616 |
| | | | 257 |

| Assets | 2008 | | 2007 |
|--|-------------------|-------------------|-------------------|
| | September | June | September |
| Securities and derivative financial instruments (Notes 3c, 3d, 8 and 32b) | 18,299,868 | 16,629,979 | 14,032,383 |
| Own portfolio | 12,775,251 | 13,159,582 | 8,602,448 |
| Subject to repurchase agreements | | 1,916,998 | 2,795,827 |
| Derivative financial instruments | 769,048 | 895,100 | 557,135 |
| Restricted deposits - Brazilian Central Bank | 3,713,875 | 184,565 | 1,175,092 |
| Privatization currencies | 98,803 | 100,682 | 87,841 |
| Subject to collateral provided | 942,891 | 373,052 | 814,040 |
| Interbank accounts | 457,016 | 453,367 | 407,606 |
| Restricted credits: (Note 9) | | | |
| SFH | 457,016 | 453,367 | 407,606 |
| Loan operations (Notes 3e, 10 and 32b) | 51,344,198 | 46,395,589 | 36,359,062 |
| Loan operations: | | | |
| Public sector | 712,454 | 661,985 | 716,764 |
| Private sector | 53,029,168 | 48,062,536 | 37,650,808 |
| Allowance for loan losses (Notes 3e, 10f, 10g and 10h) | (2,397,424) | (2,328,932) | (2,008,510) |
| Leasing operations (Notes 2, 3e, 10 and 32b) | 12,412,131 | 9,616,332 | 3,547,754 |
| Leasing receivables: | | | |
| Public sector | 49,938 | 62,473 | 83,789 |
| Private sector | 21,450,240 | 16,350,316 | 6,218,836 |
| Unearned income from leasing | (8,759,768) | (6,553,160) | (2,640,482) |
| Allowance for leasing losses (Notes 3e, 10f, 10g and 10h) | (328,279) | (243,297) | (114,389) |
| Other receivables | 13,726,867 | 12,468,208 | 9,475,385 |
| Receivables | 97 | 331 | 1,497 |
| Trading securities | 758,910 | 535,281 | 770,229 |
| Sundry (Note 11b) | 12,970,529 | 11,937,852 | 8,714,501 |
| Allowance for loan losses (Notes 3e, 10f, 10g and 10h) | (2,669) | (5,256) | (10,842) |
| Other assets (Note 12) | 1,584,328 | 1,590,284 | 914,950 |
| Other assets | 1,227 | 1,277 | 7,923 |
| Provision for devaluations | (55) | (55) | (1,043) |
| Prepaid expenses (3g and 12b) | 1,583,156 | 1,589,062 | 908,070 |
| Permanent assets | 4,920,445 | 4,022,504 | 3,539,039 |
| Investments (Notes 3h, 13 and 32b) | 822,907 | 784,213 | 604,764 |
| Interest in affiliated companies: | | | |
| Local | 576,862 | 559,348 | 443,887 |
| Other investments | 596,259 | 576,299 | 521,061 |
| Allowance for losses | (350,214) | (351,434) | (360,184) |
| Premises and equipment (Notes 3i and 14) | 2,506,700 | 2,424,982 | 2,195,817 |
| Premises and equipment | 1,045,964 | 1,095,637 | 1,018,183 |
| Other premises and equipment | 4,768,236 | 4,573,790 | 4,275,698 |
| Accumulated depreciation | (3,307,500) | (3,244,445) | (3,098,064) |
| Leased assets (Note 14) | 10,021 | 9,241 | 12,695 |
| Leased assets | 18,128 | 16,057 | 21,045 |
| Accumulated depreciation | (8,107) | (6,816) | (8,350) |
| Deferred charges (Notes 3j and 15) | 1,580,817 | 804,068 | 725,763 |
| Organization and expansion expenses | 2,098,660 | 1,965,808 | 1,760,250 |

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| | | | |
|--|--------------------|--------------------|--------------------|
| Accumulated amortization | (1,204,312) | (1,161,740) | (1,034,487) |
| Goodwill in the acquisition of subsidiaries, net of amortization (Note 15a) | 686,469 | | |
| Total | 422,705,714 | 403,270,686 | 317,647,503 |

The Notes are an integral part of the Financial Statements.

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| Liabilities | 2008 | | 2007 |
|---|--------------------|--------------------|--------------------|
| | September | June | September |
| Current | 240,695,736 | 243,012,166 | 194,509,785 |
| Deposits (Notes 3k and 16a) | 85,464,171 | 81,221,329 | 64,519,425 |
| Demand deposits | 26,694,457 | 25,843,131 | 22,133,916 |
| Savings deposits | 35,680,823 | 34,149,450 | 30,231,187 |
| Interbank deposits | 333,818 | 483,638 | 197,100 |
| Time deposits (Note 32b) | 21,829,143 | 19,813,735 | 11,266,468 |
| Other deposits | 925,930 | 931,375 | 690,754 |
| Federal funds purchased and securities sold under agreements to repurchase (Notes 3k and 16b) | 55,530,776 | 71,530,724 | 48,432,303 |
| Own portfolio | 7,714,429 | 15,532,672 | 14,859,997 |
| Third-party portfolio | 45,691,232 | 52,764,502 | 25,867,831 |
| Unrestricted portfolio | 2,125,115 | 3,233,550 | 7,704,475 |
| Issuance of securities (Notes 16c and 32b) | 1,818,067 | 1,259,403 | 2,438,316 |
| Exchange acceptances | 241 | 28,381 | 472 |
| Mortgage and real estate notes and letters of credit and others | 1,540,591 | 1,005,414 | 874,160 |
| Debentures (Note 16c-1) | 76,389 | 26,972 | 123,067 |
| Securities issued abroad | 200,846 | 198,636 | 1,440,617 |
| Interbank accounts | 231,153 | 400,313 | 194,536 |
| Correspondent banks | 231,153 | 400,313 | 194,536 |
| Interdepartmental accounts | 2,307,374 | 2,057,534 | 1,570,175 |
| Third-party funds in transit | 2,307,374 | 2,057,534 | 1,570,175 |
| Borrowing (Notes 17a and 32b) | 13,309,754 | 7,839,365 | 7,076,467 |
| Local borrowing official institutions | 68 | 97 | 189 |
| Local borrowing other institutions | 427 | 410 | 358 |
| Borrowing abroad | 13,309,259 | 7,838,858 | 7,075,920 |
| Local onlending official institutions (Notes 17b and 32b) | 6,446,913 | 6,213,643 | 5,508,897 |
| National treasury | 86,679 | 29,782 | 37,273 |
| BNDES | 2,681,757 | 2,757,579 | 2,754,217 |
| CEF | 15,913 | 15,749 | 13,708 |
| Finame | 3,662,551 | 3,410,515 | 2,703,187 |
| Other institutions | 13 | 18 | 512 |
| Foreign onlending (Notes 17b and 32b) | 1,426,605 | 1,189,880 | 4,416 |
| Foreign onlending | 1,426,605 | 1,189,880 | 4,416 |
| Derivative financial instruments (Notes 3d and 32) | 2,100,000 | 1,246,513 | 2,053,551 |
| Derivative financial instruments | 2,100,000 | 1,246,513 | 2,053,551 |
| Technical provisions for insurance, private pension plans and certificated savings plans (Notes 3l and 21) | 45,323,425 | 44,769,886 | 39,517,398 |
| Other liabilities | 26,737,498 | 25,283,576 | 23,194,301 |
| Collection of taxes and other contributions | 2,295,134 | 2,287,737 | 1,719,902 |
| Foreign exchange portfolio (Note 11a) | 5,978,007 | 5,545,971 | 6,090,732 |
| Social and statutory | 1,601,248 | 1,390,186 | 1,626,967 |
| Fiscal and social security (Note 20a) | 2,460,717 | 3,062,375 | 2,352,283 |
| Securities trading | 1,217,368 | 780,780 | 457,195 |
| Financial and development funds | 6,177 | 4,517 | 6,235 |
| Subordinated debts (Notes 19 and 32b) | 399,703 | 648,656 | 398,186 |
| Sundry (Note 20b) | 12,779,144 | 11,563,354 | 10,542,801 |

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| Liabilities | 2008 | | 2007 |
|---|--------------------|--------------------|--------------------|
| | September | June | September |
| Long-term liabilities | 146,988,060 | 126,177,976 | 93,574,202 |
| Deposits (Notes 3k and 16a) | 53,705,548 | 41,531,007 | 22,216,644 |
| Interbank deposits | 6,190 | 1,637 | |
| Time deposits (Note 32b) | 53,699,358 | 41,529,370 | 22,216,644 |
| Federal funds purchased and securities sold under agreements to repurchase (Notes 3k and 16b) | 31,933,006 | 26,747,410 | 20,188,606 |
| Own portfolio | 31,913,507 | 26,747,410 | 20,188,606 |
| Unrestricted portfolio | 19,499 | | |
| Funds from issuance of securities (Notes 16c and 32b) | 4,733,190 | 4,209,319 | 4,159,093 |
| Exchange acceptances | | 185 | 199 |
| Mortgage and real estate notes and letters of credit and others | 45,096 | 21,364 | 5,301 |
| Debentures (Note 16c-1) | 1,455,357 | 1,455,352 | 2,552,100 |
| Securities issued abroad | 3,232,737 | 2,732,418 | 1,601,493 |
| Borrowing (Notes 17a and 32b) | 693,777 | 435,696 | 228,835 |
| Local borrowing official institutions | 131 | 186 | 345 |
| Borrowing abroad | 693,646 | 435,510 | 228,490 |
| Local onlending official Institutions (Notes 17b and 32b) | 10,102,689 | 9,057,746 | 7,916,709 |
| National treasury | | | 560 |
| BNDES | 3,917,904 | 3,380,008 | 3,373,576 |
| CEF | 85,171 | 87,254 | 81,542 |
| Finame | 6,098,847 | 5,589,716 | 4,460,109 |
| Other institutions | 767 | 768 | 922 |
| Derivative financial instruments (Notes 3d and 32) | 225,983 | 351,210 | 278,014 |
| Derivative financial instruments | 225,983 | 351,210 | 278,014 |
| Technical provisions for insurance, private pension plans and certificated savings plans (Notes 3l and 21) | 17,564,786 | 17,297,853 | 15,801,476 |
| Other liabilities | 28,029,081 | 26,547,735 | 22,784,825 |
| Fiscal and social security (Note 20a) | 8,383,246 | 8,145,837 | 8,050,721 |
| Subordinated debts (Notes 19 and 32b) | 17,144,340 | 16,060,078 | 13,042,747 |
| Sundry (Note 20b) | 2,501,495 | 2,341,820 | 1,691,357 |
| Deferred income | 227,078 | 207,444 | 173,252 |
| Deferred income | 227,078 | 207,444 | 173,252 |
| Minority interest in subsidiaries (Note 22) | 627,014 | 162,182 | 176,652 |
| Shareholders' equity (Note 23) | 34,167,826 | 33,710,918 | 29,213,612 |
| Capital: | | | |
| Domiciled in Brazil | 21,779,532 | 21,731,113 | 17,741,243 |
| Domiciled abroad | 1,220,468 | 1,268,887 | 1,258,757 |
| Capital reserves | 62,614 | 63,171 | 55,624 |
| Profit reserves | 10,974,986 | 9,677,868 | 8,453,706 |
| Adjustment to market value securities and derivatives | 133,976 | 972,987 | 1,804,785 |
| Treasury shares (Notes 23e and 32b) | (3,750) | (3,108) | (100,503) |
| Shareholders' equity managed by parent company | 34,794,840 | 33,873,100 | 29,390,264 |
| Total | 422,705,714 | 403,270,686 | 317,647,503 |

The Notes are an integral part of the Financial Statements.

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| | 2008 | | | 2007 |
|---|-------------------------|-------------------------|--------------------|--------------------|
| | 3 rd Quarter | 2 nd Quarter | September | September |
| Revenues from financial intermediation | 14,898,616 | 13,209,767 | 39,847,719 | 31,501,872 |
| Loan operations (Note 10j) | 8,003,935 | 6,422,633 | 20,997,688 | 16,299,150 |
| Leasing operations (Note 10j) | 691,068 | 517,740 | 1,581,344 | 632,871 |
| Operations with securities (Note 8f) | 4,701,956 | 2,239,185 | 8,761,478 | 6,053,328 |
| Financial income from insurance, private pension plans and certificated savings plans (Note 8f) | 865,743 | 2,467,555 | 5,009,643 | 5,575,397 |
| Derivative financial instruments (Note 8f) | (1,087,412) | 1,203,128 | 689,994 | 1,591,597 |
| Foreign exchange operations (Note 11a) | 1,244,094 | (14,203) | 1,625,772 | 414,457 |
| Compulsory deposits (Note 9b) | 479,232 | 373,729 | 1,181,800 | 935,072 |
| Expenses from financial intermediation | 11,570,439 | 8,009,784 | 26,890,929 | 18,069,967 |
| Federal funds purchased and securities sold under agreements to repurchase (Note 16e) | 6,559,832 | 4,717,570 | 15,095,457 | 10,202,360 |
| Price-level restatement and interest on technical provisions for insurance, private pension plans and certificated savings plans (Note 16e) | 345,659 | 1,711,644 | 3,081,537 | 3,328,675 |
| Borrowing and onlending (Note 17c) | 2,839,757 | (254,877) | 3,385,265 | 589,941 |
| Leasing operations (Note 10j) | 1,291 | 1,105 | 3,591 | 7,061 |
| Allowance for loan losses (Notes 3e, 10g and 10h) | 1,823,900 | 1,834,342 | 5,325,079 | 3,941,930 |
| Gross income from financial intermediation | 3,328,177 | 5,199,983 | 12,956,790 | 13,431,905 |
| Other operating income/expenses | (1,773,575) | (2,036,979) | (5,740,645) | (6,263,563) |
| Fee and commission income (Note 24) | 2,819,169 | 2,774,673 | 8,397,371 | 7,909,730 |
| Other fee and commission income | 2,549,967 | 2,561,844 | 7,714,911 | 7,374,778 |
| Bank fees revenues | 269,202 | 212,829 | 682,460 | 534,952 |
| Insurance, private pension plans and certificated savings plans retained premiums (Notes 3l and 21d) | 5,737,083 | 5,666,383 | 16,688,582 | 14,804,493 |
| Net premiums written | 5,821,416 | 5,756,330 | 16,944,706 | 15,304,075 |
| Reinsurance premiums | (84,333) | (89,947) | (256,124) | (499,582) |
| Variation of technical provisions from insurance, private pension plans and certificated savings plans (Note 3l) | (2,624,258) | (2,642,347) | (7,799,847) | (8,025,441) |
| Retained claims (Note 3l) | (1,822,420) | (1,782,118) | (5,244,110) | (4,419,500) |
| Certificated savings plans drawings and redemptions (Note 3l) | (382,466) | (354,756) | (1,055,482) | (999,278) |
| Insurance, private pension plans and certificated savings plans selling expenses (Note 3l) | (279,158) | (318,998) | (877,441) | (795,169) |
| Personnel expenses (Note 25) | (1,824,801) | (1,715,129) | (5,276,483) | (4,749,366) |
| Other administrative expenses (Note 26) | (2,110,603) | (1,968,592) | (5,894,189) | (4,938,736) |
| Tax expenses (Note 27) | (407,569) | (624,739) | (1,643,631) | (1,855,909) |
| Equity in the earnings of affiliated companies (Note 13c) | 22,601 | 33,656 | 88,426 | 32,497 |

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| | | | | |
|---|------------------|--------------------|--------------------|--------------------|
| Other operating income (Note 28) | 543,998 | 323,851 | 1,197,631 | 1,062,751 |
| Other operating expenses (Note 29) | (1,445,151) | (1,428,863) | (4,268,442) | (3,476,888) |
| Full goodwill amortization (Note 15a) | | | (53,030) | (812,747) |
| Operating income | 1,554,602 | 3,163,004 | 7,216,145 | 7,168,342 |
| Non-operating income (Note 30) | 7,857 | (20,604) | 389,486 | 676,892 |
| Income before tax on income and interest | 1,562,459 | 3,142,400 | 7,605,631 | 7,845,234 |
| Income tax and social contribution (Notes 34a e 34b) | 357,789 | (1,136,254) | (1,573,161) | (2,020,864) |
| Minority interest in subsidiaries | (10,013) | (3,715) | (17,319) | (7,535) |
| Net income | 1,910,235 | 2,002,431 | 6,015,151 | 5,816,835 |

The Notes are an integral part of the Financial Statements.

Consolidated Statement of Changes in Shareholders Equity – in thousands of R\$

| Events | Restated paid-up capital | Capital reserves | | Profit reserves | | Adjustment to market value - securities and derivatives | | Treasury shares | Retained earnings |
|--|--------------------------|--------------------------------|--------|-----------------|-------------|---|--------------|-----------------|-------------------|
| | Capital stock | Tax incentives from income tax | Other | Legal | Statutory | Own | Subsidiaries | | |
| Balances on 12.31.2006 | 14,200,000 | 2,103 | 52,902 | 1,287,592 | 7,499,514 | 12,762 | 1,631,899 | (50,410) | 2 |
| Capital increase through merger of shares | 789,559 | | | | | | | | |
| Capital increase with reserves | 4,010,441 | | | (210,441) | (3,800,000) | | | | |
| Restatement of exchange membership certificates | | | 619 | | | | | | |
| Acquisition of treasury shares | | | | | | | | (50,093) | |
| Adjustment to market value available-for-sale securities | | | | | | (45,719) | 205,843 | | |
| Net income | | | | | | | | | 5,816,835 |
| Allocations: | | | | | | | | | |
| Reserves | | | | 290,842 | 3,386,199 | | | | (3,677,041) |
| Paid and provisioned interest on shareholders capital | | | | | | | | | (1,590,594) |
| Provisioned dividends | | | | | | | | | (549,200) |
| Balances on 9.30.2007 | 19,000,000 | 2,103 | 53,521 | 1,367,993 | 7,085,713 | (32,957) | 1,837,742 | (100,503) | 2 |
| Balances on 6.30.2008 | 23,000,000 | 2,103 | 61,068 | 1,682,883 | 7,994,985 | (56,564) | 1,029,551 | (3,108) | 3 |
| Restatement of exchange membership | | | 27 | | | | | | |

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| | | | | | | | | | | |
|---|------------|-------|---------|-----------|-------------|-----------|-------------|-----------|---------|-------------|
| certificates | | | | | | | | | | |
| Acquisition of treasury shares | | | | | | | | | (642) | |
| Share fraction | | | (584) | | | | | | | |
| Adjustment to market value | | | | | | | | | | |
| available-for-sale securities | | | | | | (68,465) | (770,546) | | | |
| Net income | | | | | | | | | | 1,910,235 |
| Allocations: | | | | | | | | | | |
| Reserves | | | 95,512 | 1,201,606 | | | | | | (1,297,118) |
| Provisioned interest on shareholders capital | | | | | | | | | | (496,592) |
| Paid and/or provisioned dividends | | | | | | | | | | (116,525) |
| Balances on 9.30.2008 | 23,000,000 | 2,103 | 60,511 | 1,778,395 | 9,196,591 | (125,029) | 259,005 | (3,750) | | 3 |
| Balances on 12.31.2007 | 19,000,000 | 2,103 | 53,521 | 1,477,637 | 8,485,956 | (47,424) | 1,517,400 | (131,849) | | 3 |
| Capital increase with reserves | 2,800,000 | | | | (2,800,000) | | | | | |
| Capital increase | 1,200,000 | | | | | | | | | |
| Restatement of exchange membership certificates | | | 116 | | | | | | | |
| Acquisition of treasury shares | | | | | | | | | (3,750) | |
| Goodwill from share subscription | | | 6,874 | | | | | | | |
| Cancellation of treasury shares | | | | | | (131,849) | | 131,849 | | |
| Adjustment to market value | | | | | | | | | | |
| available-for-sale securities | | | | | | (77,605) | (1,258,395) | | | |
| Net income | | | | | | | | | | 6,015,151 |
| Allocations: | | | | | | | | | | |
| Reserves | | | 300,758 | 3,642,484 | | | | | | (3,943,242) |
| Provisioned interest on shareholders capital | | | | | | | | | | (1,452,201) |
| | | | | | | | | | | (619,708) |

Paid and/or
provisioned
dividends

Balances on

| | | | | | | | | | |
|-----------|------------|-------|--------|-----------|-----------|-----------|---------|---------|---|
| 9.30.2008 | 23,000,000 | 2,103 | 60,511 | 1,778,395 | 9,196,591 | (125,029) | 259,005 | (3,750) | 3 |
|-----------|------------|-------|--------|-----------|-----------|-----------|---------|---------|---|

The Notes are an integral part of the Financial Statements.

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**Consolidated Statement of Changes in
Financial Position** in thousands of R\$

| | 2008 | | 2007 | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 3rd Quarter | 2nd Quarter | September | September |
| Financial resources were provided by: | 49,710,833 | 53,435,267 | 90,693,120 | 60,750,452 |
| Net income | 1,910,235 | 2,002,431 | 6,015,151 | 5,816,835 |
| Adjustments to net income | 2,021,877 | 2,044,885 | 5,939,376 | 5,176,372 |
| Allowance for loan losses | 1,823,900 | 1,834,342 | 5,325,079 | 3,941,930 |
| Depreciation and amortization | 148,881 | 173,805 | 460,407 | 401,280 |
| Goodwill amortization | 8,193 | | 61,223 | 812,747 |
| Provision (reversal) for losses in interbank investments and investments | (3,169) | 15,797 | 2,270 | 1,514 |
| Equity in earnings (losses) of unconsolidated companies | (22,601) | (33,656) | (88,426) | (32,497) |
| Other | 66,673 | 54,597 | 178,823 | 51,398 |
| Change in deferred income | 19,634 | 17,626 | 37,931 | (7,208) |
| Change in minority interest | 464,832 | 3,504 | 471,602 | 119,212 |
| Adjustment to market value available-for-sale securities | (839,011) | (479,757) | (1,336,000) | 160,124 |
| Resources from shareholders | | | 1,206,874 | 789,559 |
| Capital increase through subscription | | | 1,200,000 | |
| Capital increase through share merger | | | | 789,559 |
| Premium from share subscription | | | 6,874 | |
| Assets managed provided by: | | | | |
| Increase in liabilities sub-items | 29,477,166 | 48,726,459 | 77,415,154 | 48,066,189 |
| Deposits | 16,417,383 | 16,041,664 | 40,846,273 | 2,830,856 |
| Federal funds purchased and securities sold under agreements to repurchase | | 28,737,999 | 13,830,133 | 20,945,476 |
| Funds from issuance of securities | 1,082,535 | | 54,475 | 961,130 |
| Interbank accounts | | 87,768 | 214,521 | 188,722 |
| Interdepartmental accounts | 249,840 | 210,483 | | |
| Borrowing and onlending | 7,243,408 | 723,808 | 8,570,191 | 3,316,279 |
| Derivative financial instruments | 728,260 | | 1,374,250 | 1,812,561 |
| Technical provisions for insurance, private pension plans and certificated savings plans | 820,472 | 2,345,328 | 4,361,946 | 6,189,660 |
| Other liabilities | 2,935,268 | 579,409 | 8,163,365 | 11,821,505 |
| Decrease in asset sub-items | 16,388,774 | 1,039,772 | 359,629 | 96,630 |
| Interbank investments | 16,343,446 | | | |
| Interdepartmental accounts | | 54,818 | 333,811 | 96,630 |
| Other receivables | | 857,858 | | |
| Other assets | 45,328 | 127,096 | 25,818 | |
| Sale (write-off) of assets and investments | 264,171 | 79,515 | 533,423 | 521,863 |
| Foreclosed assets | 159,677 | 38,379 | 330,788 | 127,038 |
| Premises and equipment and leased assets | 62,880 | 19,678 | 103,531 | 222,474 |
| Investments | 40,082 | 18,866 | 93,939 | 169,873 |
| Sale (write-off) of deferred assets | 1,532 | 2,592 | 5,165 | 2,478 |
| | 3,155 | 832 | 49,980 | 10,876 |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Interest on shareholders' capital and dividends received and/or provisioned from affiliated companies | | | | |
| Financial resources were used for: | 47,585,456 | 54,003,325 | 88,920,154 | 61,412,138 |
| Interest on shareholders' capital and dividends paid and/or provisioned | 613,117 | 718,592 | 2,071,909 | 2,139,794 |
| Acquisition of shares issued by the company | 642 | 2,954 | 3,750 | 50,093 |
| Capital expenditures in | 510,422 | 410,817 | 1,576,109 | 1,629,441 |
| Foreclosed assets | 182,065 | 162,383 | 588,025 | 168,580 |
| Premises and equipment and leased assets | 270,109 | 215,572 | 661,931 | 590,391 |
| Investments | 58,248 | 32,862 | 326,153 | 870,470 |
| Deferred assets | 831,279 | 69,067 | 989,046 | 219,795 |
| Increase in assets sub-items | 34,646,484 | 51,005,850 | 84,065,481 | 56,717,479 |
| Interbank investments | | 25,027,392 | 19,731,851 | 13,866,010 |
| Securities and derivative financial instruments | 13,416,198 | 13,785,962 | 17,917,186 | 10,847,993 |
| Interbank accounts | 913,350 | 1,603,192 | 2,949,243 | 1,753,076 |
| Interdepartmental accounts | 4,571 | | | |
| Loan operations | 8,759,589 | 5,379,564 | 18,323,508 | 17,141,447 |
| Leasing operations | 4,252,208 | 3,838,935 | 11,039,023 | 2,408,092 |
| Other receivables | 5,912,076 | | 9,976,976 | 6,736,604 |
| Write-off of allowance for loan losses | 1,340,300 | 1,285,723 | 4,015,100 | 3,231,038 |
| Insurance premiums receivable | 48,192 | 85,082 | 112,594 | 146,535 |
| Other assets | | | | 586,684 |
| Decrease in liabilities sub-items | 10,983,512 | 1,796,045 | 213,859 | 655,536 |
| Federal funds purchased and securities sold under agreements to repurchase | 10,814,352 | | | |
| Funds from issuance of securities | | 1,769,801 | | |
| Interbank accounts | 169,160 | | | |
| Interdepartmental accounts | | | 213,859 | 655,536 |
| Derivative financial instruments | | 26,244 | | |
| Increase/(decrease) in funds available | 2,125,377 | (568,058) | 1,772,966 | (661,686) |
| Changes in net funds available | | | | |
| At the beginning of the period | 5,134,195 | 5,702,253 | 5,486,606 | 4,761,972 |
| At the end of the period | 7,259,572 | 5,134,195 | 7,259,572 | 4,100,286 |
| Increase/(Decrease) in funds available | 2,125,377 | (568,058) | 1,772,966 | (661,686) |

The Notes are an integral part of the Financial Statements

Consolidated Cash Flow in thousands of R\$

| | 2008 | | 2007 | |
|---|-------------------------|-------------------------|---------------------|---------------------|
| | 3 rd Quarter | 2 nd Quarter | September | September |
| Operating activities: | | | | |
| Net income | 1,910,235 | 2,002,431 | 6,015,151 | 5,816,835 |
| Adjustments to reconcile net income to net cash from (used in) operating activities | 2,021,877 | 2,044,885 | 5,939,376 | 5,176,372 |
| Provision for loan losses | 1,823,900 | 1,834,342 | 5,325,079 | 3,941,930 |
| Provision (reversal) for losses on interbank investments and investments | (3,169) | 15,797 | 2,270 | 1,514 |
| Depreciation and amortization | 148,881 | 173,805 | 460,407 | 401,280 |
| Goodwill amortization | 8,193 | | 61,223 | 812,747 |
| Equity in the earnings of unconsolidated companies | (22,601) | (33,656) | (88,426) | (32,497) |
| Other | 66,673 | 54,597 | 178,823 | 51,398 |
| Adjusted net income | 3,932,112 | 4,047,316 | 11,954,527 | 10,993,207 |
| Change in assets and liabilities | (14,386,867) | (46,009,695) | (70,794,962) | (37,278,048) |
| Decrease (increase) in interbank investments | 16,343,446 | (25,027,392) | (19,731,851) | (13,866,010) |
| Decrease (increase) in securities and derivative financial instruments | (12,687,938) | (13,812,206) | (16,542,936) | (9,035,432) |
| Decrease (increase) in interbank accounts | (121,661) | (151,805) | (732,407) | (239,905) |
| Decrease (increase) in interdepartmental accounts | 245,269 | 265,301 | 119,952 | (558,906) |
| Decrease (increase) in loan operations | (8,759,589) | (5,379,564) | (18,323,508) | (17,141,447) |
| Decrease (increase) in leasing operations | (4,252,208) | (3,838,935) | (11,039,023) | (2,408,092) |
| Decrease (increase) in insurance premiums receivable | (48,192) | (85,082) | (112,594) | (146,535) |
| Decrease (increase) in other receivables | (5,912,076) | 857,858 | (9,976,976) | (6,736,604) |
| Decrease (increase) in other assets | 45,328 | 127,096 | 25,818 | (586,684) |
| Write-off of provision for loan losses | (1,340,300) | (1,285,723) | (4,015,100) | (3,231,038) |
| Increase (decrease) in technical provisions for insurance, private pension plans and certificated savings plans | 820,472 | 2,345,328 | 4,361,946 | 6,189,660 |
| Increase (decrease) in other liabilities | 2,099,959 | 437,560 | 6,469,786 | 10,330,029 |
| Increase (decrease) in deferred income | 19,634 | 17,626 | 37,931 | (7,208) |
| Adjustment to market value available-for-sale securities | (839,011) | (479,757) | (1,336,000) | 160,124 |
| Net cash used in operating activities | (10,454,755) | (41,962,379) | (58,840,435) | (26,284,841) |
| Investment activities: | | | | |
| Decrease (increase) in compulsory deposits Brazilian Central Bank | (960,849) | (1,363,619) | (2,002,315) | (1,324,449) |
| Sale of foreclosed assets | 159,677 | 38,379 | 330,788 | 127,038 |
| Sale of investments | 40,082 | 18,866 | 93,939 | 169,873 |
| Sale of premises and equipment and leased assets | 62,880 | 19,678 | 103,531 | 222,474 |

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| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Decrease in deferred charges | 1,532 | 2,592 | 5,165 | 2,478 |
| Acquisition of foreclosed assets | (182,065) | (162,383) | (588,025) | (168,580) |
| Acquisition of investments | (58,248) | (32,862) | (326,153) | (870,470) |
| Acquisition of premises and equipment and leased assets | (270,109) | (215,572) | (661,931) | (590,391) |
| Deferred charges | (831,279) | (69,067) | (989,046) | (219,795) |
| Interest on shareholders' capital and dividends received and/or provisioned from affiliated companies | 3,155 | 832 | 49,980 | 10,876 |
| Net cash used in investing activities | (2,035,224) | (1,763,156) | (3,984,067) | (2,640,946) |
| Financing activities: | | | | |
| Increase (decrease) in deposits | 16,417,383 | 16,041,664 | 40,846,273 | 2,830,856 |
| Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | (10,814,352) | 28,737,999 | 13,830,133 | 20,945,476 |
| Increase (decrease) in funds from issuance of securities | 1,082,535 | (1,769,801) | 54,475 | 961,130 |
| Increase (decrease) in borrowing and onlending | 7,243,408 | 723,808 | 8,570,191 | 3,316,279 |
| Subordinated debt | 835,309 | 141,849 | 1,693,579 | 1,491,476 |
| Capital increase through subscription | | | 1,200,000 | |
| Capital increase through merger of shares | | | | 789,559 |
| Premium in share subscription | | | 6,874 | |
| Interest on shareholders' capital and dividends paid and/or provisioned | (613,117) | (718,592) | (2,071,909) | (2,139,794) |
| Acquisition of shares issued by the Company | (642) | (2,954) | (3,750) | (50,093) |
| Variation in minority interest | 464,832 | 3,504 | 471,602 | 119,212 |
| Net cash provided by financing activities | 14,615,356 | 43,157,477 | 64,597,468 | 28,264,101 |
| Increase/(decrease) in funds available | 2,125,377 | (568,058) | 1,772,966 | (661,686) |
| Changes in net funds available | | | | |
| At the beginning of the period | 5,134,195 | 5,702,253 | 5,486,606 | 4,761,972 |
| At the end of the period | 7,259,572 | 5,134,195 | 7,259,572 | 4,100,286 |
| Increase/(decrease) in funds available | 2,125,377 | (568,058) | 1,772,966 | (661,686) |

The Notes are an integral part of the Financial Statements

Consolidated Statement of Value Added in thousands of R\$

| | 2008 | | | | 2007 | | | |
|--|-------------------------|--------------|-------------------------|--------------|-------------------|--------------|-------------------|--------------|
| | 3 rd Quarter | | 2 nd Quarter | | September | | September | |
| | R\$ | % | R\$ | % | R\$ | % | R\$ | % |
| Value added breakdown | | | | | | | | |
| Gross income from financial intermediation | 3,328,177 | 87.9 | 5,199,983 | 94.9 | 12,956,790 | 89.3 | 13,431,905 | 93.0 |
| Fee and commission income | 2,819,169 | 74.5 | 2,774,673 | 50.7 | 8,397,371 | 57.9 | 7,909,730 | 54.8 |
| Other operating income/expenses | (2,362,530) | (62.4) | (2,496,103) | (45.6) | (6,845,735) | (47.2) | (6,898,661) | (47.8) |
| Total | 3,784,816 | 100.0 | 5,478,553 | 100.0 | 14,508,426 | 100.0 | 14,442,974 | 100.0 |
| Value added distribution | | | | | | | | |
| Employees | 1,583,056 | 41.8 | 1,490,261 | 27.2 | 4,595,551 | 31.7 | 4,148,107 | 28.7 |
| Compensation | 910,120 | 24.0 | 852,438 | 15.6 | 2,570,145 | 17.7 | 2,290,329 | 15.8 |
| Benefits | 341,538 | 9.0 | 322,072 | 5.9 | 1,014,832 | 7.0 | 991,873 | 6.9 |
| FGTS | 87,039 | 2.3 | 88,475 | 1.6 | 258,965 | 1.8 | 236,150 | 1.6 |
| Other charges | 244,359 | 6.5 | 227,276 | 4.1 | 751,609 | 5.2 | 629,755 | 4.4 |
| Contribution to the government | 291,525 | 7.7 | 1,985,861 | 36.3 | 3,897,724 | 26.8 | 4,478,032 | 31.0 |
| Tax expenses | 407,569 | 10.8 | 624,739 | 11.4 | 1,643,631 | 11.3 | 1,855,909 | 12.8 |
| Income tax and social contribution | (357,789) | (9.5) | 1,136,254 | 20.7 | 1,573,161 | 10.8 | 2,020,864 | 14.0 |
| INSS | 241,745 | 6.4 | 224,868 | 4.2 | 680,932 | 4.7 | 601,259 | 4.2 |
| Paid and/or provisioned interest on shareholders' capital and dividends | 613,117 | 16.2 | 718,592 | 13.1 | 2,071,909 | 14.3 | 2,139,794 | 14.8 |
| Profit reinvestment | 1,297,118 | 34.3 | 1,283,839 | 23.4 | 3,943,242 | 27.2 | 3,677,041 | 25.5 |
| Total | 3,784,816 | 100.0 | 5,478,553 | 100.0 | 14,508,426 | 100.0 | 14,442,974 | 100.0 |

The Notes are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

We present below the Notes to the Consolidated Financial Statements of Banco Bradesco S.A. subdivided as follows:

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Notes to the Consolidated Financial Statements

1) Operations

Banco Bradesco S.A. (Bradesco) is a private-sector publicly-held company that, operating as a Multiple Service Bank, carries out all types of authorized banking activities through its commercial, foreign exchange, consumer financing and housing loan portfolios. The Bank also operates in a number of other activities through its direct and indirect subsidiaries particularly in leasing, investment banking, consortium management, credit cards, insurance, private pension plans and certificated savings plans. Operations are conducted within the context of the Bradesco Organization companies, working in an integrated manner in the market.

