

BANK BRADESCO  
Form 6-K  
February 15, 2019

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

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**FORM 6-K**

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

**For the month of February, 2019  
Commission File Number 1-15250**

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**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

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## Table of contents

<b>1 - Press Release</b>	<b>3</b>
Main Information	4
Recurring Net Income vs. Book Net Income	5
Summarized Analysis of Recurring Income	5
Digital in Figures	9
Main Economic Indicators	10
Guidance	10
Reclassification in Recurring Income Statement and changes in Net Interest Income	11
<b>2 - Economic and Financial Analysis</b>	<b>13</b>
Interest - Earning and Non-Interest Earning Portions	14
NII - Interest Earning Portion	15
Main Indicators of Loan Portfolio	16
Loan Portfolio	18
Expanded Loan Portfolio	18
Main Funding Sources	22
Insurance, Pension and Capitalization	23
Fee and Commission Income	28
Operating Expenses	29
Additional Information	30
Selected Information – History	31
Statement of Income – Managerial vs. Recurring	32
Balance Sheet – Consolidated	34
<b>3 - Additional Information</b>	<b>35</b>
Return to Shareholders	36
Additional Information	37
Risk Management	39
Capital Management	40
Minimum Capital Required – Grupo Bradesco Seguros	40
Basel Ratio	41
Corporate Governance	42
Compliance and Ethics	42
Investor Relations area – IR	42
Sustainability	43
Social Actions	43
<b>4 - Independent Auditors' Report</b>	<b>45</b>
Independent Reasonable Assurance Report on the Consolidated Supplementary Accounting	46

information included within the Economic and Financial Analysis Report

**5 - Complete Financial Statements**

**49**

Some numbers included in this Report have been subjected to rounding adjustments.

As a result, some amounts indicated as total amounts in some charts may not be the arithmetic sum of the preceding numbers.

Percentage variations not presented in the framework of this report, are related, in their majority, to the low value balances compared with the other periods presented.

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**Independent Reasonable Assurance Report on the Consolidated Supplementary Accounting information included within the Economic and Financial Analysis Report**

**To**

**Shareholders and Board of Directors of Banco Bradesco S.A.**

**Osasco – SP**

We were contracted by Banco Bradesco S.A. ("Bradesco") to present a report on the consolidated supplementary financial information of Banco Bradesco as of December 31, 2018 and for the period then ended, in the form of reasonable assurance conclusion based on our work, described in this report, the consolidated supplementary accounting information included in the Report on Economic and Financial Analysis is presented, in all material respects, in accordance with the information mentioned in the paragraph "Criteria for the preparation of consolidated supplementary accounting information".

**Responsibilities of the Management of Bradesco**

Management of Bradesco is responsible for preparing and adequately presenting the consolidated supplementary accounting information included within the Economic and Financial Analysis Report based on the criteria for the preparation of the consolidated supplementary accounting information described below, and for other information contained within this report, as well as the design, implementation and maintenance of internal controls that management determines are necessary to allow for such information that is free from material misstatement, whether due to fraud or error.

**Independent Auditor's Responsibility**

Our responsibility is to examine the consolidated supplementary accounting information included within the Economic and Financial Analysis Report prepared by Bradesco and to report thereon in the form of a reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the NBC TO 3000 - Assurance Engagement Other than Audit and Review (ISAE 3000). That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain a reasonable assurance about whether the consolidated supplementary accounting information included within the Economic and Financial Analysis Report is presented, in all material respects, in accordance with the information referred to in the

“Criteria for preparing the consolidated supplementary accounting information” paragraph.

The procedures selected were based on our judgment, including the assessment of risks of material misstatement in the consolidated supplementary accounting information of Banco Bradesco S.A. whether due to fraud or error, however, this does not include the search and identification of fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of consolidated supplementary accounting information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Bradesco’s internal control over the preparation and presentation of the consolidated supplementary accounting information. Our engagement also includes the assessment of the reasonableness of the consolidated supplementary accounting information, the appropriateness of the criteria applied by Bradesco in the preparation of such information included in the consolidated supplementary accounting information and the procedures and estimates used by Bradesco in the overall presentation of the consolidated supplementary accounting information. The reasonable assurance level is less than an audit.

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Our conclusion does not contemplate aspects related to any prospective information contained within the Economic and Financial Analysis Report, nor offers any guarantee if the assumptions used by Management provide a reasonable basis for the projections presented. Therefore, our report does not offer any type of assurance on the scope of future information (such as goals, expectations and ambitions) and descriptive information that is subject to subjective assessment.

### **Criteria for preparing the consolidated supplementary accounting information**

The consolidated supplementary accounting information disclosed in the Report on Economic and Financial Analysis as of December 31, 2018 and for the period then ended has been prepared by the Management of Bradesco, based on the information contained in the consolidated financial statements as of December 31, 2018 and the accounting information adjusted to criteria described in Note 4 of such consolidated financial statements, in order to facilitate additional analyzes, without, however, being part of the consolidated financial statements disclosed on that date.

### **Conclusion**

Our conclusion has been formed on the basis of and is limited to the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the consolidated supplementary accounting information included within the Economic and Financial Analysis Information Report is presented, in all material respects, in accordance with the information referred to in the “Criteria for preparing the consolidated supplementary accounting information” paragraph.

**Osasco, January 30, 2019**

KPMG Auditores Independentes

CRC 2SP028567/O-1 F-SP

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*Original report in Portuguese signed by*

Rodrigo de Mattos Lia

Accountant CRC 1SP252418/O-3

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

***Message to Shareholders***

Dear shareholders,

We want to be the first option Bank of our customers, providing solutions and services in accordance with their different profiles. For this reason, we have experienced a fast advance in the transformation of the Organization, started being more than a products Bank, turning into a relationship Bank, uniting tradition with what is most modern to provide the customers a range of facilities supplying their needs.

In this deep and constant change pace, our resilience proves the strength of the adopted strategic planning and business model. The year 2018 was challenging, but with the dedication of our teams, we have achieved the proposed goals.

The year 2019, in an economic scenario undergoing transformation, it should not be different. During our entire trajectory, we are confident in Brazil's potential and in its people's capacity, seeking always to contribute for the economic and social growth of the Country.

Aligned to our commitment with transparency and the democratization of information, we present in a detailed way the main achievements and results recorded in 2018.

To our shareholders and clients, we are thankful for their support, trust and preference with which they have distinguished us.

Enjoy reading!

Cidade de Deus, January 30, 2019

Luiz Carlos Trabuco Cappi

Chairman of the Board of Directors

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

We hereby present the Consolidated Financial Statements of Banco Bradesco S.A. related to the period ended on December 31, 2018, in accordance with the accounting practices used in Brazil and applicable to institutions authorized to operate by the Central Bank of Brazil.

**1. 2018 Highlights**

**New Chief Executive Officer:** appointed by the Board of Directors, Octavio de Lazari Junior took office in March. In the Organization, since 1978, he built his career going through various areas and taking control of different responsibilities. Formerly, held the position of Executive Vice-President of Bradesco and Chief Executive Officer of Grupo Bradesco Seguros (Insurance Group).

**New partnership:** in October, we performed a strategic partnership with RCB Investimentos S.A., one of the main credit management and recovery companies in Brazil, upon the acquisition of 65% of its shares. The business strengthens our prominent position in the financial system, as the largest in terms of credit recovery volume, and further increases the processes' efficiency and active participation in the market of the acquisition of credits for recovery.

**Digital Maturity:** Bradesco has led the Digital Maturity Index, made by consultancy firm *McKinsey & Company*, as one of the most advanced financial institutions in digital transformation.

**Lowest Delinquency Ratio:** decrease of over 1.2 p.p. in 2018.

**Recurring Net Income:** with the net income of 2018, we reached an annualized return over the average Shareholders' Equity (ROAE) of 19.0%. Profit growth reflects the good performance of the operating incomes, driven by the good performance of the net interest income and the behavior of the ALL expenses (Expanded), and the positive performance of fee and commission income and insurance, pension plans and capitalization bonds results.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Management Report**

**2. Economic Commentary**

The uncertainties of the economic agents increased volatility in the global and domestic financial markets in 2018. Themes such as commercial discussions, standardization of the US monetary policy and geopolitical risks were on the radar, affecting the prices of assets of emerging countries. Brazil, despite the good foundations of its external accounts, was influenced by this adverse international environment. Even though the annual expansion of the Brazilian economy has remained on a very close level to the one observed in 2017, the recovery was more disseminated, both sector and regional based.

Looking ahead, the Country is in a cyclic position favorable to the faster growth pace, including more beneficial financial conditions. Inflation and interest at a lower level, unleveraged families and companies, low levels of delinquency ratios and space for the demand expansion are favorable vectors for a more intense growth in 2019, which may be boosted at the recovery of the structural reform agenda, with positive impacts over the confidence of businessmen and consumers.

We evaluated that there are indicators to boost employment, income, credit and investments, as the maintenance of the credible and sustainable economic policies should avoid inflationary pressures originating from this recovery. It is fundamental, therefore, for Brazil to advance in its agenda, comprising macro and microeconomic aspects, preparing for an international environment that should remain challenging in the coming quarters.

**3. Strategic Focus**

We are constantly evolving to monitor and overcome the challenges of an economy that shows signs of recovery and opportunities that reveal themselves in new scenarios. We believe in people and use innovation to boost transformations, anticipate changes and go beyond our customers' expectations. These aspects are inserted in the strategy and in the Organization's vision of the future, based on four pillars:

- a) sustainable growth with profitability;
- b) relationship with clients;
- c) efficiency and innovation; and
- d) human capital.

In this context, relied on ethical values, respect and transparency, Bradesco Organization intends to deepen the relationship and to generate long-term value, including with non-account holders, capturing its potential and stimulating synergy between the diverse Organization businesses, combining banking activities and insurances of a segmented service framework, capable of offering a wide portfolio of products and services aligned with the needs of each client.

Our position allows us to providing services to all publics, directing them to the most convenient channels, by a Network installed in every region of Brazil. In a context of digital transformation, we seek to offer the customers innovating service models, making the user experience even more practical, quick and safe.

For Individuals, we adopted a sub-segmented strategy, seeking to strengthen the relationship with the client, delivering specific solutions according to profile and life cycle, providing a customized experienced in all relationship channels. For the high-income customer, the implantation of consulting platforms for investments represented an important step towards quality and service improvement, enabling a more consistent and assertive support, aligned to their needs.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

For legal entities, the Bank offers the best options for the conduction of business, with more appropriate service offers and financial solutions to their needs and compatible profitability for each segment.

In the area of Insurance, we seek to increase the business opportunities from Bradesco's client portfolio, as well as exploring the growth potential in the Brazilian market, given the still weak consumption indexes of these products by the population in general. We want to have the best and most complete Protection offer for the clients, notwithstanding the moment in life, keeping an advisory dialogue to understand their needs and direct products assertively.

The most effective management for expenses and income also has a distinctive role, contributing with actions and projects aimed at the optimization in the use of the channels, reduction of supplying cost and constant search for increased efficiency.

We highlight, lastly, the importance of people management for the implementation of the corporate strategy of Bradesco Organization, that directs and orients their leaderships for a modern conduct aligned to the new employment market needs, with the objective of ensuring diversified results, a solid balance sheet and consistent profitability.

**4. Sustainability for Bradesco**

Sustainability is present in the way we conduct our business and, also, in our commitment to foster the development of the Country. We seek continuous growth, but respect the audiences with which we interact, the communities where we are present and the environment.

The perception that we are moving towards a transition to a new economy, with opportunities and developmental challenges, leads us to increasingly incorporate social and environmental aspects in the corporate management, in order to ensure sustainability and the long-term success of the Organization.

To contribute with the global agenda and promote sustainable business, we support voluntary commitments and participate in many environmental initiatives. We highlight some projects and acknowledgements:

- **Principles for Banking Responsibility** – we are the only Brazilian Bank in the group of 28 banks, from five continents, that is developing the Principles, led by the United Nations Environment Programme Finance Initiative - UNEP FI. The project seeks to accelerate the contribution of the sector for the Goals of Sustainable Development (ODS) and for the Paris Climate Agreement;

- **Task force on climate-related financial disclosure (TCFD)** – in 2018, Bradesco has participated, along with 15 banks, in the project to develop methods and tools to measure the risks and opportunities related to climate changes in the banking loan portfolio;
- **Bloomberg Gender-Equality Index** - for the first time, Bradesco integrates the index which evaluates human resources practices, companies' support to community development and product and service offers with gender awareness;
- **Dow Jones Sustainability Indices** – DJSI, for the 13<sup>rd</sup> time, Bradesco was selected to integrate the Dow Jones Sustainability Indices, of the New York Stock Exchange, holding the best position among Brazilian banks; and

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

## **Management Report**

- **Other Indexes and Ratings** – we were selected, for the 14<sup>th</sup> consecutive year, to compose the Corporate Sustainability Index (ISE) of B3 – Brasil, Bolsa, Balcão. Also, we integrated Vigeo Eires – Emerging Market Performers Ranking, FTSE4Good and MSCI.

## **5. Value generation**

### **Results for the year**

Bradesco's book Net Income reached R\$ 19.085 billion in 2018, equivalent to R\$ 2.85 per share, and with a profitability of 16.8% over the average Shareholders' Equity. The annualized return on Average Total Assets was 1.5%.

In terms of Interest on Own Capital, in gross values, we directed R\$ 7.299 billion to the shareholders, paid on a monthly, intermediary and supplementary basis, computed in the calculations of mandatory dividends. Thus, R\$ 1.15 (R\$ 0.98 net of Income Tax withheld at the source), which includes an additional 10.0% for every preferred share, and R\$ 1.04 (R\$ 0.88 net of Income Tax withheld at the source) for every common share. Distributed interest represents 38.2% (net of Income Tax withheld at the source 32.5%) of the year's adjusted income.

Throughout the twelve months of the year, the taxes and contributions that include pensions, paid or provisioned, reached R\$ 29.357 billion, of which R\$ 14.263 billion is related to taxes withheld and collected from third parties, and R\$ 15.094 billion calculated based on the activities developed by the Bradesco Organization, corresponding to 79.1% of the Net Income.

### **Capital, reserves and subordinated debt**

With relation to Banco Bradesco, at the close of the fiscal year, we highlight:

R\$ 67.100 billion totaled the Capital Stock subscribed and paid in;

R\$ 54.021 billion totaled the Equity Reserves; and

R\$ 121.121 billion was the Shareholders' Equity with a growth of 9.7% in the year. In relation to Consolidated Assets, that amount to R\$ 1.287 trillion, the Managed Shareholders' Equity was equivalent to 9.5%. The Net Asset Value per share was of R\$ 18.10.

The Basel Ratio was of 17.8%, which is therefore higher than the minimum of 11.0% regulated by Resolution No. 4,193/13, of the National Monetary Council, according to the Basel Committee. Regarding the Reference Equity, the immobilization index reached 36.3% in the Prudential Consolidation, falling under the maximum limit of 50.0% stipulated by the Central Bank of Brazil.

Subordinated Loans amounted to, at the end of the fiscal year, R\$ 53.643 billion (Abroad, R\$ 13.641 billion and in Brazil, R\$ 40.002 billion), of which R\$ 36.850 billion were considered eligible as regulatory capital, and included in the calculation of indexes recorded in the previous paragraph.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## ***Management Report***

We highlight below a summary of our financial information:

### **Capital management**

The structure of capital management is composed of Committees that advise the Board of Directors and the Board of Executive Officers in making decisions. It adopts a forward-looking vision, which aims to anticipate possible changes in market conditions. The sufficiency assessment of capital is conducted in order to ensure that the Organization maintains adequate levels of capital to support and assist the development of its activities and to address the risks incurred, taking into account the strategic defined objectives.

### **6. Loan operations**

We continuously monitor the portfolios and keep our policy up to date and in line with the current economic situation. We are expanding and diversifying supply in various channels of distribution, especially,

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Management Report**

complemented by the Branch Network and the Banking Correspondents. Our capillarity allows the achievement of loans and direct financing or in strategic partnerships with the various business chains.

The **consumer credit** is one of the modalities with larger representativity in the Bank's portfolio, contributing to the growth of many production chains among small, medium and large businesses. Highlighted in the portfolio are **personal loans, payroll-deductible loans, real estate financing and credit cards.**

The supply of working capital items, advances on receivables and financing of goods focused on small and mid-sized companies enables the growth of the economic activity and the consequent creation of jobs, thus creating a virtuous circle between investment credit and consumption credit.

Bradesco Corporate is highlighted as leader in assets in Brazilian Market for large and mid-sized companies, on the concept of expanded portfolio, with complete solutions for different sizes, needs and corporate sector.

We are the largest private Bank in assets on **agrobusiness**, with offering of solutions for the development of production, keeping in accordance with the main manufacturers of agricultural tools of the Country. Further information can be obtained at the website [bradescoagronegocio.com.br](http://bradescoagronegocio.com.br).

We were first place in the ranking of **real estate loans** in 2018, considering the financing lines with funds from savings accounts. The leadership is due to our strong commitment in meeting the demands of the construction sector and the acquisition of real estates by the final borrowers, we improved, constantly, our procedures for granting loans for the different channels of origination to make them more agile and practical for the clients. We occupy a leading position in this operating segment.

Bradesco is leader in transfer of BNDES (National Bank for Social and Economic Development) funds and maintained this important position by reaching a total disbursement of R\$ 6.273 billion, equivalent to 18.0% of the Market Share, maintaining a focus on releases to micro, small, and medium companies, which absorbed R\$ 5.431 billion, or 18.8% of the Market Share.

Below is the balance of the main portfolios:

R\$ 531.615 billion, at year-end, on consolidated loan operations, in the expanded concept, which includes Sureties, Guarantees, Letters of Credit, Anticipation of Credit Card

Receivables, Debentures, Promissory Notes, Co-Obligations in Real Estate Receivable Certificates and Rural Credit;

R\$ 34.983 billion was the consolidated balance of provision for doubtful debtors, considering an additional provision of R\$ 6.881 billion, calculated based on the models of provisioning, which are based on statistical models that capture historical, actuarial and prospective data;

R\$ 130.353 billion in operations intended to consumption credit;

R\$ 50.932 billion in Payroll-Deductible Loans at the close of 2018, with 8,903,348 active contracts;

R\$ 61.284 billion in the Real Estate Credit portfolio, whereby R\$ 38.284 billion was intended for the Individuals and R\$ 23.000 billion for the Legal Entities, totaling 192,659 units financed;

R\$ 20.323 billion in applications on agrobusiness in the end of the fiscal year; and

R\$ 18.471 billion amounted to the balance of transfer portfolios, with 189,655 contracts registered.

### **Credit policy and portfolio quality**

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## ***Management Report***

The credit policy allows diversified business transactions to be made in a quick, pulverized, by appropriate collateral and intended for people and legitimate companies and of proven solvency. Thus, we seek to ensure the adequate profitability and liquidity of invested assets, using specialized systems for Credit Scoring, that back of the decision-making process with specific standards of safety and assertiveness in the environment of the Branches.

The loan portfolio registered improvements in 2018, mainly due to the constant improvement of the models and policies of concession and monitoring, as well as the option for more secure credit modalities, such as consigned credit and housing credit.

### **Loan recovery**

In 2018, we further strengthened our loan recovery actions, seeking to decrease the delinquency ratios and, at the same time, keep the relationship with our clients.

With the constant update of statistical models and analytical strategies, we segment the delinquent clients according to levels of risk and propensity to pay, maximizing return in the recovery.

The investment in technology keeps expanding our communication channels, allowing operation through Digital means, Network of Branches, Call Centers and Friendly and Judicial Collection Offices. Also, specialized regional teams tailor their operations on the most significant cases, fulfilling the cycle with our Committees and Recovery Commissions.

R\$ 7.147 billion in loans were recovered, 1.6% higher than in the previous year.

## **7. Bradesco's Shares**

Bradesco's Shares, with a high level of liquidity, remained present in all the trading sessions of B3 – Brasil, Bolsa, Balcão. They represented 10.4% of the Bovespa Index at the end of 2018. They are also traded abroad, on the New York Stock Exchange, by means of ADR – American Depositary Receipt – Tier 2, and on the Stock Exchange of Madrid, Spain, through DRs, which integrate the Latibex Index.

The performance of the preferred shares in 2018 (BBDC4) was of 27.1% and of the common shares (BBDC3) was of 19.4%, higher than the Bovespa Index, that reached 12.8% in the year. Bradesco's securities also took part in other important indexes, such as the Special Tag-Along Stock Index, (ITAG), the Special Corporate Governance Stock Index (IGC), the Brazil Indexes (IBrX50 and IBr100).

Bradesco's presence in these indexes strengthens our constant search for the adoption of good practices of corporate governance, economic efficiency, environmental ethics and responsibility.

As minimum mandatory dividends shareholders are entitled to 30% of the adjusted net income, in addition to the Tag Along of 100% for the common shares and 80% for the preferred shares. Also, granted to the preferred shares are dividends 10% higher than those given to the common shares.

R\$ 127.966 billion was the amount negotiated in Bradesco's Shares on B3 during the year, composed of 553.379 million common shares and 3.352 billion preferred shares.

US\$ 27.815 billion were negotiated as ADRs, in the North American market (New York Stock Exchange – NYSE), equivalent to 2.747 million common shares and 3.103 billion preferred shares.

EUR 409.419 thousand were negotiated as DRs, on the European market (Latibex), equivalent to 55.827 thousand preferred shares.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Management Report**

**8. Technology and innovation**

We have the commitment of supplying the client with a full and ever improving experience, being a financial service platform that connects in a quick, fluid and safe way to people's pathways. Accordingly, we constantly invest in technology and innovation, transform the way of doing business and customize our relationship to meet the generations diversity, social and cultural groups that compose our clients and users base.

For this purpose, it is necessary to have protagonism and an intense search for new solutions. Thus, we quicken the innovation process with development, prototyping and tests. We have, as an example: the advances in the creation of several Blockchain projects; and the Mei.Bradesco Portal, a pioneer implementation of Open Banking concepts, offering a set of solutions and consulting services in business management for individual micro entrepreneurs, in partnership with inovabra habitat startups. The sector, with approximately 22 million people, shows significative potential for the generation of processes, allowing Bradesco to distribute owned and third-party financial and non-financial products and services through a solid environment.

The faster delivery of products and services is a market differential and was our main motivation to widen the use of agile methods in the development of solutions, making it possible to offer many new functionalities and improvements, like the balance check, limits and statement via WhatsApp, the Bradesco Keyboard (Teclado Bradesco) and Next, which allow to perform transactions in this app and on Social Networks, in addition to the launch of the free plans "Next na faixa" and "Next para Universitários".

We count with a robust infrastructure, which, during the period, we enhanced to support the Organization's growth, thus, we boosted the processing capacities of the environment central in 6%, data storage in 29%, invested in the technological update and network connectivity of the 3 data centers, aiming for an increase in energy efficiency, availability and resilience and expanded the data communication network capacity of the Branches and the PAs (Service Branches), in addition to improving the corporate network speed in 16%.

In order to unite physical and digital to ensure efficiency, autonomy and fluidity to employees, we have launched Bradesco Link, an application that is available in the palm of the manager's hand and provides CRM data for relationship and the possibility of updating client registries via document digitalization with the cell phone camera, among other functions. There are already 40,000 operational corporate devices, which allows for a greater agility in contacting clients.

R\$ 6.088 billion were invested in information technology in 2018.