In this context, Bradesco carried out the following operations in 2008:

On January 21, 2008, Grupo Bradesco de Seguros e Previdência, by means of Bradesco Seguros S.A., entered into a Quota Assignment Agreement with Marsh Corretora de Seguros Ltda., parent company of Mediservice Administradora de Planos de Saúde Ltda. (Mediservice), in order to acquire the ownership control of the latter in the amount of R\$84.9 million. The operation was authorized by ANS and it is subject to the approval of authorities of CADE; and

On March 6, 2008, Banco Bradesco BBI S.A. entered into a Private Instrument of Share Merger Commitment and Other Covenants with shareholders of Ágora Corretora de Títulos e Valores Mobiliários S.A. (Ágora Corretora), in order to acquire the total capital of the latter. Ágora Corretora is the largest brokerage firm in Brazil relating to online purchase and sale of shares to individuals (home broker), with approximately 29 thousand active clients. The operation was approved by the applicable authorities in September 2008.

2) Presentation of The Financial Statements

The financial statements of Bradesco include the financial statements of Banco Bradesco, its foreign branches and its direct and indirect subsidiaries and jointly-controlled investments, in Brazil and abroad, and SPEs. They were prepared based on accounting practices determined by the Brazilian Corporation Law for the accounting of operations, as well as the rules and instructions of the CMN, Bacen, CVM, CNSP, Susep and ANS, and consider the financial statements of the leasing companies based on the capital leasing method of accounting, whereby leased assets are reclassified to the leasing operations account, less the residual amount received in advance.

Accordingly, for preparation purposes, intercompany investments, asset and liability account balances, revenue, expenses and unrealized profit were eliminated from these financial statements, as well as the portions of the net income and the shareholders' equity referring to the interest of minority shareholders highlighting. In the case of investments which are jointly controlled with other shareholders, asset, liability and income components were included in the consolidated financial statements in proportion to the percentage capital stock of each investee. Goodwill in financing acquisition in subsidiaries and jointly-controlled investments up to March 31, 2008, was full amortized (Note 15a). The exchange variation arising from transactions of foreign branches and subsidiaries is presented in the income accounts with derivative financial instruments, in order to eliminate the effect of the protection instruments of these investments (Note 4b).

The financial statements include estimates and assumptions, such as the calculation of the allowance for loan losses, estimation of the fair value of certain financial instruments, provision for contingencies, other provisions, the calculation of technical provisions from insurance, supplementary pension plans and certificated savings plans and the determination of the useful life of specific assets. Actual results could differ from these estimates and assumptions.

We highlight the main direct and indirect ownerships included in the Consolidated Financial Statements:

| | | Total Ownership | | |
|---|--------------------------|------------------------|-------------------------|--------------------|
| | | 2008 | | 2007 |
| | | Activity | September 30 | June 30 |
| Financial area local | | | | |
| Alvorada Cartões, Crédito, Financiamento e Investimento S.A. | Loan and Financing | 100.00% | 100.00% | 100.00% |
| Banco Alvorada S.A. | Banking | 99.88% | 99.88% | 99.88% |
| Banco Finasa BMC S.A. (1) (2) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bankpar S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco BBI S.A. (4) | Investment Bank | 92.22% | 100.00% | 100.00% |
| Banco Boavista Interatlântico S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Finasa S.A. (12) | Banking | | | 100.00% |
| Bankpar Arrendamento Mercantil S.A. | Leasing | 100.00% | 100.00% | 100.00% |
| Banco Bradesco Cartões S.A. (7) | Banking | 100.00% | 100.00% | 100.00% |
| Bradesco Administradora de Consórcios Ltda. | Consortium Management | 100.00% | 100.00% | 100.00% |
| Bradesco Leasing S.A. Arrendamento Mercantil | Leasing | 100.00% | 100.00% | 100.00% |

| | | Total Ownership | | |
|---|------------------------------------|-------------------------|--------------------|-------------------------|
| Activity | | 2008 | 2007 | |
| | | September 30 | June 30 | September 30 |
| Bradesco S.A. Corretora de Títulos e Valores Mobiliários | Brokerage | 100.00% | 100.00% | 100.00% |
| BRAM Bradesco Asset Management S.A. DTVM | Asset Management | 100.00% | 100.00% | 100.00% |
| Ágora Corretora de Títulos e Valores Mobiliários S.A. (16) | Brokerage | 100.00% | | |
| Companhia Brasileira de Meios de Pagamento Visanet (2) (5) (6) (8) (15) | Service Provision | 39.26% | 39.26% | 39.67% |
| Financial area abroad | | | | |
| Banco Bradesco Argentina S.A. | Banking | 99.99% | 99.99% | 99.99% |
| Banco Bradesco Luxembourg S.A. | Banking | 100.00% | 100.00% | 100.00% |
| Banco Boavista Interatlântico S.A. Nassau Branch (13) | Banking | | | 100.00% |
| Banco Bradesco S.A. Grand Cayman Branch (9) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco S.A. New York Branch | Banking | 100.00% | 100.00% | 100.00% |
| Banco BMC S.A. Grand Cayman Branch (2) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco S.A. Nassau Branch | Banking | 100.00% | 100.00% | 100.00% |
| Bradesco Securities, Inc. | Brokerage | 100.00% | 100.00% | 100.00% |
| Bradesco Securities, Uk (3) | Brokerage | 100.00% | 100.00% | |
| Insurance, private pension plans and certificated savings plans area | | | | |
| Atlântica Capitalização S.A. | Certificated savings plans | 100.00% | 100.00% | 100.00% |
| Áurea Seguros S.A. (10) | Insurance | | | 18.41% |
| Bradesco Argentina de Seguros S.A. | Insurance | 99.90% | 99.90% | 99.90% |
| Bradesco Auto/RE Companhia de Seguros | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Capitalização S.A. | Certificated savings plans | 100.00% | 100.00% | 100.00% |
| Bradesco Saúde S.A. | Insurance | | | |
| Bradesco Saúde S.A. | /Health | 100.00% | 100.00% | 100.00% |
| Bradesco Seguros S.A. | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Vida e Previdência S.A. | Private Pension Plans/Insurance | 100.00% | 100.00% | 100.00% |
| Atlântica Companhia de Seguros (14) | Insurance | 100.00% | 100.00% | 100.00% |
| Indiana Seguros S.A. (11) | Insurance | | | 40.00% |
| Seguradora Brasileira de Crédito à Exportação S.A. (2) (17) | Insurance | | | 12.09% |
| Other activities | | | | |
| Átria Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |
| Andorra Holdings S.A. | Holding | 54.01% | 54.01% | 54.01% |

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| | | | | |
|---|-------------|---------|---------|---------|
| | Insurance | | | |
| Bradescor Corretora de Seguros Ltda. | Brokerage | 100.00% | 100.00% | 100.00% |
| Bradesplan Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |
| Cia. Securitizadora de Créditos Financeiros | Credit | | | |
| Rubi | Acquisition | 100.00% | 100.00% | 100.00% |
| Cibrasec Companhia Brasileira de | Credit | | | |
| Securitização (2) (5) (6) | Acquisition | 9.09% | 9.09% | 9.09% |
| CPM Holdings Limited (6) | Holding | 49.00% | 49.00% | 49.00% |
| Nova Paiol Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |
| | Information | | | |
| Scopus Tecnologia Ltda. | Technology | 100.00% | 100.00% | 100.00% |
| | Service | | | |
| Tempo Serviços Ltda. | Provision | 100.00% | 100.00% | 100.00% |
| União Participações Ltda. | Holding | 100.00% | 100.00% | 100.00% |

(1) Current name of Banco BMC S.A.;

(2) Companies whose audit (review) services in 2007 were carried out by other independent auditors;

(3) Company incorporated in February 2008;

(4) Reduction ownership interest due to the acquisition of Ágora Corretora upon the assignment of Banco Bradesco BBI S.A. s shares to the former controlling shareholders of Ágora, in September 2008;

(5) Companies whose audit (review) services in 2008 are carried out by other independent auditors;

(6) Companies proportionally consolidated, in conformity with CMN Resolution 2,723 and CVM Instruction 247;

(7) Current name of Bankpar Banco Múltiplo S.A.;

(8) The special purpose entity called Brazilian Merchant Voucher Receivables Limited is being consolidated. The company takes part in the securitization operation of the future flow of credit card bills receivables of clients domiciled abroad (Note 16d);

(9) The special purpose entity called International Diversified Payment Rights Company is being consolidated. The company takes part in the securitization operation of future flow of payment orders received from overseas (Note 16d);

(10) Company sold in March 2008;

(11) Company sold in December 2007;

(12) Company merged into Banco BMC S.A. in April 2008;

(13) Company merged into Banco Bradesco S.A. Nassau Branch in December 2007;

(14) Current name of Finasa Seguradora S.A.;

(15) Reduction in equity interest due to the non-interest in capital increase occurred in January 2008;

(16) Company acquired in September 2008; and

(17) Company sold in July 2008.

3) Significant Accounting Policies

a) Determination of income

Income and expenses are determined on the accrual basis of accounting that establishes that income and expenses should be included in the determination of the results of the period in which they take place, always simultaneously when they are correlated, regardless of receipt or payment. Transactions with prefixed rates are recorded at their redemption value and income and expenses for the future period are recorded as a discount to the corresponding assets and liabilities. Income and expenses of a financial nature are prorated daily and calculated based on the exponential method, except when relating to discounted notes or to cross-border transactions which are calculated based on the straight-line method. Post-fixed or foreign-currency-indexed transactions are adjusted to the balance sheet date.

The insurance, coinsurance and commission premiums, net of premiums assigned in coinsurance, reinsurance and corresponding commissions are appropriated to the income by effectiveness of the corresponding insurance policies and invoices and are deferred for appropriation on a straight-line basis over the terms of the insurance policies, during the risk coverage period, by means of recording and reversal of unearned premiums reserve and deferred selling expenses. The accepted coinsurance and retrocession operations are recorded based on the information received from other companies and the IRB, respectively.

The supplementary pension plans contributions and life insurance premiums covering survival are recognized in income when effectively received.

The revenue from certificated savings plans is recognized at the time it is effectively received. The expenses for placement of bonds, classified as Selling Expenses, are recorded as they are incurred. Brokerage expenses are recorded when the certificated savings plans contributions are effectively received. Payments for drawing redemptions are considered as expenses in the month when they take place.

The expenses for technical provisions for private pension plans and certificated savings plans are recorded at the same time as the corresponding revenues thereof are recognized.

b) Interbank investments

Purchase and sale commitments subject to unrestricted movement agreements are adjusted to market value. Other assets are recorded at acquisition cost, including income earned up to the balance sheet date, net of loss accrual, when applicable.

c) Securities

Trading securities securities acquired for the purpose of being actively and frequently traded, adjusted to market value as a counter-entry to income for the period;

Available-for-sale securities securities which are not specifically intended for trading purposes or as held to maturity, adjusted to market value as a counter-entry to a specific account in shareholders' equity, at amounts net of tax effects; and

Held-to-maturity securities securities with the intention and financial capacity to be held in portfolio up to maturity, recorded at acquisition cost, plus income earned, as a counter-entry to income for the period.

The securities classified in the trading and available-for-sale categories, as well as derivative financial instruments are stated by its estimated fair value. The fair value generally is based on market prices quotations for assets or liabilities with similar characteristics. If market prices are not available, fair values are based on market operators quotations,

pricing models, discounted cash flows or similar techniques to which the determination of fair value may require judgment or significant estimates by management.

d) Derivative financial instruments (assets and liabilities)

These are classified based on Management's intended use thereof on the date of the contracting of the operation and whether it was carried out for hedging purposes or not.

e) Loan and leasing operations, advances on foreign exchange contracts, other receivables with characteristics of loan assignment and allowance for loan losses

Loan and leasing operations, advances on foreign exchange contracts and other receivables with characteristics of loan assignment are classified at their corresponding risk levels in compliance with: (i) the parameters established by CMN Resolution 2,682, at nine levels from AA (minimum risk) to H (maximum risk); and (ii) Management's risk level assessment. This assessment, which is carried out on a periodic basis, considers current economic conditions and past loan loss experience, as well as specific and general risks relating to operations, borrowers and guarantors. Moreover, the length of the delay in payment defined in CMN Resolution 2,682 is also taken into account for client risk rating purposes as follows:

| Past-due period | Client rating |
|------------------------|----------------------|
| From 15 to 30 days | B |
| From 31 to 60 days | C |
| From 61 to 90 days | D |
| From 91 to 120 days | E |
| From 121 to 150 days | F |
| From 151 to 180 days | G |
| More than 180 days | H |

The accrual of these operations past due up to 59th days is recorded in revenues and subsequent to the 60th day, in unearned income.

Past-due operations rated at **H** level remain at this level for six months, subsequent to which they are written-off against the existing allowance and controlled in memorandum accounts for at least five years, no longer being recorded in equity accounts.

Renegotiated operations are maintained, at least, with a classification equal to their prior rating. Renegotiated loan operations, already written-off against the allowance and which are recorded in memorandum accounts, are rated as **H** level and the possible revenues derived from their renegotiation are recognized as revenue only when they are effectively received. When there is a significant amortization of the operation or when new material facts justify the risk level change, the operation may be reclassified to a lower risk category.

The allowance for loan losses is calculated in an amount sufficient to cover probable losses and takes into consideration CMN and Bacen rules and instructions, connected to assessments carried out by the Management, in the loan risks determination.

f) Income tax and social contribution (assets and liabilities)

Tax credits on income tax and social contribution, calculated on tax losses, negative basis of social contribution and temporary additions are recorded in **Other Receivables Sundry** and the provision for deferred tax liabilities on depreciation excess and market value adjustments of securities is recorded in **Other Liabilities Tax and Social Security Activities** .

Tax credits on temporary additions will be realized upon use and/or reversal of the corresponding provisions on which they were recorded. Tax credits on tax losses and negative basis of social contribution will be realized as taxable income is generated, considering the 30% limit of the taxable profit of the reference period. Such tax credits are recorded based on the current expectations for realization, taking into account the technical studies and analyses carried out by the Management.

The provision for income tax is recorded at the base rate of 15% of taxable income, plus a 10% surcharge. As of May 1, 2008, the social contribution on pre-tax income is calculated at a 15% rate for financial institutions and insurance companies and at 9% for other companies (up to April 30, 2008, this rate was 9% for all types of companies). The increase in the rate of social contribution payable by companies in the financial and insurance sectors was introduced by Provisional Measure 413 of January 3, 2008, (which became Law 11,727 on June 23, 2008) and is calculated pursuant to the rules issued by the tax authorities.

Tax credits resulting from the increase of the Social Contribution rate to 15% are recorded up to the limit of the corresponding tax liabilities (Note 34).

Provisions were recorded for other income and social contribution taxes in accordance with specific applicable legislation.

g) Prepaid expenses

These record investments of resources in prepayments, whose rights of benefits or service provision will take place in future periods; therefore, they are recorded in assets considering the accrual method of accounting.

Prepayments correspond to the installment already paid for service rights to be received or for the future use of financial assets or resources from third parties.

This group is basically represented by: commission in the placement of financing, contracts in the rendering of banking services, insurance selling expenses, insurance expenses, costs on funding abroad and advertising expenses, as described in Note 12b.

Thus, based on the accrual method of accounting and the confrontation between income and expense, incurred costs related to underlying assets which will generate income in subsequent periods are recorded in prepaid expenses. These assets are appropriated to the income in accordance with terms and amounts of benefits which are expected and directly written-off in the income when underlying assets and rights are no longer part of the institution's assets or the expected future benefits cannot be realized.

h) Investments

The investments in subsidiaries, jointly controlled companies and affiliated companies, when relevant, are evaluated by the equity accounting method. The financial statements of foreign branches and subsidiaries are adjusted to comply with the accounting practices adopted in Brazil, translated into Brazilian reais and their effects recognized in income for the period.

The exchange membership certificates of Bovespa, BM&F and Cetip were evaluated and adjusted at their unaudited book value, informed by the corresponding stock exchanges as counter-entry to the account highlighted in the shareholders' equity up to the date of demutualization, and fiscal incentives and other investments are recorded at acquisition cost, net of the provision for losses, when applicable.

i) Fixed assets

This is stated at acquisition cost, net of respective accumulated depreciations, calculated by the straight-line method according to the estimated useful-economic life of assets of which: premises 4% p.a.; furniture and fixtures, machinery and equipment 10% p.a.; transport systems 20% p.a.; and data processing systems 20% to 50% p.a.

j) Deferred assets

Deferred assets are recorded at acquisition or formation cost, net of the corresponding accumulated amortization at 20% per annum, calculated on the straight-line method.

Goodwill in the financing acquisition as of April 2008 is recorded and amortized, when applicable, according to its economic fundamentals.

k) Deposits and federal funds purchased and securities sold under agreements to repurchase

These are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata basis.

l) Provisions relating to insurance, private pension plans and certificated savings plans activities

Technical provisions are calculated according to actuarial technical notes approved by Susep and ANS, and criteria set forth by CNSP Resolution 162/2006.

Insurance of basic, life and health lines

PPNG comprises retained premiums which are deferred during the term of effectiveness of the insurance agreements, determining the pro rata day value of the unearned premium of the period of the risk to accrue (future risk of policies in effect). When this provision's insufficiency is ascertained by means of actuarial calculation, the Provision of Premium Insufficiency will be formed;

The provision of IBNR claims is calculated on an actuarial basis to quantify the amount of claims occurred and not reported by those policyholders/beneficiaries. The provision is established net of recoveries of co-insurance and re-insurance;

The provision of unsettled claims is established based on the indemnities payment estimates, net of recoveries of co-insurance and re-insurance, pursuant to notices of claims received from those policyholders until the balance sheet date. The provision is monetarily restated and includes all the claims under litigation. In the case of health insurance, according to the technical note approved by ANS, the provision of unsettled claims complements the provisions of

IBNR claims;

PCP is recorded on a monthly basis to complement PPNG, considering the effective risks issued or not. The value of the PCP is the difference, if positive, between the average of the sum of the PPNG values daily verified and the recorded PPNG; and

Other technical provisions refer to the provision to face the differences of future readjustments of premiums and those required for the technical balance of the individual health plan portfolio, adopting a formulation included in the Actuarial Technical Note approved by ANS.

Supplementary private pension plans and life insurance covering survival

The mathematical provision of benefits to be granted refers to participants whose benefits have not started yet. The mathematical provision of benefits granted refers to participants already using the benefits. Mathematical provisions related to private pension plans known as traditional represent the difference between the current value of the future benefits and the current value of the future contributions, corresponding to the obligations assumed under the form of retirement, disability, pension and savings funds plans. They are calculated according to the methodology and premises set forth in the Actuarial Technical Notes. The provisions linked to VGBL covering survival and to the private pension plans of PGBL category represent the amount of the contributions made by the participants, net of loadings and other contractual charges, plus financial earnings generated by the investment of resources in FIEs;

The contribution insufficiency provision is constituted to complement the mathematical provisions of benefits granted and to be granted, should they not be sufficient to guarantee future commitments. The provision is calculated on an actuarial basis and takes into consideration the actuarial table AT-2000 (mitigated), increased by 1.5% (improvement), considering males apart from females, who have higher life expectancy, and the actual interest rate of 4.3% p.a.;

The financial fluctuation provision is established up to the limit of 15% of the mathematical provision of benefits to be granted related to the private pension plans in the category of variable contribution with guarantee of earnings to meet possible financial fluctuations; and

The administrative expenses provision is constituted to cover administrative expenses of the defined benefit and variable contribution plans. It is calculated in conformity with the methodology set forth in the Actuarial Technical Note.

Certificated savings plans

The mathematical provision for redemptions is constituted for each active or suspended certificated savings plan during the term estimated in the General Conditions of the plan. It is calculated according to the methodology set forth in the Actuarial Technical Notes approved by Susep;

The provisions for redemptions are established by the values of the expired certificated savings plans and also by the values of the certificated savings plans which have not expired but whose early redemption has been required by the clients. The provisions are monetarily restated based on the indexes estimated in each plan; and

The provisions for unrealized and payable drawings are recorded to meet premiums arising from future drawings (unrealized) and also for premiums arising from drawings in which clients were already selected (payable).

m) Contingent assets and liabilities and legal liabilities tax and social security

The recognition, measuring and disclosure of contingent assets and liabilities and legal liabilities are made according to the criteria defined in CMN Resolution 3,535/08 and CVM Resolution 489/05.

Contingent Assets: are not recognized on an accounting basis, except when the Management has total control of the situation or when there are real guarantees or favorable judicial decisions, for which more resources are not provided for, characterizing the gain as practically certain and by the confirmed capacity of its receipt or compensation with other liability recovery. The contingent assets of probable success are only disclosed in the notes to the financial statements (Note 18a);

Contingent Liabilities: are recorded taking into consideration the opinion of the legal advisors, the nature of the lawsuits, the similarity with previous processes, the complexity and positioning of courts, whenever the loss is evaluated as probable, which would cause a probable outflow of resources for the settlement of liabilities and when the amounts involved are measurable with enough safety. The contingent liabilities classified as possible losses are not recognized on an accounting basis, and they must only be disclosed in the notes, when individually material, and those classified as remote do not require provision nor disclosure (Notes 18b and 18c); and

Legal Liabilities Tax and Social Security: they result from judicial proceedings related to tax liabilities, whose purpose of contestation is their legality or constitutionality, which, regardless of the evaluation about the probability of success, have their amounts fully recognized in the financial statements (Note 18b).

n) Other assets and liabilities

The assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations (on a daily pro rata basis), and provision for loss, when deemed appropriate. The liabilities include known or estimated amounts, plus related charges and monetary and exchange variations (on a daily pro rata basis).

4) Information for Comparison Purposes

As from September 2008, Bradesco started consolidating in its financial statements Ágora Corretora and its subsidiaries.

a) The main income from the balance sheet and statement of income on September 30, 2008 is presented below:

272

in thousands of R\$

**Ágora Corretora
and subsidiaries**

| | |
|---|----------------|
| Assets | |
| Current and long-term assets | 793,486 |
| Funds available | 1,239 |
| Interbank investments | 290,498 |
| Securities and derivative financial instruments | 152,960 |
| Loan and leasing operations | 70,496 |
| Other receivables and assets | 278,293 |
| Permanent assets | 35,810 |
| Investments | 25,991 |
| Fixed assets | 3,448 |
| Deferred assets | 6,371 |
| Total | 829,296 |
| Liabilities | |
| Current and long-term liabilities | 611,063 |
| Demand, time and other deposits | 49,900 |
| Other liabilities | 561,163 |
| Shareholders equity | 218,233 |
| Total | 829,296 |

in thousands of R\$

**Ágora Corretora
and subsidiaries
from September
1 to 30, 2008****Statement of Income**

| | |
|---|----------------|
| Income from financial intermediation | 7,925 |
| Expenses from financial intermediation | (63) |
| Gross income from financial intermediation | 7,862 |
| Other operating income/expenses | (1,654) |
| Operating income | 6,208 |
| Non-operating income | (47) |
| Income before tax on income and interest | 6,161 |
| Income tax and social contribution | (1,503) |
| Net income | 4,658 |

b) Reclassifications

For a better comparison of the financial statements, reclassifications were carried out in the balances of the period ended on September 30, 2007, to comply with the accounting procedures/classifications adopted in 2008:

in thousands of R\$

| | | | |
|----------------------------|----------------------------|--------------------------|-----------------------------|
| Statement of Income | Previous disclosure | Reclassifications | Reclassified balance |
|----------------------------|----------------------------|--------------------------|-----------------------------|

| | | | |
|---|-------------------|----------------|-------------------|
| Income from financial intermediation | 30,544,734 | 957,138 | 31,501,872 |
| Loan operations (1) | 15,245,751 | 1,053,399 | 16,299,150 |
| Income from securities operations (1) | 4,977,715 | 1,075,613 | 6,053,328 |
| Income from derivative financial instruments (1) | 2,763,471 | (1,171,874) | 1,591,597 |
| Expenses with financial intermediation | 17,112,829 | 957,138 | 18,069,967 |
| Federal funds purchased and securities sold under agreements to repurchase operations (1) | 8,774,993 | 1,427,367 | 10,202,360 |
| Borrowing and onlending operations (1) | 1,060,170 | (470,229) | 589,941 |
| Gross income from financial intermediation | 13,431,905 | | 13,431,905 |
| Other operating income/expenses | (6,263,563) | | (6,263,563) |
| Insurance, private pension plans and certificated savings plans retained premiums (2) | 11,594,827 | 3,209,666 | 14,804,493 |
| Reinsurance premiums (2) | (3,709,248) | 3,209,666 | (499,582) |
| Variation of technical provisions for insurance, private pension plans and certificated savings plans (2) | (3,082,271) | (4,943,170) | (8,025,441) |
| Expenses with private pension plans benefits and redemptions (2) | (1,733,504) | 1,733,504 | |
| Net income | 5,816,835 | | 5,816,835 |

(1) The exchange variation of branches and subsidiaries , operations abroad, which were distributed in the lines of the statement of income, according to the respective assets and liabilities which gave rise to these ones were reallocated to item Income from Derivative Financial Instruments , to eliminate the effect of these hedge instruments of investments abroad; and

(2) In accordance with the resolution of Susep Circular Letter 356/2007 and Susep/Decon/GAB Circular Letter 003/2008, we are reclassifying Expenses with Private Pension Plans Benefits and Redemptions and VGBL Redemptions to item Variation of Technical Provision for Insurance, Private Pension Plans and Certificated Savings Plans .

5) Adjusted Balance Sheet and Statement of Income by Business Segment

The following information is presented in conformity with the definitions set forth in Cosif.

a) Balance sheet

| | in thousands of R\$ | | | | | | |
|--|----------------------|-------------------|----------------------------|---------------|----------------------------|-----------------------------|-----------------------|
| | Financial (1) (2) | | Insurance group (2) (3) | | Other activities (2) | Amount eliminated (4) | Consolidated Total |
| | Brazil | Abroad | Brazil | Abroad | | | |
| Assets | | | | | | | |
| Current and long-term assets | | | | | | | |
| Funds available | 5,882,549 | 2,396,180 | 135,064 | 10,360 | 8,646 | (1,173,227) | 7,259,572 |
| Interbank investments | 56,817,714 | 873,135 | | | | (340,162) | 57,350,687 |
| Securities and derivative financial instruments | 54,089,272 | 7,815,901 | 70,919,468 | 13,066 | 283,140 | (748,386) | 132,372,461 |
| Interbank and interdepartmental accounts | 27,081,269 | 39 | | | | | 27,081,308 |
| Loan and leasing operations | 133,583,396 | 15,452,343 | | | | (4,686,421) | 144,349,318 |
| Other receivables and other assets | 44,235,952 | 1,191,061 | 5,352,603 | 3,365 | 513,249 | (1,924,307) | 49,371,923 |
| Permanent assets | 23,849,890 | 43,490 | 1,205,534 | 38 | 204,405 | (20,382,912) | 4,920,445 |
| Investments | 20,167,483 | 35,320 | 913,480 | | 89,536 | (20,382,912) | 822,907 |
| Premises and equipment and leased assets | 2,147,391 | 8,054 | 253,793 | 38 | 107,445 | | 2,516,721 |
| Deferred assets | 1,535,016 | 116 | 38,261 | | 7,424 | | 1,580,817 |
| Total on September 30, 2008 | 345,540,042 | 27,772,149 | 77,612,669 | 26,829 | 1,009,440 | (29,255,415) | 422,705,714 |
| Total on June 30, 2008 | 330,037,124 | 21,477,762 | 76,510,041 | 26,073 | 896,198 | (25,676,512) | 403,270,686 |
| Total on September 30, 2007 | 250,732,899 | 20,966,402 | 69,948,220 | 22,035 | 799,865 | (24,821,918) | 317,647,503 |
| Liabilities | | | | | | | |
| Current and long-term liabilities | | | | | | | |
| Deposits | 135,482,273 | 5,201,108 | | | | (1,513,662) | 139,169,719 |
| Federal funds purchased and securities sold under agreements to repurchase | 86,433,916 | 1,030,041 | | | | (175) | 87,463,782 |
| Funds from issuance of securities | 4,080,354 | 3,429,679 | | | | (958,776) | 6,551,257 |
| | 2,537,374 | 1,153 | | | | | 2,538,527 |

| | | | | | | | |
|---|--------------------|-------------------|-------------------|---------------|------------------|---------------------|--------------------|
| Interbank and interdepartmental accounts | | | | | | | |
| Borrowing and onlending | 32,651,451 | 3,803,870 | | | | (4,475,583) | 31,979,738 |
| Derivative financial instruments | 2,031,780 | 294,203 | | | | | 2,325,983 |
| Technical provisions from insurance, private pension plans and certificated savings plans | | | 62,883,286 | 4,925 | | | 62,888,211 |
| Other liabilities: | | | | | | | |
| Subordinated debts | 14,791,060 | 2,752,983 | | | | | 17,544,043 |
| Other | 32,520,393 | 166,601 | 5,918,876 | 3,863 | 537,110 | (1,924,307) | 37,222,536 |
| Deferred income | 221,052 | | 6,026 | | | | 227,078 |
| Shareholders equity/minority interest in subsidiaries | 622,563 | 11,092,511 | 8,804,481 | 18,041 | 472,330 | (20,382,912) | 627,014 |
| Shareholders equity - parent company | 34,167,826 | | | | | | 34,167,826 |
| Total on September 30, 2008 | 345,540,042 | 27,772,149 | 77,612,669 | 26,829 | 1,009,440 | (29,255,415) | 422,705,714 |
| Total on June 30, 2008 | 330,037,124 | 21,477,762 | 76,510,041 | 26,073 | 896,198 | (25,676,512) | 403,270,686 |
| Total on September 30, 2007 | 250,732,899 | 20,966,402 | 69,948,220 | 22,035 | 799,865 | (24,821,918) | 317,647,503 |

b) Statement of income

in thousands of R\$

| | Financial | | Insurance group | | Other activities | Amount eliminated | Consolidated Total |
|---|-------------------|-----------------|------------------|--------------|------------------|-------------------|--------------------|
| | (1) | (2) | (2) | (3) | | | |
| | Brazil | Abroad | Brazil | Abroad | (2) | (4) | |
| Revenues from financial intermediation | 34,287,912 | 652,506 | 5,007,991 | 3,328 | 26,974 | (130,992) | 39,847,719 |
| Expenses from financial intermediation | 23,302,878 | 635,805 | 3,081,537 | | 1,486 | (130,777) | 26,890,929 |
| Gross income from financial intermediation | 10,985,034 | 16,701 | 1,926,454 | 3,328 | 25,488 | (215) | 12,956,790 |
| Other operating income/expenses | (6,964,132) | (43,347) | 1,214,331 | 831 | 51,457 | 215 | (5,740,645) |
| Operating income | 4,020,902 | (26,646) | 3,140,785 | 4,159 | 76,945 | | 7,216,145 |
| Non-operating income | 162,437 | 171,692 | 44,055 | 15 | 11,287 | | 389,486 |
| Income before tax on profit and interest | 4,183,339 | 145,046 | 3,184,840 | 4,174 | 88,232 | | 7,605,631 |

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| | | | | | | |
|---|------------------|-----------------|------------------|----------------|----------------|------------------|
| Income tax and social contribution | (453,425) | (53) | (1,088,434) | (2,257) | (28,992) | (1,573,161) |
| Minority interest in subsidiaries | (17,029) | | (7) | | (283) | (17,319) |
| Net income on September 30, 2008 YTD | 3,712,885 | 144,993 | 2,096,399 | 1,917 | 58,957 | 6,015,151 |
| Net income on September 30, 2007 YTD | 3,725,486 | 207,502 | 1,768,081 | 4,442 | 111,324 | 5,816,835 |
| Net income in 3Q08 | 1,351,228 | (93,418) | 630,750 | (1,749) | 23,424 | 1,910,235 |
| Net income in 2Q08 | 1,134,061 | 131,657 | 721,732 | 1,677 | 13,304 | 2,002,431 |

(1) The Financial segment comprises: financial institutions; holding companies (which are mainly responsible for managing financial resources); as well as credit card and asset management companies;

(2) The balances of equity accounts, income and expenses are being eliminated among companies from the same segment;

(3) The Insurance Group segment comprises insurance, private pension plans and certificated savings plans companies; and

(4) Amounts eliminated among companies from different segments, as well as operations carried out in Brazil and abroad.