We emphasize, still:

**BIA** – Bradesco Artificial Intelligence, available for clients and employees, relates to people, answers questions about 83 products and services and helps in transactions. In 2018, which recorded 73.2 million interactions, started providing services on WhatsApp and, unprecedentedly in Brazil, we integrated it to Google Assistente (Google Assistant). Bradesco was pioneer in the Country in the use of IBM's cognitive computing platform, Watson, with such coverage and in Portuguese, being still, the largest implementation of Watson in a bank in the entire world;

**Digital portfolios for every smartphone** – we started to supply the most complete solution for cell phone payments, with the use of Apple Pay, Samsung Pay, Google Pay and QR Code. The service is one of our differentials and is aligned with the wideness and diversity of the profiles of our customers;

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

**Biometrics** – identification via the palm of the hand for ATMs and, in an unprecedented way, by one's voice via Fone Fácil, offering more convenience and security in the authentication of the access. Now, in the pilot phase, we are testing facial recognition;

**Capillarity** – at the end of the fiscal year, we arrived at 10,000 ATM model machines 3,0, with a customizable screen, approaching the interface of the cell phone app, simplifying its use. Also, 2,348 machines have instant deposit with bill recycling, increasing the efficiency and availability for the client, in addition to the other 153 that offer the sale of US dollars and Euros;

**IT Security** – we increased the maturity ratio of the IT Security processes, putting Bradesco amongst the best companies in the world, according to the NIST methodology;

**inovabra** – innovation platform that fosters internal and external entrepreneurship, through connections and partnerships based on collaboration between the Bank and businesses, startups, mentors and investors, in Brazil and Abroad, to address the businesses' challenges and sustainability. Among the environmental instruments there are: an Investment Fund in the corporate venture model, with R\$ 200 million in capital; the excellence center in artificial intelligence and cognitive computing; the Lab, which was structured to quicken concept and pilot proofs, centralizing technology labs; a digital hub that promotes in-network collaboration between all participants; and an area focused on global innovation, though a collaborative space in New York and connections in London, for immersion of intern teams in behavioral, technological and international startups prospection tendencies. For more information on Bradesco's innovation environment, visit [inovabra.com.br](http://inovabra.com.br); and

**inovabra habitat** – co-innovation center in São Paulo, SP, that gathers more than 180 startups and 60 companies, Bradesco's corporate clients, that connect through their innovation fields to collaborate and generate business. During the year, more than 60 thousand people have visited the space.

## **9. Clients**

The client is our reason to exist. Throughout the years, we have perfected the way to best serve them and today we move from their needs, identifying their life moment, understanding their objectives and planning, to be a part of their achievements.

We supply to every customer profile with the same level of excellency and have the scale and diversification as differentials of our acting model. We have the will to democratize the access to banking products and services, favoring the financial inclusion process, the banking process and entrepreneurship, as well as social mobility. These are values that stretch

towards our non-account holders, recognizing in this public a relevant opportunity to expand business. For this, we have created an area whose role is to generate value proposition, interacting with the segments and other areas of the Bank, in several relationship dimensions, stimulating synergy amongst the Organization's businesses.

Aware to the needs of each profile and the continuous enhancement of the management, we have reorganized the service structure for the Corporate Sector. The repositioning aims to enhance client services, with prepared, high performance teams, as it optimizes corporate relationships and the structures with an increased growth capacity of the business and of the return on capital applied.

By the end of the fiscal year, our base was composed of 71.2 million clients.

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## **Management Report**

### **10. Service Structure**

Our Service Network, with a wide and modern structure, is present in all national territory and in some locations Abroad, offering service practicality in all its acting sectors.

#### **Digital Channels**

Our Digital Channels - Internet Banking, Bradesco Celular, Autoatendimento, Fone Fácil and Social Networks -, accounted for 96% of all transactions made in Bradesco. In 2018, 13.9 million people accessed Bradesco's services through the cell phone. Convenience, practicality and security for clients, which offer various products and services, at any place and time.

#### **Next, platform for the hyperconnected**

An 100% digital banking platform, Next ended 2018 with an average of 5 thousand account openings per day and 18.4 million transactions, based on December, totalling 500 thousand accounts. Around 80% of these clients were not Bradesco's account holders, proving the attractiveness potential of a new client profile. The aim is to offer a new usage and relationship experience with the client, transforming money management into smart pathways and offering freedom for the user to make operations in the account spontaneously and integrated to their purposes. We also widened the partnership base which provides discounts for activities such as vehicle sharing services, education, food, entertainment, among others.

#### **Digital Platforms**

Currently, 6 large Digital Platforms supply the clients of the Exclusive and Prime sectors, invited or that have requested migration for the units because of their relationship profile be mainly digital. We count, still, with the Digital Branch Bradesco Private Bank.

234,180 clients serviced by the opportunity and 1,775 by the Digital Branch Private.

#### **Accessibility**

The democratization of the access and banking process is in Bradesco's Business missions. To achieve that, the Bank was pioneer in several solutions, products and services that guarantee autonomy and independence to the clients with hearing, physical, visual and intellectual impairments. Among them, we highlight: Virtual Mouse, Virtual Vision, Tutoring in Brazilian Sign Language, Braille Kit, Enlarged font, Banks's

Economic and Financial Analysis Report – December 2018

---

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

### ***Management Report***

WebLibras Home and, in an innovating way, withdrawal in pounds, through the Iris – Digital Brazilian Sign Language Interpreter of Bradesco.

### **Customer Service Points**

Our service structure is present in all national territory and in some locations Abroad. In the end of the fiscal year, we registered 76,173 points, distributed according to the following:

#### **International area**

In 2018, Bradesco achieved leading position amongst the banks that operate in the exchange market. It is the first in the exports, imports and consolidated primary market ranking. It is also leader in foreign trade (Trade Finance).

We act in the main regions of Brazil through 12 specialized operational units and 18 service points located to the Corporate sector.

Abroad, we count on 3 Branches, 9 Subsidiaries and 1 representation office, in addition to an extensive corresponding bank network.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Management Report**

This structure enables our outstanding position in the market, as we can see in the highlights below:

US\$ 12.670 billion in Export Financing Portfolio;

US\$ 1.848 billion in Import Financing Portfolio;

US\$ 54.977 billion in Export Purchases, with market share of 24.1%;

US\$ 42.778 billion of Import contracted, with market share of 24.4%;

US\$ 139.349 billion of Financial Transactions, with market share of 12.6%; and

US\$ 5.658 billion in public and private placements, of medium and long-term, in the international market.

**11. Products and services**

**Insurances**

Through Grupo Bradesco Seguros, we are one of the largest service providers of Brazil and Latin America with a path associated with financial soundness and innovation.

Our modern structure is composed of digital channels and telephone service centers, in addition to the active brokers network and Bradesco Bank Branches. Our services include solutions in the Auto Insurance, Health Insurance, Dental, Capitalization, Life Insurances, Home Insurance, Private Pension Plans and Property & Casualty.

Economic and Financial Analysis Report – December 2018

---

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

**Cards**

Our clients have the most complete means of payment solutions line of the Country, that supplies all social classes, both individuals and legal entities, including Corporate. Working with the main cards, like Elo, American Express, Visa, MasterCard, in addition to Private Labels in partnership with important companies, we offer high level value and experience. Bradesco also counts with a business card unit abroad, Bradescard México, where it keeps highlighted a partnership with the store network C&A.

R\$ 189.155 billion in Credit Card transactions.

R\$ 6.952 billion in Fee and Commission Income, with a growth, mainly in revenue from commissions on purchases made with Credit/Debit Cards and miscellaneous charges.

Bradesco is also well positioned in payment methods, with key market participations such as Cielo and, through Elopár, in the companies ELO Serviços (ELO card), Alelo (leading company in the food voucher sector), Liveló, CBSS (Digio) and Veloe (new company focused on road toll collection and mobility).

**Consortiums**

The full product portfolio is offered by Bradesco Consórcios for account-holders. The Organization keeps an integrated platform for the trading of solutions through synergy with the Network Bank Branches and the digital platform, a strategy that ensures leadership on the Real Estate, Auto and Truck sectors.

1,503,817 active quotas at year-end, with 456,686 new quotas sold.

R\$ 73.508 billion in accrued value.

**Financing**

Acting as the Financing Institution of the Bradesco Organization, Bradesco Financiamentos offers lines of credit in the CDC – Consumer Credit and Leasing modes for the acquisition of light and heavy vehicles and motorcycles and Consigned Credit to retirees and INSS (National Institute of Social Security) pensioners and civil servants – Federal, State, and Municipal –, as well as aggregate products such as insurance.



Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

## **Management Report**

R\$ 1.215 billion in Net Profit in the year.

R\$ 45.977 billion in Consolidated Assets.

R\$ 31.897 billion represented the balance of credit operations.

## **Investments Bank**

Banco Bradesco BBI advises clients in primary and secondary issuing of shares, merger transactions, purchase and sale of assets, structuring and distributing debt instruments, corporate finance operations and the financing of projects under the modality of Project Finance.

R\$ 215.989 billion was the amount of 202 investment banking transactions.

Bradesco counts, also, with the Global Markets area, responsible for the securities and for the institutional client relationship having a highly qualified team and research team covering varied sectors and open companies in São Paulo, Buenos Aires, México, New York, London and Hong Kong.

## **Asset Management**

BRAM – Bradesco Asset Management offers differentiated and adequate investment solutions to all customers' profiles, to guarantee excellence in service quality. BRAM has among its biggest clients all the main segments of Bradesco and Grupo Bradesco Seguros, in addition to Institutional Investors in Brazil and Abroad, and various family offices.

R\$ 667.558 billion under BRAM's management, distributed into 1,230 Investment Funds and 300 Managed Portfolios, reaching 3.4 million investors.

## **Complete Investment Platform**

Our Complete Investment Platform is a value proposition supported by 3 pillars: broad portfolio of products, investment portfolios and specialized consultancy, whose role is to generate value to the client through a complete offer of products and investment solutions, in order to meet the needs of our investor clients, account holders and non-account holders, according to their life stages, equity and profile, in different service channels.

The investment management, in addition to rely on the services of the Branch Network Managers, also counts with a specialist team providing advice on the demands of banking

products, investment funds, Capital Market products, Broker and Private Pension. The clients also benefit from the Suggested Portfolios, that combine a diversity of financial products and are established monthly, based on national and international market perspectives.

The convenience of investing using the Internet Banking, Bradesco Celular and other channels – such as telephone or chat – is offered, whereby operations and investment advice can be made.

With their prominent position in the market, Ágora Investimentos and Bradesco Corretora are prepared to advise investor clients on operations of the domestic and foreign capital markets, notably fixed income, variable income (shares and derivatives), investment funds, Structured Operations Certificate (COE), future markets and public offering (of fixed income and shares) issued by the bank and by third parties. They also offer a wide analysis coverage for companies and sectors, in partnership with Bradesco BBI.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

With Bradesco Securities units overseas, the Organization operates in the North American, European and Chinese markets, mediating shares, through ADRs as well as shares listed on the local Stock exchanges, operating in the distribution of public and private securities for international investors.

### **Solutions for the capital markets**

A modern infrastructure and specialized professionals offer a broad range of solutions and services. Among the main ones, are the following:

- **Fiduciary Management for Funds**

R\$ 429.917 billion in shareholder's equity of investment funds managed by BEM – Distribuidora de Títulos e Valores Mobiliários, distributed into 1,991 Investment Funds.

- **Qualified Custody of Securities for Investors and Issuers**

R\$ 1.623 trillion in custodied assets of clients;

R\$ 2.345 trillion in assets under controllership; and

R\$ 127.583 billion in fair value, related to 25 ADR programs (American Depositary Receipts) and 4 GDR (Global Depositary Receipts) programs.

- **Bookkeeping of Securities**

Bradesco's Share Registration System comprises 239 companies, with a total of 5.0 million shareholders;

Bradesco's Book Entry Debentures System contains 391 companies with 613 issues with a value of R\$ 437.691 billion;

Bradesco's Fund Share Registration System contains 924 investment funds with a value of R\$ 95.147 billion; and

We managed 36 BDR (Brazilian Depositary Receipts) programs, with a fair value of R\$ 704.758 million.

- **Depository (Escrow Account - Trustee)**

19,253 contracts, with a financial volume of R\$ 17.827 billion.

### **Cash Management Solutions**

Offer of integrated solutions to systemic platforms that facilitate the financial management of Companies, Utilities and Public Agencies for the management of Receivable and Payable Accounts and the collection of taxes and fees. Clients classified as Market Niches, such as Franchising, Micro Businesses (MEI), University students, health professionals, among others, also have support from expert staff and customized solutions according to their profile.

The area of Global Cash Management structures solutions for international companies that operate in the Brazilian market and national companies that operate abroad, maintaining partnership with 50 international banks and access to the SWIFT network, supporting from the opening of accounts for companies recommended by partner banks to the preparation and structuring of RFPs - Requests for Proposal for the centralization of cash management.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

## **Management Report**

- 1.079 billion receipts processed by means of Cobrança Bradesco (Collection), Custody of Checks, Identified Deposit and OCT – *Ordem de Crédito por Teleprocessamento* (Tele-processed Credit Order).
- 1.084 billion transactions carried out by the payment systems for legal entities, which include the payments of the main commitments of the company's accounts payable (suppliers, wages, taxes, and utility bills).
- 180.694 million documents collected in federal, state, municipal taxes and other contributions.
- 365.209 million documents received from electric, water, gas and telephone bills, of which 62.476 million of them settled by Direct Debit from Current Account and Savings Accounts, a system that provides comprehensive convenience to the client.
- 130.454 million benefit payments to retirees and pensioners of the INSS.
- 94.747 million in Payroll Processing from the public and private sectors.

### **Solutions of products and services to the Public Authorities**

Exclusive platforms serve the Public Sector, throughout the national territory, with Business Managers trained to offer products, services and solutions with quality and safety to the Executive, Legislative and Judicial Powers, federal, state and municipal authorities, as well as Municipalities, Public Foundations, Public and Mixed Capital Companies and the Armed and Auxiliary Forces.

Among our services, we offer six Specialized Platforms in the Heads of Government to assist Governments, Capitals, Courts, Class Councils, Chambers, Public Prosecutors, Public Defenders, in addition to the 100 Largest Municipalities of the Brazilian GDP. Monthly, more than 11 million retirees and pensioners of the INSS receive their benefits in Bradesco, which gives it the position of highest payer among all the banks in the country. Find out more on [bradescopoderpublico.com.br](http://bradescopoderpublico.com.br).

## **12. Human Resources**

The Organization recognizes in people one of the most important reasons for our success. Its development and realizing potential is the basis for upholding the business of Bradesco. Our Human Resources management policy is guided by excellence, respect, transparency, and in the ongoing investment on people enhancement and development.

We believe that highly skilled teams with career opportunities are able to surpass goals and present excellent results, decisively contributing to the solidity of the Bradesco brand and the achievement of its market strategies.

We support the development of a more balanced corporate environment, free from barriers. In 2018, we joined the Women Empowerment Principles (WEPs) and HeforShe, created by the

UN, which promotes gender equality. In the Organization, the women represent 50.6% of our work force. 66.5% occupy leadership or commissioned positions, including the Board of Executive Officers and the Board of Directors.

Committed to the inclusion of people with disabilities, composing 3.5% of the staff, Bradesco seeks to develop continuously its accessibility resources. Among the offered solutions are the virtual mouse, a digital Brazilian Sign Language interpreter and the virtual vision, an audio description of images. In 2018, the

Economic and Financial Analysis Report – December 2018

---

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

Organization received the global award **Good Practices of Employability for Workers with Disabilities**, from the São Paulo State Department of the Rights of People with Disabilities and from the Technology and Innovation Center of the Government of the State of São Paulo, in partnership with the UN Permanent Mission in Brazil. The delivery ceremony was held in New York.

UniBrad – Universidade Corporativa Bradesco (Bradesco Corporate University) promotes education for professional excellency and social mobility, meeting the needs of organizational strategy. Its focus is the evolution of the programs and solutions for the capacitation and technical and behavioral development of our employees, in order to keep them in constant harmony with the market, which is increasingly more competitive and demanding, and to stimulate and encourage innovative thinking. Amongst them, the digital competencies, in the age of changes we are living in. Escola Digital (Digital School), one of UniBrad's pathways of learning, operates since 2015 with the goal to address the digital transformations transversely. In 2018, 2,337 courses were given, with 793,440 attendances.

Bradesco applied R\$ 164.474 million on Corporate Education Programs.

The welfare benefits comprised 233,272 people, assuring the well-being and the improvement in the quality of life of the employees and their dependents. In Health Plan, there were 8.775 million services and 547,478 in Dental Plan. R\$ 1.562 billion invested in food-vouchers. Besides, R\$ 55.239 million were destined for the distribution of 27.175 million snacks in the year.

At the end of the fiscal year, our staff was composed of 98,605 employees, where 85,815 of Bradesco and 12,790 in the Associated Companies. Between hired employees and interns, we had 15,013 people in the staff.

### **13. The Value of the Brand**

The fair value of Bradesco reached R\$ 242.606 billion at the end of 2018, which is equivalent to 2.0 times the Shareholders' Equity. The calculation is based on the listing of shares on stock exchanges and, also, reflects the relevancy of the intangible access of the Organization perceived by investors and remaining stakeholders.

The strength of our brand is recognized in major awards, such as the ranking of the Most Valuable Brands in Brazil 2018, devised by the IstoÉ Dinheiro magazine and Kantar Consulting, as the most valuable Bank brand in the country for the seventh consecutive year.

We are also the most remembered brand on the market in the Bank App category. Bradesco Seguros featured in the Insurance category.

## Marketing

In 2018, we modernized our logo, the famous stylized tree – symbol of life, growth, shelter and support – which reflects the relationship that we have with clients, it gained a more contemporary and digital touch, in line with the connected world of today.

The campaigns of 2018 continued to reflect the positioning "Pra Frente" (Moving Forward). With the slogan "Your Path is Prime", Bradesco has strengthened its position as a strategic partner in the asset management of clients in this segment.

In the communication to present to the market the BIA virtual assistant, the Bank has brought the concept of "Experience the Future Today", emphasizing that it seeks the best user experience by means of artificial intelligence – one of the guiding technologies of its co-innovation space, the inovabra habitat.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

## ***Management Report***

For Children's Day, the campaign invited us to reflect on social issues from the perspective of children, bringing their definitions of bullying, racism and discrimination.

At the end of the year, our latest institutional campaign, a 3D animation with the invitation "2019. You will make it happen". The video brings the essence of Bradesco, a Bank that respects diversity, reinforcing values such as inclusion and respecting differences.

Support for cultural and sport projects is also part of the platforms of the brand management. In 2018, we resumed the sponsorship of the Brazilian tour of Cirque du Soleil, bringing the show OVO (EGG) to Brazil. The sponsorship of events reinforces the Bank's belief that culture, music, art and their trends are important instruments for the cultural enrichment of a society, therefore it maintained the sponsorship of Lollapalooza Brasil and the hundreds of other cultural manifestations like: the carnivals of Rio de Janeiro, São Paulo, Salvador and Recife; the Círio de Nazaré, in Belém (PA); the Folklore Festival of Parintins and the Opera Festival, both in Amazonas; the Oktoberfest in Blumenau (SC); the ArtRio – International Art Fair of Rio de Janeiro (RJ); and Bradesco's Christmas presentation, the traditional event in Palácio Avenida, in Curitiba (PR). It also supported musicals like The Phantom of the Opera and Peter Pan, besides several exhibitions, among them: Julio Le Parc, Mira Schendel and Hilma af Klint.

The sport also has its transforming role, for this reason Bradesco is the sponsor of the Brazilian Confederation of Sailing, Judo and Rugby.

180 regional, sector-based and/or professional events throughout the country, including business fairs, seminars, conferences, and cultural and community events.

## **14. Social investments**

Fundação Bradesco is the main action of sustainability of the Organization. Founded in 1956, it develops the largest private social and educational program in the country based on the belief that education is the path to promote equal opportunities, personal and collective

achievement, as well as a means to build a society that is more worthy, fair and productive. There are 40 schools installed primarily in areas of severe deprivation, in all of the Brazilian States and in the Federal District.

In 2018, it provided formal education, access and quality to 94,256 students in its schools, in Basic Education, Education of Youth and Adults and in Initial and Continuing Education. In Distance Learning (EaD), it has benefited more than 780 thousand students, who have completed at least one of the various courses offered, in addition to 9,035 people in projects and actions in partnership. The Computer Program for the Visually Impaired has served and trained since its pioneering deployment, in 1998, 12,687 students.

The students of Basic Education, 41,842 in the period, also receive, without cost, uniforms, school materials, food and medical and dental care.

At the end of the year, R\$ 606.908 million were invested, of which R\$ 68.530 million were invested in infrastructure and educational technology. For 2019, a budget of R\$ 652.203 million has been estimated to fund:

- a) 92,468 students in Basic Education – from Kindergarten to Secondary Education and Vocational and Technical Education at Secondary Level –, Education of Young People and Adults and Initial and Continuing Education focused on the creation of jobs;
- b) 670 thousand students who must complete at least one of the courses offered in their program in the EaD modality, by means of their e-learning portal "Escol@ Virtual" (Virtual School); and



Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

c) 12,065 beneficiaries in projects and actions in partnerships, such as the *Programa Educa+Ação* (Educate+Action Program), and in educational courses and lectures and in information technology.

In the last ten years, R\$ 6.913 billion, in restated values, was the amount of the resources invested by Fundação Bradesco to defray the cost of its activities.

For more than 30 years it also encourages sport as an activity to support the development of children and young people from the **Bradesco Sports and Education Program**. The Program focuses on the promotion of health and the enhancement of talents through the teaching of female volleyball and basketball in all the schools of Fundação Bradesco, municipal sports centers, public and private schools, in a leisure club and in its Center of Sports Development, all in Osasco, SP. Approximately 2 thousand girls from 8 years of age, are trained annually.

In order to strengthen our social action and the relationship with the local community, we started in 2018 the Project **UniBrad Semear**. With the collaboration of our employees, who have been specially trained in the program *Voluntários Bradesco* (Volunteers), we promote, in municipal public schools of São Paulo, SP, workshops and courses on financial education and emotional intelligence to 1.4 thousand people. Considering all participants of this initiative, we have reached around 2 thousand people. The classes have had a broad public profile, including residents, students, teachers and managers, and addressed issues such as project of life, conscious consuming, economic cycle, budget, the importance of saving money, making a loan, interest rates, entrepreneurship, among others. The reach of this project will be expanded in 2019.

**15. Corporate Governance**

The Bradesco's Management is composed of eight members from the Board of Directors and by its Board of Executive Officers, with no accumulation of positions of Chairman of the Board of Directors and Chief Executive Officer, according to the statutory provision.

At the Special Shareholders' Meeting on March 12, 2018, there was the amendment of the term of office of the Managers, of the Compensation Committee members and of the Ombudsman from one (1) year to two (2) years. On the same date, Octavio de Lazari Junior was elected Chief Executive Officer of the Bradesco's Board of Executive Officers.

The Board of Directors is advised by eight committees, two are statutory (Audit and Remuneration) and six are non-statutory (Ethical Conduct and Integrity, Internal Controls and Compliance, Integrated Risk Management and Capital Allocation, Succession and Nomination, Risks and Sustainability and Diversity). The Fiscal Council operates continuously, in the role of Supervisory Body and is annually elected by the shareholders.

Further information on Bradesco's Corporate governance practices is available on [banco.bradesco/ri](http://banco.bradesco/ri) – Corporate Governance Section.