6) Funds Available

| | in thousands of R\$ | | |
|---------------------|---------------------|------------------|------------------|
| | 2008 | | 2007 |
| | September 30 | June 30 | September 30 |
| Local currency | 4,893,885 | 4,898,659 | 3,816,185 |
| Foreign currency | 2,365,630 | 235,486 | 284,055 |
| Investments in gold | 57 | 50 | 46 |
| Total | 7,259,572 | 5,134,195 | 4,100,286 |

7) Interbank Investments**a) Breakdown and terms**

| | in thousands of R\$ | | | | | | |
|--|---------------------|---------------------------|-------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2008 | | | | 2007 | | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | September 30 | June 30 | September 30 |
| Investments in the open market: | | | | | | | |
| Own portfolio position | 1,545,003 | 3,411,378 | | | 4,956,381 | 12,037,323 | 4,406,386 |
| Financial treasury bills | 180,331 | | | | 180,331 | 351,473 | 177,273 |
| National treasury notes | 347,108 | 3,167,187 | | | 3,514,295 | 5,662,420 | 1,001 |
| National treasury bills | 860,281 | 213,818 | | | 1,074,099 | 5,961,368 | 4,065,600 |
| Other | 157,283 | 30,373 | | | 187,656 | 62,062 | 162,512 |
| Funded status | 45,229,070 | 460,188 | | | 45,689,258 | 52,477,348 | 26,637,439 |
| Financial treasury bills | 7,762,361 | | | | 7,762,361 | 44,847,696 | 18,195,409 |
| National treasury notes | 7,936,561 | 166,106 | | | 8,102,667 | 3,981,265 | 1,390,352 |
| National treasury bills | 29,530,148 | 294,082 | | | 29,824,230 | 3,648,387 | 7,051,678 |
| Short position | 16,727 | 2,037,398 | | | 2,054,125 | 2,907,240 | 2,800,785 |
| National treasury bills | 16,727 | 2,037,398 | | | 2,054,125 | 2,907,240 | 2,800,785 |
| Subtotal | 46,790,800 | 5,908,964 | | | 52,699,764 | 67,421,911 | 33,844,610 |
| Interest-earning deposits in other banks: | | | | | | | |
| Interest-earning deposits in other banks | 1,775,878 | 1,054,499 | 1,086,836 | 747,148 | 4,664,361 | 6,285,660 | 6,011,578 |
| Provisions for losses | (13,438) | | | | (13,438) | (15,387) | (337) |
| Subtotal | 1,762,440 | 1,054,499 | 1,086,836 | 747,148 | 4,650,923 | 6,270,273 | 6,011,241 |
| Total on September 30, 2008 | 48,553,240 | 6,963,463 | 1,086,836 | 747,148 | 57,350,687 | | |
| % | 84.7 | 12.1 | 1.9 | 1.3 | 100.0 | | |
| Total on June 30, 2008 | 62,233,507 | 6,727,895 | 4,058,830 | 671,952 | | 73,692,184 | |
| % | 84.5 | 9.1 | 5.5 | 0.9 | | 100.0 | |

| | | | | | |
|--|-------------------|------------------|------------------|----------------|-------------------|
| Total on September 30, 2007 | 29,329,528 | 5,386,722 | 4,452,835 | 686,766 | 39,855,851 |
| % | 73.6 | 13.5 | 11.2 | 1.7 | 100.0 |

b) Income from interbank investments

Classified in the statement of income as income on securities transactions

| | in thousands of R\$ | | | |
|--|---------------------|------------------|---------------------|---------------------|
| | 2008 | | 2007 | |
| | 3rd Quarter | 2nd Quarter | September 30 YTD | September 30 YTD |
| Income from investments in purchase and sale commitments: | | | | |
| Own portfolio position | 312,649 | 302,131 | 720,072 | 275,062 |
| Funded status | 1,476,790 | 1,084,881 | 3,388,182 | 2,125,477 |
| Short position | 188,654 | 154,533 | 391,009 | 1,043 |
| Unrestricted securities | 48 | 2,857 | 12,672 | 208,246 |
| Subtotal | 1,978,141 | 1,544,402 | 4,511,935 | 2,609,828 |
| Income from interest-earning deposits in other banks | 326,390 | 88,521 | 565,177 | 386,349 |
| Total (Note 8f) | 2,304,531 | 1,632,923 | 5,077,112 | 2,996,177 |

8) Securities and Derivative Financial Instruments

Find below the information related to securities and derivative financial instruments:

a) Summary of the consolidated classification of securities by business segment and issuer

| | in thousands | | | | | | | | |
|--------------------------------------|-------------------|--|-----------------------------|---------------------|--------------------|--------------|--------------------|--------------|--------------------|
| | 2008 | | | | 2007 | | | | |
| | Financial | Insurance/ certificated savings plans | Private pension plans | Other activities | September 30 | % | June 30 | % | September 30 |
| Trading securities | 44,730,606 | 3,026,837 | 27,944,509 | 281,201 | 75,983,153 | 65.2 | 68,678,282 | 65.4 | 63,709,293 |
| Government securities | 29,802,782 | 1,703,713 | 191,327 | 199,752 | 31,897,574 | 27.3 | 27,854,657 | 26.5 | 24,384,801 |
| Corporate bonds | 13,001,805 | 1,323,124 | 262,919 | 81,449 | 14,669,297 | 12.6 | 10,119,821 | 9.6 | 9,969,260 |
| Derivative financial instruments (1) | 1,926,019 | | | | 1,926,019 | 1.7 | 2,073,421 | 2.0 | 2,679,390 |
| PGBL / VGBL restricted bonds | | | 27,490,263 | | 27,490,263 | 23.6 | 28,630,383 | 27.3 | 26,675,841 |
| Available-for-sale securities | 12,401,469 | 2,160,357 | 2,166,817 | 1,723 | 16,730,366 | 14.3 | 12,981,010 | 12.4 | 20,285,423 |
| Government securities | 8,020,491 | 74,668 | 171,561 | | 8,266,720 | 7.1 | 5,635,399 | 5.4 | 15,468,301 |
| Corporate bonds | 4,380,978 | 2,085,689 | 1,995,256 | 1,723 | 8,463,646 | 7.2 | 7,345,611 | 7.0 | 4,817,122 |
| Held-to-maturity securities | 939,862 | 6,196,126 | 16,832,361 | | 23,968,349 | 20.5 | 23,375,271 | 22.2 | 11,996,614 |
| Government securities | 939,862 | 6,108,858 | 16,200,477 | | 23,249,197 | 19.9 | 22,874,370 | 21.7 | 11,526,874 |
| Corporate bonds | | 87,268 | 631,884 | | 719,152 | 0.6 | 500,901 | 0.5 | 469,740 |
| Subtotal | 58,071,937 | 11,383,320 | 46,943,687 | 282,924 | 116,681,868 | 100.0 | 105,034,563 | 100.0 | 95,991,337 |
| Purchase and sale commitments (2) | 3,085,069 | 2,982,261 | 9,623,263 | | 15,690,593 | | 13,921,700 | | 12,106,650 |
| Overall total | 61,157,006 | 14,365,581 | 56,566,950 | 282,924 | 132,372,461 | | 118,956,263 | | 108,097,993 |
| Government securities | 38,763,135 | 7,887,239 | 16,563,365 | 199,752 | 63,413,491 | 54.3 | 56,364,426 | 53.6 | 51,379,979 |
| Corporate bonds | 19,308,802 | 3,496,081 | 2,890,059 | 83,172 | 25,778,114 | 22.1 | 20,039,754 | 19.1 | 17,935,511 |
| PGBL / VGBL restricted bonds | | | 27,490,263 | | 27,490,263 | 23.6 | 28,630,383 | 27.3 | 26,675,841 |
| Subtotal | 58,071,937 | 11,383,320 | 46,943,687 | 282,924 | 116,681,868 | 100.0 | 105,034,563 | 100.0 | 95,991,337 |
| Purchase and sale commitments (2) | 3,085,069 | 2,982,261 | 9,623,263 | | 15,690,593 | | 13,921,700 | | 12,106,650 |
| Overall total | 61,157,006 | 14,365,581 | 56,566,950 | 282,924 | 132,372,461 | | 118,956,263 | | 108,097,993 |

b) Consolidated portfolio breakdown by issuer

| Securities (3) | 2008 | | | | | | | | |
|-------------------------------------|-------------------|------------------------|----------------------------|-----------------------|---|---------------------------|--------------------|---|--------------|
| | September 30 | | | | | June 30 | | | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Market value/ book value (5) (6) (8) | Restated cost value | Mark-to- market | Market value/ book value (5) (6) (8) | Mark mar |
| Government securities | 2,516,016 | 6,273,508 | 5,891,176 | 48,732,791 | 63,413,491 | 63,380,108 | 33,383 | 56,364,426 | 59 |
| Financial treasury bills | 16,565 | 967,968 | 391,145 | 4,747,630 | 6,123,308 | 6,130,877 | (7,569) | 5,048,428 | |
| National treasury bills | 2,415,567 | 1,394,052 | 4,246,026 | 5,143,647 | 13,199,292 | 13,208,721 | (9,429) | 13,714,235 | (65) |
| National treasury notes | 15,063 | | 1,248,812 | 34,885,182 | 36,149,057 | 36,414,328 | (265,271) | 31,451,719 | (210) |
| Brazilian foreign debt notes | | | 2,038 | 2,885,380 | 2,887,418 | 2,619,135 | 268,283 | 2,540,236 | 326 |
| Privatization currencies | | | | 80,329 | 80,329 | 63,293 | 17,036 | 79,890 | 17 |
| Foreign government securities | 66,821 | 3,911,488 | 3,155 | 990,494 | 4,971,958 | 4,941,610 | 30,348 | 3,527,788 | (8) |
| Other | 2,000 | | | 129 | 2,129 | 2,144 | (15) | 2,130 | |
| Corporate bonds | 6,824,279 | 845,822 | 3,255,799 | 14,852,214 | 25,778,114 | 25,532,178 | 245,936 | 20,039,754 | 1,500 |
| Bank deposit certificates | 165,805 | 146,199 | 334,738 | 1,417,435 | 2,064,177 | 2,064,177 | | 2,085,167 | |
| Shares | 4,056,205 | | | | 4,056,205 | 3,977,522 | 78,683 | 4,669,098 | 1,172 |
| Debentures | 120,544 | 35,909 | 407,535 | 6,424,290 | 6,988,278 | 6,945,064 | 43,214 | 5,094,616 | 81 |
| Foreign corporate bonds | 15,779 | 89,860 | 103,318 | 4,617,409 | 4,826,366 | 4,940,077 | (113,711) | 1,995,950 | 3 |
| Derivative financial instruments | | | | | | | | | |
| (1) | 451,610 | 536,984 | 168,377 | 769,048 | 1,926,019 | 1,615,871 | 310,148 | 2,073,421 | 241 |
| Other | 2,014,336 | 36,870 | 2,241,831 | 1,624,032 | 5,917,069 | 5,989,467 | (72,398) | 4,121,502 | 1 |
| PGBL / VGBL restricted bonds | 2,336,981 | 3,933,158 | 3,642,667 | 17,577,457 | 27,490,263 | 27,490,263 | | 28,630,383 | |
| Subtotal | 11,677,276 | 11,052,488 | 12,789,642 | 81,162,462 | 116,681,868 | 116,402,549 | 279,319 | 105,034,563 | 1,560 |
| | 9,763,988 | 2,933,378 | 2,554,372 | 438,855 | 15,690,593 | 15,690,593 | | 13,921,700 | |

Purchase and
sale
commitments
(2)

| | | | | | | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------|--------------------|--------------|
| Overall total | 21,441,264 | 13,985,866 | 15,344,014 | 81,601,317 | 132,372,461 | 132,093,142 | 279,319 | 118,956,263 | 1,560 |
|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------|--------------------|--------------|

c) Consolidated classification by category, days to maturity and business segment

I) Trading securities

| Securities (3) | 2008 | | | | | | | | | |
|---|------------------|---------------------------|----------------------------|-----------------------|--|---------------------------|--------------------|--|--------------------|--|
| | September 30 | | | | | June 30 | | | | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Market value/ book value (5) (6) (8) | Restated cost value | Mark-to- market | Market value/ book value (5) (6) (8) | Mark-to- market | Market value/ book value (5) (6) (8) |
| Financial | 3,995,693 | 6,700,959 | 7,054,087 | 26,979,867 | 44,730,606 | 44,530,725 | 199,881 | 35,317,830 | 97,750 | 31,111,111 |
| National treasury bills | 2,373,384 | 1,281,179 | 3,995,321 | 5,093,650 | 12,743,534 | 12,752,963 | (9,429) | 13,101,644 | (65,151) | 13,101,644 |
| Financial treasury bills | 4,051 | 818,535 | 315,427 | 3,174,703 | 4,312,716 | 4,321,065 | (8,349) | 2,817,287 | (1,003) | 3,174,703 |
| Bank deposit certificates | 30,212 | 119,461 | 77,171 | 1,286,448 | 1,513,292 | 1,513,292 | | 1,326,097 | | 1,513,292 |
| Derivative financial instruments (1) | 451,610 | 536,984 | 168,377 | 769,048 | 1,926,019 | 1,615,871 | 310,148 | 2,073,421 | 241,882 | 2,073,421 |
| Debentures | 94,813 | 940 | 397,166 | 4,331,539 | 4,824,458 | 4,783,811 | 40,647 | 3,414,469 | 74,295 | 4,824,458 |
| Brazilian foreign debt securities | | | | 34,514 | 34,514 | 33,200 | 1,314 | 34,092 | 2,373 | 34,514 |
| National treasury notes | 8,055 | | 36,899 | 7,695,106 | 7,740,060 | 7,905,123 | (165,063) | 5,830,595 | (145,500) | 7,740,060 |
| Foreign corporate securities | 14,110 | 32,369 | 12,846 | 3,157,725 | 3,217,050 | 3,216,793 | 257 | 688,483 | (296) | 3,217,050 |
| Foreign government securities | 66,821 | 3,911,488 | 3,155 | 990,494 | 4,971,958 | 4,941,610 | 30,348 | 3,527,788 | (8,850) | 4,971,958 |
| Shares | 82,694 | | | | 82,694 | 82,761 | (67) | 91,208 | | 82,694 |
| Other | 869,943 | 3 | 2,047,725 | 446,640 | 3,364,311 | 3,364,236 | 75 | 2,412,746 | | 3,364,311 |
| Insurance companies and certificated savings plans | 860,019 | 160,015 | 606,692 | 1,400,111 | 3,026,837 | 3,026,837 | | 4,284,701 | | 3,026,837 |

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| | | | | | | | | |
|--------------------------|---------|--------|---------|-----------|-----------|-----------|-----------|----|
| Financial treasury bills | | 40,403 | 7,924 | 1,056,613 | 1,104,940 | 1,104,940 | 1,524,232 | 1, |
| National treasury bills | 1 | 96,124 | 179,034 | 48,253 | 323,412 | 323,412 | 570,108 | |
| Bank deposit certificate | | 23,488 | 252,058 | 68,060 | 343,606 | 343,606 | 588,180 | |
| National treasury notes | 1 | | 167,676 | 107,684 | 275,361 | 275,361 | 287,020 | |
| Shares | 24,588 | | | | 24,588 | 24,588 | 171,883 | |
| Debentures | 2 | | | 90,336 | 90,338 | 90,338 | 210,346 | |
| Other | 835,427 | | | 29,165 | 864,592 | 864,592 | 932,932 | |

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| Securities (3) | 2008 | | | | | | Mark-to- market | June 30 | |
|----------------------|------------------|------------------------|----------------------------|-----------------------|--|---------------------------|--------------------|--|--------------------|
| | September 30 | | | | | Restated cost value | | Market value/ book value (5) (6) (8) | Mark-to- market |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Market value/ book value (5) (6) (8) | | | | |
| Private | | | | | | | | | |
| pension plans | 2,593,570 | 3,941,728 | 3,643,040 | 17,766,171 | 27,944,509 | 27,944,509 | | 28,853,358 | |
| Financial | | | | | | | | | |
| treasury bills | | 1,601 | 26 | 180,272 | 181,899 | 181,899 | | | |
| National | | | | | | | | | |
| treasury notes | | | | 2,664 | 2,664 | 2,664 | | 2,723 | |
| Bank deposit | | | | | | | | | |
| certificates | | 205 | 347 | 3,443 | 3,995 | 3,995 | | 3,506 | |
| National | | | | | | | | | |
| treasury bills | | 6,764 | | | 6,764 | 6,764 | | 6,554 | |
| Shares | 2,300 | | | | 2,300 | 2,300 | | 2,796 | |
| Debentures | | | | 2,335 | 2,335 | 2,335 | | 1,724 | |
| PGBL / VGBL | | | | | | | | | |
| restricted | | | | | | | | | |
| bonds | 2,336,981 | 3,933,158 | 3,642,667 | 17,577,457 | 27,490,263 | 27,490,263 | | 28,630,383 | |
| Other | 254,289 | | | | 254,289 | 254,289 | | 205,672 | |
| Other | | | | | | | | | |
| activities | 72,755 | 13,024 | 14,640 | 180,782 | 281,201 | 281,201 | | 222,393 | |
| Financial | | | | | | | | | |
| treasury bills | 2,545 | | 395 | 132,246 | 135,186 | 135,186 | | 116,216 | |
| Bank deposit | | | | | | | | | |
| certificates | 185 | 3,039 | 5,162 | 11,355 | 19,741 | 19,741 | | 14,701 | |
| National | | | | | | | | | |
| treasury bills | 42,182 | 9,985 | 2,906 | 1,735 | 56,808 | 56,808 | | 35,929 | |
| Debentures | 20,396 | | 6,177 | 34,695 | 61,268 | 61,268 | | 54,977 | |
| National | | | | | | | | | |
| treasury notes | 7,007 | | | 751 | 7,758 | 7,758 | | 467 | |
| Other | 440 | | | | 440 | 440 | | 103 | |
| Subtotal | 7,522,037 | 10,815,726 | 11,318,459 | 46,326,931 | 75,983,153 | 75,783,272 | 199,881 | 68,678,282 | 97,750 |
| Purchase and | | | | | | | | | |
| sale | | | | | | | | | |
| commitments | | | | | | | | | |
| (2) | 9,763,988 | 2,933,378 | 2,554,372 | 438,855 | 15,690,593 | 15,690,593 | | 13,921,700 | |
| Financial | 161,182 | 2,849,333 | 7,464 | 67,090 | 3,085,069 | 3,085,069 | | 2,902,354 | |
| Insurance | | | | | | | | | |
| companies and | | | | | | | | | |
| certificated | | | | | | | | | |
| savings plans | 2,178,639 | 40,767 | 762,855 | | 2,982,261 | 2,982,261 | | 2,529,149 | |
| | 6,997,080 | 43,278 | 1,783,669 | 371,765 | 9,195,792 | 9,195,792 | | 7,655,252 | |

Private
pension plans
PGBL/VGBL

Private
pension plans
Funds

| | | | | | | | | | |
|---|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|------------------|--------------------|---------------|
| | 427,087 | | 384 | | 427,471 | 427,471 | | 834,945 | |
| Overall total | 17,286,025 | 13,749,104 | 13,872,831 | 46,765,786 | 91,673,746 | 91,473,865 | 199,881 | 82,599,982 | 97,75 |
| Derivative financial instruments (liabilities) | (1,271,859) | (542,176) | (285,965) | (225,983) | (2,325,983) | (2,160,007) | (165,976) | (1,597,723) | (36,21 |

II) Available-for-sale securities

| Securities (3) | 2008 | | | | | | | | | |
|---|------------------|------------------------------|-------------------------------|-----------------------|--|---------------------------|--------------------|--|--------------------|--|
| | September 30 | | | | | June 30 | | | | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Market value/ book value (5) (6) (8) | Restated cost value | Mark-to- market | Market value/ book value (5) (6) (8) | Mark-to- market | Market value/ book value (5) (6) (8) |
| Financial | 1,066,440 | 157,058 | 526,658 | 10,651,313 | 12,401,469 | 12,027,826 | 373,643 | 9,035,457 | 786,576 | 7,670,000 |
| National treasury bills | | | 68,765 | 9 | 68,774 | 68,774 | | | | 47,000 |
| Brazilian foreign debt securities | | | 2,038 | 1,923,051 | 1,925,089 | 1,658,120 | 266,969 | 1,726,242 | 324,587 | 2,183,000 |
| Foreign corporate securities | 1,669 | 57,491 | 90,472 | 1,459,684 | 1,609,316 | 1,723,284 | (113,968) | 1,307,467 | 3,925 | 1,135,000 |
| National treasury notes | | | 323,235 | 5,490,767 | 5,814,002 | 5,914,210 | (100,208) | 3,248,226 | (65,376) | 2,902,000 |
| Financial treasury bills | | 42,166 | 891 | 87,111 | 130,168 | 129,593 | 575 | 84,540 | 645 | 43,000 |
| Bank deposit certificates | 133,763 | 6 | | 48,129 | 181,898 | 181,898 | | 150,434 | | 107,000 |
| Debentures | 5,333 | 20,528 | | 742,484 | 768,345 | 770,427 | (2,082) | 782,275 | (1,660) | 38,000 |
| Shares (7) | 917,466 | | | | 917,466 | 525,943 | 391,523 | 1,160,875 | 528,787 | 838,000 |
| Privatization currencies | | | | 98,803 | 98,803 | 83,803 | 15,000 | 79,890 | 17,544 | 87,000 |
| Other | 8,209 | 36,867 | 41,257 | 801,275 | 887,608 | 971,774 | (84,166) | 495,508 | (21,876) | 284,000 |
| Insurance companies and certificated savings plans | 1,414,131 | 25,244 | 168,944 | 552,038 | 2,160,357 | 2,333,810 | (173,453) | 1,496,608 | 204,068 | 1,060,000 |
| Financial treasury bills | 3,673 | 25,244 | 16,095 | 29,656 | 74,668 | 74,627 | 41 | 72,674 | 67 | 76,000 |
| Shares | 1,362,430 | | | | 1,362,430 | 1,554,287 | (191,857) | 1,244,785 | 171,649 | 818,000 |
| Debentures | | | | 522,382 | 522,382 | 517,733 | 4,649 | 129,924 | 8,967 | 110,000 |
| Bank deposit | | | | | | | | 1,830 | | 8,000 |

| | | | | | | | | | | |
|-------------------|------------------|----------------|----------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|---------------|
| certificates | | | | | | | | | | |
| National | | | | | | | | | | |
| treasury | | | | | | | | | | |
| notes | | | | | | | | | | |
| Other | 48,028 | | 152,849 | | 200,877 | 187,163 | 13,714 | 47,395 | 23,385 | 44 |
| Private | | | | | | | | | | |
| pension | | | | | | | | | | |
| plans | 1,672,945 | 40,019 | 50,387 | 403,466 | 2,166,817 | 2,287,629 | (120,812) | 2,441,122 | 471,736 | 11,543 |
| Shares | 1,666,649 | | | | 1,666,649 | 1,787,625 | (120,976) | 1,997,395 | 471,528 | 1,419 |
| Financial | | | | | | | | | | |
| treasury | | | | | | | | | | |
| bills | 6,296 | 40,019 | 50,387 | 74,859 | 171,561 | 171,397 | 164 | 421,699 | 208 | 132 |
| National | | | | | | | | | | |
| treasury | | | | | | | | | | |
| notes | | | | | | | | | | 9,991 |
| Other | | | | 328,607 | 328,607 | 328,607 | | 22,028 | | |
| Other | | | | | | | | | | |
| activities | 1,723 | | | | 1,723 | 1,663 | 60 | 7,823 | 138 | 11 |
| Bank | | | | | | | | | | |
| deposit | | | | | | | | | | |
| certificates | 1,645 | | | | 1,645 | 1,645 | | 419 | | 2 |
| Debentures | | | | | | | | | | |
| Shares | 78 | | | | 78 | 18 | 60 | 156 | 138 | |
| Financial | | | | | | | | | | |
| treasury | | | | | | | | | | |
| bills | | | | | | | | | | |
| Other | | | | | | | | 7,248 | | 7 |
| Overall | | | | | | | | | | |
| total | 4,155,239 | 222,321 | 745,989 | 11,606,817 | 16,730,366 | 16,650,928 | 79,438 | 12,981,010 | 1,462,518 | 20,285 |

III) Held-to-maturity securities

| Securities | in thousands of R\$ | | | | | | |
|---|---------------------|---------------------|----------------------|--------------------|-------------------------|-------------------------|-------------------------|
| | 2008 | | | | 2007 | | |
| | September 30 | | | | June 30 | September 30 | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Restated cost value (5) | Restated cost value (5) | Restated cost value (5) |
| Financial | | | | 939,862 | 939,862 | 791,563 | 902,448 |
| Brazilian foreign debt notes | | | | 927,815 | 927,815 | 779,902 | 886,998 |
| Financial treasury bills | | | | 12,047 | 12,047 | 11,661 | 15,450 |
| Insurance companies and certificated savings plans | | | 721,002 | 5,475,124 | 6,196,126 | 6,273,758 | 4,415,321 |
| Debentures | | | | 87,268 | 87,268 | | |
| National treasury notes | | | 721,002 | 5,387,856 | 6,108,858 | 6,273,758 | 4,415,321 |
| Private pension plans | | 14,441 | 4,192 | 16,813,728 | 16,832,361 | 16,309,950 | 6,678,845 |
| Debentures | | 14,441 | 4,192 | 613,251 | 631,884 | 500,901 | 469,740 |
| National treasury notes | | | | 16,200,354 | 16,200,354 | 15,808,930 | 6,209,050 |
| Financial treasury bills | | | | 123 | 123 | 119 | 55 |
| Overall total (4) | | 14,441 | 725,194 | 23,228,714 | 23,968,349 | 23,375,271 | 11,996,614 |

d) Breakdown of the portfolios by publication items

| | R\$ thousand | | | | | | |
|--------------------------------|-------------------|---------------------|----------------------|--------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | 2008 | | | | 2007 | | |
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Total on September 30 (3) (5) (6) (8) | Total on June 30 (3) (5) (6) (8) | Total on September 30 (3) (5) (6) (8) |
| Own portfolio | 19,552,171 | 11,944,730 | 10,777,850 | 59,736,298 | 102,011,049 | 96,064,949 | 83,663,465 |
| Fixed income securities | 15,495,966 | 11,944,730 | 10,777,850 | 59,736,298 | 97,954,844 | 91,395,851 | 80,345,048 |
| Financial treasury bills | 16,565 | 898,210 | 351,059 | 3,742,554 | 5,008,388 | 4,383,501 | 4,181,967 |
| Purchase and sale commitments | | | | | | | |
| (2) | 9,763,988 | 2,933,378 | 2,554,372 | 438,855 | 15,690,593 | 13,921,700 | 12,106,656 |
| | 15,063 | | 894,352 | 22,299,706 | 23,209,121 | 24,524,986 | 21,784,931 |

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| | | | | | | | | |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|--|
| National treasury notes | | | | | | | | |
| Brazilian foreign debt securities | | | 2,038 | 2,357,436 | 2,359,474 | 2,012,951 | 2,296,931 | |
| Bank deposit certificates | 165,805 | 146,199 | 334,738 | 1,417,435 | 2,064,177 | 2,081,552 | 2,580,905 | |
| National treasury bills | 978,084 | | 327,563 | 359,051 | 1,664,698 | 1,855,669 | 1,906,271 | |
| Foreign corporate securities | 15,779 | 70,046 | 19,163 | 2,698,319 | 2,803,307 | 1,673,097 | 1,528,485 | |
| Debentures | 120,544 | 15,381 | 406,912 | 6,249,304 | 6,792,141 | 4,752,586 | 5,139,007 | |
| Foreign government securities | 66,821 | 3,911,488 | 3,155 | 990,494 | 4,971,958 | 3,456,586 | 85,175 | |
| PGBL/VGBL restricted bonds | 2,336,981 | 3,933,158 | 3,642,667 | 17,577,457 | 27,490,263 | 28,630,383 | 26,675,841 | |
| Other | 2,016,336 | 36,870 | 2,241,831 | 1,605,687 | 5,900,724 | 4,102,840 | 2,058,879 | |
| Equity securities | 4,056,205 | | | | 4,056,205 | 4,669,098 | 3,318,417 | |
| Shares of listed companies (technical provision) | 706,921 | | | | 706,921 | 966,362 | 309,884 | |
| Shares of listed companies (other) (7) | 3,349,284 | | | | 3,349,284 | 3,702,736 | 3,008,533 | |
| Subject to commitments | 1,437,483 | 1,500,187 | 4,397,787 | 21,055,611 | 28,391,068 | 20,463,029 | 18,657,131 | |
| Repurchase agreement | | 143,324 | 279,273 | 5,934,394 | 6,356,991 | 9,034,373 | 9,183,694 | |
| National treasury bills | | 95,325 | 163,270 | 2,106,416 | 2,365,011 | 2,769,414 | 4,395,149 | |
| Brazilian foreign debt securities | | | | 527,944 | 527,944 | 527,285 | 810,258 | |
| Financial treasury bills | | 7,657 | | 76,213 | 83,870 | 76,505 | 182,126 | |
| National treasury notes | | | 31,225 | 1,129,745 | 1,160,970 | 4,921,469 | 3,163,599 | |
| Foreign corporate securities | | 19,814 | 84,155 | 1,919,090 | 2,023,059 | 322,853 | 128,059 | |
| Debentures | | 20,528 | 623 | 174,986 | 196,137 | 342,030 | 504,503 | |
| | | | | | | 3,615 | | |

Bank Deposit
Certificate
Foreign
government
securities

71,202

281

in thousands of R\$

| | 2008 | | | | 2007 | | |
|---|-------------------|---------------------|----------------------|--------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Total on September 30 (3) (5) (6) (8) | Total on June 30 (3) (5) (6) (8) | Total on September 30 (3) (5) (6) (8) |
| Brazilian Central Bank | 1,437,483 | 1,025,433 | 3,101,396 | 10,848,335 | 16,412,647 | 7,313,606 | 4,667,237 |
| National treasury bills | 1,437,483 | 1,025,433 | 2,778,161 | 1,807,008 | 7,048,085 | 6,852,785 | 2,361,439 |
| National treasury notes | | | 323,235 | 8,675,316 | 8,998,551 | 433,109 | 1,751,160 |
| Financial treasury bills | | | | 366,011 | 366,011 | 27,712 | 554,638 |
| Privatization currencies | | | | 98,803 | 98,803 | 100,682 | 87,841 |
| Collateral provided | | 331,430 | 1,017,118 | 4,174,079 | 5,522,627 | 4,014,368 | 4,718,359 |
| National treasury bills | | 269,329 | 977,032 | 849,938 | 2,096,299 | 1,900,044 | 2,711,551 |
| Financial treasury bills | | 62,101 | 40,086 | 543,726 | 645,913 | 542,169 | 441,363 |
| National treasury notes | | | | 2,780,415 | 2,780,415 | 1,572,155 | 1,565,445 |
| Derivative financial instruments (1) | 451,610 | 536,984 | 168,377 | 769,048 | 1,926,019 | 2,073,421 | 2,679,390 |
| Securities purpose of unrestricted purchase and sale | | | | | | | |
| commitments | | 3,965 | | 40,360 | 44,325 | 354,864 | 3,098,007 |
| National treasury bills | | 3,965 | | 21,234 | 25,199 | 336,323 | 3,098,007 |
| Financial treasury bills | | | | 19,126 | 19,126 | 18,541 | |
| Overall total | 21,441,264 | 13,985,866 | 15,344,014 | 81,601,317 | 132,372,461 | 118,956,263 | 108,097,993 |
| % | 16.2 | 10.6 | 11.6 | 61.6 | 100.0 | 100.0 | 100.0 |

(1) For comparison purposes with the criterion adopted by Bacen Circular Letter 3,068 and due to securities characteristics, we are considering the derivative financial instruments under the category Trading Securities ;

- (2) These refer to investment funds and managed portfolios applied in purchase and sale commitments with Bradesco, the owners of which are subsidiaries, included in the consolidated financial statements;
- (3) The investment fund quotas were distributed according to instruments composing their portfolios and preserving the classification of funds category;
- (4) In compliance with the provisions of Article 8 of Bacen Circular Letter 3,068, Bradesco declares that it has both the financial capacity and the intention to hold to maturity the securities classified in the held to maturity securities category. This financial capacity is evidenced in Note 32a, which presents the maturities of asset and liability operations on the reference date of September 30, 2008. On June 30, 2008, R\$9,248,661 thousand was transferred from Available-for-Sale Securities to Held-to-Maturity Securities, relative to securities held by Bradesco Vida e Previdência, pursuant to Susep/Decon/Geaco Circular Letter 130/08;
- (5) The number of days to maturity was based on the maturity of the securities, regardless of their accounting classification;
- (6) This column reflects book value subsequent to mark-to-market according to item (8), except for held-to-maturity securities, whose market value is higher than the restated cost value in the amount of R\$1,383,810 thousand (June 30, 2008 R\$2,071,325 thousand and September 30, 2007 R\$1,425,854 thousand);
- (7) As of March 2008, it includes the remaining interest of 3,706,287 shares, originated from the process referring to Visa Inc.'s IPO; and
- (8) The market value of securities is determined based on the market price available on the balance sheet date. In case no market prices are available, amounts are estimated based on the prices quoted by dealers, on price definition models, quotation models or price quotations for instruments with similar characteristics; in case of investment funds, the restated cost reflects the market value of respective quotas.

e) Derivative financial instruments

Bradesco carries out transactions involving derivative financial instruments, which are recorded in equity or memorandum accounts, to meet its own needs to manage Bradesco's global exposure, as well as to answer its clients requests, in order to manage their exposures. These operations involve a series of derivatives, including interest rate swaps, currency swaps, futures and options. Bradesco's risk management policy is based on the utilization of derivative financial instruments with a view to mitigating risks deriving from operations carried out by Bradesco and its subsidiaries.

The securities classified in the trading and available-for-sale categories, as well as derivative financial instruments are stated at the consolidated balance sheet by its estimated fair value. The fair value generally is based on market prices quotations for assets or liabilities with similar characteristics. If market prices are not available, fair values are based on market operators quotations, pricing models, discounted cash flows or similar techniques to which the determination of fair value may require judgment or significant estimates by management.