In compliance with CVM Instruction No. 381/03, in the fiscal year of 2018, Bradesco Organization contracted services provided by KPMG Auditores Independentes that were not related to the external audit, at a level greater than 5% of the total fees related to external audit services. Other services provided by the external auditors were: i) the issue of due diligence reports; ii) Assurance Report; and iii) reports on previously agreed procedures. The contracted amount totaled, approximately, R\$ 4.083 million, which represents around 10.10% of the total audit fees for the 2018 financial statements of the Bradesco Organization. The Bank's policy is in line with the principles of preserving the auditors' independence, which is based on generally accepted international criteria, i.e. the auditors should not audit their own work, perform managerial duties for their clients or promote their customers' interests. It is noteworthy that any eventual services not related to the external audit are submitted prior to the authorization of the Audit Committee.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

## **Management Report**

### **Internal Audit**

The General Inspectorate (Internal Audit), subordinated to the Board of Directors, performs an independent evaluation of Business processes, mitigating the risks, suitability and effectiveness of internal controls in compliance with the policies, norms, standards, procedures and internal and external regulations. The methodology and execution of works from the area is certified by the Institute of Internal Auditors of Brazil, which considers in its premises the technical recommendations of the Institute of Internal Auditors (IIA).

### **Ombudsman**

Our Organization offers various channels of structured care for the treatment of suggestions and complaints of our clients and users, always acting with impartiality and transforming the complaint into an experience that strengthens its relationship with the Organization and drives improvements that generate mutual benefits.

We operate with two independent Ombudsmen: one dedicated to the manifestations of the Bradesco Organization, which follows determinations of the Central Bank of Brazil and the Securities and Exchange Commission (CVM), and the other dedicated to suggestions and complaints of Bradesco Seguros, which meets the standards of the Superintendence of Private Insurance (SUSEP) and the National Agency of Supplementary Health (ANS).

In 2018, for the seventh consecutive time, it won the *Ouvidorias Brasil* award, granted by the Brazilian Association of Company-Client Relations (ABRAREC). We are the only bank to win all editions of the award.

143,393 complaints were received by Bradesco Ombudsman in 2018.

### **Transparency and Disclosure of Information**

All information regarding the performance of Bradesco and its businesses, as well as its governance structure, policies and practices are easily and readily available on the website [banco.bradesco/ri](http://banco.bradesco/ri). Among them, the Economic and Financial Analysis Report which provides an accurate analysis about the corporate accounting and Bradesco's Integrated Report, which shows a more comprehensive view of the Organization as well as its strategies, highlights of the year and other relevant information. Additionally, the risk factors and critical accounting policies are disclosed on the 20-F Form and on the Reference Form, which present a series of qualitative and quantitative information of the Bank, as well as the audited financial statements.

In order to increase stakeholders knowledge related to the Bank's information, institutional videos with messages from the Organization's Executives, company presentations, calendar of events, regulatory forms, among other corporate information are available on the IR website.

To maintain the constant dialog with the market, 222 events were promoted by the Market Relations Department with national and international investors via conferences, meetings, conference calls and institutional presentations, with the participation of 1,633 investors. 5 Bradesco APIMEC Meetings were held, in the cities of São Paulo (in person and by following live via webcast), Rio de Janeiro, Brasilia, Porto Alegre and Belo Horizonte, with a total of 1,718 participants.

## **16. Integrated risk control**

Due to the complexity and variety of products and services, and also of the globalization of the business of the Organization, the risk management activity is highly strategic. Thus, the Organization exercises the corporate control of risks in an integrated and independent manner, preserving and valuing the environment of group decisions, developing and implementing methodologies, models and tools for

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

measurement and control. It also fosters the dissemination of the risk culture to all the employees, at all hierarchical levels, from the business areas up to the Board of Directors.

In the face of broad actions and options available to its clients in all segments of the market, the Organization is exposed to various types of risks. Therefore, the adoption of mechanisms of identification and continuous monitoring are vital, making it possible to anticipate the development and implementation of actions to minimize any adverse impacts on their positions. These risks may arise from several factors and are mitigated by means of consistent processes of Internal Controls, prevention of money laundering, information security, independent validation of models, as well as a sound governance structure that involves the Integrated Risk Management and Capital Allocation Committee that is subordinate to the Board of Directors.

Among the main risks, we highlight: Credit, Counterparty Credit, Market, Operational, Subscription, Liquidity, Concentration, Socio-environmental, Strategy, Reputation, Model, Contagion, Corporate Conduct, and Compliance. We also seek to identify and monitor any emerging risks, in an attempt to anticipate them or mitigate their effects, should they occur. Among them, issues related to global growth; international geopolitical issues and the economic and fiscal situation of Brazil. We also consider the risks posed by climate change, by cyberattacks and by technological innovation in financial services (FinTech).

**Independent Validation of Models**

Bradesco uses internal models, developed from statistical, economic, financial, and mathematical theories and from the knowledge of experts, with the aim of supporting and facilitating the structuring of issues, enabling standardization and agility in decisions and managing risks and capital.

To identify, mitigate and control the risks inherent to the internal models, represented by potential adverse consequences, there is the process of independent validation that evaluates all aspects thoroughly, challenging the methodology, the assumptions adopted, the data used, and the use of models, as well as the robustness of the environment in which they are deployed, reporting their results to the managers, internal audit and to the Internal Controls and Compliance Committee and the Integrated Risk Management and Capital Allocation Committee.

**17. Compliance and Ethics**

Standards that affirm our values and govern the interactions of the Organization.

The Programs of Compliance and Integrity cover our managers, employees, suppliers, service providers, subsidiaries and companies members of the Bradesco Organization in their interactions and everyday decisions, making our principles of high standards of conduct and ethics known.

These principles are supported by policies, standards, procedures, training programs for professionals and controls, and they seek to detect promptly any actions considered as violations of the Codes of Ethical Conduct, and/or operations and situations apparently related to illegal activities, envisaging the adoption of appropriate measures and actions.

This system of control mechanisms is an object of evaluation and constant improvement in compliance with the applicable laws and regulations, as well as with the best market practices and are supported by Committees linked to the Board of Directors, such as those of Ethical Conduct and Internal Controls and Compliance.

Bradesco

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## **Management Report**

### **18. Recognitions**

#### **Rating**

**Ratings 2018** – it was reported to Bradesco, in the period, among the assessment indexes assigned to Banks in the country by Branches and national and international Entities, that:

- the credit rating agency Fitch Ratings affirmed all of the ratings of the Organization, on international scale: (i) feasibility bb; (ii) support 4; (iii) local currency – long-term BB and short-term B; (iv) foreign currency – long-term BB and short-term B; and on a national scale: national currency - long-term AAA(bra); and short-term F1+(bra);
- the credit rating agency Moody's Investors Service affirmed all of the ratings of the Organization, on global scale: (i) local currency deposit – long-term Ba2 and short-term NP; (ii) foreign currency deposit – long-term Ba3 and short-term NP; (iii) counterparty in foreign currency and in long-term local currency Ba1; (iv) counterparty in foreign currency and in short-term local currency NP; and on a national scale: local currency – long-term Aa1.br and short-term BR-1;
- the credit rating agency S&P Global, raised the credit rating of the issuer – long-term on national scale, from 'brAA-' to 'brAAA". This action reflects the implementation carried out by the agency in its criterion of assigning ratings on national scale. The other ratings, all were affirmed, as global scale credit issuer: (i) foreign currency – long-term BB- and short-term B; (ii) local currency – long-term BB- and short-term B; and national scale: issuing credit – short-term brA-1+; and
- the credit rating agency Austin Rating affirmed all of the ratings of the Organization, on national scale: long-term brAAA and short-term brA-1.

#### **Certifications**

Contributing to achieve operational excellence and the desired results, the Management System, which is the inter-relationship of the parties, of the elements or units, enables the operation and management of an organized structure.

We have highlighted the following certifications of the Bradesco Organization: Corporate Social Responsibility, own normative standard, audited by an independent certification body; Occupational Health and Safety Management System – OHSAS 18001; Environmental Management – ISO 14001; Greenhouse Gas Emissions Management – ISO 14064; Data Protection and Privacy – GoodPriv@cy; Controls Assurance Reports in the Service Provider Organization (international standard) – ISAE 3402; Quality Management – ISO 9001 (DITI/IT

Security and CTI); Information Security Management – ISO 27001; and IT Service Management – ISO 20000.

## Awards / Rankings

### Among the best

- Bradesco was elected the **best bank** in Brazil by the English magazine *The Banker*, reference in the global financial market. The magazine highlighted the profit growth and the efficiency of the Organization in 2018.
- Another institution that referenced Bradesco as the **best bank in the Country** was the North American *Latin Finance*. The choice is based on the evaluation of indicators such as performance, profitability, growth, presence and pioneering spirit, among others.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

- Bradesco led the **Latin America Best Managed Banks 2018 Brazil**, a survey conducted by the *Euromoney* magazine, which lists the best managed banks in Latin America.
- The share of Bradesco (BBDC4) is among the **ten most recommended for investment in 2019** by *Guia Exame Onde Investir* (Where to Invest). In the same survey, BRAM was singled out as the Best Management Company of Variable-Income Funds and the Best Retail Manager.
- Bradesco is the leading private bank in the survey **Top of Mind 2018**, of the *Folha de S. Paulo* newspaper, in the categories of bank and savings. We are also the most remembered brand on the market in the Bank App category. Bradesco Seguros featured in the Insurance category.
- Bradesco BBI is elected, for the fourth time – and third consecutive – as the Best Investment Bank in Brazil and, for the first time as the Best Bank of M&A in Latin America in 2018, in the **nineteenth edition of the Best Investment Bank Awards** in the *Global Finance* magazine.
- BRAM - Bradesco Asset Management was classified with the **highest rating of quality investment management**, receiving the highest score by the agency *Fitch Ratings*.
- **Best & Largest Yearbook, of the Exame magazine**: first of the 200 Largest Groups and integrates the list of 50 Largest Banks by Assets and the Largest Banks by Profit.
- The **Best of Dinheiro 2018**, of the *IstoÉ Dinheiro* magazine: Best company in Corporate Governance; best Bank in people management policy; and leader of the ranking of banks by revenue in the 1,000 largest. The Insurance Group was the best company in the segment.
- **Global Finance's 25th Annual Best Bank Awards**, of the *Global Finance* magazine: Best Brazilian Bank, Best Investment Bank in Brazil and Best Bank of Mergers and Acquisitions in Latin America.
- Bradesco BBI was elected for the third consecutive time, as the Most Innovative Investment Bank in Latin America by **The Banker** magazine.

## **Digital transformation**

- Next received one of the most relevant recognitions in the world for the financial industry, with the International Award of **Global Finance for Best Consumer Digital Bank in Brazil**. Also by *Global Finance*, the Next case was elected as the Best Digital Bank of Brazil in 2018 in the nineteenth *Annual Digital World Awards*.
- Bradesco Seguros was elected as the **most digital insurer in Brazil** by consultancy firm *DOM Strategy Partners*.

- Bradesco received the award for **Connected Bank** from the Brazilian Association of Companies and Professionals of Communication and Infrastructure/IT Engineering – Aberimest.

## Human Resources

- **Best Companies to Work For in Brazil**, of the *Época* magazine and Great Place to Work.
- For the twentieth time, the Organization also integrates the list of **150 Best Companies to Work for** by the *Você S/A* magazine.
- UniBrad was featured in the international award for Best **Corporate Universities – Cubic Awards 2018**. The recognition is granted by the Corporate University Best in Class (Cubic), of the United States.
- Elected as the **Company of the Year in corporate citizenship**, in a study conducted by *Grupo Gestão RH* (HR Management Group).
- **Learning & Performance Award Brazil 2018**, by MicroPower: Recognition for the protagonism of Bradesco in the 20 years of the program of Training and Employability of People with Visual Impairment.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

***Management Report***

**19. Acknowledgments**

The support and trust of our shareholders and clients as well as the effort and efficient work of our employees and other associates increased efficiency and other year achievements. This network of relationships motivates us and drives us continuously to seek to overcome expectations and obtain increasingly more consistent advances. We would like to thank all of you.

Cidade de Deus, January 30, 2019

**Board of Directors and Board of Executive Officers**

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on December 31 -In thousands of Reais**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current</b>	<b>826,566,484</b>	<b>803,792,092</b>
<b>Cash and due from banks (Note 5)</b>	<b>19,612,827</b>	<b>15,028,725</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>102,836,707</b>	<b>153,101,283</b>
Securities purchased under agreements to resell	96,304,583	144,736,786
Interbank investments	6,534,492	8,370,390
Allowance for losses	(2,368)	(5,893)
<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 34a)</b>	<b>375,634,167</b>	<b>342,647,431</b>
Own portfolio	268,198,376	266,827,130
Securities sold under repurchase agreements – Repledge only	71,508,737	44,445,387
Derivative financial instruments (Notes 3f, 7d II and 34a)	13,853,040	13,559,969
Given in guarantee	17,897,007	17,226,111
Securities sold under repurchase agreements – unrestricted	4,177,007	588,834
<b>Interbank accounts</b>	<b>87,618,566</b>	<b>66,738,383</b>
Reserve requirement (Note 8):		
- Reserve requirement - Brazilian Central Bank	87,596,916	66,714,226
- SFH - housing finance system	19,887	21,760
Correspondent banks	1,763	2,397
<b>Interdepartmental accounts</b>	<b>144,041</b>	<b>262,954</b>
Internal transfer of funds	144,041	262,954
<b>Loans (Notes 3g, 9 and 34a)</b>	<b>136,522,352</b>	<b>129,923,666</b>
Loans:		
- Public sector	38,882	158,168
- Private sector	154,764,185	149,449,544
Loans transferred under an assignment with recourse	909,392	1,031,500
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(19,190,107)	(20,715,546)
<b>Leases (Notes 2, 3g, 9 and 34a)</b>	<b>884,853</b>	<b>1,034,188</b>
Leases receivables:		
- Private sector	1,695,817	2,054,501
Unearned income from leases	(765,959)	(936,215)
Allowance for losses on leases (Notes 3g, 9f, 9g and 9h)	(45,005)	(84,098)
<b>Other receivables</b>	<b>100,074,880</b>	<b>91,624,860</b>
Receivables on sureties and guarantees honored (Note 9a-3)	167,777	128,392
Foreign exchange portfolio (Note 10a)	20,459,806	17,469,600
Receivables	1,692,766	1,819,461
Securities trading	1,975,509	1,484,227
Specific receivables	36,490	24,483
Insurance and reinsurance receivables and reinsurance assets – technical provisions	3,982,783	3,916,828
Sundry (Note 10b)	73,702,564	68,607,667

Allowance for losses on other receivables (Notes 3g, 9f, 9g and 9h)	(1,942,815)	(1,825,798)
<b>Other assets (Note 11)</b>	<b>3,238,091</b>	<b>3,430,602</b>
Other assets	3,068,089	2,933,208
Allowance for losses	(1,699,004)	(1,388,899)
Prepaid expenses (Notes 3i and 11b)	1,869,006	1,886,293
<b>Long-term receivables</b>	<b>430,859,241</b>	<b>376,478,540</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>1,397,869</b>	<b>1,245,341</b>
Interbank investments	1,397,869	1,245,341
<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 34a)</b>	<b>187,858,604</b>	<b>157,961,633</b>
Own portfolio	144,130,354	139,513,854
Securities sold under repurchase agreements – Repledge only	41,956,209	10,827,575
Derivative financial instruments (Notes 3f, 7d II and 34a)	917,554	679,455
Privatization rights	39,273	44,127
Given in guarantee	576,950	2,474,440
Securities sold under repurchase agreements – unrestricted	238,264	4,422,182
<b>Interbank accounts</b>	<b>1,263,430</b>	<b>1,195,577</b>
Reserve requirement (Note 8):		
- SFH - housing finance system	1,263,430	1,195,577

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Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Consolidated Statement of Financial Position on December 31 -In thousands of Reais**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Loans (Notes 3g, 9 and 34a)</b>	<b>172,447,921</b>	<b>157,376,898</b>
Loans:		
- Public sector	4,000,000	4,000,000
- Private sector	174,951,766	159,674,868
Loans transferred under an assignment with recourse	7,149,860	7,424,110
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(13,653,705)	(13,722,080)
<b>Leases (Notes 2, 3g, 9 and 34a)</b>	<b>1,076,445</b>	<b>1,068,859</b>
Leases receivables:		
- Private sector	2,264,289	2,341,397
Unearned income from leases	(1,104,285)	(1,209,824)
Allowance for losses on leases (Notes 3g, 9f, 9g and 9h)	(83,559)	(62,714)
<b>Other receivables</b>	<b>66,476,882</b>	<b>56,795,094</b>
Receivables	44,465	23,130
Securities trading	621,558	257,297
Sundry (Note 10b)	65,878,517	56,528,298
Allowance for losses on other receivables (Notes 3g, 9f, 9g and 9h)	(67,658)	(13,631)
<b>Other assets (Note 11)</b>	<b>338,090</b>	<b>835,138</b>
Prepaid expenses (Notes 3i and 11b)	338,090	835,138
<b>Permanent assets</b>	<b>29,866,380</b>	<b>31,001,086</b>
<b>Investments (Notes 3j, 12 and 34a)</b>	<b>7,811,189</b>	<b>8,022,587</b>
Equity investment in unconsolidated and jointly controlled companies:		
- In Brazil	7,656,568	7,874,416
Other investments	238,486	402,906
Allowance for losses	(83,865)	(254,735)
<b>Premises and equipment (Notes 3k and 13)</b>	<b>8,159,840</b>	<b>7,744,649</b>
Premises	3,140,002	2,601,161
Other premises and equipment	14,485,462	13,252,095
Accumulated depreciation	(9,465,624)	(8,108,607)
<b>Intangible assets (Notes 3l and 14)</b>	<b>13,895,351</b>	<b>15,233,850</b>
Intangible Assets	30,749,279	29,709,180
Accumulated amortization	(16,853,928)	(14,475,330)
<b>Total</b>	<b>1,287,292,105</b>	<b>1,211,271,718</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on December 31 -In thousands of Reais**

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
<b>Current</b>	<b>823,816,599</b>	<b>823,737,283</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>213,287,684</b>	<b>167,187,129</b>
Demand deposits	35,318,292	34,088,616
Savings deposits	111,170,912	103,332,697
Interbank deposits	386,006	1,698,875
Time deposits (Notes 15a and 34a)	66,412,474	28,066,941
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>189,972,665</b>	<b>227,346,812</b>
Own portfolio	120,256,644	94,879,329
Third-party portfolio	61,059,702	123,753,860
Unrestricted portfolio	8,656,319	8,713,623
<b>Funds from issuance of securities (Notes 15c and 34a)</b>	<b>66,217,948</b>	<b>83,107,043</b>
Mortgage and real estate notes, letters of credit and others	64,927,439	81,959,214
Securities issued overseas	786,514	970,705
Structured Operations Certificates	503,995	177,124
<b>Interbank accounts</b>	<b>20,342,357</b>	<b>20,823,027</b>
Unsettled payments and receipts	18,975,602	19,464,867
Correspondent banks	1,366,755	1,358,160
<b>Interdepartmental accounts</b>	<b>5,770,644</b>	<b>5,855,275</b>
Third-party funds in transit	5,770,644	5,855,275
<b>Borrowing (Notes 16a and 34a)</b>	<b>27,873,125</b>	<b>17,278,885</b>
Borrowing in Brazil - other institutions	101	936
Borrowing overseas	27,873,024	17,277,949
<b>On-lending in Brazil - official institutions (Notes 16b and 34a)</b>	<b>7,631,435</b>	<b>11,052,779</b>
National treasury	105,725	97,200
BNDES	2,419,524	5,039,056
FINAME	5,104,742	5,915,013
Other institutions	1,444	1,510
<b>Derivative financial instruments (Notes 3f, 7d II and 34a)</b>	<b>15,602,600</b>	<b>13,835,102</b>
Derivative financial instruments	15,602,600	13,835,102
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>226,745,540</b>	<b>218,409,626</b>
<b>Other liabilities</b>	<b>50,372,601</b>	<b>58,841,605</b>
Payment of taxes and other contributions	642,998	1,114,068
Foreign exchange portfolio (Note 10a)	5,554,384	7,654,625
Social and statutory	4,966,982	4,524,457
Tax and social security (Note 19a)	4,166,334	3,897,930
Securities trading	3,321,219	2,317,155
Financial and development funds	1,299	1,299
Subordinated debts (Notes 18 and 34a)	6,462,139	10,808,461

Sundry (Note 19b)	25,257,246	28,523,610
<b>Long-term liabilities</b>	<b>341,309,617</b>	<b>276,103,825</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>129,011,216</b>	<b>98,020,233</b>
Interbank deposits	24,969	469,750
Time deposits (Notes 15a and 34a)	128,986,247	97,550,483
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>939,212</b>	<b>6,120,732</b>
Own portfolio	939,212	6,120,732
<b>Funds from issuance of securities (Notes 15c and 34a)</b>	<b>81,502,782</b>	<b>51,904,265</b>
Mortgage and real estate notes, letters of credit and others	78,044,443	49,605,520
Securities issued overseas	3,305,718	2,107,384
Structured Operations Certificates	152,621	191,361
<b>Borrowing (Notes 16a and 34a)</b>	<b>1,808,215</b>	<b>1,242,828</b>
Borrowing in Brazil - other institutions	-	1,883
Borrowing overseas	1,808,215	1,240,945
<b>On-lending in Brazil - official institutions (Notes 16b and 34a)</b>	<b>17,538,623</b>	<b>19,716,515</b>
BNDES	8,315,761	8,753,797
FINAME	9,222,862	10,962,718
<b>Derivative financial instruments (Notes 3f, 7d II and 34a)</b>	<b>549,487</b>	<b>439,897</b>
Derivative financial instruments	549,487	439,897

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Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Consolidated Statement of Financial Position on December 31 -In thousands of Reais**

<b>Liabilities</b>	<b>2018</b>	<b>2017</b>
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>32,009,667</b>	<b>28,242,939</b>
<b>Other liabilities</b>	<b>77,950,415</b>	<b>70,416,416</b>
Tax and social security (Note 19a)	4,084,597	4,547,409
Subordinated debts (Notes 18 and 34a)	12,188,392	16,241,102
Eligible Debt Capital Instruments (Notes 18a-3 and 34a)	34,992,913	23,129,838
Sundry (Note 19b)	26,684,513	26,498,067
<b>Deferred income</b>	<b>379,510</b>	<b>409,733</b>
Deferred income	379,510	409,733
<b>Non-controlling interests in subsidiaries (Note 21)</b>	<b>665,510</b>	<b>563,401</b>
<b>Shareholders' equity (Note 22)</b>	<b>121,120,869</b>	<b>110,457,476</b>
Capital:		
- Domiciled in Brazil	66,668,912	58,361,598
- Domiciled overseas	431,088	738,402
Capital reserves	11,441	11,441
Profit reserves	53,688,370	49,902,013
Asset valuation adjustments	761,572	1,884,536
Treasury shares (Notes 22d and 34a)	(440,514)	(440,514)
<b>Attributable to equity holders of the Parent Company</b>	<b>121,786,379</b>	<b>111,020,877</b>
<b>Total</b>	<b>1,287,292,105</b>	<b>1,211,271,718</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – December 2018

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Income Statement on December 31 - In thousands of Reais**