For derivative financial instruments, market price quotations are used to determine the fair value of these instruments. The fair value of swaps is determined by using discounted cash flows modeling techniques that use yield curves, reflecting adequate risk factors. The information to build yield curves is mainly obtained at BM&F and in the domestic and international secondary market. These yield curves are used to determine the fair value of currency swaps, interest rate swaps and other risk factors. The fair value of forward and futures contracts is also determined based on market price quotations for derivatives traded at the stock exchange or using methodologies similar to those outlined for swaps. The fair value of options is determined based on mathematical models, such as Black & Scholes, using yield curves, implied volatilities and the fair value of corresponding assets. Current market prices are used to value the volatilities.

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The derivative financial instruments in Brazil mainly refer to swap and futures operations and are recorded at Cetip and at BM&F. The operations involving forward contracts of indexes and currencies are carried out for management to hedge institution's global exposures and in operations to meet our clients' needs.

Derivative financial instruments abroad refer to swap, forward, options, credit and futures operations and are mainly carried out at the stock exchanges of Chicago and New York.

I) Amount of derivative financial instruments recorded in equity and memorandum accounts

| | in thousands of R\$ | | | | | |
|------------------------------|---------------------|------------|-------------------|------------|-------------------|------------|
| | 2008 | | | 2007 | | |
| | September 30 | | June 30 | | September 30 | |
| | Overall amount | Net amount | Overall amount | Net amount | Overall amount | Net amount |
| Future contracts | | | | | | |
| Purchase commitments: | 8,191,781 | | 23,587,138 | | 7,238,700 | |
| Interbank market | 4,492,348 | | 19,543,799 | | 647,125 | |
| Foreign currency | 3,699,433 | | 4,021,612 | | 6,548,588 | |
| Other | | | 21,727 | 21,727 | 42,987 | 42,987 |
| Sale commitments: | 48,170,036 | | 81,260,169 | | 83,624,289 | |
| Interbank market | 29,231,975 | 24,739,627 | 66,242,913 | 46,699,114 | 66,674,886 | 66,027,761 |
| Foreign currency | 18,908,134 | 15,208,701 | 15,017,256 | 10,995,644 | 16,949,403 | 10,400,815 |
| Other | 29,927 | 29,927 | | | | |
| Option contracts | | | | | | |
| Purchase commitments: | 11,210,982 | | 12,992,904 | | 3,440,537 | |
| Interbank market | 2,949,500 | | 9,858,900 | 21,900 | 3,312,449 | 396,449 |
| Foreign currency | 2,669,516 | | 2,370,205 | | 36,408 | |
| Other (1) | 5,591,966 | | 763,799 | | 91,680 | |
| Sale commitments: | 14,209,585 | | 15,870,126 | | 5,106,926 | |
| Interbank market | 3,797,500 | 848,000 | 9,837,000 | | 2,916,000 | |
| Foreign currency | 3,307,405 | 637,889 | 3,362,490 | 992,285 | 2,035,246 | 1,998,838 |
| Other (1) | 7,104,680 | 1,512,714 | 2,670,636 | 1,906,837 | 155,680 | 64,000 |
| Forward contracts | | | | | | |
| Purchase commitments: | 3,925,720 | | 2,803,358 | | 3,055,655 | |
| Foreign currency | 3,788,025 | 1,781,696 | 2,803,287 | 1,256,950 | 2,174,646 | 1,272,580 |
| Other | 137,695 | 71,096 | 71 | | 881,009 | 26,312 |
| Sale commitments: | 2,072,928 | | 1,625,010 | | 1,756,763 | |
| Foreign currency | 2,006,329 | | 1,546,337 | | 902,066 | |
| Other | 66,599 | | 78,673 | 78,602 | 854,697 | |
| Swap contracts | | | | | | |
| Asset position: | 38,009,328 | | 36,126,489 | | 22,845,960 | |
| Interbank market | 9,115,285 | 904,681 | 11,634,936 | 3,315,169 | 7,350,805 | 2,628,263 |
| Prefixed | 858,741 | 245,995 | 845,612 | 343,101 | 1,764,673 | 1,057,461 |
| Foreign currency (2) | 25,734,359 | | 20,565,632 | | 11,635,286 | |

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| | | | | | | |
|----------------------------|-------------------|-----------|-------------------|-----------|-------------------|-----------|
| TR | 839,591 | 595,819 | 869,960 | 620,834 | 829,675 | 807,320 |
| Selic | 376,583 | 317,157 | 343,936 | 281,892 | 449,414 | 377,728 |
| IGP-M | 301,444 | | 651,013 | | 459,670 | |
| Other (2) | 783,325 | | 1,215,400 | | 356,437 | |
| Liability position: | 37,747,303 | | 35,386,383 | | 22,341,689 | |
| Interbank market | 8,210,604 | | 8,319,767 | | 4,722,542 | |
| Prefixed | 612,746 | | 502,511 | | 707,212 | |
| Foreign currency (2) | 27,167,068 | 1,432,709 | 24,025,806 | 3,460,174 | 15,599,750 | 3,964,464 |
| TR | 243,772 | | 249,126 | | 22,355 | |
| Selic | 59,426 | | 62,044 | | 71,686 | |
| IGP-M | 646,577 | 345,133 | 1,003,260 | 352,247 | 823,203 | 363,533 |
| Other (2) | 807,110 | 23,785 | 1,223,869 | 8,469 | 394,941 | 38,504 |

(1) It basically includes stock options; and

(2) It includes loan derivative operations (Note 8g).

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For further information, see Chapter 5 Operational Structure Risk Management and Internal Controls, in our Report on Economic and Financial Analysis.

Derivatives include operations maturing in D+1.

II) Breakdown of derivative financial instruments (assets and liabilities) stated at restated cost and market value

| | 2008 | | | | | | 2007 | |
|---------------------------------|--------------------|----------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|----------------------------|
| | September 30 | | | June 30 | | | September 30 | |
| | Restated cost | Adjustment to market value | Market value | Restated cost | Adjustment to market value | Market value | Restated cost | Adjustment to market value |
| Adjustment receivables | | | | | | | | |
| swap | 999,480 | 249,542 | 1,249,022 | 1,471,759 | 219,444 | 1,691,203 | 706,219 | 183,419 |
| Receivable forward purchases | 415,003 | 107 | 415,110 | 924 | | 924 | 917,473 | 602 |
| Receivable future sales | 43,573 | 112 | 43,685 | 170,686 | 264 | 170,950 | 854,971 | 246 |
| Premiums on exercisable options | 157,815 | 60,387 | 218,202 | 188,170 | 22,174 | 210,344 | 21,170 | (4,710) |
| Total assets | 1,615,871 | 310,148 | 1,926,019 | 1,831,539 | 241,882 | 2,073,421 | 2,499,833 | 179,557 |
| Adjustment payables | | | | | | | | |
| swap | (977,106) | (9,891) | (986,997) | (938,515) | (12,582) | (951,097) | (366,943) | (18,424) |
| Payable forward purchases | (139,365) | (107) | (139,472) | (214,827) | | (214,827) | (1,051,563) | (602) |
| Payable future sales | (266,018) | (112) | (266,130) | (94,480) | (264) | (94,744) | (858,647) | (246) |
| Premiums on written options | (777,518) | (155,866) | (933,384) | (313,687) | (23,368) | (337,055) | (51,278) | 16,138 |
| Total liabilities | (2,160,007) | (165,976) | (2,325,983) | (1,561,509) | (36,214) | (1,597,723) | (2,328,431) | (3,134) |

III) Future, option, forward and swap contracts

| | in thousands of R\$ | | | | | | |
|------------------|---------------------|---------------------|----------------------|--------------------|-----------------------|------------------|-----------------------|
| | 2008 | | | | 2007 | | |
| | Up to 90 days | From 91 to 180 days | From 181 to 360 days | More than 360 days | Total on September 30 | Total on June 30 | Total on September 30 |
| Future contracts | 25,058,181 | 8,448,754 | 6,375,145 | 16,479,737 | 56,361,817 | 104,847,307 | 90,862,989 |
| Option contracts | 8,713,327 | 8,106,771 | 6,184,230 | 2,416,239 | 25,420,567 | 28,863,030 | 8,547,463 |

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| | | | | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| Forward contracts | 3,322,353 | 902,482 | 1,243,897 | 529,916 | 5,998,648 | 4,428,368 | 4,812,418 |
| Swap contracts | 10,746,680 | 5,360,462 | 2,333,337 | 18,319,827 | 36,760,306 | 34,435,286 | 21,956,322 |
| Total on September 30, 2008 | 47,840,541 | 22,818,469 | 16,136,609 | 37,745,719 | 124,541,338 | | |
| Total on June 30, 2008 | 86,481,659 | 28,717,764 | 21,201,484 | 36,173,084 | | 172,573,991 | |
| Total on September 30, 2007 | 53,097,395 | 13,195,763 | 24,238,954 | 35,647,080 | | | 126,179,192 |

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IV) Types of margin granted as collateral for derivative financial instruments, mainly comprising future contracts

| | in thousands of R\$ | | |
|------------------------------|---------------------|------------------|------------------|
| | 2008 | | 2007 |
| | September 30 | June 30 | September 30 |
| Government securities | | | |
| National treasury notes | 2,329,164 | 1,446,790 | 906,543 |
| Financial treasury bills | 15,212 | 12,312 | |
| National treasury bills | 693,336 | 440,072 | 1,521,094 |
| Total | 3,037,712 | 1,899,174 | 2,427,637 |

V) Net revenues and expenses amounts

| | in thousands of R\$ | | | |
|-------------------|-------------------------|-------------------------|---------------------|---------------------|
| | 2008 | | 2007 | |
| | 3 rd Quarter | 2 nd Quarter | September 30 YTD | September 30 YTD |
| Swap contracts | 1,319,037 | (406,887) | 913,940 | (175,376) |
| Forward contracts | 8,105 | (561) | 5,663 | (12,858) |
| Option contracts | (201,916) | 32,963 | (83,055) | 261,950 |
| Future contracts | (2,212,638) | 1,577,613 | (146,554) | 1,517,881 |
| Total | (1,087,412) | 1,203,128 | 689,994 | 1,591,597 |

VI) Overall amounts of the derivative financial instruments, broken down by trading place and counter-parties

| | in thousands of R\$ | | |
|--------------------------|---------------------|--------------------|--------------------|
| | 2008 | | 2007 |
| | September 30 | June 30 | September 30 |
| Cetip (over-the-counter) | 17,176,786 | 26,806,751 | 10,941,918 |
| BM&F (stock exchange) | 81,098,096 | 137,476,348 | 101,294,989 |
| Foreign | 26,266,456 | 8,290,892 | 13,942,285 |
| Total | 124,541,338 | 172,573,991 | 126,179,192 |

On September 30, 2008, counter-parties are distributed among corporate clients with 68%, financial institutions with 29% and individuals/others with 3%. Specifically regarding exchange financial instruments, we point out that Bradesco did not carry out exotic options, so called target forward swap or any other leveraged derivatives, as well as amounts payable or receivable, outstanding on September 30, 2008, do not show concentration regarding individuals counter-parties.

f) Income from securities, income on insurance, private pension plans and certificated savings plans and derivative financial instruments

in thousands of R\$

| | 2008 | | 2007 | |
|--|-------------------------|-------------------------|---------------------|---------------------|
| | 3 rd Quarter | 2 nd Quarter | September 30 YTD | September 30 YTD |
| Fixed income securities | 2,253,383 | 618,373 | 3,565,393 | 2,668,449 |
| Interbank investments (Note 7b) | 2,304,531 | 1,632,923 | 5,077,112 | 2,996,177 |
| Equity securities | 144,042 | (12,111) | 118,973 | 388,702 |
| Subtotal | 4,701,956 | 2,239,185 | 8,761,478 | 6,053,328 |
| Income on insurance, private pension plans and certificated savings plans | 865,743 | 2,467,555 | 5,009,643 | 5,575,397 |
| Income from derivative financial instruments (Note 8e V) | (1,087,412) | 1,203,128 | 689,994 | 1,591,597 |
| Total | 4,480,287 | 5,909,868 | 14,461,115 | 13,220,322 |

g) Credit derivatives

| | | Credit risk value | | Effect i | Require |
|---|-----------------------------|---|-------------|-----------|---------|
| | | 2008 | | 2007 | 2 |
| | | September | June | September | Septemb |
| | | 30 | 30 | 30 | 30 |
| Transferred | | | | | |
| Swaps from credits whose underlying assets are: | | | | | |
| Securities | | | | | |
| Brazilian public debt bond | | (649,025) | (542,902) | (468,920) | |
| Securities | | | | | |
| Foreign public debt bond | | (1,914,300) | (1,591,900) | | (105,2 |
| Derivatives with companies | | (3,829) | | | |
| | | Senior Secured Term Loan A (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 218,717 | 218,717 | |
| National Property REIT Corp.(40) | Various / Real Estate | Senior Secured Term Loan B (14.00% (LIBOR + 12.00% with 2.00% LIBOR floor) plus 3.00% PIK, due 4/1/2019)(4) | 24,650 | 24,650 | |
| | | Common Stock (84,567 shares) | | 48,696 | |
| | | | | 292,063 | |
| Nationwide Acceptance LLC(36) | Illinois / Consumer Finance | Subordinated Term Loan (10.00% plus 10.00% PIK, due | 14,820 | 14,820 | |

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| | | | |
|-------------|----------------|-----------------------|--------|
| | | 6/18/2019)(22) | |
| | | Class A Shares | |
| | | (24,029,326 | 12,919 |
| | | shares)(22) | |
| | | | 27,739 |
| | | Senior Secured | |
| | | Note (14.00%, 3,714 | 3,714 |
| | | due 5/6/2016) | |
| | | Senior Secured | |
| | | Note to Armed | |
| | | Forces | |
| | | Communications, 7,000 | 7,000 |
| NMMB, | New York / | Inc. (14.00%, due | |
| Inc.(24) | Media | 5/6/2016) | |
| | | Series A Preferred | |
| | | Stock (7,200 | 7,200 |
| | | shares) | |
| | | Series B Preferred | |
| | | Stock (5,669 | 5,669 |
| | | shares) | |
| | | | 23,583 |
| | | Senior | |
| | | Subordinated | |
| | | Note (10.00% | |
| | | (LIBOR + 9.00% | 30,411 |
| | | with 1.00% | |
| | | LIBOR floor), | |
| | | due | |
| | | 6/12/2018)(3)(4) | |
| R-V | Pennsylvania / | Common Stock | |
| Industries, | Manufacturing | (545,107 shares) | 5,087 |
| Inc. | | Warrant (to | |
| | | purchase 200,000 | |
| | | shares of | |
| | | Common Stock, | 1,682 |
| | | expires | |
| | | 6/30/2017) | |
| | | | 37,180 |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | % of Net Assets |
|---|---|--|-------------------------------|-------------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Control Investments (greater than 25.00% voting control)(47) | | | | | | |
| United Property REIT Corp.(41) | Various / Real Estate | Senior Term Loan (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | \$58,219 | \$58,219 | \$58,219 | 1.6% |
| | | Common Stock (70,689 shares) | | 11,946 | 14,772 | 0.4% |
| | | | | 70,165 | 72,991 | 2.0% |
| Valley Electric Company, Inc.(35) | Washington / Construction & Engineering | Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2017)(3)(4) | 10,211 | 10,211 | 10,211 | 0.3% |
| | | Senior Secured Note (10.00% plus 8.50% PIK, due 12/31/2018) | 21,380 | 21,380 | 18,365 | 0.5% |
| | | Common Stock (50,000 shares) | | 26,204 | — | —% |
| Wolf Energy, LLC(12) | Kansas / Oil & Gas Production | Senior Secured Promissory Note secured by assets formerly owned by H&M (18.00%, in non-accrual status effective 4/15/2013, due 4/15/2018)(37) | 29,434 | — | 1,775 | —% |
| | | Membership Interest (100%) | | — | — | —% |
| | | Net Profits Interest (8% of Equity Distributions)(7) | | — | 29 | —% |
| | | | | — | 1,804 | —% |
| Total Control Investments | | | | \$1,714,686 | \$1,723,749 | 46.5% |
| Affiliate Investments (5.00% to 24.99% voting control)(48) | | | | | | |
| BNN Holdings Corp. | Michigan / Healthcare | Senior Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 8/29/2019)(3)(4) | \$21,670 | \$21,670 | \$21,461 | 0.6% |
| | | Senior Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor), due 8/29/2019)(3)(4) | 21,890 | 21,890 | 21,847 | 0.6% |
| | | Series A Preferred Stock (9,925.455 shares)(13) | | 1,780 | 2,304 | 0.1% |
| | | Series B Preferred Stock (1,753.636 shares)(13) | | 448 | 494 | —% |
| | | | 45,788 | 46,106 | 1.3% | |

| | | | |
|-----------------------------|----------|----------|------|
| Total Affiliate Investments | \$45,788 | \$46,106 | 1.3% |
|-----------------------------|----------|----------|------|

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|---|-------------------------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Aderant North America, Inc. | Georgia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 6/20/2019)(4)(16) | \$7,000 | \$6,920 | \$7,000 | 0.2% |
| | | | | 6,920 | 7,000 | 0.2% |
| AFI Shareholder, LLC (f/k/a Aircraft Fasteners International, LLC) | California / Machinery | Class A Units (32,500 units) | | 396 | 445 | —% |
| | | | | 396 | 445 | —% |
| Airmall Inc.(27) | Pennsylvania / Property Management | Escrow Receivable | | 5,880 | 3,678 | 0.1% |
| | | | | 5,880 | 3,678 | 0.1% |
| Ajax Rolled Ring & Machine, LLC(42) | South Carolina / Manufacturing | Escrow Receivable | | — | 2,734 | 0.1% |
| | | | | — | 2,734 | 0.1% |
| ALG USA Holdings, LLC | Pennsylvania / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 2/28/2020)(4)(16) | 12,000 | 11,807 | 12,000 | 0.3% |
| | | | | 11,807 | 12,000 | 0.3% |
| American Broadband Holding Company and Cameron Holdings of NC, Inc. | North Carolina / Telecommunication Services | Senior Secured Term Loan B (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4) | 74,654 | 74,654 | 74,654 | 2.0% |
| | | | | 74,654 | 74,654 | 2.0% |
| American Gilsonite Company | Utah / Metal Services & Minerals | Second Lien Term Loan (11.50%, due 9/1/2017)(16) | 38,500 | 38,500 | 38,500 | 1.0% |
| | | Membership Interest (99.9999%)(15) | | — | 4,275 | 0.2% |
| | | | | 38,500 | 42,775 | 1.2% |
| Apidos CLO IX | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 19.16%)(11)(22) | 20,525 | 18,261 | 18,965 | 0.5% |
| | | | | 18,261 | 18,965 | 0.5% |
| Apidos CLO XI | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.27%)(11)(22) | 38,340 | 32,764 | 34,261 | 0.9% |

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| | | | | | | |
|---|---|--|---------|---------|---------|------|
| | | | | 32,764 | 34,261 | 0.9% |
| Apidos CLO XII | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 16.44%)(11)(22) | 44,063 | 39,961 | 40,811 | 1.1% |
| | | | | 39,961 | 40,811 | 1.1% |
| Apidos CLO XV | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.64%)(11)(22) | 36,515 | 35,620 | 35,215 | 0.9% |
| | | | | 35,620 | 35,215 | 0.9% |
| Arctic Glacier U.S.A., Inc. | Minnesota / Food Products | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 11/10/2019)(3)(4) | 150,000 | 150,000 | 149,674 | 4.0% |
| | | | | 150,000 | 149,674 | 4.0% |
| Ark-La-Tex Wireline Services, LLC | Louisiana / Oil and Gas Production | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/8/2019)(4) Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/8/2019)(4) | 26,662 | 26,662 | 26,662 | 0.7% |
| | | | | 26,662 | 26,662 | 0.7% |
| | | | | 53,324 | 53,324 | 1.4% |
| Armor Holding II LLC | New York / Diversified Financial Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 12/26/2020)(3)(4)(16) | 7,000 | 6,881 | 6,881 | 0.2% |
| | | | | 6,881 | 6,881 | 0.2% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|--|--|-------------------------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Atlantis Health Care Group (Puerto Rico), Inc. | Puerto Rico / Healthcare | Revolving Line of Credit – \$4,000 Commitment (13.00% (LIBOR + 11.00% with 2.00% LIBOR floor), due 8/21/2015)(4)(25)(26) | \$2,350 | \$2,350 | \$2,350 | 0.1% |
| | | Senior Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 2/21/2018)(3)(4) | 38,759 | 38,759 | 34,264 | 0.9% |
| | | | | 41,109 | 36,614 | 1.0% |
| Babson CLO Ltd. 2014-III | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.71%)(11)(22) | 52,250 | 51,031 | 50,301 | 1.4% |
| | | | | 51,031 | 50,301 | 1.4% |
| Blue Coat Systems, Inc. | Massachusetts / Software & Computer Services | Second Lien Term Loan (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 6/28/2020)(3)(4)(16) | 11,000 | 10,908 | 10,908 | 0.3% |
| | | | | 10,908 | 10,908 | 0.3% |
| Broder Bros., Co. | Pennsylvania / Textiles, Apparel & Luxury Goods | Senior Secured Notes (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 4/8/2019)(3)(4)(46) | 254,800 | 254,800 | 253,883 | 6.8% |
| | | | | 254,800 | 253,883 | 6.8% |
| Brookside Mill CLO Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 19.84%)(11)(22) | 26,000 | 22,345 | 24,453 | 0.7% |
| | | | | 22,345 | 24,453 | 0.7% |
| Caleel + Hayden, LLC | Colorado / Personal & Nondurable Consumer Products | Membership Interest(31) | — | — | 242 | —% |
| | | | | — | 242 | —% |
| Capstone Logistics Acquisition, Inc. | Georgia / Business Services | Second Lien Term Loan (8.75% (LIBOR + 7.75% with 1.00% LIBOR floor), due 10/7/2022)(3)(4) | 65,000 | 64,363 | 64,363 | 1.7% |
| | | | | 64,363 | 64,363 | 1.7% |

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| | | | | | | |
|-----------------------------|----------------------------------|---|--------|--------|--------|------|
| Cent CLO 17 Limited | Cayman Islands | Subordinated Notes (Residual Interest, current yield 11.49%)(11)(22) | 24,870 | 21,054 | 23,164 | 0.6% |
| | / Diversified Financial Services | | | 21,054 | 23,164 | 0.6% |
| Cent CLO 20 Limited | Cayman Islands | Subordinated Notes (Residual Interest, current yield 11.31%)(11)(22) | 40,275 | 37,296 | 38,076 | 1.0% |
| | / Diversified Financial Services | | | 37,296 | 38,076 | 1.0% |
| Cent CLO 21 Limited | Cayman Islands | Subordinated Notes (Residual Interest, current yield 10.55%)(11)(22) | 48,528 | 47,382 | 44,694 | 1.2% |
| | / Diversified Financial Services | | | 47,382 | 44,694 | 1.2% |
| CIFC Funding 2011-I, Ltd. | Cayman Islands | Class D Senior Secured Notes (5.23% (LIBOR + 5.00%, due 1/19/2023)(4)(22) | 19,000 | 15,452 | 18,136 | 0.5% |
| | / Diversified Financial Services | | | 15,400 | 15,241 | 0.4% |
| | | | | 28,362 | 33,377 | 0.9% |
| CIFC Funding 2013-III, Ltd. | Cayman Islands | Subordinated Notes (Residual Interest, current yield 14.66%)(11)(22) | 44,100 | 37,432 | 41,626 | 1.1% |
| | / Diversified Financial Services | | | 37,432 | 41,626 | 1.1% |
| CIFC Funding 2013-IV, Ltd. | Cayman Islands | Subordinated Notes (Residual Interest, current yield 13.40%)(11)(22) | 45,500 | 38,250 | 39,781 | 1.1% |
| | / Diversified Financial Services | | | 38,250 | 39,781 | 1.1% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|---|-------------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| CIFC Funding 2014-IV Investor, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 11.32%)(11)(22) | \$41,500 | \$39,555 | \$37,873 | 1.0% |
| | | | | 39,555 | 37,873 | 1.0% |
| Cinedigm DC Holdings, LLC | New York / Software & Computer Services | Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(4) | 68,798 | 68,748 | 68,798 | 1.9% |
| | | | | 68,748 | 68,798 | 1.9% |
| The Copernicus Group, Inc. | North Carolina / Healthcare | Escrow Receivable | — | — | 119 | —% |
| | | | | — | 119 | —% |
| Coverall North America, Inc. | Florida / Commercial Services | Senior Secured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor), due 12/17/2017)(3)(4) | 50,566 | 50,566 | 50,566 | 1.4% |
| | | | | 50,566 | 50,566 | 1.4% |
| Crosman Corporation | New York / Manufacturing | Second Lien Term Loan (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 12/30/2019)(3)(4) | 40,000 | 40,000 | 37,516 | 1.0% |
| | | | | 40,000 | 37,516 | 1.0% |
| CRT MIDCO, LLC | Wisconsin / Media | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 6/30/2017)(3)(4) | 46,754 | 46,754 | 46,754 | 1.3% |
| | | | | 46,754 | 46,754 | 1.3% |
| Deltek, Inc. | Virginia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 10/10/2019)(3)(4)(16) | 12,000 | 11,863 | 12,000 | 0.3% |
| | | | | 11,863 | 12,000 | 0.3% |
| Diamondback Operating, LP | Oklahoma / Oil & Gas Production | Net Profits Interest (15% of Equity Distributions)(7) | — | — | — | —% |
| | | | | — | — | —% |
| Edmentum, Inc. | Minnesota / Consumer Services | Second Lien Term Loan (11.25% (LIBOR + 9.75% with 1.50% LIBOR floor), due 5/17/2019)(3)(4)(16) | 50,000 | 48,561 | 43,107 | 1.2% |
| | | | | 48,561 | 43,107 | 1.2% |

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| | | | | | | |
|---|---|--|--------|--------|--------|------|
| Empire Today, LLC | Illinois / Durable Consumer Products | Senior Secured Note (11.375%, due 2/1/2017)(16) | 15,700 | 15,467 | 13,850 | 0.4% |
| | | | | 15,467 | 13,850 | 0.4% |
| Fischbein, LLC | North Carolina / Machinery | Escrow Receivable | — | — | 121 | —% |
| | | | — | — | 121 | —% |
| Fleetwash, Inc. | New Jersey / Business Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/30/2019)(4) | 24,750 | 24,750 | 24,750 | 0.7% |
| | | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/30/2019)(4) | 25,000 | 25,000 | 25,000 | 0.7% |
| | | Delayed Draw Term Loan – \$15,000 Commitment (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 4/30/2019)(4)(25) | — | — | — | —% |
| | | | | 49,750 | 49,750 | 1.4% |
| Focus Brands, Inc. | Georgia / Consumer Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 8/21/2018)(4)(16) | 18,000 | 17,799 | 18,000 | 0.5% |
| | | | | 17,799 | 18,000 | 0.5% |
| Focus Products Group International, LLC | Illinois / Durable Consumer Products | Common Stock (5,638 shares) | | 27 | — | —% |
| | | | | 27 | — | —% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|--|-------------------------------|-----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Galaxy XV CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.88%)(11)(22) | \$ 35,025 | \$ 28,583 | \$ 30,629 | 0.8% |
| | | | | 28,583 | 30,629 | 0.8% |
| Galaxy XVI CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 13.23%)(11)(22) | 22,575 | 19,801 | 19,861 | 0.5% |
| | | | | 19,801 | 19,861 | 0.5% |
| Galaxy XVII CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 10.31%)(11)(22) | 39,905 | 37,390 | 34,809 | 0.9% |
| | | | | 37,390 | 34,809 | 0.9% |
| Global Employment Solutions, Inc. | Colorado / Business Services | Senior Secured Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/25/2019)(3)(4) | 28,393 | 28,393 | 28,393 | 0.8% |
| | | | | 28,393 | 28,393 | 0.8% |
| GTP Operations, LLC(10) | Texas / Software & Computer Services | Senior Secured Term Loan (10.00% (LIBOR + 5.00% with 5.00% LIBOR floor), due 12/11/2018)(3)(4) | 119,970 | 119,970 | 119,970 | 3.2% |
| | | | | 119,970 | 119,970 | 3.2% |
| Halcyon Loan Advisors Funding 2012-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 26.02%)(11)(22) | 23,188 | 20,454 | 22,870 | 0.6% |
| | | | | 20,454 | 22,870 | 0.6% |
| Halcyon Loan Advisors Funding 2013-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 19.31%)(11)(22) | 40,400 | 36,781 | 40,448 | 1.1% |
| | | | | 36,781 | 40,448 | 1.1% |
| Halcyon Loan Advisors Funding 2014-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.74%)(11)(22) | 24,500 | 21,694 | 22,925 | 0.6% |

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| | | | | | | |
|---|--|---|--------|--------|--------|------|
| | | | | 21,694 | 22,925 | 0.6% |
| Halcyon Loan Advisors Funding 2014-2 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 16.89%)(11)(22) | 41,164 | 37,185 | 39,340 | 1.1% |
| | | | | 37,185 | 39,340 | 1.1% |
| Harley Marine Services, Inc. | Washington / Transportation | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 12/20/2019)(3)(4)(16) | 9,000 | 8,843 | 8,843 | 0.2% |
| | | | | 8,843 | 8,843 | 0.2% |
| Hollander Sleep Products, LLC | Florida / Durable Consumer Products | Senior Secured Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 10/21/2020)(4) | 22,500 | 22,500 | 22,500 | 0.6% |
| | | | | 22,500 | 22,500 | 0.6% |
| ICON Health & Fitness, Inc. | Utah / Durable Consumer Products | Senior Secured Note (11.875%, due 10/15/2016)(16) | 21,850 | 21,965 | 20,691 | 0.6% |
| | | | | 21,965 | 20,691 | 0.6% |
| ICV-CSI Holdings, LLC | New York / Transportation | Membership Units (1.6 units) | | 1,639 | 2,072 | 0.1% |
| | | | | 1,639 | 2,072 | 0.1% |
| IDQ Holdings, Inc. | Texas / Automobile | Senior Secured Note (11.50%, due 4/1/2017)(16) | 12,500 | 12,369 | 12,859 | 0.3% |
| | | | | 12,369 | 12,859 | 0.3% |
| Ikaria, Inc. | New Jersey / Healthcare | Second Lien Term Loan (8.75% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2022)(4)(16) | 20,000 | 19,457 | 19,867 | 0.5% |
| | | | | 19,457 | 19,867 | 0.5% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|--|--|-------------------------------|------------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Instant Web, LLC | Minnesota / Media | Senior Secured Term Loan A (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 3/28/2019)(4) | \$ 125,405 | \$ 125,405 | \$ 125,058 | 3.4% |
| | | Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/28/2019)(3)(4) | 128,000 | 128,000 | 128,000 | 3.5% |
| | | Senior Secured Term Loan C (12.75% (LIBOR + 11.75% with 1.00% LIBOR floor), due 3/28/2019)(4) | 12,500 | 12,500 | 12,500 | 0.3% |
| | | | 265,905 | 265,558 | 7.2% | |
| InterDent, Inc. | California / Healthcare | Senior Secured Term Loan A (6.25% (LIBOR + 5.25% with 1.00% LIBOR floor), due 8/3/2017)(4) | 126,038 | 126,038 | 126,038 | 3.4% |
| | | Senior Secured Term Loan B (11.25% (LIBOR + 10.25% with 1.00% LIBOR floor), due 8/3/2017)(3)(4) | 131,125 | 131,125 | 131,125 | 3.5% |
| | | | 257,163 | 257,163 | 6.9% | |
| JAC Holding Corporation | Michigan / Transportation | Senior Secured Note (11.50%, due 10/1/2019)(16) | 3,000 | 3,000 | 3,000 | 0.1% |
| | | | | 3,000 | 3,000 | 0.1% |
| JHH Holdings, Inc. | Texas / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor) plus 0.50% PIK, due 3/30/2019)(3)(4) | 35,208 | 35,208 | 35,208 | 0.9% |
| | | | | 35,208 | 35,208 | 0.9% |
| LaserShip, Inc. | Virginia / Transportation | Senior Secured Term Loan A (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 35,859 | 35,859 | 34,784 | 0.9% |
| | | Senior Secured Term Loan B (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 21,972 | 21,972 | 21,312 | 0.6% |
| | | Delayed Draw Term Loan – \$6,000 Commitment (2.00%, due 12/31/2015)(25) | — | — | — | —% |
| LCM XIV Ltd. | Cayman Islands / Diversified Financial | Income Notes (Residual Interest, current yield 15.92%)(11)(22) | 26,500 | 23,824 | 24,033 | 0.6% |
| | | | 57,831 | 56,096 | 1.5% | |

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| Services | | | | | | |
|---------------------------------|------------------------------|--|--------|--------|--------|------|
| | | | | 23,824 | 24,033 | 0.6% |
| | | Revolving Line of Credit – \$750 Commitment (8.50% (LIBOR + 6.00% with 2.50% LIBOR floor) plus 2.00% default interest, due 5/31/2015)(4)(25)(26) | — | — | — | —% |
| LHC Holdings Corp. | Florida / Healthcare | Senior Subordinated Debt (10.50%, due 5/31/2015)(3) | 1,265 | 1,265 | 1,263 | —% |
| | | Membership Interest (125 units) | | 216 | 197 | —% |
| | | | | 1,481 | 1,460 | —% |
| | Cayman Islands / Diversified | | | | | |
| Madison Park Funding IX, Ltd. | Financial Services | Subordinated Notes (Residual Interest, current yield 14.93%)(11)(22) | 31,110 | 23,925 | 26,288 | 0.7% |
| | | | | 23,925 | 26,288 | 0.7% |
| | | Senior Secured Term Loan A (7.50% (LIBOR + 6.00% with 1.50% LIBOR floor) plus 2.00% PIK, due 8/9/2018)(3)(4) | 36,736 | 36,736 | 35,951 | 1.0% |
| Matrixx Initiatives, Inc. | New Jersey / Pharmaceuticals | Senior Secured Term Loan B (12.50% (LIBOR + 11.00% with 1.50% LIBOR floor) plus 2.00% PIK, due 8/9/2018)(3)(4) | 40,360 | 40,360 | 40,235 | 1.1% |
| | | | | 77,096 | 76,186 | 2.1% |
| Maverick Healthcare Equity, LLC | Arizona / Healthcare | Preferred Units (1,250,000 units) | | 1,252 | 1,134 | —% |
| | | Class A Common Units (1,250,000 units) | | — | — | —% |
| | | | | 1,252 | 1,134 | —% |
| | Cayman Islands / Diversified | | | | | |
| Mountain View CLO 2013-I Ltd. | Financial Services | Subordinated Notes (Residual Interest, current yield 16.57%)(11)(22) | 43,650 | 38,989 | 42,284 | 1.1% |
| | | | | 38,989 | 42,284 | 1.1% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|---|-------------------------------|-----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| NCP Finance Limited Partnership(23) | Ohio / Consumer Finance | Subordinated Secured Term Loan (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4)(16)(22) | \$ 16,376 | \$ 16,120 | \$ 16,376 | 0.4% |
| | | | | 16,120 | 16,376 | 0.4% |
| New Century Transportation, Inc. | New Jersey / Transportation | Senior Subordinated Term Loan (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 4/1/2014, due 2/3/2018)(4) | 980 | 980 | — | —% |
| | | | | 980 | — | —% |
| Nixon, Inc. | California / Durable Consumer Products | Senior Secured Term Loan (8.75% plus 2.75% PIK, due 4/16/2018)(3)(16) | 13,734 | 13,535 | 13,535 | 0.4% |
| | | | | 13,535 | 13,535 | 0.4% |
| NRG Manufacturing, Inc. | Texas / Manufacturing | Escrow Receivable | | — | 1,151 | —% |
| | | | | — | 1,151 | —% |
| Octagon Investment Partners XV, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 20.67%)(11)(22) | 26,901 | 23,755 | 25,844 | 0.7% |
| | | | | 23,755 | 25,844 | 0.7% |
| Onyx Payments(44) | Texas / Diversified Financial Services | Revolving Line of Credit – \$5,000 Commitment (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 9/10/2015)(4)(25)(26) Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 9/10/2019)(3)(4) Senior Secured Term Loan B (13.50% (LIBOR + 12.50% with 1.00% LIBOR floor), due 9/10/2019)(4) | 2,000 | 2,000 | 2,000 | 0.1% |
| | | | 54,339 | 54,339 | 54,339 | 1.5% |
| | | | 59,389 | 59,389 | 59,389 | 1.6% |
| Pacific World Corporation | California / Personal & Nondurable | Revolving Line of Credit – \$15,000 Commitment (8.00% (LIBOR + 7.00% with 1.00% LIBOR floor), due | 4,500 | 115,728 | 115,728 | 3.2% |
| | | | | 4,500 | 4,500 | 0.1% |

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| | | | | | | |
|---------------------------------------|---|--|--------|---------|---------|------|
| | Consumer Products | 9/26/2020)(4)(25)(26) Senior Secured Term Loan A (6.00% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/26/2020)(4) | 99,750 | 99,750 | 98,822 | 2.7% |
| | | Senior Secured Term Loan B (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/26/2020)(3)(4) | 99,750 | 99,750 | 96,287 | 2.6% |
| | | | | 204,000 | 199,609 | 5.4% |
| Pelican Products, Inc. | California / Durable Consumer Products | Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 4/9/2021)(4)(16) | 17,500 | 17,483 | 17,500 | 0.5% |
| | | | | 17,483 | 17,500 | 0.5% |
| Photonis Technologies SAS | France / Aerospace & Defense | First Lien Term Loan (8.50% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(4)(16)(22) | 10,395 | 10,144 | 10,250 | 0.3% |
| | | | | 10,144 | 10,250 | 0.3% |
| Pinnacle (US) Acquisition Co. Limited | Texas / Software & Computer Services | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 8/3/2020)(4)(16) | 7,037 | 6,880 | 6,505 | 0.2% |
| | | | | 6,880 | 6,505 | 0.2% |
| | | Revolving Line of Credit – \$15,000 Commitment (10.00% (LIBOR + 9.50% with 0.50% LIBOR floor), due 6/30/2015)(4)(25)(26) | — | — | — | —% |
| PrimeSport, Inc. | Georgia / Hotels, Restaurants & Leisure | Senior Secured Term Loan A (7.50% (LIBOR + 6.50% with 1.00% LIBOR floor), due 12/23/2019)(3)(4) | 63,820 | 63,820 | 63,820 | 1.7% |
| | | Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/23/2019)(3)(4) | 64,912 | 64,912 | 64,912 | 1.8% |
| | | | | 128,732 | 128,732 | 3.5% |

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|--|---|-------------------------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Prince Mineral Holding Corp. | New York / Metal Services & Minerals | Senior Secured Term Loan (11.50%, due 12/15/2019)(16) | \$10,000 | \$9,908 | \$10,000 | 0.3% |
| | | | | 9,908 | 10,000 | 0.3% |
| Progrexion Holdings, Inc.(28) | Utah / Consumer Services | Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(4) | 144,000 | 144,000 | 143,337 | 3.9% |
| | | | | 144,000 | 143,337 | 3.9% |
| Rocket Software, Inc. | Massachusetts / Software & Computer Services | Second Lien Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 2/8/2019)(3)(4)(16) | 20,000 | 19,779 | 20,000 | 0.5% |
| | | | | 19,779 | 20,000 | 0.5% |
| Royal Adhesives & Sealants, LLC | Indiana / Chemicals | Second Lien Term Loan (9.75% (LIBOR + 8.50% with 1.25% LIBOR floor), due 1/31/2019)(4)(16) | 20,000 | 19,679 | 20,000 | 0.5% |
| | | | | 19,679 | 20,000 | 0.5% |
| Ryan, LLC | Texas / Business Services | Subordinated Unsecured Notes (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 3.00% PIK, due 6/30/2018)(4) | 71,616 | 71,616 | 71,616 | 1.9% |
| | | | | 71,616 | 71,616 | 1.9% |
| Sandow Media, LLC | Florida / Media | Senior Secured Term Loan (12.00%, due 5/8/2018) | 24,425 | 24,425 | 24,425 | 0.7% |
| | | | | 24,425 | 24,425 | 0.7% |
| Security Alarm Financing Enterprises, L.P.(45) | California / Consumer Services | Senior Subordinated Note (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due 12/19/2019)(4) | 25,000 | 25,000 | 25,000 | 0.7% |
| | | | | 25,000 | 25,000 | 0.7% |
| Small Business Whole Loan Portfolio(19) | New York / Diversified Financial Services | 194 small business loans purchased from Direct Capital Corporation | 2,463 | 2,463 | 2,040 | 0.1% |
| | | 613 small business loans purchased from On Deck Capital, Inc. | 22,980 | 22,980 | 21,279 | 0.6% |
| | | | | 25,443 | 23,319 | 0.7% |
| Spartan Energy Services, Inc. | Louisiana / Energy | Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 12/28/2017)(3)(4) | 14,112 | 14,112 | 14,112 | 0.4% |
| | | | 14,112 | 14,112 | 14,112 | 0.4% |

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| | | | | | | |
|---------------------------------------|---|---|--------|--------|--------|------|
| | | Senior Secured Term Loan B (11.00% (LIBOR + 10.00% with 1.00% LIBOR floor), due 12/28/2017)(3)(4) | | 28,224 | 28,224 | 0.8% |
| Speedy Group Holdings Corp. | Canada / Consumer Finance | Senior Unsecured Notes (12.00%, due 11/15/2017)(16)(22) | 15,000 | 15,000 | 15,000 | 0.4% |
| | | | | 15,000 | 15,000 | 0.4% |
| Stauber Performance Ingredients, Inc. | California / Food Products | Senior Secured Term Loan A (7.50% (LIBOR + 6.50% with 1.00% LIBOR floor), due 11/25/2019)(3)(4) | 11,123 | 11,123 | 11,123 | 0.3% |
| | | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 11/25/2019)(3)(4) | 11,152 | 11,152 | 11,152 | 0.3% |
| Stryker Energy, LLC | Ohio / Oil & Gas Production | Overriding Royalty Interests(18) | | 22,275 | 22,275 | 0.6% |
| | | | | — | — | —% |
| | | | | — | — | —% |
| Sudbury Mill CLO Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.97%)(11)(22) | 28,200 | 22,855 | 25,276 | 0.7% |
| | | | | 22,855 | 25,276 | 0.7% |
| Symphony CLO IX Ltd. | Cayman Islands / Diversified Financial Services | Preference Shares (Residual Interest, current yield 19.85%)(11)(22) | 45,500 | 36,408 | 42,520 | 1.1% |
| | | | | 36,408 | 42,520 | 1.1% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|---|-------------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Symphony CLO XIV Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 10.34%)(11)(22) | \$49,250 | \$50,503 | \$47,319 | 1.3% |
| | | | | 50,503 | 47,319 | 1.3% |
| Symphony CLO XV, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.20%)(11)(22) | 50,250 | 48,648 | 48,798 | 1.3% |
| | | | | 48,648 | 48,798 | 1.3% |
| System One Holdings, LLC | Pennsylvania / Business Services | Senior Secured Term Loan (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 11/17/2020)(3)(4) Delayed Draw Term Loan – \$11,500 Commitment (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/31/2015)(4)(25) | 68,146 | 68,146 | 68,146 | 1.8% |
| | | | — | — | — | —% |
| Targus Group International, Inc. | California / Durable Consumer Products | First Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor) plus 1.0% PIK, due 5/24/2016)(3)(4)(16) | 21,675 | 21,511 | 19,488 | 0.5% |
| | | | | 21,511 | 19,488 | 0.5% |
| TB Corp. | Texas / Hotels, Restaurants & Leisure | Senior Subordinated Note (12.00% plus 1.50% PIK, due 12/19/2018)(3) | 23,628 | 23,628 | 23,628 | 0.6% |
| | | | | 23,628 | 23,628 | 0.6% |
| Therakos, Inc. | New Jersey / Healthcare | Second Lien Term Loan (10.75% (LIBOR + 9.50% with 1.25% LIBOR floor), due 6/27/2018)(4)(16) | 13,000 | 12,784 | 13,000 | 0.4% |
| | | | | 12,784 | 13,000 | 0.4% |
| Tolt Solutions, Inc. | South Carolina / Business Services | Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) | 48,216 | 48,216 | 48,216 | 1.3% |
| | | | 48,900 | 48,900 | 48,900 | 1.3% |
| | | | | 97,116 | 97,116 | 2.6% |
| | | | 28,650 | 28,650 | 28,650 | 0.8% |

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| | | | | | | | |
|------------------------------------|--|---|---------|---------|---------|------|--|
| Traeger Pellet Grills LLC | Oregon / Durable Consumer Products | Senior Secured Term Loan A (6.50% (LIBOR + 4.50% with 2.00% LIBOR floor), due 6/18/2018)(3)(4) | | | | | |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due 6/18/2018)(3)(4) | 29,550 | 29,550 | 29,550 | 0.8% | |
| | | | | 58,200 | 58,200 | 1.6% | |
| Transaction Network Services, Inc. | Virginia / Telecommunication Services | Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 8/14/2020)(4)(16) | 5,000 | 4,977 | 5,000 | 0.1% | |
| | | | | 4,977 | 5,000 | 0.1% | |
| | | Revolving Line of Credit – \$10,000 Commitment (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 2/13/2015)(4)(25)(26) | — | — | — | —% | |
| Trinity Services Group, Inc.(14) | Florida / Food Products | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 8/13/2019)(4) | 99,255 | 99,255 | 99,255 | 2.7% | |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor), due 8/13/2019)(3)(4) | 100,000 | 100,000 | 100,000 | 2.7% | |
| | | | | 199,255 | 199,255 | 5.4% | |
| United Sporting Companies, Inc.(5) | South Carolina / Durable Consumer Products | Second Lien Term Loan (12.75% (LIBOR + 11.00% with 1.75% LIBOR floor), due 5/16/2018)(3)(4) | 160,000 | 160,000 | 154,525 | 4.2% | |
| | | | | 160,000 | 154,525 | 4.2% | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | | |
|--|---|--|-------------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| United States Environmental Services, LLC | Texas / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor) plus 2.00% default interest, due 3/31/2019)(3)(4) | \$23,550 | \$23,550 | \$20,976 | 0.6% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor) plus 2.00% default interest, due 3/31/2019)(3)(4) | 36,000 | 36,000 | 30,040 | 0.8% |
| Venio LLC | Pennsylvania / Business Services | Second Lien Term Loan (12.00% (LIBOR + 9.50% with 2.50% LIBOR floor), due 2/19/2020)(3)(4) | 17,000 | 17,000 | 16,950 | 0.5% |
| | | | | 17,000 | 16,950 | 0.5% |
| Voya CLO 2012-2, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 15.46%)(11)(22) | 38,070 | 30,179 | 34,126 | 0.9% |
| | | | | 30,179 | 34,126 | 0.9% |
| Voya CLO 2012-3, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 13.89%)(11)(22) | 46,632 | 37,954 | 41,796 | 1.1% |
| | | | | 37,954 | 41,796 | 1.1% |
| Voya CLO 2012-4, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 16.27%)(11)(22) | 40,613 | 33,791 | 38,204 | 1.0% |
| | | | | 33,791 | 38,204 | 1.0% |
| Voya CLO 2014-1, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 13.48%)(11)(22) | 32,383 | 30,521 | 31,848 | 0.9% |
| | | | | 22,600 | 20,073 | 21,468 |

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| | | | | | |
|---|--|---|-------------|-------------|--------|
| Washington Mill CLO Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.30%)(11)(22) | 20,073 | 21,468 | 0.6% |
| Water Pik, Inc. | Colorado / Personal & Nondurable Consumer Products | Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR floor), due 1/8/2021)(4)(16) | 8,773 | 8,773 | 0.2% |
| | | | 8,773 | 8,773 | 0.2% |
| Wheel Pros, LLC | Colorado / Business Services | Senior Subordinated Secured Note (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due 6/29/2020)(3)(4) | 12,000 | 12,000 | 0.3% |
| | | Delayed Draw Term Loan – \$3,000 Commitment (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due 12/30/2015)(4)(25) | — | — | —% |
| | | | 12,000 | 12,000 | 0.3% |
| Wind River Resources Corporation(39) | Utah / Oil & Gas Production | Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% default interest on principal and 16.00% default interest on past due interest, in non-accrual status effective 12/1/2008, past due)(4) | 3,000 | 3,000 | —% |
| | | Net Profits Interest (5% of Equity Distributions)(7) | — | — | —% |
| | | | 3,000 | — | —% |
| Total Non-Control/Non-Affiliate Investments (Level 3) | | | \$4,740,666 | \$4,753,718 | 128.2% |
| Total Level 3 Portfolio Investments | | | \$6,501,140 | \$6,523,573 | 176.0% |

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
 (in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | December 31, 2014 (Unaudited) | | |
|--|---------------------------|------------------------------|-------------------------------|-------------|------------------|
| | | | Principal Value | Cost | Fair Value(2) |
| LEVEL 1 PORTFOLIO INVESTMENTS | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | |
| Dover Saddlery, Inc. | Massachusetts / Retail | Common Stock (30,974 shares) | \$63 | \$150 | —% |
| | | | 63 | 150 | —% |
| Total Non-Control/Non-Affiliate Investments (Level 1) | | | \$63 | \$150 | —% |
| Total Non-Control/Non-Affiliate Investments | | | \$4,740,729 | \$4,753,868 | 128.2% |
| Total Portfolio Investments | | | \$6,501,203 | \$6,523,723 | 176.0% |

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|---|------------------------------------|---|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Control Investments (greater than 25.00% voting control)(49) | | | | | | |
| AMU Holdings Inc.(27) | Pennsylvania / Property Management | Senior Secured Term Loan A to Airmall Inc. (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 6/30/2015)(3)(4) | \$27,587 | \$27,587 | \$27,587 | 0.8% |
| | | Senior Secured Term Loan B to Airmall Inc. (12.00% plus 6.00% PIK, due 12/31/2015) | 19,993 | 19,993 | 17,697 | 0.5% |
| | | Series A Preferred Stock of AMU Holdings Inc. (9,919.684 shares) | | 9,920 | — | —% |
| | | Common Stock of AMU Holdings Inc. (100 shares) | | — | — | —% |
| APH Property Holdings, LLC(32) | Florida / Real Estate | Senior Term Loan to American Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 167,743 | 167,743 | 167,743 | 4.6% |
| | | Membership Interest in APH Property Holdings, LLC | | 35,024 | 38,416 | 1.1% |
| | | | | 202,767 | 206,159 | 5.7% |
| Arctic Oilfield Equipment USA, Inc.(30) | Wyoming / Oil & Gas Production | Senior Secured Term Loan to Arctic Energy Services, LLC (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor), due 5/5/2019)(4) | 31,640 | 31,640 | 31,640 | 0.9% |
| | | Senior Subordinated Term Loan to Arctic Energy Services, LLC (14.00% (LIBOR + 11.00% with 3.00% LIBOR floor), due 5/5/2019)(4) | 20,230 | 20,230 | 20,230 | 0.6% |
| | | Common Stock of Arctic Oilfield Equipment USA, Inc. (100 shares) | | 9,006 | 9,244 | 0.2% |
| | | | | 60,876 | 61,114 | 1.7% |
| ARRM Services, Inc.(42) | South Carolina / Manufacturing | Senior Secured Note to Ajax Rolled Ring & Machine, LLC (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 3/30/2018)(4) | 19,337 | 19,337 | 19,337 | 0.5% |
| | | Series B Preferred Stock of ARRM Services, Inc. (25,000 shares) | | 21,156 | 6,199 | 0.2% |
| | | Series A Convertible Preferred Stock of ARRM Services, Inc. (6,142.60 shares) | | 6,057 | — | —% |

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| | | | | | |
|---|---|--------|--------|-------|------|
| | Common Stock of ARRM Services, Inc. (6.00 shares) | — | — | —% | |
| | | 46,550 | 25,536 | 0.7% | |
| | Senior Secured Term Loan A to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 1,629 | 1,621 | 1,629 | 0.1% |
| | Senior Secured Term Loan B to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 4,942 | 4,917 | 486 | —% |
| | Senior Secured Term Loan C to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 2,395 | 2,383 | — | —% |
| BXC Company, Inc. (f/k/a BXC Holding Company)(20) | Georgia / Textiles, Apparel & Luxury Goods Senior Secured Term Loan D to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 4/18/2014, due 9/15/2015) | 301 | 300 | — | —% |
| | Senior Secured Term Loan to Boxercraft Incorporated (10.00% plus 1.00% PIK, in non-accrual status effective 1/1/2014, due 9/15/2015) | 8,410 | 8,227 | — | —% |
| | Series A Preferred Stock of BXC Company, Inc. (12,520,000 shares) | — | — | —% | |
| | Series B Preferred Stock of BXC Company, Inc. (2,400,000 shares) | — | — | —% | |
| | Common Stock of BXC Company, Inc. (138,250 shares) | — | — | —% | |
| | Warrant (to purchase 15% of all classes of equity of BXC Company, Inc., expires 8/31/2022) | — | — | —% | |
| | | 17,448 | 2,115 | 0.1% | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---------------------------------|--|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Control Investments (greater than 25.00% voting control)(49) | | | | | | |
| CCPI Holdings Inc.(33) | Ohio / Manufacturing | Senior Secured Term Loan A to CCPI Inc. (10.00%, due 12/31/2017)(3) | \$17,213 | \$17,213 | \$17,213 | 0.5% |
| | | Senior Secured Term Loan B to CCPI Inc. (12.00% plus 7.00% PIK, due 12/31/2017) | 8,245 | 8,245 | 8,245 | 0.2% |
| | | Common Stock of CCPI Holdings Inc. (100 shares) | | 8,579 | 7,136 | 0.2% |
| | | | | 34,037 | 32,594 | 0.9% |
| CP Holdings of Delaware LLC(38) | Oklahoma / Oil & Gas Production | Senior Secured Term Loan A to CP Well Testing, LLC (7.00% (LIBOR + 5.00% with 2.00% LIBOR floor), due 4/1/2019)(4) | 11,035 | 11,035 | 11,035 | 0.3% |
| | | Senior Secured Term Loan B to CP Well Testing, LLC (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor) plus 7.50% PIK, due 4/1/2019)(4) | 72,238 | 72,238 | 72,238 | 2.0% |
| | | Second Lien Term Loan to CP Well Testing, LLC (9.00% (LIBOR + 7.00% with 2.00% LIBOR floor) plus 9.00% PIK, due 4/1/2019)(4) | 15,000 | 15,000 | 15,000 | 0.4% |
| | | Membership Interest in CP Holdings of Delaware LLC | | 15,228 | 31,846 | 0.9% |
| Credit Central Holdings of Delaware, LLC(34) | Ohio / Consumer Finance | Subordinated Term Loan to Credit Central Loan Company, LLC (10.00% plus 10.00% PIK, due 6/26/2019)(22) | 36,333 | 36,333 | 36,333 | 1.0% |
| | | Membership Interest in Credit Central Holdings of Delaware, LLC(22) | | 13,670 | 14,099 | 0.4% |
| | | | | 50,003 | 50,432 | 1.4% |
| Echelon Aviation LLC | New York / Aerospace & Defense | Senior Secured Term Loan to Echelon Aviation LLC (11.75% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(4) | 78,521 | 78,521 | 78,521 | 2.2% |
| | | Membership Interest in Echelon Aviation LLC | | 14,107 | 14,107 | 0.4% |
| | | | | 92,628 | 92,628 | 2.6% |
| Energy Solutions Holdings Inc.(8) | Texas / Energy | Senior Secured Note to Vessel Company, LLC (18.00%, due | 3,500 | 3,500 | 3,500 | 0.1% |

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| | | 12/12/2016) | | | | |
|--|--------------------------------|---|---------|---------|---------|------|
| | | Senior Secured Note to Vessel Company II, LLC (13.00%, due 11/25/2018) | 13,000 | 12,504 | 12,504 | 0.4% |
| | | Senior Secured Note to Vessel Company III, LLC (13.00%, due 12/3/2018) | 16,000 | 16,000 | 16,000 | 0.4% |
| | | Senior Secured Note to Yatesville Coal Company, LLC (in non-accrual status effective 1/1/2009, past due) | 1,449 | 1,449 | — | —% |
| | | Common Stock of Energy Solutions Holdings Inc. (100 shares) | | 8,293 | — | —% |
| | | | | 41,746 | 32,004 | 0.9% |
| First Tower Holdings of Delaware LLC(29) | Mississippi / Consumer Finance | Subordinated Term Loan to First Tower, LLC (10.00% plus 7.00% PIK, due 6/24/2019)(22) | 251,246 | 251,246 | 251,246 | 6.9% |
| | | Membership Interest in First Tower Holdings of Delaware LLC(22) | | 68,405 | 75,539 | 2.1% |
| | | | | 319,651 | 326,785 | 9.0% |
| Gulf Coast Machine & Supply Company | Texas / Manufacturing | Senior Secured Term Loan to Gulf Coast Machine & Supply Company (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor) plus 2.00% default interest on principal, due 10/12/2017)(4) | 17,500 | 17,500 | 14,459 | 0.4% |
| | | Series A Convertible Preferred Stock of Gulf Coast Machine & Supply Company (99,900 shares) | | 25,950 | — | —% |
| | | | | 43,450 | 14,459 | 0.4% |

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|---|----------------------------------|--|-------------------------|-----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Control Investments (greater than 25.00% voting control)(49) | | | | | | |
| | | Senior Secured Term Loan A to Harbortouch Payments, LLC (9.00% (LIBOR + 7.00% with 2.00% LIBOR floor), due 9/30/2017)(4) | \$130,796 | \$130,796 | \$130,796 | 3.6% |
| Harbortouch Holdings of Delaware Inc.(43) | Pennsylvania / Business Services | Senior Secured Term Loan B to Harbortouch Payments, LLC (5.50% (LIBOR + 4.00% with 1.50% LIBOR floor) plus 5.50% PIK, due 3/31/2018)(4) | 137,226 | 137,226 | 137,226 | 3.8% |
| | | Common Stock of Harbortouch Holdings of Delaware Inc. (100 shares) | | 10,672 | 23,292 | 0.6% |
| | | | | 278,694 | 291,314 | 8.0% |
| | | Secured Promissory Notes to The Healing Staff, Inc. and Vets Securing America, Inc. (15.00%, in non-accrual status effective 12/22/2010, past due) | 1,688 | 1,686 | — | —% |
| The Healing Staff, Inc.(9) | North Carolina / Contracting | Senior Demand Note to The Healing Staff, Inc. (15.00%, in non-accrual status effective 11/1/2010, past due) | 1,170 | 1,170 | — | —% |
| | | Common Stock of The Healing Staff, Inc. (1,000 shares) | | — | — | —% |
| | | Common Stock of Vets Securing America, Inc. (1 share) | | 975 | — | —% |
| | | | | 3,831 | — | —% |
| Manx Energy, Inc.(6) | Kansas / Oil & Gas Production | Senior Secured Note to Manx Energy, Inc. (13.00%, in non-accrual status effective 1/19/2010, past due) | 50 | 50 | — | —% |
| | | Series A-1 Preferred Stock of Manx Energy, Inc. (6,635 shares) | | — | — | —% |
| | | Common Stock of Manx Energy, Inc. (17,082 shares) | | — | — | —% |
| | | | | 50 | — | —% |
| | | Revolving Line of Credit to MITY, Inc. — \$7,500 Commitment (9.50% (LIBOR + 7.00% with 2.50% LIBOR floor), due 12/23/2014)(4)(25)(26) | — | — | — | —% |
| MITY Holdings of Delaware Inc.(17) | Utah / Durable Consumer Products | Senior Secured Note A to MITY, Inc. (10.00% (LIBOR + 7.00% with 3.00% | 18,250 | 18,250 | 18,250 | 0.5% |

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| | | | | | | |
|--|-----------------------------------|--|---------|---------|---------|------|
| | | LIBOR floor), due 3/19/2019)(3)(4) Senior Secured Note B to MITY, Inc. (10.00% (LIBOR + 7.00% with 3.00% LIBOR floor) plus 10.00% PIK, due 3/19/2019)(4) | 15,769 | 15,769 | 15,769 | 0.4% |
| | | Common Stock of MITY Holdings of Delaware Inc. (100 shares) | | 14,143 | 15,270 | 0.4% |
| | | | | 48,162 | 49,289 | 1.3% |
| Nationwide Acceptance Holdings LLC(36) | Illinois / Consumer Finance | Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2019)(22) | 14,820 | 14,820 | 14,820 | 0.4% |
| | | Membership Interest in Nationwide Acceptance Holdings LLC(22) | | 14,331 | 15,103 | 0.4% |
| | | | | 29,151 | 29,923 | 0.8% |
| | | Senior Secured Note to NMMB, Inc. (14.00%, due 5/6/2016) | 3,714 | 3,714 | 2,183 | 0.1% |
| NMMB Holdings, Inc.(24) | New York / Media | Senior Secured Note to Armed Forces Communications, Inc. (14.00%, due 5/6/2016) | 7,000 | 7,000 | 4,114 | 0.1% |
| | | Series B Convertible Preferred Stock of NMMB Holdings, Inc. (8,086 shares) | | 8,086 | — | —% |
| | | Series A Preferred Stock of NMMB Holdings, Inc. (4,400 shares) | | 4,400 | — | —% |
| | | | | 23,200 | 6,297 | 0.2% |
| NPH Property Holdings, LLC(40) | Texas / Real Estate | Senior Term Loan to National Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 105,309 | 105,309 | 105,309 | 2.9% |
| | | Membership Interest in NPH Property Holdings, LLC | | 21,290 | 19,202 | 0.5% |
| | | | | 126,599 | 124,511 | 3.4% |

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|------------------------------|---|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Control Investments (greater than 25.00% voting control)(49) | | | | | | |
| R-V Industries, Inc. | Pennsylvania / Manufacturing | Senior Subordinated Note to R-V Industries, Inc. (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 6/12/2018)(3)(4) | \$30,411 | \$30,411 | \$30,411 | 0.8% |
| | | Common Stock of R-V Industries, Inc. (545,107 shares) | | 5,087 | 19,989 | 0.6% |
| | | Warrant (to purchase 200,000 shares of Common Stock of R-V Industries, expires 6/30/2017) | | 1,682 | 7,334 | 0.2% |
| | | | | 37,180 | 57,734 | 1.6% |
| | | Revolving Line of Credit to Borga, Inc. – \$1,150 Commitment (5.00% (PRIME + 1.75%), in non-accrual status effective 3/2/2010, past due)(4)(25) | 1,150 | 1,095 | 436 | —% |
| STI Holding, Inc.(21) | California / Manufacturing | Senior Secured Term Loan B to Borga, Inc. (8.50% (PRIME + 5.25%), in non-accrual status effective 3/2/2010, past due)(4) | 1,612 | 1,501 | — | —% |
| | | Senior Secured Term Loan C to Borga, Inc. (12.00% plus 4.00% PIK, in non-accrual status effective 3/2/2010, past due) | 10,016 | 581 | — | —% |
| | | Common Stock of STI Holding, Inc. (100 shares) | | — | — | —% |
| | | Warrant (to purchase 33,750 shares of Common Stock of Borga, Inc., expires 5/6/2015) | | — | — | —% |
| | | | | 3,177 | 436 | —% |
| UPH Property Holdings, LLC(41) | Georgia / Real Estate | Senior Term Loan to United Property REIT Corp. (6.00% (LIBOR + 4.00% with 2.00% LIBOR floor) plus 5.50% PIK, due 4/1/2019)(4) | 19,027 | 19,027 | 19,027 | 0.5% |
| | | Membership Interest in UPH Property Holdings, LLC | | 5,113 | 5,539 | 0.2% |
| Valley Electric Holdings I, Inc.(35) | Washington / Construction & | Senior Secured Note to Valley Electric Co. of Mt. Vernon, Inc. | 10,081 | 10,081 | 10,081 | 0.3% |

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| | | | | | | | |
|-------------------------------|---|--------|-------------|-------------|--|-------|--|
| Engineering | (8.00% (LIBOR + 5.00% with 3.00% LIBOR floor) plus 2.50% PIK, due 12/31/2017)(3)(4) | | | | | | |
| | Senior Secured Note to Valley Electric Company, Inc. (10.00% plus 8.5% PIK, due 12/31/2018) | 20,500 | 20,500 | 20,500 | | 0.6% | |
| | Common Stock of Valley Electric Holdings I, Inc. (100 shares) | | 26,279 | 2,975 | | —% | |
| | | | 56,860 | 33,556 | | 0.9% | |
| | Senior Secured Promissory Note to Wolf Energy, LLC secured by assets formerly owned by H&M (18.00%, in non-accrual status effective 4/15/2013, due 4/15/2018)(37) | | — | 3,386 | | 0.1% | |
| | Senior Secured Note to Appalachian Energy LLC (8.00%, in non-accrual status effective 1/19/2010, past due)(6) | 2,865 | 2,000 | — | | —% | |
| Wolf Energy Holdings Inc.(12) | Kansas / Oil & Gas Production Senior Secured Note to Appalachian Energy LLC (8.00%, in non-accrual status, past due)(6) | 56 | 50 | — | | —% | |
| | Senior Secured Note to Coalbed, LLC (8.00%, in non-accrual status effective 1/19/2010, past due)(6) | 8,595 | 5,991 | — | | —% | |
| | Common Stock of Wolf Energy Holdings Inc. (100 shares) | | — | — | | —% | |
| | Net Profits Interest in Wolf Energy, LLC (8% of Equity Distributions)(7) | | — | 213 | | —% | |
| | | | 8,041 | 3,599 | | 0.1% | |
| Total Control Investments | | | \$1,719,242 | \$1,640,454 | | 45.3% | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|---|--|---|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Affiliate Investments (5.00% to 24.99% voting control)(50) | | | | | | |
| | | Senior Secured Note (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 12/17/2017)(3)(4) | \$28,950 | \$28,950 | \$28,950 | 0.8% |
| BNN Holdings Corp. | Michigan / Healthcare | Series A Preferred Stock (9,925.455 shares)(13) | | 2,300 | 2,614 | 0.1% |
| | | Series B Preferred Stock (1,753.636 shares)(13) | | 579 | 557 | —% |
| | | | | 31,829 | 32,121 | 0.9% |
| Total Affiliate Investments | | | | \$31,829 | \$32,121 | 0.9% |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Aderant North America, Inc. | Georgia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 6/20/2019)(4)(16) | \$7,000 | \$6,914 | \$7,000 | 0.2% |
| | | | | 6,914 | 7,000 | 0.2% |
| Aircraft Fasteners International, LLC | California / Machinery | Class A Units (32,500 units) | | 396 | 505 | —% |
| | | | | 396 | 505 | —% |
| ALG USA Holdings, LLC | Pennsylvania / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 2/28/2020)(4)(16) | 12,000 | 11,792 | 12,000 | 0.3% |
| | | | | 11,792 | 12,000 | 0.3% |
| Allied Defense Group, Inc. | Virginia / Aerospace & Defense | Common Stock (10,000 shares) | | 5 | — | —% |
| | | | | 5 | — | —% |
| American Broadband Holding Company and Cameron Holdings of NC, Inc. | North Carolina / Telecommunication Services | Senior Secured Term Loan B (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4) | 74,654 | 74,654 | 74,654 | 2.1% |
| | | | | 74,654 | 74,654 | 2.1% |
| American Gilsonite Company | Utah / Metal Services & Minerals | Second Lien Term Loan (11.50%, due 9/1/2017)(16) | 38,500 | 38,500 | 38,500 | 1.1% |
| | | Membership Interest (99.9999%)(15) | | — | 3,477 | 0.1% |
| | | | | 38,500 | 41,977 | 1.2% |
| Apidos CLO IX | Cayman Islands / Diversified | Subordinated Notes (Residual Interest, current yield 18.84%)(11)(22) | 20,525 | 18,444 | 19,903 | 0.5% |