	<b>2018</b>	<b>2017</b>
<b>Revenue from financial intermediation</b>	<b>125,611,761</b>	<b>148,262,127</b>
Loans (Note 9j)	69,816,434	72,677,322
Leases (Note 9j)	258,200	270,647
Operations with securities (Note 7g)	31,346,504	41,269,647
Financial income from insurance, pension plans and capitalization bonds (Note 7g)	24,923,391	28,345,353
Derivative financial instruments (Note 7g)	(6,376,085)	(1,232,602)
Foreign exchange contracts (Note 10a)	1,657,135	2,286,446
Reserve requirement (Note 8b)	3,966,507	4,935,461
Sale or transfer of financial assets	19,675	(290,147)
<b>Expenses from financial intermediation</b>	<b>79,004,021</b>	<b>104,141,295</b>
Retail and professional market funding (Note 15e)	39,467,933	56,531,408
Adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds (Note 15e)	13,365,526	18,174,550
Borrowing and on-lending (Note 16c)	7,945,083	4,351,078
Allowance for loan losses (Notes 3g, 9g and 9h)	18,225,479	25,084,259
<b>Gross income from financial intermediation</b>	<b>46,607,740</b>	<b>44,120,832</b>
<b>Other operating income (expenses)</b>	<b>(21,789,931)</b>	<b>(23,617,093)</b>
Fee and commission income (Note 23)	25,219,997	24,027,966
Other fee and commission income	17,263,441	16,395,265
Income from banking fees	7,956,556	7,632,701
Retained premium from insurance, pension plans and capitalization bonds (Notes 3o and 20c)	72,476,844	76,098,164
Net written premiums earned	72,568,307	76,289,252
Reinsurance premiums paid	(91,463)	(191,088)
Variation in technical provisions for insurance, pension plans and capitalization bonds (Note 3o)	(29,401,476)	(34,810,947)
Retained claims (Note 3o)	(26,019,205)	(25,588,167)
Capitalization bond prize draws and redemptions (Note 3o)	(5,470,334)	(5,459,287)
Selling expenses from insurance, pension plans and capitalization bonds (Note 3o)	(3,225,295)	(3,447,688)
Payroll and related benefits (Note 24)	(19,131,067)	(21,010,157)
Other administrative expenses (Note 25)	(19,438,576)	(19,275,756)
Tax expenses (Note 26)	(6,096,899)	(5,960,618)
Share of profit (loss) of unconsolidated and jointly controlled companies (Note 12b)	1,618,817	1,505,270

Other operating income (Note 27)	7,058,764	10,177,120
Other operating expenses (Note 28)	(19,381,501)	(19,872,993)
<b>Operating income</b>	<b>24,817,809</b>	<b>20,503,739</b>
<b>Non-operating income (loss) (Note 29)</b>	<b>(870,813)</b>	<b>(474,715)</b>
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>23,946,996</b>	<b>20,029,024</b>
<b>Income tax and social contribution (Notes 33a and 33b)</b>	<b>(4,697,186)</b>	<b>(5,144,212)</b>
Current income tax	(3,858,923)	(4,698,894)
Current Social Contribution	(2,068,890)	(2,636,272)
Deferred Tax	1,230,627	2,190,954
<b>Non-controlling interests in subsidiaries</b>	<b>(164,857)</b>	<b>(227,057)</b>
<b>Net income</b>	<b>19,084,953</b>	<b>14,657,755</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report**Statements of Changes in Shareholders' Equity -In thousands of Reais**

Events	Capital	Capital reserves Share premium	Profit reserves		Asset valuation adjustments	Treasury shares	Retained earnings	Total
			Legal	Statutory				
<b>Balance on December 31, 2016</b>	<b>51,100,000</b>	<b>11,441</b>	<b>6,807,128</b>	<b>43,641,474</b>	<b>(677,116)</b>	<b>(440,514)</b>	<b>-</b>	<b>100,442,413</b>
Capital increase with reserves	8,000,000	-	-	(8,000,000)	-	-	-	-
Asset valuation adjustments	-	-	-	-	2,561,652	-	-	2,561,652
Net income	-	-	-	-	-	-	14,657,755	14,657,755
Allocations:								
- Reserves	-	-	732,888	6,720,523	-	-	(7,453,411)	-
- Interest on Shareholders' Equity Paid	-	-	-	-	-	-	(7,204,344)	(7,204,344)
<b>Balance on December 31, 2017</b>	<b>59,100,000</b>	<b>11,441</b>	<b>7,540,016</b>	<b>42,361,997</b>	<b>1,884,536</b>	<b>(440,514)</b>	<b>-</b>	<b>110,457,476</b>
<b>Balance on December 31, 2017</b>	<b>59,100,000</b>	<b>11,441</b>	<b>7,540,016</b>	<b>42,361,997</b>	<b>1,884,536</b>	<b>(440,514)</b>	<b>-</b>	<b>110,457,476</b>
Capital increase with reserves	8,000,000	-	-	(8,000,000)	-	-	-	-
Asset valuation adjustments	-	-	-	-	(1,122,964)	-	-	(1,122,964)
Net income	-	-	-	-	-	-	19,084,953	19,084,953
Allocations:								
- Reserves	-	-	954,247	10,832,110	-	-	(11,786,357)	-
- Interest on Shareholders' Equity Paid and/or provisioned	-	-	-	-	-	-	(7,298,596)	(7,298,596)

**Balance on  
December**

**31, 2018      67,100,000      11,4418,494,263 45,194,107      761,572(440,514)      - 121,120,869**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Added Value Accumulated on December 31 - In thousands of Reais**

Description	2018	%	2017	%
<b>1 – Revenue</b>	<b>131,005,274</b>	<b>260.3</b>	<b>147,288,425</b>	<b>305.9</b>
1.1) Financial intermediation	125,611,761	249.6	148,262,127	307.9
1.2) Fees and commissions	25,219,997	50.1	24,027,966	49.9
1.3) Allowance for loan losses	(18,225,479)	(36.2)	(25,084,259)	(52.1)
1.4) Other	(1,601,005)	(3.2)	82,591	0.2
<b>2 – Financial intermediation expenses</b>	<b>(60,778,542)</b>	<b>(120.8)</b>	<b>(79,057,036)</b>	<b>(164.2)</b>
<b>3 – Inputs acquired from third-parties</b>	<b>(15,497,842)</b>	<b>(30.8)</b>	<b>(15,519,966)</b>	<b>(32.2)</b>
Outsourced services	(4,776,441)	(9.5)	(4,794,580)	(10.0)
Data processing	(2,398,676)	(4.8)	(2,275,251)	(4.7)
Communication	(1,541,742)	(3.1)	(1,684,153)	(3.5)
Asset maintenance	(1,112,508)	(2.2)	(1,158,840)	(2.4)
Financial system services	(1,009,209)	(2.0)	(1,033,017)	(2.1)
Advertising and marketing	(1,136,062)	(2.3)	(942,851)	(2.0)
Security and surveillance	(748,577)	(1.5)	(818,221)	(1.7)
Transport	(749,685)	(1.5)	(782,444)	(1.6)
Material, water, electricity and gas	(629,557)	(1.3)	(669,042)	(1.4)
Travel	(286,731)	(0.6)	(261,911)	(0.5)
Other	(1,108,654)	(2.2)	(1,099,656)	(2.3)
<b>4 – Gross value added (1-2-3)</b>	<b>54,728,890</b>	<b>108.8</b>	<b>52,711,423</b>	<b>109.5</b>
<b>5 – Depreciation and amortization</b>	<b>(6,027,267)</b>	<b>(12.0)</b>	<b>(6,068,631)</b>	<b>(12.6)</b>
<b>6 – Net value added produced by the entity (4-5)</b>	<b>48,701,623</b>	<b>96.8</b>	<b>46,642,792</b>	<b>96.9</b>
<b>7 – Value added received through transfer</b>	<b>1,618,817</b>	<b>3.2</b>	<b>1,505,270</b>	<b>3.1</b>
Share of profit (loss) of unconsolidated and jointly controlled companies	1,618,817	3.2	1,505,270	3.1
<b>8 – Value added to distribute (6+7)</b>	<b>50,320,440</b>	<b>100.0</b>	<b>48,148,062</b>	<b>100.0</b>
<b>9 – Value added distributed</b>	<b>50,320,440</b>	<b>100.0</b>	<b>48,148,062</b>	<b>100.0</b>
<b>9.1) Personnel</b>	<b>16,896,508</b>	<b>33.6</b>	<b>18,760,255</b>	<b>39.0</b>
Salaries	8,610,066	17.1	9,264,618	19.2
Benefits	4,383,644	8.7	5,430,419	11.3
Government Severance Indemnity Fund for Employees (FGTS)	763,330	1.5	1,302,270	2.7
Other	3,139,468	6.2	2,762,948	5.7
<b>9.2) Tax, fees and contributions</b>	<b>13,028,644</b>	<b>25.9</b>	<b>13,354,732</b>	<b>27.7</b>
Federal	11,773,942	23.4	12,411,498	25.8
State	8,556	-	11,744	-
Municipal	1,246,146	2.5	931,490	1.9
<b>9.3) Remuneration for providers of capital</b>	<b>1,145,478</b>	<b>2.3</b>	<b>1,148,263</b>	<b>2.4</b>
Rental	1,142,408	2.3	1,142,166	2.4
Asset leases	3,070	-	6,097	-



<b>9.4) Value distributed to shareholders</b>	<b>19,249,810</b>	<b>38.3</b>	<b>14,884,812</b>	<b>30.9</b>
Interest on Shareholders' Equity Dividends paid and/or provisioned	7,298,596	14.5	7,204,344	15.0
Retained earnings	11,786,357	23.4	7,453,411	15.5
Non-controlling interests in retained earnings	164,857	0.3	227,057	0.5

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Consolidated cash flow Statement for the three months ended December 31 - In thousands of Reais**

	2018	2017
<b>Cash flow from operating activities:</b>		
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>23,946,996</b>	<b>20,029,024</b>
<b>Adjustments to net income before income tax and social contribution</b>	<b>56,137,325</b>	<b>66,593,880</b>
Effect of Changes in Exchange Rates in Cash and Cash equivalents	(751,769)	(806,312)
Allowance for loan losses	18,225,479	25,084,259
Depreciation and amortization	6,027,267	6,068,631
Impairment losses of assets	1,566,354	2,658,923
Expenses/ reversal with civil, labor and tax provisions	4,306,043	2,471,287
Expenses with adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds	13,365,526	18,174,550
Share of profit (loss) of unconsolidated and jointly controlled companies	(1,618,817)	(1,505,270)
(Gain)/loss on sale of investments	-	(270,977)
(Gain)/loss on sale of fixed assets	98,182	106,722
(Gain)/loss on sale of foreclosed assets	516,713	577,212
Foreign exchange variation of assets and liabilities overseas/Other	14,402,347	14,034,855
<b>Net income before taxes after adjustments</b>	<b>80,084,321</b>	<b>86,622,904</b>
(Increase)/Decrease in interbank investments	(300,866)	(2,397,585)
(Increase)/Decrease in trading securities and derivative financial instruments	(1,304,576)	(23,446,469)
(Increase)/Decrease in interbank and interdepartmental accounts	(511,734)	2,029,774
(Increase)/Decrease in loans and leases	(40,801,413)	(2,983,398)
(Increase)/Decrease in insurance and reinsurance receivables and reinsurance assets	(65,954)	1,228,825
(Increase)/Decrease in other receivables and other assets	(22,444,457)	(11,953,132)
(Increase)/Decrease in reserve requirement - Central Bank	(20,882,690)	(8,677,695)
Increase/(Decrease) in deposits	77,091,538	30,971,684
Increase/(Decrease) in securities sold under agreements to repurchase	(42,555,667)	(8,511,387)
Increase/(Decrease) in borrowings and on-lending	5,560,391	(8,904,995)
Increase/(Decrease) in technical provisions for insurance, pension plans and capitalization bonds	(1,262,884)	5,135,858
Increase/(Decrease) in other liabilities	(9,216,741)	2,195,677
Increase/(Decrease) in deferred income	(30,223)	(67,452)
Income tax and social contribution paid	(7,086,237)	(8,575,438)
<b>Net cash provided by/(used in) operating activities</b>	<b>16,272,808</b>	<b>52,667,171</b>
<b>Cash flow from investing activities:</b>		