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| | | | | | | |
|--------------------------------|---|---|---------|---------|---------|------|
| | Financial Services | | 18,444 | 19,903 | 0.5% | |
| Apidos CLO XI | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.02%)(11)(22) | 38,340 | 33,937 | 37,087 | 1.0% |
| | | | | 33,937 | 37,087 | 1.0% |
| Apidos CLO XII | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.82%)(11)(22) | 44,063 | 42,042 | 42,499 | 1.2% |
| | | | | 42,042 | 42,499 | 1.2% |
| Apidos CLO XV | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.21%)(11)(22) | 36,515 | 37,038 | 36,715 | 1.0% |
| | | | | 37,038 | 36,715 | 1.0% |
| Arctic Glacier U.S.A., Inc. | Minnesota / Food Products | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 11/10/2019)(3)(4) | 150,000 | 150,000 | 150,000 | 4.1% |
| | | | | 150,000 | 150,000 | 4.1% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|--|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| | | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/8/2019)(4) | \$26,831 | \$26,831 | \$26,831 | 0.7% |
| Ark-La-Tex Wireline Services, LLC | Louisiana / Oil and Gas Production | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/8/2019)(4) | 26,831 | 26,831 | 26,831 | 0.7% |
| | | Delayed Draw Term Loan – \$5,000 Commitment (due 4/8/2019)(4)(25) | — | — | — | —% |
| | | | | 53,662 | 53,662 | 1.4% |
| Armor Holding II LLC | New York / Diversified Financial Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 12/26/2020)(3)(4)(16) | 7,000 | 6,874 | 6,874 | 0.2% |
| | | | | 6,874 | 6,874 | 0.2% |
| Atlantis Health Care Group (Puerto Rico), Inc. | Puerto Rico / Healthcare | Revolving Line of Credit – \$3,000 Commitment (13.00% (LIBOR + 11.00% with 2.00% LIBOR floor), due 8/21/2014)(4)(25)(26) | 2,350 | 2,350 | 2,350 | 0.1% |
| | | Senior Term Loan (10.00% (LIBOR + 8.00% with 2.00% LIBOR floor), due 2/21/2018)(3)(4) | 38,957 | 38,957 | 34,102 | 0.9% |
| | | | | 41,307 | 36,452 | 1.0% |
| Babson CLO Ltd. 2011-I | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 12.44%)(11)(22) | 35,000 | 33,591 | 33,801 | 0.9% |
| | | | | 33,591 | 33,801 | 0.9% |
| Babson CLO Ltd. 2012-I | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 13.35%)(11)(22) | 29,075 | 23,471 | 26,401 | 0.7% |
| | | | | 23,471 | 26,401 | 0.7% |
| Babson CLO Ltd. 2012-II | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 11.33%)(11)(22) | 27,850 | 26,764 | 27,230 | 0.8% |
| | | | | 26,764 | 27,230 | 0.8% |

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| | | | | | | |
|-----------------------------------|--|---|---------|---------|---------|------|
| Blue Coat Systems, Inc. | Massachusetts / Software & Computer Services | Second Lien Term Loan (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 6/28/2020)(3)(4)(16) | 11,000 | 10,902 | 11,000 | 0.3% |
| | | | | 10,902 | 11,000 | 0.3% |
| Broder Bros., Co. | Pennsylvania / Textiles, Apparel & Luxury Goods | Senior Secured Notes (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 4/8/2019)(3)(4)(46) | 257,575 | 257,575 | 257,575 | 7.1% |
| | | | | 257,575 | 257,575 | 7.1% |
| Brookside Mill CLO Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 19.62%)(11)(22) | 26,000 | 22,613 | 25,081 | 0.7% |
| | | | | 22,613 | 25,081 | 0.7% |
| Byrider Systems Acquisition Corp. | Indiana / Auto Finance | Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016)(3)(22) | 11,139 | 11,139 | 11,139 | 0.3% |
| | | | | 11,139 | 11,139 | 0.3% |
| Caleel + Hayden, LLC | Colorado / Personal & Nondurable Consumer Products | Membership Interest(31) Escrow Receivable | | — | 182 | —% |
| | | | | — | 118 | —% |
| | | | | — | 300 | —% |
| Capstone Logistics, LLC | Georgia / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.00% with 1.50% LIBOR floor), due 9/16/2016)(4) Senior Secured Term Loan B (11.50% (LIBOR + 10.00% with 1.50% LIBOR floor), due 9/16/2016)(3)(4) | 92,085 | 92,085 | 92,085 | 2.6% |
| | | | 98,465 | 98,465 | 98,465 | 2.7% |
| | | | | 190,550 | 190,550 | 5.3% |

See notes to consolidated financial statements.
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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|---|---|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Cent CLO 17 Limited | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 10.10%)(11)(22) | \$24,870 | \$21,999 | \$23,896 | 0.7% |
| | | | | 21,999 | 23,896 | 0.7% |
| Cent CLO 20 Limited | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 10.83%)(11)(22) | 40,275 | 40,483 | 40,259 | 1.1% |
| | | | | 40,483 | 40,259 | 1.1% |
| Cent CLO 21 Limited | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.47%)(11)(22) | 48,528 | 46,597 | 46,154 | 1.3% |
| | | | | 46,597 | 46,154 | 1.3% |
| CIFC Funding 2011-I, Ltd. | Cayman Islands / Diversified Financial Services | Class D Senior Secured Notes (5.23% (LIBOR + 5.00%, due 1/19/2023)(4)(22) | 19,000 | 15,304 | 18,037 | 0.5% |
| | | | Class E Subordinated Notes (7.23% (LIBOR + 7.00%, due 1/19/2023)(4)(22) | 15,400 | 12,814 | 15,162 |
| | | | | 28,118 | 33,199 | 0.9% |
| CIFC Funding 2013-III, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.01%)(11)(22) | 44,100 | 39,534 | 43,217 | 1.2% |
| | | | | 39,534 | 43,217 | 1.2% |
| CIFC Funding 2013-IV, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 12.52%)(11)(22) | 45,500 | 40,255 | 40,934 | 1.1% |
| | | | | 40,255 | 40,934 | 1.1% |
| Cinedigm DC Holdings, LLC | New York / Software & Computer Services | Senior Secured Term Loan (11.00% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(4) | 68,714 | 68,664 | 68,714 | 1.9% |
| | | | | 68,664 | 68,714 | 1.9% |
| The Copernicus Group, Inc. | North Carolina / Healthcare | Escrow Receivable | — | — | 115 | —% |
| | | | | — | — | 115 |

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| | | | | | | |
|---|--|---|--------|--------|--------|------|
| Correctional Healthcare Holding Company, Inc. | Colorado / Healthcare | Second Lien Term Loan (11.25%, due 1/11/2020)(3) | 27,100 | 27,100 | 27,642 | 0.8% |
| | | | | | | |
| Coverall North America, Inc. | Florida / Commercial Services | Senior Secured Term Loan (11.50% (LIBOR + 8.50% with 3.00% LIBOR floor), due 12/17/2017)(3)(4) | 51,210 | 51,210 | 51,210 | 1.4% |
| | | | | | | |
| Crosman Corporation | New York / Manufacturing | Second Lien Term Loan (12.00% (LIBOR + 10.50% with 1.50% LIBOR floor), due 12/30/2019)(3)(4) | 40,000 | 40,000 | 39,708 | 1.1% |
| | | | | | | |
| CRT MIDCO, LLC | Wisconsin / Media | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 6/30/2017)(3)(4) | 47,504 | 47,504 | 47,504 | 1.3% |
| | | | | | | |
| Deltek, Inc. | Virginia / Software & Computer Services | Second Lien Term Loan (10.00% (LIBOR + 8.75% with 1.25% LIBOR floor), due 10/10/2019)(3)(4)(16) | 12,000 | 11,852 | 12,000 | 0.3% |
| | | | | | | |
| Diamondback Operating, LP | Oklahoma / Oil & Gas Production | Net Profits Interest (15% of Equity Distributions)(7) | — | — | — | —% |
| | | | | | | |
| Edmentum, Inc. | Minnesota / Consumer Services | Second Lien Term Loan (11.25% (LIBOR + 9.75% with 1.50% LIBOR floor), due 5/17/2019)(3)(4)(16) | 50,000 | 48,439 | 50,000 | 1.4% |
| | | | | | | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|---|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Empire Today, LLC | Illinois / Durable Consumer Products | Senior Secured Note (11.375%, due 2/1/2017)(16) | \$15,700 | \$15,419 | \$15,700 | 0.4% |
| | | | | 15,419 | 15,700 | 0.4% |
| Fischbein, LLC | North Carolina / Machinery | Escrow Receivable | — | — | 116 | —% |
| | | | | — | 116 | —% |
| | | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 4/30/2019)(4) | 25,000 | 25,000 | 25,000 | 0.7% |
| Fleetwash, Inc. | New Jersey / Business Services | Senior Secured Term Loan B (10.50% (LIBOR + 9.50% with 1.00% LIBOR floor), due 4/30/2019)(4) | 25,000 | 25,000 | 25,000 | 0.7% |
| | | Delayed Draw Term Loan – \$15,000 Commitment (9.50% (LIBOR + 8.50% with 1.00% LIBOR floor), due 4/30/2019)(4)(25) | — | — | — | —% |
| | | | | 50,000 | 50,000 | 1.4% |
| Focus Brands, Inc. | Georgia / Consumer Services | Second Lien Term Loan (10.25% (LIBOR + 9.00% with 1.25% LIBOR floor), due 8/21/2018)(4)(16) | 18,000 | 17,776 | 18,000 | 0.5% |
| | | | | 17,776 | 18,000 | 0.5% |
| Focus Products Group International, LLC | Illinois / Durable Consumer Products | Senior Secured Term Loan (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 1/20/2017)(3)(4) | 20,297 | 20,297 | 19,886 | 0.5% |
| | | Common Stock (5,638 shares) | | 27 | — | —% |
| | | | | 20,324 | 19,886 | 0.5% |
| Galaxy XII CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 13.31%)(11)(22) | 22,000 | 19,498 | 20,449 | 0.6% |
| | | | | 19,498 | 20,449 | 0.6% |
| Galaxy XV CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.27%)(11)(22) | 35,025 | 29,777 | 31,824 | 0.9% |
| | | | | 29,777 | 31,824 | 0.9% |

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| | | | | | | |
|---|---|--|---------|---------|---------|------|
| Galaxy XVI CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 12.19%)(11)(22) | 22,575 | 20,790 | 20,573 | 0.6% |
| | | | | 20,790 | 20,573 | 0.6% |
| Galaxy XVII CLO, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.79%)(11)(22) | 39,905 | 36,811 | 36,589 | 1.0% |
| | | | | 36,811 | 36,589 | 1.0% |
| Global Employment Solutions, Inc. | Colorado / Business Services | Senior Secured Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/25/2019)(3)(4) | 28,464 | 28,464 | 28,464 | 0.8% |
| | | | | 28,464 | 28,464 | 0.8% |
| Grocery Outlet, Inc. | California / Retail | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 6/17/2019)(4)(16) | 14,457 | 14,168 | 14,457 | 0.4% |
| | | | | 14,168 | 14,457 | 0.4% |
| GTP Operations, LLC(10) | Texas / Software & Computer Services | Senior Secured Term Loan (10.00% (LIBOR + 5.00% with 5.00% LIBOR floor), due 12/11/2018)(3)(4) | 112,546 | 112,546 | 112,546 | 3.1% |
| | | | | 112,546 | 112,546 | 3.1% |
| Halcyon Loan Advisors Funding 2012-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 21.35%)(11)(22) | 23,188 | 20,600 | 22,570 | 0.6% |
| | | | | 20,600 | 22,570 | 0.6% |
| Halcyon Loan Advisors Funding 2013-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 18.49%)(11)(22) | 40,400 | 38,460 | 41,509 | 1.1% |
| | | | | 38,460 | 41,509 | 1.1% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|--|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Halcyon Loan Advisors Funding 2014-1 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.28%)(11)(22) | \$24,500 | \$23,471 | \$23,110 | 0.6% |
| | | | | 23,471 | 23,110 | 0.6% |
| Halcyon Loan Advisors Funding 2014-2 Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 16.06%)(11)(22) | 41,164 | 38,630 | 38,066 | 1.1% |
| | | | | 38,630 | 38,066 | 1.1% |
| Harley Marine Services, Inc. | Washington / Transportation | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 12/20/2019)(3)(4)(16) | 9,000 | 8,832 | 8,832 | 0.2% |
| | | | | 8,832 | 8,832 | 0.2% |
| ICON Health & Fitness, Inc. | Utah / Durable Consumer Products | Senior Secured Note (11.875%, due 10/15/2016)(16) | 21,850 | 22,005 | 20,889 | 0.6% |
| | | | | 22,005 | 20,889 | 0.6% |
| ICV-CSI Holdings, LLC | New York / Transportation | Common Equity (1.6 units) | | 1,639 | 2,079 | 0.1% |
| | | | | 1,639 | 2,079 | 0.1% |
| IDQ Holdings, Inc. | Texas / Automobile | Senior Secured Note (11.50%, due 4/1/2017)(16) | 12,500 | 12,344 | 12,500 | 0.3% |
| | | | | 12,344 | 12,500 | 0.3% |
| Ikaria, Inc. | New Jersey / Healthcare | Second Lien Term Loan (8.75% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2022)(4)(16) | 25,000 | 24,430 | 25,000 | 0.7% |
| | | | | 24,430 | 25,000 | 0.7% |
| Injured Workers Pharmacy, LLC | Massachusetts / Healthcare | Second Lien Term Loan (11.50% (LIBOR + 7.00% with 4.50% LIBOR floor) plus 1.00% PIK, due 5/31/2019)(3)(4) | 22,678 | 22,678 | 22,904 | 0.6% |
| | | | | 22,678 | 22,904 | 0.6% |
| Instant Web, LLC | Minnesota / Media | Senior Secured Term Loan A (5.50% (LIBOR + 4.50% with 1.00% LIBOR floor), due 3/28/2019)(4) Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR | 126,453 | 126,453 | 126,453 | 3.5% |
| | | | 128,000 | 128,000 | 128,000 | 3.6% |

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|--------------------|---------------------------|--|--------|---------|---------|------|--|
| | | floor), due 3/28/2019)(3)(4) | | | | | |
| | | Senior Secured Term Loan C (12.75% (LIBOR + 11.75% with 1.00% LIBOR floor), due 3/28/2019)(4) | 12,500 | 12,500 | 12,500 | 0.3% | |
| | | | | 266,953 | 266,953 | 7.4% | |
| | | Senior Secured Term Loan A (7.25% (LIBOR + 5.75% with 1.50% LIBOR floor), due 8/3/2017)(4) | 63,225 | 63,225 | 63,225 | 1.7% | |
| InterDent, Inc. | California / Healthcare | Senior Secured Term Loan B (12.25% (LIBOR + 9.25% with 3.00% LIBOR floor), due 8/3/2017)(3)(4) | 67,625 | 67,625 | 67,625 | 1.9% | |
| | | | | 130,850 | 130,850 | 3.6% | |
| JHH Holdings, Inc. | Texas / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor) plus 0.50% PIK, due 3/30/2019)(3)(4) | 35,119 | 35,119 | 35,119 | 1.0% | |
| | | | | 35,119 | 35,119 | 1.0% | |
| | | Revolving Line of Credit – \$5,000 Commitment (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 12/21/2014)(4)(25) | — | — | — | —% | |
| | | Senior Secured Term Loan A (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 36,094 | 36,094 | 36,094 | 1.0% | |
| LaserShip, Inc. | Virginia / Transportation | Senior Secured Term Loan B (10.25% (LIBOR + 8.25% with 2.00% LIBOR floor), due 3/18/2019)(3)(4) | 22,111 | 22,111 | 22,111 | 0.6% | |
| | | Delayed Draw Term Loan – \$6,000 Commitment (2.00%, due 12/31/2015)(4)(25) | — | — | — | —% | |
| | | | | 58,205 | 58,205 | 1.6% | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|--|-------------------------|----------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| LCM XIV Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 16.02%)(11)(22) | \$26,500 | \$24,914 | \$25,124 | 0.7% |
| | | | | 24,914 | 25,124 | 0.7% |
| LHC Holdings Corp. | Florida / Healthcare | Revolving Line of Credit – \$750 Commitment (8.50% (LIBOR + 6.00% with 2.50% LIBOR floor), due 5/31/2015)(4)(25)(26) | — | — | — | —% |
| | | Senior Subordinated Debt (10.50%, due 5/31/2015)(3) | 1,865 | 1,865 | 1,865 | 0.1% |
| | | Membership Interest (125 units) | | 216 | 253 | —% |
| | | | | 2,081 | 2,118 | 0.1% |
| Madison Park Funding IX, Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 12.97%)(11)(22) | 31,110 | 24,546 | 27,266 | 0.8% |
| | | | | 24,546 | 27,266 | 0.8% |
| Matrixx Initiatives, Inc. | New Jersey / Pharmaceuticals | Senior Secured Term Loan A (7.50% (LIBOR + 6.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(4) | 38,319 | 38,319 | 36,839 | 1.0% |
| | | Senior Secured Term Loan B (12.50% (LIBOR + 11.00% with 1.50% LIBOR floor), due 8/9/2018)(3)(4) | 39,750 | 39,750 | 36,851 | 1.0% |
| Maverick Healthcare Equity, LLC | Arizona / Healthcare | Preferred Units (1,250,000 units) | | 78,069 | 73,690 | 2.0% |
| | | Class A Common Units (1,250,000 units) | | 1,252 | 821 | —% |
| | | | | 1,252 | 821 | —% |
| Mountain View CLO 2013-I Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 15.64%)(11)(22) | 43,650 | 40,754 | 43,555 | 1.2% |
| | | | | 40,754 | 43,555 | 1.2% |
| NCP Finance Limited Partnership(23) | Ohio / Consumer Finance | Subordinated Secured Term Loan (11.00% (LIBOR + 9.75% with 1.25% LIBOR floor), due 9/30/2018)(3)(4)(16)(22) | 11,910 | 11,692 | 12,208 | 0.3% |

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| | | | | | | |
|---|--|--|--------|--------|--------|------|
| | | | | 11,692 | 12,208 | 0.3% |
| | | Senior Subordinated Term Loan (12.00% (LIBOR + 10.00% with 2.00% LIBOR floor) plus 4.00% PIK, in non-accrual status effective 4/1/2014, due 2/3/2018)(4) | 44,000 | 44,000 | — | —% |
| New Century Transportation, Inc. | New Jersey / Transportation | | | 44,000 | — | —% |
| | | | | 44,000 | — | —% |
| Nixon, Inc. | California / Durable Consumer Products | Senior Secured Term Loan (8.75% plus 2.75% PIK, due 4/16/2018)(16) | 13,532 | 13,316 | 13,316 | 0.4% |
| | | | | 13,316 | 13,316 | 0.4% |
| NRG Manufacturing, Inc. | Texas / Manufacturing | Escrow Receivable | | — | 1,110 | —% |
| | | | | — | 1,110 | —% |
| Octagon Investment Partners XV, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 20.60%)(11)(22) | 26,901 | 24,338 | 26,732 | 0.7% |
| | | | | 24,338 | 26,732 | 0.7% |
| Onyx Payments(44) | Texas / Diversified Financial Services | Senior Secured Term Loan A (6.75% (LIBOR + 5.50% with 1.25% LIBOR floor), due 4/18/2018)(4) Senior Secured Term Loan B (13.75% (LIBOR + 12.50% with 1.25% LIBOR floor), due 4/18/2018)(4) | 15,125 | 15,125 | 15,125 | 0.4% |
| | | | | 15,938 | 15,938 | 0.4% |
| | | | | 31,063 | 31,063 | 0.8% |
| Pelican Products, Inc. | California / Durable Consumer Products | Second Lien Term Loan (9.25% (LIBOR + 8.25% with 1.00% LIBOR floor), due 4/9/2021)(4)(16) | 17,500 | 17,482 | 17,500 | 0.5% |
| | | | | 17,482 | 17,500 | 0.5% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets | |
|--|--|--|---|--|---------------|-----------------|--------|
| | | | Principal Value | Cost | Fair Value(2) | | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | | |
| Photonis Technologies SAS | France / Aerospace & Defense | First Lien Term Loan (8.50% (LIBOR + 7.50% with 1.00% LIBOR floor), due 9/18/2019)(4)(16)(22) | \$10,448 | \$10,170 | \$10,339 | 0.3% | |
| | | | | 10,170 | 10,339 | 0.3% | |
| Pinnacle (US) Acquisition Co. Limited | Texas / Software & Computer Services | Second Lien Term Loan (10.50% (LIBOR + 9.25% with 1.25% LIBOR floor), due 8/3/2020)(4)(16) | 10,000 | 9,833 | 10,000 | 0.3% | |
| | | | | 9,833 | 10,000 | 0.3% | |
| | | | | | | | |
| PrimeSport, Inc. | Georgia / Hotels, Restaurants & Leisure | Revolving Line of Credit – \$15,000 Commitment (10.00% (LIBOR + 9.50% with 0.50% LIBOR floor), due 6/30/2015)(4)(25)(26) | — | — | — | —% | |
| | | | Senior Secured Term Loan A (7.50% (LIBOR + 6.50% with 1.00% LIBOR floor), due 12/23/2019)(3)(4) | 43,263 | 43,263 | 43,263 | 1.2% |
| | | | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor) plus 1.00% PIK, due 12/23/2019)(3)(4) | 43,700 | 43,700 | 43,700 |
| | | | | | 86,963 | 86,963 | 2.4% |
| Prince Mineral Holding Corp. | New York / Metal Services & Minerals | Senior Secured Term Loan (11.50%, due 12/15/2019)(16) | 10,000 | 9,902 | 10,000 | 0.3% | |
| | | | | 9,902 | 10,000 | 0.3% | |
| Progrexion Holdings, Inc.(28) | Utah / Consumer Services | Senior Secured Term Loan (10.50% (LIBOR + 8.50% with 2.00% LIBOR floor), due 9/14/2017)(3)(4) | 436,647 | 436,647 | 436,647 | 12.1% | |
| | | | | 436,647 | 436,647 | 12.1% | |
| Rocket Software, Inc. | Massachusetts / Software & Computer Services | Second Lien Term Loan (10.25% (LIBOR + 8.75% with 1.50% LIBOR floor), due 2/8/2019)(3)(4)(16) | 20,000 | 19,758 | 20,000 | 0.6% | |
| | | | | 19,758 | 20,000 | 0.6% | |
| Royal Adhesives & Sealants, LLC | Indiana / Chemicals | Second Lien Term Loan (9.75% (LIBOR + 8.50% with 1.25% LIBOR floor), due 1/31/2019)(4)(16) | 20,000 | 19,648 | 19,713 | 0.5% | |
| | | | | 19,648 | 19,713 | 0.5% | |

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| | | | | | | |
|---|---|---|--------|--------|--------|------|
| Ryan, LLC | Texas / Business Services | Subordinated Unsecured Notes (12.00% (LIBOR + 9.00% with 3.00% LIBOR floor) plus 3.00% PIK, due 6/30/2018)(4) | 70,531 | 70,531 | 70,531 | 1.9% |
| | | | | 70,531 | 70,531 | 1.9% |
| Sandow Media, LLC | Florida / Media | Senior Secured Term Loan (12.00%, due 5/8/2018)(3) | 25,081 | 25,081 | 23,524 | 0.7% |
| | | | | 25,081 | 23,524 | 0.7% |
| Small Business Whole Loan Portfolio(19) | New York / Diversified Financial Services | 144 small business loans purchased from On Deck Capital, Inc. | 4,637 | 4,637 | 4,252 | 0.1% |
| | | | | 4,637 | 4,252 | 0.1% |
| Snacks Parent Corporation | Minnesota / Food Products | Series A Preferred Stock (4,021.45 shares) | | — | — | —% |
| | | Series B Preferred Stock (1,866.10 shares) | | — | — | —% |
| | | Warrant (to purchase 31,196.52 shares of Common Stock, expires 11/12/2020) | | 591 | 1,819 | 0.1% |
| | | | | 591 | 1,819 | 0.1% |
| Spartan Energy Services, Inc. | Louisiana / Energy | Senior Secured Term Loan (10.50% (LIBOR + 9.00% with 1.50% LIBOR floor), due 12/28/2017)(3)(4) | 35,633 | 35,633 | 35,633 | 1.0% |
| | | | | 35,633 | 35,633 | 1.0% |
| Speedy Group Holdings Corp. | Canada / Consumer Finance | Senior Unsecured Notes (12.00%, due 11/15/2017)(16)(22) | 15,000 | 15,000 | 15,000 | 0.4% |
| | | | | 15,000 | 15,000 | 0.4% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|--|---|-------------------------|--------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Sport Helmets Holdings, LLC | New York / Personal & Nondurable Consumer Products | Escrow Receivable | \$— | \$ 130 | \$ 130 | —% |
| | | | — | 130 | 130 | —% |
| Stauber Performance Ingredients, Inc. | California / Food Products | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 1/21/2016)(3)(4) | \$ 12,809 | 12,809 | 12,809 | 0.4% |
| | | Senior Secured Term Loan (10.50% (LIBOR + 7.50% with 3.00% LIBOR floor), due 5/21/2017)(3)(4) | 9,975 | 9,975 | 9,975 | 0.3% |
| | | | | 22,784 | 22,784 | 0.7% |
| Stryker Energy, LLC | Ohio / Oil & Gas Production | Subordinated Secured Revolving Credit Facility – \$50,300 Commitment (12.25% (LIBOR + 10.75% with 1.50% LIBOR floor) plus 3.75% PIK, in non-accrual status effective 12/1/2011, due 12/1/2015)(4)(25) | 36,080 | 32,710 | — | —% |
| | | Overriding Royalty Interests(18) | | — | — | —% |
| | | | | 32,710 | — | —% |
| Sudbury Mill CLO Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 16.25%)(11)(22) | 28,200 | 26,914 | 26,140 | 0.7% |
| | | | | 26,914 | 26,140 | 0.7% |
| Symphony CLO IX Ltd. | Cayman Islands / Diversified Financial Services | Preference Shares (Residual Interest, current yield 19.76%)(11)(22) | 45,500 | 37,734 | 44,294 | 1.2% |
| | | | | 37,734 | 44,294 | 1.2% |
| Symphony CLO XIV Ltd. | Cayman Islands / Diversified Financial Services | Subordinated Notes (Residual Interest, current yield 14.03%)(11)(22) | 49,250 | 49,858 | 49,025 | 1.4% |
| | | | | 49,858 | 49,025 | 1.4% |
| System One Holdings, LLC | Pennsylvania / Business | Senior Secured Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR | 44,646 | 44,646 | 44,646 | 1.2% |

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| | | | | | | |
|----------------------------------|--|---|--------|--------|--------|------|
| | Services | floor), due 12/31/2018)(3)(4) | | 44,646 | 44,646 | 1.2% |
| Targus Group International, Inc. | California / Durable Consumer Products | First Lien Term Loan (11.00% (LIBOR + 9.50% with 1.50% LIBOR floor) plus 1.0% PIK, due 5/24/2016)(3)(4)(16) | 21,911 | 21,697 | 19,949 | 0.6% |
| | | | | 21,697 | 19,949 | 0.6% |
| TB Corp. | Texas / Hotels, Restaurants & Leisure | Senior Subordinated Note (12.00% plus 1.50% PIK, due 12/19/2018)(3) | 23,628 | 23,628 | 23,628 | 0.7% |
| | | | | 23,628 | 23,628 | 0.7% |
| Tectum Holdings, Inc. | Michigan / Automobile | Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 3/12/2019)(4)(16) | 10,000 | 9,952 | 9,952 | 0.3% |
| | | | | 9,952 | 9,952 | 0.3% |
| Therakos, Inc. | New Jersey / Healthcare | Second Lien Term Loan (11.25% (LIBOR + 10.00% with 1.25% LIBOR floor), due 6/27/2018)(4)(16) | 13,000 | 12,762 | 13,000 | 0.4% |
| | | | | 12,762 | 13,000 | 0.4% |
| Tolt Solutions, Inc. | South Carolina / Business Services | Senior Secured Term Loan A (7.00% (LIBOR + 6.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) | 48,705 | 48,705 | 48,705 | 1.3% |
| | | Senior Secured Term Loan B (12.00% (LIBOR + 11.00% with 1.00% LIBOR floor), due 3/7/2019)(3)(4) | 48,900 | 48,900 | 48,900 | 1.4% |
| | | | | 97,605 | 97,605 | 2.7% |
| Traeger Pellet Grills LLC | Oregon / Durable Consumer Products | Senior Secured Term Loan A (6.50% (LIBOR + 4.50% with 2.00% LIBOR floor), due 6/18/2018)(3)(4) | 29,100 | 29,100 | 29,100 | 0.8% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 9.50% with 2.00% LIBOR floor), due 6/18/2018)(3)(4) | 29,700 | 29,700 | 29,700 | 0.8% |
| | | | | 58,800 | 58,800 | 1.6% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | % of Net Assets |
|--|---|--|-------------------------|---------|---------------|-----------------|
| | | | Principal Value | Cost | Fair Value(2) | |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Network Services, Inc. | Virginia / Telecommunication Services | Second Lien Term Loan (9.00% (LIBOR + 8.00% with 1.00% LIBOR floor), due 8/14/2020)(4)(16) | \$5,000 | \$4,976 | \$5,000 | 0.1% |
| | | | | 4,976 | 5,000 | 0.1% |
| TriMark USA, LLC | Massachusetts / Hotels, Restaurants & Leisure | Second Lien Term Loan (10.00% (LIBOR + 9.00% with 1.00% LIBOR floor), due 8/11/2019)(4)(16) | 10,000 | 9,810 | 9,810 | 0.3% |
| | | | | 9,810 | 9,810 | 0.3% |
| United Sporting Companies, Inc.(5) | South Carolina / Durable Consumer Products | Second Lien Term Loan (12.75% (LIBOR + 11.00% with 1.75% LIBOR floor), due 5/16/2018)(3)(4) | 160,000 | 160,000 | 160,000 | 4.4% |
| | | | | 160,000 | 160,000 | 4.4% |
| United States Environmental Services, LLC | Texas / Commercial Services | Senior Secured Term Loan A (6.50% (LIBOR + 5.50% with 1.00% LIBOR floor), due 3/31/2019)(3)(4) | 23,850 | 23,850 | 23,850 | 0.7% |
| | | Senior Secured Term Loan B (11.50% (LIBOR + 10.50% with 1.00% LIBOR floor), due 3/31/2019)(3)(4) | 36,000 | 36,000 | 36,000 | 1.0% |
| | | | | 59,850 | 59,850 | 1.7% |
| Venio LLC | Pennsylvania / Business Services | Second Lien Term Loan (12.00% (LIBOR + 9.50% with 2.50% LIBOR floor), due 2/19/2020)(3)(4) | 17,000 | 17,000 | 16,726 | 0.5% |
| | | | | 17,000 | 16,726 | 0.5% |
| Voya CLO 2012-2, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 14.69%)(11)(22) | 38,070 | 31,058 | 35,843 | 1.0% |
| | | | | 31,058 | 35,843 | 1.0% |
| Voya CLO 2012-3, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 12.97%)(11)(22) | 46,632 | 39,368 | 43,960 | 1.2% |
| | | | | 39,368 | 43,960 | 1.2% |
| Voya CLO 2012-4, Ltd. | Cayman Islands / Diversified Financial Services | Income Notes (Residual Interest, current yield 15.28%)(11)(22) | 40,613 | 34,941 | 39,647 | 1.1% |
| | | | | 34,941 | 39,647 | 1.1% |
| Voya CLO 2014-1, Ltd. | Cayman Islands / Diversified | Subordinated Notes (Residual Interest, current yield | 32,383 | 33,825 | 32,949 | 0.9% |

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| | | | | | | |
|-----------------------------|-------------------------------------|--|--------|--------|--------|------|
| | Financial Services | 14.49%(11)(22) | | 33,825 | 32,949 | 0.9% |
| Washington Mill CLO Ltd. | Cayman Islands / Diversified | Subordinated Notes (Residual Interest, current yield | 22,600 | 21,601 | 21,583 | 0.6% |
| | Financial Services | 17.43%(11)(22) | | 21,601 | 21,583 | 0.6% |
| Water Pik, Inc. | Colorado / Personal & Nondurable | Second Lien Term Loan (9.75% (LIBOR + 8.75% with 1.00% LIBOR | 11,000 | 10,604 | 10,604 | 0.3% |
| | Consumer Products | floor), due 1/8/2021)(4)(16) | | 10,604 | 10,604 | 0.3% |
| Wheel Pros, LLC | | Senior Subordinated Secured Note (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due | 12,000 | 12,000 | 12,000 | 0.3% |
| | Colorado / Business Services | 6/29/2020)(4) Delayed Draw Term Loan – \$3,000 Commitment (11.00% (LIBOR + 7.00% with 4.00% LIBOR floor), due | — | — | — | —% |
| | | 12/30/2015)(4)(25) | | 12,000 | 12,000 | 0.3% |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
(in thousands, except share data)

| Portfolio Company | Locale / Industry | Investments(1) | June 30, 2014 (Audited) | | | |
|--|--------------------------------|--|-------------------------|-------------|------------------|--------------------|
| | | | Principal Value | Cost | Fair Value(2) | % of Net Assets |
| LEVEL 3 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Wind River Resources Corporation(39) | Utah / Oil & Gas Production | Senior Secured Note (13.00% (LIBOR + 7.50% with 5.50% LIBOR floor) plus 3.00% default interest on principal and 16.00% default interest on past due interest, in non-accrual status effective 12/1/2008, past due)(4) | 15,000 | 14,650 | — | —% |
| | | Net Profits Interest (5% of Equity Distributions)(7) | — | — | — | —% |
| | | | — | — | — | —% |
| | | | 14,650 | — | — | —% |
| Total Non-Control/Non-Affiliate Investments (Level 3) | | | \$4,620,388 | \$4,580,996 | 126.6% | |
| Total Level 3 Portfolio Investments | | | \$6,371,459 | \$6,253,571 | 172.8% | |
| LEVEL 1 PORTFOLIO INVESTMENTS | | | | | | |
| Non-Control/Non-Affiliate Investments (less than 5.00% voting control) | | | | | | |
| Dover Saddlery, Inc. | Massachusetts / Retail | Common Stock (30,974 shares) | \$63 | \$168 | —% | |
| | | | 63 | 168 | —% | |
| Total Non-Control/Non-Affiliate Investments (Level 1) | | | \$63 | \$168 | —% | |
| Total Non-Control/Non-Affiliate Investments | | | \$4,620,451 | \$4,581,164 | 126.6% | |
| Total Portfolio Investments | | | \$6,371,522 | \$6,253,739 | 172.8% | |

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited)

The terms “Prospect,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise. The securities in which Prospect has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These securities may be resold only in transactions that are exempt from registration under the Securities Act.

Fair value is determined by or under the direction of our Board of Directors. As of December 31, 2014 and June 30, 2014, one of our portfolio investments, Dover Saddlery, Inc., was publicly traded and classified as Level 1 within the valuation hierarchy established by ASC 820, Fair Value Measurement (“ASC 820”). As of December 31, 2014 and June 30, 2014, the fair value of our remaining portfolio investments was determined using significant unobservable inputs. ASC 820 classifies such inputs used to measure fair value as Level 3 within the valuation hierarchy. See Notes 2 and 3 within the accompanying notes to consolidated financial statements for further discussion.

Security, or a portion thereof, is held by Prospect Capital Funding LLC (“PCF”), our wholly-owned subsidiary and a bankruptcy remote special purpose entity, and is pledged as collateral for the Revolving Credit Facility and such security is not available as collateral to our general creditors (see Note 4). The fair values of these investments held by PCF at December 31, 2014 and June 30, 2014 were \$1,616,152 and \$1,500,897, respectively; they represent 24.8% and 24.0% of our total investments, respectively.

Security, or a portion thereof, has a floating interest rate which may be subject to a LIBOR or PRIME floor. Stated interest rate was in effect at December 31, 2014 and June 30, 2014.

Ellett Brothers, LLC, Evans Sports, Inc., Jerry’s Sports, Inc., Simmons Gun Specialties, Inc., Bonitz Brothers, Inc., and Outdoor Sports Headquarters, Inc. are joint borrowers on the second lien term loan. United Sporting Companies, Inc. is a parent guarantor of this debt investment.

On January 19, 2010, we modified the terms of our senior secured debt in Appalachian Energy Holdings, LLC (“AEH”) and Coalbed, LLC (“Coalbed”) in conjunction with the formation of Manx Energy, Inc. (“Manx”), a new entity consisting of the assets of AEH, Coalbed and Kinley Exploration. The assets of the three companies were brought under new common management. We funded \$2,800 at closing to Manx to provide for working capital. As part of the Manx roll-up, our loans to AEH and Coalbed were assigned to Manx and a portion of the debt was exchanged for Manx preferred equity, while our AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring. On June 30, 2012, Manx returned the investments in Coalbed and AEH to us and we contributed these investments to Wolf Energy Holdings Inc. (“Wolf Energy Holdings”), a newly-formed, separately owned holding company. During the three months ended June 30, 2013, we determined that the impairment of Manx was other-than-temporary and recorded a realized loss of \$9,397 for the amount that the amortized cost exceeded the fair value, reducing the amortized cost to \$500. As of June 30, 2014, Prospect owned 41% of the equity of Manx. During the three months ended December 31, 2014, Manx was dissolved and we recorded a realized loss of \$50, reducing the amortized cost to zero.

In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.

During the quarter ended December 31, 2011, our ownership of Change Clean Energy Holdings, LLC, Change Clean Energy, LLC, Freedom Marine Services Holdings, LLC (“Freedom Marine”), and Yatesville Coal Holdings, LLC was transferred to Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings, Inc.) (“Energy Solutions”) to consolidate all of our energy holdings under one management team. We own 100% of Energy Solutions. On December 28, 2011, we made a \$3,500 debt investment in Vessel Holdings, LLC, a subsidiary of Freedom Marine. On November 25, 2013, we provided \$13,000 in senior secured debt financing for the recapitalization of our investment in Jettco Marine Services, LLC (“Jettco”), a subsidiary of Freedom Marine. The subordinated secured loan to Jettco was replaced with a senior secured note to Vessel Holdings II, LLC, a new subsidiary of Freedom Marine. On December 3, 2013, we made a \$16,000 senior secured investment in Vessel

Holdings III, LLC, another new subsidiary of Freedom Marine. On June 4, 2014, Gas Solutions GP LLC and Gas Solutions LP LLC, two subsidiaries of Energy Solutions, merged with and into Freedom Marine, with Freedom Marine as the surviving entity. In June 2014, Freedom Marine Services Holdings, LLC was renamed Freedom Marine Solutions, LLC; Vessel Holdings, LLC was renamed Vessel Company, LLC; Vessel Holdings II, LLC was renamed Vessel Company II, LLC; Vessel Holdings III, LLC was renamed Vessel Company III, LLC; Yatesville Coal Holdings, LLC was renamed Yatesville Coal Company, LLC; and Change Clean Energy Holdings, LLC was renamed Change Clean Energy Company, LLC. On July 1, 2014, we began consolidating Energy Solutions and as a result, we began reporting our investments in Change Clean Energy Company, LLC, Freedom Marine Solutions, LLC and Yatesville Coal Company, LLC as separate controlled companies. During the three months ended December 31, 2014, we determined that the impairments of Change Clean Energy Company, LLC and Yatesville Coal Company, LLC were other-than-temporary and recorded a realized loss of \$1,449, reducing the amortized cost to zero.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(9) We own 100% of the equity of The Healing Staff, Inc. (“THS”) and 100% of the equity of Vets Securing America, Inc., which is operated by THS management.

(10) GTP Operations, LLC, Transplace, LLC, CI (Transplace) International, LLC, Transplace Freight Services, LLC, Transplace Texas, LP, Transplace Stuttgart, LP, Transplace International, Inc., Celtic International, LLC, and Treetop Merger Sub, LLC are joint borrowers on the senior secured term loan.

(11) The CLO equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield is based on the current projections of this excess cash flow taking into account assumptions which have been made regarding expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.

(12) Wolf Energy Holdings, an entity in which we own 100% of the common stock, owns 100% of the equity of Wolf Energy, LLC (“Wolf Energy”). Effective June 30, 2012, the membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx, were assigned to Wolf Energy Holdings. Effective June 6, 2014, Appalachian Energy Holdings, LLC was renamed Appalachian Energy LLC. On July 1, 2014, we began consolidating Wolf Energy Holdings and as a result, we began reporting our investments in Appalachian Energy LLC, Coalbed, LLC and Wolf Energy, LLC as separate controlled companies. During the three months ended September 30, 2014, we determined that the impairment of Appalachian Energy LLC was other-than-temporary and recorded a realized loss of \$2,041, reducing the amortized cost to zero. On November 21, 2014, Coalbed merged with and into Wolf Energy, with Wolf Energy as the surviving entity. During the three months ended December 31, 2014, we determined that the impairment of the Coalbed debt assumed by Wolf Energy was other-than-temporary and recorded a realized loss of \$5,991, reducing the amortized cost to zero.

(13) On a fully diluted basis represents 10.00% of voting common shares.

(14) Trinity Services Group, Inc. and Trinity Services I, LLC are joint borrowers on the senior secured loan facility.

(15) We own 99.9999% of AGC/PEP, LLC. AGC/PEP, LLC owns 2,037.65 out of a total of 83,818.69 shares (including 5,111 vested and unvested management options) of American Gilsonite Holding Company which owns 100% of American Gilsonite Company.

(16) Syndicated investment which was originated by a financial institution and broadly distributed.

(17) MITY Holdings of Delaware Inc. (“MITY Delaware”), an entity in which we own 100% of the common stock, owns 94.99% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) (“MITY”). MITY owns 100% of each of MITY-Lite, Inc.; Broda Enterprises USA, Inc.; and Broda Enterprises ULC (“Broda Canada”). On June 23, 2014, Prospect made a new \$15,769 debt investment in MITY and MITY distributed proceeds to MITY Delaware as a return of capital. MITY Delaware used this distribution to pay down the senior secured debt of MITY Delaware to Prospect by the same amount. The remaining amount of the senior secured debt due from MITY Delaware to Prospect, \$7,200, was then contributed to the capital of MITY Delaware. As a result of this transaction, Prospect held the \$15,769 MITY note. Effective June 23, 2014, Mity Enterprises, Inc. was renamed MITY, Inc. and Broda Enterprises USA, Inc. was renamed Broda USA, Inc. On June 23, 2014, Prospect also extended a new \$7,500 senior secured revolving facility to MITY, of which none was funded at closing. On July 1, 2014, we began consolidating MITY Delaware and as a result, we now report MITY, Inc. as a separate controlled company. MITY Delaware has a subordinated unsecured note issued and outstanding to Broda Canada that is denominated in Canadian Dollars (CAD). As of December 31, 2014, the principal balance of this note was CAD 7,371. In accordance with ASC 830, Foreign Currency Matters (“ASC 830”), this note was remeasured into our functional currency, US Dollars (USD), and is presented on our Consolidated Schedule of Investments in USD.

- (18) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower. Our wholly-owned subsidiary Prospect Small Business Lending, LLC purchases small business whole loans on a
- (19) recurring basis from online small business loan originators, including On Deck Capital, Inc. and Direct Capital Corporation.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

- (20) Boxercraft Incorporated (“Boxercraft”) and BXC Company, Inc. (f/k/a BXC Holding Company) (“BXC”) are joint borrowers on our senior secured investments. Effective as of March 28, 2014, we acquired voting control of BXC pursuant to a voting agreement and irrevocable proxy. Effective May 8, 2014, we acquired control of BXC by transferring shares held by the other equity holders of BXC to us pursuant to an assignment agreement entered into with such other equity holders. As of June 30, 2014, we owned 86.7% of Series A preferred stock, 96.8% of Series B preferred stock, and 83.1% of the fully-diluted common stock of BXC. BXC owned 100% of the common stock of Boxercraft. We owned a warrant to purchase 15% of all classes of equity of BXC, which consisted of 3,755,000 shares of Series A preferred stock, 625,000 shares of Series B preferred stock, and 43,800 shares of voting common stock as of June 30, 2014. On August 25, 2014, we sold Boxercraft, a wholly-owned subsidiary of BXC, for net proceeds of \$750 and realized a net loss of \$16,949 on the sale.
- (21) We owned warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation (“Metal Buildings”), the former holding company of Borga, Inc. (“Borga”). Metal Buildings owned 100% of Borga. On March 8, 2010, we foreclosed on the stock in Borga that was held by Metal Buildings, obtaining 100% ownership of Borga. On January 24, 2014, we contributed our holdings in Borga to STI Holding, Inc. (“STI”), a wholly-owned holding company. On July 1, 2014, we began consolidating STI and as a result, we reported Borga, Inc. as a separate controlled company from July 1, 2014 until its sale on August 20, 2014. On August 20, 2014, we sold the assets of Borga, a wholly-owned subsidiary of STI, for net proceeds of \$382 and realized a loss of \$2,589 on the sale. On December 29, 2014, Borga was dissolved.
- (22) Investment has been designated as an investment not “qualifying” under Section 55(a) of the Investment Company Act of 1940 (the “1940 Act”). Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. We monitor the status of these assets on an ongoing basis.
- (23) NCP Finance Limited Partnership, NCP Finance Ohio, LLC and certain affiliates thereof, are joint borrowers on the subordinated secured term loan.
- (24) On May 6, 2011, we made a secured first lien \$24,250 debt investment to NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) (“NMMB”), a \$2,800 secured debt and \$4,400 equity investment to NMMB Holdings, Inc. (“NMMB Holdings”). We owned 100% of the Series A Preferred Stock in NMMB Holdings. NMMB Holdings owned 100% of the Convertible Preferred Stock in NMMB. On December 13, 2013, we provided \$8,086 in preferred equity for the recapitalization of NMMB Holdings. After the restructuring, we received repayment of \$2,800 secured debt outstanding. We own 100% of the equity of NMMB Holdings as of December 31, 2014 and June 30, 2014. NMMB Holdings owns 93.13% and 92.93% of the fully diluted equity of NMMB as of December 31, 2014 and June 30, 2014, respectively. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”), which owns 100% of Armed Forces Communications, Inc. (“Armed Forces”). On June 12, 2014, Prospect made a new \$7,000 senior secured term loan to Armed Forces. Armed Forces distributed this amount to Refuel Agency as a return of capital. Refuel Agency distributed this amount to NMMB as a return of capital, which was used to pay down \$7,000 of NMMB’s \$10,714 senior secured term loan to Prospect. On July 1, 2014, we began consolidating NMMB Holdings and as a result, we now report NMMB, Inc. as a separate controlled company.
- (25) Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 2.00%. As of December 31, 2014 and June 30, 2014, we had \$81,400 and \$72,118, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.
- (26) Stated interest rates are based on December 31, 2014 and June 30, 2014 one month or three month LIBOR rates plus applicable spreads based on the respective credit agreements. Interest rates are subject to change based on

actual elections by the borrower for a LIBOR rate contract or Base Rate contract when drawing on the revolver. On July 30, 2010, we made a \$30,000 senior secured debt investment in Airmall Inc. (“Airmall”), a \$12,500 secured second lien in AMU Holdings Inc. (“AMU”), and acquired 100% of the Series A preferred stock and common stock of AMU. Our preferred stock in AMU has a 12.0% dividend rate which is paid from the dividends received from its operating subsidiary, Airmall. AMU owns 100% of the common stock in Airmall. On December 4, 2013, we sold a \$972 participation in both debt investments, equal to 2% of the outstanding principal amount of loans on that date. On June 13, 2014, Prospect made a new \$19,993 investment as a senior secured loan to Airmall.

Airmall then distributed this amount to AMU as a return of capital, which AMU used to pay down the senior (27) subordinated loan in the same amount. The minority interest held by a third party in AMU was exchanged for common stock of Airmall. As of June 30, 2014, we owned 100% of the equity of AMU, which owns 98% of Airmall. On July 1, 2014, we began consolidating AMU and as a result, we reported Airmall Inc. as a separate controlled company from July 1, 2014 until its sale on August 1, 2014. On August 1, 2014, we sold our investments in Airmall for net proceeds of \$51,379 and realized a loss of \$3,473 on the sale. In addition, there is \$6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized as an additional realized loss if it is not received. On October 22, 2014, we received a tax refund of \$665 related to our investment in Airmall for which we realized a gain of the same amount.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

Progrexion Marketing, Inc., Progrexion Teleservices, Inc., Progrexion ASG, Inc., Progrexion IP, Inc. and Efolks, (28) LLC are joint borrowers on the second lien term loan. Progrexion Holdings, Inc. and eFolks Holdings, Inc. are the guarantors of this debt investment.

First Tower Holdings of Delaware LLC (“First Tower Delaware”), an entity in which we own 100% of the membership interests, owns 80.1% of First Tower Finance Company LLC (“First Tower Finance”), which owns 100% of First Tower, LLC (“First Tower”), the operating company. On June 24, 2014, Prospect made a new \$251,246 second lien term loan to First Tower. First Tower distributed this amount to First Tower Finance, which (29) distributed this amount to First Tower Delaware as a return of capital. First Tower Delaware used the distribution to partially pay down the Senior Secured Revolving Credit Facility. The remaining \$23,712 of the Senior Secured Revolving Credit Facility was then converted to additional membership interests held by Prospect in First Tower Delaware. On July 1, 2014, we began consolidating First Tower Delaware and as a result, we now report First Tower Finance Company LLC as a separate controlled company.

Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”), an entity in which we own 100% of the common equity, owns 70% of the equity of Arctic Energy Services, LLC (“Arctic Energy”), the operating company. On July (30) 1, 2014, we began consolidating Arctic Equipment and as a result, we now report Arctic Energy as a separate controlled company.

We own 2.8% (13,220 shares) of Mineral Fusion Natural, LLC, a subsidiary of Caleel + Hayden, LLC, common (31) and preferred interest.

APH Property Holdings, LLC (“APH”), an entity in which we own 100% of the membership interests, owns 100% of the common equity of American Property REIT Corp. (f/k/a American Property Holdings Corp.) (“APRC”), a qualified REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect (32) made a new \$167,162 senior term loan to APRC. APRC then distributed this amount to APH as a return of capital which was used to pay down the Senior Term Loan from APH by the same amount. See Note 3 for further discussion of the properties held by APRC. On July 1, 2014, we began consolidating APH and as a result, we now report American Property REIT Corp. as a separate controlled company.

CCPI Holdings Inc. (“CCPI Holdings”), an entity in which we own 100% of the common stock, owns 94.77% of CCPI Inc. (“CCPI”), the operating company. On June 13, 2014, Prospect made a new \$8,218 senior secured note to (33) CCPI. CCPI then distributed this amount to CCPI Holdings as a return of capital which was used to pay down the \$8,216 senior secured note from CCPI Holdings to Prospect. The remaining \$2 was distributed to Prospect as a return of capital of Prospect's equity investment in CCPI Holdings. On July 1, 2014, we began consolidating CCPI Holdings and as a result, we now report CCPI Inc. as a separate controlled company.

Credit Central Holdings of Delaware, LLC (“Credit Central Delaware”), an entity in which we own 100% of the membership interests, owns 74.75% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) (“Credit Central”), which owns 100% of each of Credit Central, LLC; Credit Central South, LLC; Credit Central of (34) Texas, LLC; and Credit Central of Tennessee, LLC, the operating companies. On June 26, 2014, Prospect made a new \$36,333 second lien term loan to Credit Central. Credit Central then distributed this amount to Credit Central Delaware as a return of capital which was used to pay down the Senior Secured Revolving Credit Facility from Credit Central Delaware by the same amount. The remaining amount of the Senior Secured Revolving Credit Facility, \$3,874, was then converted into additional membership interests in Credit Central Delaware. On July 1, 2014, we began consolidating Credit Central Delaware and as a result, we now report Credit Central Loan Company, LLC as a separate controlled company.

Valley Electric Holdings I, Inc. (“Valley Holdings I”), an entity in which we own 100% of the common stock, owns (35) 100% of Valley Electric Holdings II, Inc. (“Valley Holdings II”). Valley Holdings II owns 94.99% of Valley Electric Company, Inc. (“Valley Electric”). Valley Electric owns 100% of the equity of VE Company, Inc., which

owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. (“Valley”). On June 24, 2014, Valley Holdings II and management of Valley formed Valley Electric and contributed their shares of Valley stock to Valley Electric. Prospect made a new \$20,471 senior secured loan to Valley Electric. Valley Electric then distributed this amount to Valley Holdings I, via Valley Holdings II, as a return of capital which was used to pay down the senior secured note of Valley Holdings I by the same amount. The remaining principal amount of the senior secured note, \$16,754, was then contributed to the capital of Valley Holdings I. On July 1, 2014, we began consolidating Valley Holdings I and Valley Holdings II and as a result, we now report Valley Electric Company, Inc. as a separate controlled company.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
 (in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(36) Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), an entity in which we own 100% of the membership interests, owns 93.79% of Nationwide Acceptance LLC (“Nationwide”), the operating company. On June 18, 2014, Prospect made a new \$14,820 second lien term loan to Nationwide. Nationwide distributed this amount to Nationwide Holdings as a return of capital. Nationwide Holdings used the distribution to pay down the Senior Secured Revolving Credit Facility. The remaining \$9,888 of the Senior Secured Revolving Credit Facility was then converted into additional membership interests in Nationwide Holdings. On July 1, 2014, we began consolidating Nationwide Holdings and as a result, we now report Nationwide Acceptance LLC as a separate controlled company.

On April 15, 2013, assets previously held by H&M Oil & Gas, LLC (“H&M”) were assigned to Wolf Energy in exchange for a \$66,000 term loan secured by the assets. The cost basis in this loan of \$44,632 was determined in accordance with ASC 310-40, Troubled Debt Restructurings by Creditors, and was equal to the fair value of assets at the time of transfer resulting in a capital loss of \$19,647 in connection with the foreclosure on the assets. (37) On May 17, 2013, Wolf Energy sold the assets located in Martin County, which were previously held by H&M, for \$66,000. Proceeds from the sale were primarily used to repay the loan and net profits interest receivable due to us resulting in a realized capital gain of \$11,826. We received \$3,960 of structuring and advisory fees from Wolf Energy during the year ended June 30, 2013 related to the sale and \$991 under the net profits interest agreement which was recognized as other income during the fiscal year ended June 30, 2013.

CP Holdings of Delaware LLC (“CP Holdings”), an entity in which we own 100% of the membership interests, owns 82.9% of CP Energy Services Inc. (“CP Energy”). As of June 30, 2014, CP Energy owned directly or indirectly 100% of each of CP Well Testing Services, LLC (“CP Well Testing”); CP Well Testing, LLC (“CP Well”); Fluid Management Services, Inc.; Fluid Management Services, LLC; Wright Transport, Inc.; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; Artexoma Logistics, LLC; and Wright Trucking, Inc. On April 1, 2014, Prospect made new loans to CP Well (with ProHaul Transports, LLC; Wright Trucking, Inc.; and Foster Testing Co., Inc. as co-borrowers), comprised of two first lien loans in the amount of (38) \$11,035 and \$72,238 and a second lien loan in the amount of \$15,000. The proceeds of these loans were used to repay CP Well Testing’s senior secured term loan and CP Energy’s senior secured term loan from Prospect. On July 1, 2014, we began consolidating CP Holdings and as a result, we now report CP Energy Services Inc. as a separate controlled company. Effective as of December 31, 2014, CP Energy underwent a corporate reorganization in order to consolidate certain of its wholly-owned subsidiaries. As of December 31, 2014, CP Energy owned directly or indirectly 100% of each of CP Well; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc.

(39) Wind River Resources Corporation and Wind River II Corporation are joint borrowers on the senior secured note. NPH Property Holdings, LLC (“NPH”), an entity in which we own 100% of the membership interests, owns 100% of the common equity of National Property REIT Corp. (f/k/a National Property Holdings Corp.) (“NPRC”), a property REIT which holds investments in several real estate properties. Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans. Effective as of April 1, 2014, Prospect made a new (40) \$104,460 senior term loan to NPRC. NPRC then distributed this amount to NPH as a return of capital which was used to pay down the Senior Term Loan from NPH by the same amount. See Note 3 for further discussion of the properties held by NPRC. On July 1, 2014, we began consolidating NPH and as a result, we now report National Property REIT Corp. as a separate controlled company.

(41) UPH Property Holdings, LLC (“UPH”), an entity in which we own 100% of the membership interests, owns 100% of the common equity of United Property REIT Corp. (f/k/a United Property Holdings Corp.) (“UPRC”), a property REIT which holds investments in several real estate properties. Effective as of April 1, 2014, Prospect made a new \$19,027 senior term loan to UPRC. UPRC then distributed this amount to UPH as a return of capital which

was used to pay down the Senior Term Loan from UPH by the same amount. See Note 3 for further discussion of the properties held by UPRC. On July 1, 2014, we began consolidating UPH and as a result, we now report United Property REIT Corp. as a separate controlled company.

On April 4, 2008, we acquired a controlling equity interest in ARRM Holdings, Inc. (“ARRM”), which owned 100% of Ajax Rolled Ring & Machine, LLC (“Ajax”), the operating company. On April 1, 2013, we refinanced the existing \$19,837 and \$18,635 senior loans to Ajax and ARRM, respectively, increasing the total size of the debt investment to \$38,537. Concurrent with the refinancing, we received repayment of the \$18,635 loans previously outstanding. On October 11, 2013, we provided \$25,000 in preferred equity for the recapitalization of ARRM.

After the financing, we received repayment of the \$20,009 subordinated unsecured loan previously outstanding.

(42) On June 12, 2014, ARRM Holdings, Inc. was renamed ARRM Services, Inc. As of June 30, 2014, we controlled 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100% of the Series B Preferred equity of ARRM. On October 10, 2014, ARRM sold Ajax to a third party and repaid the \$19,337 loan receivable to us and we recorded a realized loss of \$23,560 related to the sale. Concurrent with the sale, our ownership increased to 100% of the outstanding equity of ARRM Services, Inc. which was renamed SB Forging Company, Inc. (“SB Forging”). As such, we began consolidating SB Forging on October 11, 2014. In addition, there is \$3,000 being held in escrow which will be recognized as additional gain if and when received.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

(43) Harbortouch Holdings of Delaware Inc. (“Harbortouch Delaware”), an entity in which we own 100% of the common stock, owns 100% of the Class C voting units of Harbortouch Payments, LLC (“Harbortouch”), which provide for a 53.5% residual profits allocation. Harbortouch management owns 100% of the Class B and Class D voting units of Harbortouch, which provide for a 46.5% residual profits allocation. Harbortouch owns 100% of Credit Card Processing USA, LLC. On April 1, 2014, Prospect made a new \$137,226 senior secured term loan to Harbortouch. Harbortouch then distributed this amount to Harbortouch Delaware as a return of capital which was used to pay down the \$123,000 senior secured note from Harbortouch Delaware to Prospect. The remaining \$14,226 was distributed to Prospect as a return of capital of Prospect’s equity investment in Harbortouch Delaware. On July 1, 2014, we began consolidating Harbortouch Delaware and as a result, we now report Harbortouch Payments, LLC as a separate controlled company.

(44) Pegasus Business Intelligence, LP, Paycom Acquisition, LLC, and Paycom Acquisition Corp. are joint borrowers on the senior secured loan facility. Paycom Intermediate Holdings, Inc. Paycom Intermediate Holdings, Inc. is the parent guarantor of this debt investment. These entities transact business internationally under the trade name Onyx Payments.

(45) Security Alarm Financing Enterprises, L.P. and California Security Alarms, Inc. are joint borrowers on the senior subordinated note.

(46) A portion of the senior secured note is denominated in Canadian Dollars (CAD). As of June 30, 2014 and December 31, 2014, the principal balance of this note was CAD 37,422 and CAD 37,044, respectively. In accordance with ASC 830, this note was remeasured into our functional currency, US Dollars (USD), and is presented on our Consolidated Schedules of Investments in USD.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% (47) of the portfolio company's outstanding voting securities. Transactions during the six months ended December 31, 2014 with these controlled investments were as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|-------------------------------------|------------|--------------|-----------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| Airmall Inc. | \$— | \$(47,580) | \$(9,920) | \$576 | \$— | \$3,000 | \$(2,808) |)\$12,216 |
| American Property REIT Corp. | (75,809) | ** — | — | 9,158 | — | 813 | — | 2,531 |
| Appalachian Energy LLC | — | (2,041) | — | — | — | — | (2,041) |)2,050 |
| Arctic Energy Services, LLC | — | — | — | 3,388 | — | — | — | 530 |
| ARRM Services, Inc. | — | (19,337) | (27,213) | 956 | — | 2,000 | (23,560) |)21,014 |
| Borga, Inc. | — | — | (2,589) | — | — | — | (2,589) |)2,741 |
| BXC Company, Inc. | 250 | (750) | (16,949) | — | — | 5 | (16,949) |)15,333 |
| CCPI Inc. | — | (226) | — | 1,654 | — | — | — | 901 |
| Change Clean Energy Company, LLC | — | — | — | — | — | — | — | — |
| Coalbed, LLC | — | — | — | — | — | — | — | — |
| CP Energy Services Inc. | — | — | — | 8,236 | — | — | — | (11,346) |
| Credit Central Loan Company, LLC | — | — | — | 3,714 | — | — | — | 735 |
| Echelon Aviation LLC | 5,800 | (37,313) | (400) | 4,023 | — | — | — | (3,275) |
| First Tower Finance Company LLC | — | 1,413 | — | 24,587 | 1,929 | — | — | 8,947 |
| Freedom Marine Solutions, LLC | — | (486) | — | 2,249 | — | — | — | (2,370) |
| Gulf Coast Machine & Supply Company | 2,000 | — | — | 1,046 | — | — | — | (3,496) |
| Harbortouch Payments, LLC | 27,722 | (1,639) | — | 14,590 | 27 | 579 | — | 18,771 |
| The Healing Staff, Inc. | — | — | — | — | — | 35 | 650 | — |
| Manx Energy, Inc. | — | (50) | — | — | — | — | (50) |)50 |
| MITY, Inc. | 2,500 | 201 | — | 2,952 | — | — | — | 923 |
| National Property REIT Corp. | 201,047 | ** (36,900) | — | 9,943 | — | 644 | — | 28,011 |
| Nationwide Acceptance LLC | 938 | 1 | — | 1,515 | 1,305 | — | — | (1,100) |
| NMMB, Inc. | 383 | — | — | 767 | — | — | — | (46) |
| R-V Industries, Inc. | — | — | — | 1,520 | 149 | — | — | (7,399) |
| United Property REIT Corp. | 46,311 | ** (376) | — | 2,460 | — | 1,656 | — | 2,400 |
| | — | (1) | — | 2,478 | — | — | — | (5,915) |

Valley Electric Company,
Inc.

| | | | | | | | | |
|---------------------------------|-----------|------------|--------------|----------|---------|---------|-----------|-----------|
| Wolf Energy, LLC | — | (5,991 |)— | — | — | — | (5,991 |)4,196 |
| Yatesville Coal Company, LLC | — | (1,449 |)— | — | — | — | (1,449 |)1,449 |
| Total | \$211,142 | \$(152,524 |)\$ (57,071) | \$95,812 | \$3,410 | \$8,732 | \$(54,787 |)\$87,851 |

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (48) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the six months ended December 31, 2014 with these affiliated investments were as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|--------------------|------------|--------------|-------|--------------------|--------------------|-----------------|-----------------------------------|-------------------------------------|
| BNN Holdings Corp. | \$44,000 | \$(30,041 |)\$— | \$1,841 | \$778 | \$226 | \$— | \$26 |
| Total | \$44,000 | \$(30,041 |)\$— | \$1,841 | \$778 | \$226 | \$— | \$26 |

*Purchase amounts do not include payment-in-kind interest. Redemption amounts include impairments. Redemption amounts do not include the cost basis adjustments resulting from consolidation on July 1, 2014.

**These amounts include the cost basis of investments transferred from APRC and UPRC to NPRC.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULES OF INVESTMENTS – (CONTINUED)
(in thousands, except share data)

Endnote Explanations as of December 31, 2014 (Unaudited) and June 30, 2014 (Audited) (Continued)

As defined in the 1940 Act, we are deemed to “Control” these portfolio companies because we own more than 25% (49) of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2014 with these controlled investments were as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) |
|--|------------|--------------|---------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|
| AMU Holdings Inc. | \$7,600 | \$(593) | \$(972) | \$6,579 | \$12,000 | \$— | \$— | \$(15,694) |
| APH Property Holdings, LLC | 163,747 | (118,186) | ** — | 18,788 | — | 5,946 | — | 3,393 |
| Arctic Oilfield Equipment USA, Inc. | 60,876 | — | — | 1,050 | — | 1,713 | — | 238 |
| ARRM Services, Inc. | 25,000 | (24,251) | — | (733) | — | 148 | — | (14,957) |
| BXC Company, Inc. (f/k/a BXC Holding Company)*** | 300 | — | — | — | — | — | — | (3,796) |
| CCPI Holdings Inc. | — | (450) | — | 3,312 | 500 | 71 | — | (1,443) |
| CP Holdings of Delaware LLC | 113,601 | (100) | — | 13,858 | — | 1,864 | — | 16,618 |
| Credit Central Holdings of Delaware, LLC | 2,500 | (159) | — | 7,845 | 4,841 | 521 | — | (2,371) |
| Echelon Aviation LLC | 92,628 | — | — | 2,809 | — | 2,771 | — | — |
| Energy Solutions Holdings Inc. | 16,000 | (8,525) | — | 8,245 | — | 2,480 | — | (2,168) |
| First Tower Holdings of Delaware LLC | 10,000 | — | — | 54,320 | — | 10,560 | — | 17,003 |
| Gulf Coast Machine & Supply Company | 28,450 | (26,213) | — | 1,449 | — | — | — | (777) |
| Harbortouch Holdings of Delaware Inc. | 278,694 | — | — | 6,879 | — | 7,536 | — | 12,620 |
| The Healing Staff, Inc. | — | — | — | — | — | 5,825 | — | — |
| Manx Energy, Inc. | — | (450) | — | — | — | — | — | 104 |
| MITY Holdings of Delaware Inc. | 47,985 | — | — | 4,693 | — | 1,049 | — | 1,127 |
| Nationwide Acceptance Holdings LLC | 4,000 | — | — | 4,429 | 5,000 | 1,854 | — | 772 |
| NMMB Holdings, Inc. | 8,086 | (8,086) | — | 2,051 | — | — | — | (6,852) |
| NPH Property Holdings, LLC | 40,425 | 85,724 | ** — | 5,973 | — | 1,029 | — | (2,088) |
| R-V Industries, Inc. | — | (2,339) | — | 3,188 | 1,100 | — | — | 2,005 |
| STI Holding, Inc. | — | (125) | — | — | 3,246 | — | — | (25) |
| UPH Property Holdings, LLC | 1,405 | 22,562 | ** — | 1,101 | — | 156 | — | 426 |
| | — | (200) | — | 7,471 | — | 148 | — | (23,304) |

Valley Electric Holdings I,
Inc.

| | | | | | | | | | | |
|---------------------------|-----------|-----------|---|---------|-----------|----------|----------|--------|-----------|---|
| Wolf Energy Holdings Inc. | — | — | — | — | — | — | — | (1,350 |) | |
| Total | \$901,297 | \$(81,391 |) | \$(972) | \$153,307 | \$26,687 | \$43,671 | \$— | \$(20,519 |) |

As defined in the 1940 Act, we are deemed to be an “Affiliated company” of these portfolio companies because we (50) own more than 5% of the portfolio company’s outstanding voting securities. Transactions during the year ended June 30, 2014 with these affiliated investments were as follows:

| Portfolio Company | Purchases* | Redemptions* | Sales | Interest income | Dividend income | Other income | Net realized gains (losses) | Net unrealized gains (losses) | |
|------------------------|------------|--------------|-------|-----------------|-----------------|--------------|-----------------------------|-------------------------------|---|
| BNN Holdings Corp. | \$— | \$(600 |) | \$— | \$2,974 | \$— | \$— | \$(194 |) |
| BXC Holding Company*** | — | (100 |) | — | 1,384 | — | 17 | (4,163 |) |
| Smart, LLC | — | — | — | — | — | — | — | (143 |) |
| Total | \$— | \$(700 |) | \$— | \$4,358 | \$— | \$17 | \$(4,500 |) |

*Purchase amounts do not include payment-in-kind interest. Redemption amounts include impairments.

**These amounts include the cost basis of investments transferred from APH to NPH and UPH.

***During the year ended June 30, 2014, we acquired control of BXC Company, Inc. (f/k/a BXC Holding Company).

As such, this investment was a controlled investment for part of the year and an affiliated investment for part of the year. See Note 14 for further discussion of this transaction.

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

Note 1. Organization

In this report, the terms “Prospect,” “we,” “us” and “our” mean Prospect Capital Corporation and its subsidiaries unless the context specifically requires otherwise.

We were organized on April 13, 2004 and were funded in an initial public offering completed on July 27, 2004. We are a closed-end investment company incorporated in Maryland. We have elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As a BDC, we have elected to be treated as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes.

On May 15, 2007, we formed a wholly-owned subsidiary Prospect Capital Funding LLC (“PCF”), a Delaware limited liability company and a bankruptcy remote special purpose entity, which holds certain of our portfolio loan investments that are used as collateral for the revolving credit facility at PCF. Our wholly-owned subsidiary Prospect Small Business Lending, LLC (“PSBL”) was formed on January 27, 2014 and purchases small business whole loans on a recurring basis from online small business loan originators, including On Deck Capital, Inc. (“OnDeck”) and Direct Capital Corporation (“Direct Capital”). On September 30, 2014, we formed a wholly-owned subsidiary Prospect Yield Corporation, LLC (“PYC”) and effective October 23, 2014, PYC holds our investments in collateralized loan obligations (“CLOs”). Each of these subsidiaries have been consolidated since operations commenced.

Effective July 1, 2014, we began consolidating certain of our wholly-owned and substantially wholly-owned holding companies formed by us in order to facilitate our investment strategy. The following companies have been included in our consolidated financial statements since July 1, 2014: AMU Holdings Inc.; APH Property Holdings, LLC; Arctic Oilfield Equipment USA, Inc.; CCPI Holdings Inc.; CP Holdings of Delaware LLC; Credit Central Holdings of Delaware, LLC; Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC; Harbortouch Holdings of Delaware Inc.; MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc.; NPH Property Holdings, LLC; STI Holding, Inc.; UPH Property Holdings, LLC; Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc. On October 10, 2014, concurrent with the sale of the operating company, our ownership increased to 100% of the outstanding equity of ARRM Services, Inc. which was renamed SB Forging Company, Inc. (“SB Forging”). As such, we began consolidating SB Forging on October 11, 2014. We collectively refer to these entities as the “Consolidated Holding Companies.”

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) pursuant to the requirements for reporting on Form 10-Q, ASC 946, Financial Services—Investment Companies (“ASC 946”), and Articles 6 and 10 of Regulation S-X. Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us.

Our consolidated financial statements include the accounts of Prospect, PCF, PSBL, PYC, and the Consolidated Holding Companies. All intercompany balances and transactions have been eliminated in consolidation. The financial results of our non-substantially wholly-owned holding companies and operating portfolio company investments are not consolidated in the financial statements. Any operating companies owned by the Consolidated Holding Companies are not consolidated.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income, expenses, and gains and losses during the reported period. Changes in

the economic environment, financial markets, creditworthiness of our portfolio companies and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

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Cash and Cash Equivalents

Cash and cash equivalents include funds deposited with financial institutions and short-term, highly-liquid overnight investments in money market funds. Cash and cash equivalents are carried at cost which approximates fair value.

Investment Classification

We are a non-diversified company within the meaning of the 1940 Act. As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, "Control Investments" are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of 25% or more of the voting securities of an investee company. Under the 1940 Act, "Affiliate Investments" are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person. "Non-Control/Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments.

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold and payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Risks

Our investments are subject to a variety of risks. Those risks include the following:

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

Credit Risk

Credit risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

Liquidity Risk

Liquidity risk represents the possibility that we may not be able to rapidly adjust the size of our investment positions in times of high volatility and financial stress at a reasonable price.

Interest Rate Risk

Interest rate risk represents a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

Prepayment Risk

Many of our debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the security and making the security less likely to be an income producing instrument.

Investment Valuation

To value our investments, we follow the guidance of ASC 820, Fair Value Measurement ("ASC 820"), that defines fair value, establishes a framework for measuring fair value in conformity with GAAP, and requires disclosures about fair value measurements. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below.

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by our Board of Directors.
2. The independent valuation firms conduct independent valuations and make their own independent assessments.
3. The Audit Committee of our Board of Directors reviews and discusses the preliminary valuation of Prospect Capital Management, L.P. (the "Investment Adviser") and that of the independent valuation firms.

The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of the Investment Adviser, the respective independent valuation firm and the Audit Committee.

Our non-CLO investments are valued utilizing a yield analysis, enterprise value ("EV") analysis, net asset value analysis, liquidation analysis, discounted cash flow analysis, or a combination of methods, as appropriate. The yield analysis uses loan spreads and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV analysis, the EV of a portfolio company is first determined and allocated over the portfolio company's securities in order of their preference relative to one another (i.e., "waterfall" allocation). To determine the EV, we typically use a market multiples approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent M&A transactions and/or a discounted cash flow analysis. The net asset value analysis is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The liquidation analysis is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company's assets. The discounted cash flow analysis uses valuation techniques to convert future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts. In applying these methodologies, additional factors that we consider in fair value pricing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Our investments in CLOs are classified as ASC 820 Level 3 securities and are valued using a discounted cash flow model. The valuations have been accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach has been chosen from alternative approaches to ensure the most accurate valuation for such security. To value a CLO, both the assets and the liabilities of the CLO capital structure are modeled. We use a waterfall engine to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, distribute the cash flows to the liability structure based on the payment priorities, and discount them back using current market

discount rates. The main risk factors are: default risk, interest rate risk, downgrade risk, and credit spread risk.

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Valuation of Other Financial Assets and Financial Liabilities

ASC 825, Financial Instruments, specifically ASC 825-10-25, permits an entity to choose, at specified election dates, to measure eligible items at fair value (the "Fair Value Option"). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. See Note 8 for further discussion of our financial liabilities that are measured using another measurement attribute.

Convertible Notes

We have recorded the Convertible Notes at their contractual amounts. The Convertible Notes were analyzed for any features that would require bifurcation and such features were determined to be immaterial. See Note 5 for further discussion.

Revenue Recognition

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis.

Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Accretion of such purchase discounts or amortization of premiums is calculated by the effective interest method as of the purchase date and adjusted only for material amendments or prepayments. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. The purchase discount for portfolio investments acquired from Patriot Capital Funding, Inc. ("Patriot") was determined based on the difference between par value and fair value as of December 2, 2009, and continued to accrete until maturity or repayment of the respective loans. As of March 31, 2014, the purchase discount for the assets acquired from Patriot had been fully accreted. See Note 3 for further discussion.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will be collected.

Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, is likely to remain current. As of December 31, 2014, less than 0.1% of our total assets are in non-accrual status.

Interest income from investments in the "equity" class of security of CLO funds (typically income notes or subordinated notes) is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows in accordance with ASC 325-40, Beneficial Interests in Securitized Financial Assets. We monitor the expected cash inflows from our CLO equity investments, including the expected residual payments, and the effective yield is determined and updated periodically.

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income. See Note 10 for further discussion.

Federal and State Income Taxes

We have elected to be treated as a regulated investment company and intend to continue to comply with the requirements of the Code applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gain to stockholders; therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income. For the calendar year ended December 31, 2014, we elected to

retain a portion of our annual taxable income and incurred an excise tax expense of \$1,775. As of December 31, 2014, we had a deposit with the IRS of \$425 for excise taxes as we had made excise tax payments in excess of our expected excise tax liability through December 31, 2014.

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If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge of 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years. We follow ASC 740, Income Taxes (“ASC 740”). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of December 31, 2014 and for the three and six months then ended, we did not have a liability for any unrecognized tax benefits. Management’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2010 remain subject to examination by the Internal Revenue Service.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a monthly dividend or distribution is approved by our Board of Directors quarterly and is generally based upon our management’s estimate of our future earnings. Net realized capital gains, if any, are distributed at least annually.

Financing Costs

We record origination expenses related to our Revolving Credit Facility and Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our “Unsecured Notes”) as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our Revolving Credit Facility and the effective interest method for our Unsecured Notes over the respective expected life or maturity. In the event that we modify or extinguish our debt before maturity, we follow the guidance in ASC 470-50, Modification and Extinguishments (“ASC 470-50”). For modifications to or exchanges of our Revolving Credit Facility, any unamortized deferred costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our Unsecured Notes, any unamortized deferred costs are deducted from the basis of the debt in determining the gain or loss from the extinguishment.

We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of SEC registration fees, legal fees and accounting fees incurred. These prepaid assets are charged to capital upon the receipt of proceeds from an equity offering or charged to expense if no offering is completed.

Guarantees and Indemnification Agreements

We follow ASC 460, Guarantees (“ASC 460”). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual consolidated financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

Per Share Information

Net increase or decrease in net assets resulting from operations per share is calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, convertible securities are not considered in the calculation of net asset value per share.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The adoption of the amended guidance in ASU 2014-15 is not expected to have a significant effect on our consolidated financial statements and disclosures.

Note 3. Portfolio Investments

At December 31, 2014, we had investments in 134 long-term portfolio investments, which had an amortized cost of \$6,501,203 and a fair value of \$6,523,723. At June 30, 2014, we had investments in 142 long-term portfolio investments, which had an amortized cost of \$6,371,522 and a fair value of \$6,253,739.

The original cost basis of debt placements and equity securities acquired, including follow-on investments for existing portfolio companies, totaled \$1,409,910 and \$1,164,996 during the six months ended December 31, 2014 and December 31, 2013, respectively. Debt repayments and proceeds from sales of equity securities of approximately \$1,086,884 and \$419,405 were received during the six months ended December 31, 2014 and December 31, 2013, respectively.

The following table shows the composition of our investment portfolio as of December 31, 2014 and June 30, 2014.

| | December 31, 2014 | | June 30, 2014 | |
|-----------------------------|-------------------|-------------|---------------|-------------|
| | Cost | Fair Value | Cost | Fair Value |
| Revolving Line of Credit | \$11,350 | \$11,350 | \$3,445 | \$2,786 |
| Senior Secured Debt | 3,632,113 | 3,581,527 | 3,578,339 | 3,514,198 |
| Subordinated Secured Debt | 1,329,498 | 1,315,764 | 1,272,275 | 1,200,221 |
| Subordinated Unsecured Debt | 93,209 | 93,209 | 85,531 | 85,531 |
| Small Business Loans | 25,443 | 23,319 | 4,637 | 4,252 |
| CLO Debt | 28,362 | 33,377 | 28,118 | 33,199 |
| CLO Residual Interest | 1,044,264 | 1,089,906 | 1,044,656 | 1,093,985 |
| Equity | 336,964 | 375,271 | 354,521 | 319,567 |
| Total Investments | \$6,501,203 | \$6,523,723 | \$6,371,522 | \$6,253,739 |

In the table above and throughout the remainder of this footnote, we aggregate our portfolio investments by type of investment, which may differ slightly from the nomenclature used by the constituent instruments defining the rights of holders of the investment, as disclosed on our Consolidated Schedules of Investments ("SOI"). The following investments are included in each category:

• Senior Secured Debt includes investments listed on the SOI such as senior secured term loans, senior term loans, secured promissory notes, senior demand notes, and first lien term loans.

• Subordinated Secured Debt includes investments listed on the SOI such as subordinated secured term loans, subordinated term loans, senior subordinated notes, and second lien term loans.

• Subordinated Unsecured Debt includes investments listed on the SOI such as subordinated unsecured notes and senior unsecured notes.

• Small Business Loans includes our investments in small business whole loans purchased from OnDeck and Direct Capital.

• CLO Debt includes our investments in the "debt" class of security of CLO funds.

• CLO Residual Interest includes our investments in the "equity" class of security of CLO funds such as income notes, preference shares, and subordinated notes.

• Equity includes our investments in preferred stock, common stock, membership interests, net profits interests, overriding royalty interests, escrows receivable, and warrants, unless specifically stated otherwise.

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2014.

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|-------------|-------------|
| Revolving Line of Credit | \$— | \$— | \$11,350 | \$11,350 |
| Senior Secured Debt | — | — | 3,581,527 | 3,581,527 |
| Subordinated Secured Debt | — | — | 1,315,764 | 1,315,764 |
| Subordinated Unsecured Debt | — | — | 93,209 | 93,209 |
| Small Business Loans | — | — | 23,319 | 23,319 |
| CLO Debt | — | — | 33,377 | 33,377 |
| CLO Residual Interest | — | — | 1,089,906 | 1,089,906 |
| Equity | 150 | — | 375,121 | 375,271 |
| Total Investments | \$150 | \$— | \$6,523,573 | \$6,523,723 |

The following table shows the fair value of our investments disaggregated into the three levels of the ASC 820 valuation hierarchy as of June 30, 2014.

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|-------------|-------------|
| Revolving Line of Credit | \$— | \$— | \$2,786 | \$2,786 |
| Senior Secured Debt | — | — | 3,514,198 | 3,514,198 |
| Subordinated Secured Debt | — | — | 1,200,221 | 1,200,221 |
| Subordinated Unsecured Debt | — | — | 85,531 | 85,531 |
| Small Business Loans | — | — | 4,252 | 4,252 |
| CLO Debt | — | — | 33,199 | 33,199 |
| CLO Residual Interest | — | — | 1,093,985 | 1,093,985 |
| Equity | 168 | — | 319,399 | 319,567 |
| Total Investments | \$168 | \$— | \$6,253,571 | \$6,253,739 |

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the six months ended December 31, 2014.

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | | | | | | |
|--|---|-----------------------|---------------------------------------|-----------------------------|----------------------|----------|-----------------------|-----------|--------------|
| | Control Investments | Affiliate Investments | Non-Control/Non-Affiliate Investments | Total | | | | | |
| Fair value as of June 30, 2014 | \$ 1,640,454 | \$ 32,121 | \$ 4,580,996 | \$ 6,253,571 | | | | | |
| Net realized loss on investments | (54,787) | — | (100,890) | (155,677) | | | | | |
| Net change in unrealized appreciation | 87,851 | 26 | 52,444 | 140,321 | | | | | |
| Net realized and unrealized gain (loss) | 33,064 | 26 | (48,446) | (15,356) | | | | | |
| Purchases of portfolio investments | 211,142 | 44,000 | 1,144,481 | 1,399,623 | | | | | |
| Payment-in-kind interest | 6,585 | — | 3,702 | 10,287 | | | | | |
| Amortization of discounts and premiums | — | — | (37,332) | (37,332) | | | | | |
| Repayments and sales of portfolio investments | (167,496) | (30,041) | (889,683) | (1,087,220) | | | | | |
| Transfers within Level 3(1) | — | — | — | — | | | | | |
| Transfers in (out) of Level 3(1) | — | — | — | — | | | | | |
| Fair value as of December 31, 2014 | \$ 1,723,749 | \$ 46,106 | \$ 4,753,718 | \$ 6,523,573 | | | | | |
| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Small Business Loans | CLO Debt | CLO Residual Interest | Equity | Total |
| Fair value as of June 30, 2014 | \$2,786 | \$3,514,198 | \$1,200,221 | \$85,531 | \$4,252 | \$33,199 | \$1,093,985 | \$319,399 | \$6,253,571 |
| Net realized loss on investments | (1,094) | (33,875) | (75,164) | — | (449) | — | (15,639) | (29,456) | (155,677) |
| Net change in unrealized appreciation (depreciation) | 659 | 13,554 | 58,322 | — | (1,738) | (66) | (3,688) | 73,278 | 140,321 |
| Net realized and unrealized (loss) gain | (435) | (20,321) | (16,842) | — | (2,187) | (66) | (19,327) | 43,822 | (15,356) |
| Purchases of portfolio investments | 16,500 | 926,519 | 237,830 | 6,592 | 35,638 | — | 138,843 | 37,701 | 1,399,623 |
| Payment-in-kind interest | — | 9,074 | 127 | 1,086 | — | — | — | — | 10,287 |
| Accretion (amortization) of discounts and premiums | — | 133 | 890 | — | — | 244 | (38,599) | — | (37,332) |
| Repayments and sales of portfolio investments | (7,501) | (848,076) | (106,462) | — | (14,384) | — | (84,996) | (25,801) | (1,087,220) |
| Transfers within Level 3(1) | — | — | — | — | — | — | — | — | — |
| Transfers in (out) of Level 3(1) | — | — | — | — | — | — | — | — | — |
| | \$11,350 | \$3,581,527 | \$1,315,764 | \$93,209 | \$23,319 | \$33,377 | \$1,089,906 | \$375,121 | \$6,523,573 |

Fair value as of
December 31,
2014

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

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The following tables show the aggregate changes in the fair value of our Level 3 investments during the six months ended December 31, 2013.

| | Fair Value Measurements Using Unobservable Inputs (Level 3) | | | | | | | | |
|--|---|-----------------------|---------------------------------------|-----------------------------|----------------------|----------|-----------------------|--------------|-------------|
| | Control Investments | Affiliate Investments | Non-Control/Non-Affiliate Investments | | | | | Total | |
| Fair value as of June 30, 2013 | \$ 811,634 | \$ 42,443 | \$ 3,318,663 | | | | | \$ 4,172,740 | |
| Net realized gain (loss) on investments | 496 | — | (2,404) | | | | | (1,908) | |
| Net change in unrealized (depreciation) appreciation | (26,254) | (3,652) | 22,443 | | | | | (7,463) | |
| Net realized and unrealized (loss) gain | (25,758) | (3,652) | 20,039 | | | | | (9,371) | |
| Purchases of portfolio investments | 423,202 | — | 731,950 | | | | | 1,155,152 | |
| Payment-in-kind interest | 6,699 | 89 | 3,057 | | | | | 9,845 | |
| Accretion (amortization) of discounts and premiums | — | 400 | (23,533) | | | | | (23,133) | |
| Repayments and sales of portfolio investments | (65,475) | (400) | (353,504) | | | | | (419,379) | |
| Transfers within Level 3(1) | 12,998 | — | (12,998) | | | | | — | |
| Transfers in (out) of Level 3(1) | — | — | — | | | | | — | |
| Fair value as of December 31, 2013 | \$ 1,163,300 | \$ 38,880 | \$ 3,683,674 | | | | | \$ 4,885,854 | |
| | Revolving Line of Credit | Senior Secured Debt | Subordinated Secured Debt | Subordinated Unsecured Debt | Small Business Loans | CLO Debt | CLO Residual Interest | Equity | Total |
| Fair value as of June 30, 2013 | \$8,729 | \$2,207,091 | \$1,024,901 | \$88,827 | \$— | \$28,589 | \$658,086 | \$156,517 | \$4,172,740 |
| Net realized gain (loss) on investments | — | 93 | (7,062) | — | — | — | 1,183 | 3,878 | (1,908) |
| Net change in unrealized (depreciation) appreciation | (112) | (9,375) | 5,402 | (290) | — | 4,656 | 45,494 | (53,238) | (7,463) |
| Net realized and unrealized (loss) gain | (112) | (9,282) | (1,660) | (290) | — | 4,656 | 46,677 | (49,360) | (9,371) |
| Purchases of portfolio investments | 9,500 | 688,071 | 141,719 | — | — | — | 205,720 | 110,142 | 1,155,152 |
| Payment-in-kind interest | — | 7,889 | 1,619 | 336 | — | — | 1 | — | 9,845 |
| Accretion (amortization) of discounts and premiums | — | 524 | 912 | 6 | — | 221 | (24,796) | — | (23,133) |
| Repayments and sales of portfolio investments | (6,143) | (211,932) | (117,285) | (58,879) | — | — | (21,070) | (4,070) | (419,379) |
| Transfers within Level 3(1) | — | — | (70,000) | 70,000 | — | — | — | — | — |
| Transfers in (out) of Level 3(1) | — | — | — | — | — | — | — | — | — |
| Fair value as of December 31, | \$ 11,974 | \$ 2,682,361 | \$ 980,206 | \$ 100,000 | \$— | \$33,466 | \$864,618 | \$213,229 | \$4,885,854 |

2013

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred. For the six months ended December 31, 2014 and December 31, 2013, the net change in unrealized appreciation (depreciation) on the investments that use Level 3 inputs was \$53,441 and \$(29,324) for investments still held as of December 31, 2014 and December 31, 2013, respectively.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of December 31, 2014 were as follows:

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | | Weighted Average |
|-----------------------------|-------------|-----------------------------|-----------------------------|-------------|------------------|
| | | | Input | Range | |
| Senior Secured Debt | \$2,467,819 | Yield Analysis | Market Yield | 6.4%-19.8% | 11.1% |
| Senior Secured Debt | 625,618 | EV Analysis | EBITDA Multiple | 3.3x-9.5x | 7.5x |
| Senior Secured Debt | 90,121 | EV Analysis | Other | N/A | N/A |
| Senior Secured Debt | 1,775 | Liquidation Analysis | N/A | N/A | N/A |
| Senior Secured Debt | 407,544 | Net Asset Value Analysis | Capitalization Rate | 5.2%-9.7% | 7.0% |
| Subordinated Secured Debt | 947,724 | Yield Analysis | Market Yield | 8.3%-19.3% | 12.2% |
| Subordinated Secured Debt | 353,220 | EV Analysis | EBITDA Multiple | 4.0x-8.6x | 7.5x |
| Subordinated Secured Debt | 14,820 | EV Analysis | Book Value Multiple | 1.2x-1.4x | 1.3x |
| Subordinated Unsecured Debt | 86,616 | Yield Analysis | Market Yield | 6.3%-13.6% | 11.7% |
| Subordinated Unsecured Debt | 6,593 | EV Analysis | EBITDA Multiple | N/A | N/A |
| Small Business Loans(1) | 2,040 | Discounted Cash Flow | Loss-Adjusted Discount Rate | 17.6%-27.2% | 23.0% |
| Small Business Loans(2) | 21,279 | Discounted Cash Flow | Loss-Adjusted Discount Rate | 19.1%-31.0% | 22.9% |
| CLO Debt | 33,377 | Discounted Cash Flow | Discount Rate | 4.8%-6.7% | 5.6% |
| CLO Residual Interest | 1,089,906 | Discounted Cash Flow | Discount Rate | 6.3%-17.4% | 13.2% |
| Equity | 210,925 | EV Analysis | EBITDA Multiple | 2.0x-9.5x | 7.3x |
| Equity | 12,591 | EV Analysis | Book Value Multiple | 1.2x-1.4x | 1.3x |
| Equity | 4,260 | EV Analysis | Appraisal | N/A | N/A |
| Equity | 2,798 | Yield Analysis | Market Yield | 10.4%-12.0% | 11.2% |
| Equity | 120,083 | Net Asset Value Analysis | Capitalization Rate | 5.2%-9.7% | 7.0% |
| Equity | 16,632 | Discounted Cash Flow | Discount Rate | 7.3%-8.1% | 7.7% |
| Net Profits Interest | 29 | Liquidation Analysis | N/A | N/A | N/A |
| Escrow Receivable | 7,803 | Discounted Cash Flow | Discount Rate | 6.8%-8.0% | 7.4% |
| Total Level 3 Investments | \$6,523,573 | | | | |

(1) Includes our investments in small business whole loans purchased from Direct Capital. Valuation also used projected loss rates as an unobservable input ranging from 0.7%-46.7%, with a weighted average of 8.3%.

(2) Includes our investments in small business whole loans purchased from OnDeck. Valuation also used projected loss rates as an unobservable input ranging from 6.5%-10.1%, with a weighted average of 8.9%.

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The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2014 were as follows:

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | | Weighted Average |
|-----------------------------|-------------|-----------------------------|---------------------|-------------|------------------|
| | | | Input | Range | |
| Senior Secured Debt | \$2,550,073 | Yield Analysis | Market Yield | 5.5%-20.3% | 11.1% |
| Senior Secured Debt | 560,485 | EV Analysis | EBITDA Multiple | 3.5x-9.0x | 7.1x |
| Senior Secured Debt | 110,525 | EV Analysis | Other | N/A | N/A |
| Senior Secured Debt | 3,822 | Liquidation Analysis | N/A | N/A | N/A |
| Senior Secured Debt | 292,079 | Net Asset Value Analysis | Capitalization Rate | 4.5%-10.0% | 7.4% |
| Subordinated Secured Debt | 832,181 | Yield Analysis | Market Yield | 8.7%-14.7% | 10.9% |
| Subordinated Secured Debt | 353,220 | EV Analysis | EBITDA Multiple | 4.5x-8.2x | 6.2x |
| Subordinated Secured Debt | 14,820 | EV Analysis | Book Value Multiple | 1.2x-1.4x | 1.3x |
| Subordinated Unsecured Debt | 85,531 | Yield Analysis | Market Yield | 7.4%-14.4% | 12.1% |
| Small Business Loans | 4,252 | Yield Analysis | Market Yield | 75.5%-79.5% | 77.5% |
| CLO Debt | 33,199 | Discounted Cash Flow | Discount Rate | 4.2%-5.8% | 4.9% |
| CLO Residual Interest | 1,093,985 | Discounted Cash Flow | Discount Rate | 10.4%-23.7% | 16.8% |
| Equity | 222,059 | EV Analysis | EBITDA Multiple | 2.0x-15.3x | 5.3x |
| Equity | 15,103 | EV Analysis | Book Value Multiple | 1.2x-1.4x | 1.3x |
| Equity | 3,171 | Yield Analysis | Market Yield | 13.7%-16.5% | 15.1% |
| Equity | 63,157 | Net Asset Value Analysis | Capitalization Rate | 4.5%-10.0% | 7.4% |
| Equity | 14,107 | Discounted Cash Flow | Discount Rate | 8.0%-10.0% | 9.0% |
| Net Profits Interest | 213 | Liquidation Analysis | N/A | N/A | N/A |
| Escrow Receivable | 1,589 | Discounted Cash Flow | Discount Rate | 6.6%-7.8% | 7.2% |
| Total Level 3 Investments | \$6,253,571 | | | | |

In determining the range of value for debt instruments except CLOs, management and the independent valuation firm generally estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, to determine range of value. For non-traded equity investments, the enterprise value was determined by applying earnings before income tax, depreciation and amortization (“EBITDA”) multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared. For the private REIT investments, enterprise values were determined based on an average of results from a net asset value analysis of the underlying property investments and a dividend yield analysis utilizing capitalization rates and dividend yields, respectively, for similar guideline companies and/or similar recent investment transactions.

In determining the range of value for our investments in CLOs, management and the independent valuation firm used a discounted cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach was chosen from alternative approaches to ensure the most accurate valuation for such security. A waterfall engine was used to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, distribute the cash flows to the liability structure based on the payment priorities, and discount them back using proper discount rates.

CLO investments may be riskier and less transparent to us than direct investments in underlying companies. CLOs typically will have no significant assets other than their underlying senior secured loans. Therefore, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans. Our CLO investments are exposed to leveraged credit risk. If certain minimum collateral value ratios and/or interest coverage ratios are not met by a CLO, primarily due to senior secured loan defaults, then cash flow that otherwise would have been available to pay distributions to us on our CLO investments may instead be used to redeem any senior notes or to purchase additional senior secured loans, until the ratios again exceed the minimum required levels or any senior notes are repaid in full. Our CLO investments and/or the underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value. We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we hold as those portfolios are managed by non-affiliated third party CLO collateral managers.

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The significant unobservable input used to value our investments based on the yield analysis and discounted cash flow analysis is the market yield (or applicable discount rate) used to discount the estimated future cash flows expected to be received from the underlying investment, which includes both future principal and interest/dividend payments. Increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement. Management and the independent valuation firm consider the following factors when selecting market yields or discount rates: risk of default, rating of the investment and comparable company investments, and call provisions.

The significant unobservable inputs used to value our investments based on the EV analysis may include market multiples of specified financial measures such as EBITDA of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow analysis. The independent valuation firm identifies a population of publicly traded companies with similar operations and key attributes to that of the portfolio company. Using valuation and operating metrics of these guideline public companies and/or as implied by relevant precedent transactions, a range of multiples of the latest twelve months EBITDA, or other measure, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's EV generally based on the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Increases or decreases in the multiple may result in an increase or decrease, respectively, in EV which may increase or decrease the fair value measurement of the debt and/or equity investment, as applicable. In certain instances, a discounted cash flow analysis may be considered in estimating EV, in which case, discount rates based on a weighted average cost of capital and application of the Capital Asset Pricing Model may be utilized. The significant unobservable input used to value our investments based on the net asset value analysis is the capitalization rate applied to earnings measure of the underlying property. Increases or decreases in the discount rate would result in a decrease or increase, respectively, in the fair value measurement.

Changes in market yields, discount rates, capitalization rates or EBITDA multiples, each in isolation, may change the fair value measurement of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rates, or a decrease in EBITDA multiples may result in a decrease in the fair value measurement of certain of our investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the currently assigned valuations.

During the six months ended December 31, 2014, the valuation methodology for Edmentum, Inc. ("Edmentum") changed to incorporate an EV analysis in addition to the yield analysis used in previous periods. Management adopted the EV analysis due to a deterioration in operating results and resulting credit impairment. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Edmentum to \$43,107 as of December 31, 2014, a discount of \$5,454 from its amortized cost, compared to the \$1,561 unrealized appreciation recorded at June 30, 2014.

During the six months ended December 31, 2014, the valuation methodology for Empire Today, LLC ("Empire Today") changed to incorporate secondary trade data in addition to the yield analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we decreased the fair value of our investment in Empire Today to \$13,850 as of December 31, 2014, a discount of \$1,617 from its amortized cost, compared to the \$281 unrealized appreciation recorded at June 30, 2014.

During the six months ended December 31, 2014, the valuation methodology for IDQ Holdings, Inc. ("IDQ") changed to incorporate secondary trade data in addition to the yield analysis used in previous periods. As a result of this change, and in recognition of recent company performance and current market conditions, we increased the fair value

of our investment in IDQ to \$12,859 as of December 31, 2014, a premium of \$490 from its amortized cost, compared to the \$156 unrealized appreciation recorded at June 30, 2014.

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During the six months ended December 31, 2014, the valuation methodology for Sandow Media, LLC ("Sandow") changed to solely an EV analysis by removing the yield analysis used in previous periods. Management adopted this change due to Prospect exercising certain equity voting rights during the period. As a result of this change, we increased the fair value of our investment in Sandow to \$24,425 as of December 31, 2014, equal to its amortized cost, compared to the \$1,557 unrealized depreciation recorded at June 30, 2014.

During the six months ended December 31, 2014, we did not provide any additional financing to American Property REIT Corp. ("APRC") for the acquisition of real estate properties. On November 26, 2014, APRC transferred its investment in one property to National Property REIT Corp. ("NPRC"). As a result, our investment in APRC related to this property also transferred to NPRC. The investment transferred consisted of \$10,237 of equity and \$65,586 of debt, including capitalized payment-in-kind interest of \$2,586. There was no gain or loss realized on the transaction. As of December 31, 2014, our investment in APRC had an amortized cost of \$130,727 and a fair value of \$136,650. As of December 31, 2014, APRC's real estate portfolio was comprised of thirteen multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by APRC as of December 31, 2014.

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|-------------------------------|-----------------|------------------|----------------|----------------------|
| 1 | 1557 Terrell Mill Road, LLC | Marietta, GA | 12/28/2012 | \$23,500 | \$15,275 |
| 2 | 5100 Live Oaks Blvd, LLC | Tampa, FL | 1/17/2013 | 63,400 | 39,600 |
| 3 | Lofton Place, LLC | Tampa, FL | 4/30/2013 | 26,000 | 16,965 |
| 4 | Vista Palma Sola, LLC | Bradenton, FL | 4/30/2013 | 27,000 | 17,550 |
| 5 | Arlington Park Marietta, LLC | Marietta, GA | 5/8/2013 | 14,850 | 9,650 |
| 6 | Cordova Regency, LLC | Pensacola, FL | 11/15/2013 | 13,750 | 9,026 |
| 7 | Crestview at Oakleigh, LLC | Pensacola, FL | 11/15/2013 | 17,500 | 11,488 |
| 8 | Inverness Lakes, LLC | Mobile, AL | 11/15/2013 | 29,600 | 19,400 |
| 9 | Kings Mill Pensacola, LLC | Pensacola, FL | 11/15/2013 | 20,750 | 13,622 |
| 10 | Plantations at Pine Lake, LLC | Tallahassee, FL | 11/15/2013 | 18,000 | 11,817 |
| 11 | Verandas at Rock Ridge, LLC | Birmingham, AL | 11/15/2013 | 15,600 | 10,205 |
| 12 | Plantations at Hillcrest, LLC | Mobile, AL | 1/17/2014 | 6,930 | 5,016 |
| 13 | Crestview at Cordova, LLC | Pensacola, FL | 1/17/2014 | 8,500 | 4,994 |
| 14 | Taco Bell, OK | Yukon, OK | 6/4/2014 | 1,719 | — |
| | | | | \$287,099 | \$184,608 |

During the six months ended December 31, 2014, we provided \$93,075 and \$21,425 of debt and equity financing, respectively, to NPRC to enable certain of its wholly-owned subsidiaries to invest in online consumer loans. In addition, during the six months ended December 31, 2014, we received partial repayments of \$31,365 of the NPRC loan previously outstanding and \$5,535 as a return of capital on the equity investment in NPRC. During the six months ended December 31, 2014, APRC and United Property REIT Corp. ("UPRC") transferred their investments in certain properties to NPRC. As a result, our investments in APRC and UPRC related to these properties also transferred to NPRC. The investments transferred consisted of \$11,518 of equity and \$75,030 of debt, including capitalized payment-in-kind interest of \$2,640. There was no gain or loss realized on these transactions. As of December 31, 2014, our investment in NPRC had an amortized cost of \$292,063 and a fair value of \$317,986. The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from \$1 to \$35, with fixed interest rates and fixed terms of either 36 or 60 months. As of December 31, 2014, the investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries had a fair value of \$179,812. The average outstanding individual loan balance is approximately \$10 and the loans mature on dates ranging from October 31, 2016 to December 31, 2019. Fixed interest rates range from 6.1% to 28.5% with a weighted-average current interest rate of 19.2%.

As of December 31, 2014, NPRC's real estate portfolio was comprised of ten multi-family properties and eight commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of December 31, 2014.

| No. | Property Name | City | Acquisition Date | Purchase Price | Mortgage Outstanding |
|-----|--------------------------|--------------------|------------------|----------------|----------------------|
| 1 | 146 Forest Parkway, LLC | Forest Park, GA | 10/24/2012 | \$7,400 | \$— |
| 2 | NPRC Carroll Resort, LLC | Pembroke Pines, FL | 6/24/2013 | 225,000 | 157,500 |
| 3 | APH Carroll 41, LLC | Marietta, GA | 11/1/2013 | 30,600 | 22,254 |