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Maturity of and interest on held-to-maturity securities	4,537,659	7,617,240
Sale of/maturity of and interest on available-for-sale securities	144,897,206	89,338,138
Proceeds from sale of foreclosed assets	696,498	802,722
Sale of investments	-	441,849
Sale of premises and equipment	432,589	445,347
Acquisition of Subsidiaries, Net of Cash and Cash Equivalents acquired	(442,122)	-
Purchases of available-for-sale securities	(167,095,304)	(128,557,960)
Purchases of held-to-maturity securities	(35,868,833)	(204,557)
Investment acquisitions	(54,020)	(525,665)
Purchase of premises and equipment	(2,389,433)	(1,897,645)
Intangible asset acquisitions	(3,278,314)	(3,743,708)
Dividends and interest on shareholders' equity received	1,463,448	845,134
<b>Net cash provided by/(used in) investing activities</b>	<b>(57,100,626)</b>	<b>(35,439,105)</b>
<b>Cash flow from financing activities:</b>		
Funds from securities issued	85,822,189	62,237,380
Settlement and Interest payments of Funds from issuance of securities	(82,978,490)	(91,230,401)
Issuance of subordinated debts	10,890,606	6,594,610
Settlement and Interest payments of subordinated debts	(12,941,124)	(14,301,613)
Interest on Shareholders' Equity Paid	(6,483,196)	(6,397,874)
Non-controlling interest	(62,748)	(112,465)
<b>Net cash provided by/(used in) financing activities</b>	<b>(5,752,763)</b>	<b>(43,210,363)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(46,580,581)</b>	<b>(25,982,297)</b>
Cash and cash equivalents - at the beginning of the period	156,054,442	181,230,427
Effect of Changes in Exchange Rates in Cash and Cash equivalents	751,769	806,312
Cash and cash equivalents - at the end of the period	110,225,630	156,054,442
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(46,580,581)</b>	<b>(25,982,297)</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

The accompanying Notes are an integral part of these Consolidated Financial Statements are distributed as follow:

- 1) OPERATIONS
- 2) PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
- 3) SIGNIFICANT ACCOUNTING PRACTICES
- 4) MANAGERIAL STATEMENTS OF FINANCIAL POSITION AND STATEMENT OF INCOME BY OPERATING
- 5) CASH AND CASH EQUIVALENTS
- 6) INTERBANK INVESTMENTS
- 7) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS
- 8) INTERBANK ACCOUNTS – RESERVE REQUIREMENT
- 9) LOANS
- 10) OTHER RECEIVABLES
- 11) OTHER ASSETS
- 12) INVESTMENTS
- 13) PREMISES AND EQUIPMENT
- 14) INTANGIBLE ASSETS
- 15) DEPOSITS, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND FUNDS FROM ISSUANCE
- 16) BORROWING AND ON-LENDING
- 17) PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS – TAX AND SOCIAL
- 18) SUBORDINATED DEBT
- 19) OTHER LIABILITIES
- 20) INSURANCE, PENSION PLANS AND CAPITALIZATION BONDS
- 21) NON-CONTROLLING INTERESTS IN SUBSIDIARIES
- 22) SHAREHOLDERS' EQUITY (PARENT COMPANY)
- 23) FEE AND COMMISSION INCOME
- 24) PAYROLL AND RELATED BENEFITS
- 25) OTHER ADMINISTRATIVE EXPENSES
- 26) TAX EXPENSES
- 27) OTHER OPERATING INCOME
- 28) OTHER OPERATING EXPENSES
- 29) NON-OPERATING INCOME (LOSS)
- 30) RELATED-PARTY TRANSACTIONS
- 31) RISK AND CAPITAL MANAGEMENT
- 32) EMPLOYEE BENEFITS
- 33) INCOME TAX AND SOCIAL CONTRIBUTION
- 34) OTHER INFORMATION

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**1) OPERATIONS**

Banco Bradesco S.A. (Bradesco) is a private-sector publicly traded company and universal bank that, through its commercial, foreign exchange, consumer financing and housing loan portfolios, carries out all the types of banking activities for which it has authorization. The Bank is involved in a number of other activities, either directly or indirectly, through its subsidiaries, specifically leases, investment banking, brokerage, consortium management, credit cards, real estate projects, insurance, pension plans and capitalization bonds. All these activities are undertaken by the various companies in the Bradesco Organization (Organization), working together in an integrated manner in the market.

**2) PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Bradesco's consolidated financial statements include the financial statements for Bradesco, its foreign branches and subsidiaries, in Brazil and overseas and SPEs (Special Purpose Entities) and investment funds of which the Organization's companies are the main beneficiaries or holders of the principal obligations, as established by Technical Pronouncement CPC 36 (R3), "Consolidation". These financial statements were prepared in conformity with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (Bacen), and are in conformity with accounting guidelines included in Laws No. 4,595/64 (Brazilian Financial System Law) and No. 6,404/76 (Brazilian Corporate Law), including amendments introduced by Laws No. 11,638/07 and No. 11,941/09, as they relate to the accounting for operations, complemented by the rules and instructions of the National Monetary Council (CMN), Bacen, Brazilian Securities and Exchange Commission (CVM), and where applicable, National Private Insurance Council (CNSP), Insurance Superintendence (Susep) and National Supplementary Healthcare Agency (ANS). The financial statements of the lease companies included in the consolidated financial statements were prepared using the finance lease method, under which the carrying amount of leased premises and equipment less the residual value paid in advance are reclassified.

Management states that it has disclosed all relevant information in the consolidated financial statements of Bradesco and that the accounting practices have been applied in a consistent manner in all years presented.

For the preparation of these consolidated financial statements, the intercompany transactions, balances of equity accounts, revenue, expenses and unrealized profits were eliminated and net income and shareholders' equity attributable to the non-controlling interests were accounted for in a separate line. Goodwill on the acquisition of investments in associates, subsidiaries or jointly controlled companies is presented in the investments and intangible assets lines (Note 14a). The foreign exchange variation from foreign branches and investments is presented in the statement of income accounts used for changes in the value of the derivative financial instrument and borrowing and on-lending operations. These effects are neutralized by the results obtained by the financial instruments used to hedge the effects of the exchange variation produced by our investments abroad.

The financial statements include estimates and assumptions, such as: the calculation of estimated loan losses; fair value estimates of certain financial instruments; civil, tax and labor provisions; impairment losses of securities classified as available-for-sale and held-to-maturity securities and non-financial assets; the calculation of technical provisions for insurance, pension plans and capitalization bonds; and the determination of the useful life of specific assets. Actual results may differ from those based on estimates and assumptions.

Bradesco's consolidated financial statements were approved by the Board of Directors on January 30, 2019.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Below are the significant directly and indirectly owned companies and investment funds included in the consolidated financial statements:

	Activity	On December 31	
		Equity interest 2018	2017
<b>Financial Sector – Brazil</b>			
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	100.00%	100.00%
Banco Alvorada S.A. (1)	Banking	100.00%	99.99%
Banco Bradescard S.A.	Cards	100.00%	100.00%
Banco Bradesco BBI S.A.(2)	Investment bank	99.96%	99.85%
Banco Bradesco BERJ S.A.	Banking	100.00%	100.00%
Banco Bradesco Cartões S.A.	Cards	100.00%	100.00%
Banco Bradesco Financiamentos S.A.	Banking	100.00%	100.00%
Banco Losango S.A.	Banking	100.00%	100.00%
	Consortium		
Bradesco Administradora de Consórcios Ltda.	management	100.00%	100.00%
Bradesco Leasing S.A. Arrendamento Mercantil	Leases	100.00%	100.00%
Bradesco-Kirton Corretora de Câmbio S.A. (3)	Exchange Broker	99.97%	99.97%
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Brokerage	100.00%	100.00%
	Asset		
BRAM - Bradesco Asset Management S.A. DTVM	management	100.00%	100.00%
Kirton Bank Brasil S.A.	Banking	100.00%	100.00%
Tempo Serviços Ltda.	Services	100.00%	100.00%
<b>Financial Sector – Overseas</b>			
Banco Bradesco Argentina S.A.U (4) (5)	Banking	100.00%	99.99%
Banco Bradesco Europa S.A. (5)	Banking	100.00%	100.00%
Banco Bradesco S.A. Grand Cayman Branch (5) (6)	Banking	100.00%	100.00%
Banco Bradesco S.A. New York Branch (5)	Banking	100.00%	100.00%
Bradesco Securities, Inc. (5)	Brokerage	100.00%	100.00%
Bradesco Securities, UK. Limited (5)	Brokerage	100.00%	100.00%
Bradesco Securities, Hong Kong Limited (5)	Brokerage	100.00%	100.00%
Cidade Capital Markets Ltd (5)	Banking	100.00%	100.00%
Bradescard México, sociedad de Responsabilidad Limitada (7)	Cards	100.00%	100.00%
<b>Insurance, Pension Plan and Capitalization Bond Sector - In Brazil</b>			



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Atlântica Companhia de Seguros	Insurance	100.00%	100.00%
Bradesco Auto/RE Companhia de Seguros	Insurance	100.00%	100.00%
	Capitalization		
Bradesco Capitalização S.A.	bonds	100.00%	100.00%
Bradesco Saúde S.A.	Insurance/health	100.00%	100.00%
Bradesco Seguros S.A. (8)	Insurance	99.96%	100.00%
	Pension		
Bradesco Vida e Previdência S.A.	plan/Insurance	100.00%	100.00%
	Capitalization		
Kirton Capitalização S.A. (9)	bonds	-	100.00%
Kirton Seguros S.A. (9)	Insurance	-	98.54%
	Pension		
Kirton Vida e Previdência S.A. (9)	plan/Insurance	-	100.00%
Odontoprev S.A. (10)	Dental care	50.01%	50.01%
<b>Insurance - Overseas</b>			
Bradesco Argentina de Seguros S.A. (5) (10)	Insurance	99.98%	99.98%
<b>Other Activities - Brazil</b>			
Andorra Holdings S.A.	<i> Holding</i>	100.00%	100.00%
Bradseg Participações S.A.	<i> Holding</i>	100.00%	100.00%
	Insurance		
Bradescor Corretora de Seguros Ltda.	Brokerage	100.00%	100.00%
Bradesplan Participações Ltda. (11)	<i> Holding</i>	-	100.00%
BSP Empreendimentos Imobiliários S.A.	Real estate	100.00%	100.00%
Cia. Securitizadora de Créditos Financeiros Rubi	Credit acquisition	100.00%	100.00%
Columbus Holdings S.A.	<i> Holding</i>	100.00%	100.00%
Nova Paiol Participações Ltda.	<i> Holding</i>	100.00%	100.00%
União Participações Ltda. (12)	<i> Holding</i>	-	100.00%
<b>Other Activities - Overseas</b>			
Bradesco North America LLC (5)	Services	100.00%	100.00%

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Activity	On December 31	
		Equity interest 2018	2017
<b>Investment Funds (13)</b>			
Bradesco F.I.R.F. Master II Previdência	Investment Fund	100.00%	100.00%
Bradesco F.I. Referenciado DI Performance	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F10	Investment Fund	100.00%	100.00%
Bradesco F.I.R.F. Master IV Previdência	Investment Fund	100.00%	100.00%
Bradesco F.I.R.F. Master Previdência	Investment Fund	100.00%	100.00%
Bradesco Private F.I.C.F.I. RF PGBL/VGBL Ativo	Investment Fund	100.00%	100.00%
Bradesco FI Referenciado DI União	Investment Fund	99.83%	99.92%
Bradesco Private F.I.C.F.I. R.F. PGBL/VGBL Ativo - F 08 C	Investment Fund	100.00%	100.00%
Bradesco F.I.C.R.F. VGBL FIX	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. Renda Fixa V-A	Investment Fund	100.00%	100.00%

(1) In December 2018 there was acquisition of shares held by a minority shareholder;

(2) In May 2018, there was acquisition of shares held by minority shareholders by Banco Bradesco S.A.;

(3) In November 2018, there was a change in the corporate name of Bradesco-Kirton Corretora de Títulos e Valores Mobiliários S.A. to Bradesco-Kirton Corretora de Câmbio S.A.;

(4) Change in the percentage of participation, by assignment of quotas and change of corporate name to unilateral company;

(5) The functional currency of these companies abroad is the Real;

(6) The special purpose entity International Diversified Payment Rights Company is being consolidated. The company is part of a structure set up for the securitization of the future flow of payment orders received overseas;

(7) The functional currency of this company is the Mexican Peso;

(8) Reduction in participation due to the merger of Kirton Seguros S.A through the exchange of minority shares;

(9) Companies incorporated in June, 2018, by their respective counterparts (Bradesco Seguros S.A., Bradesco Capitalização S.A. and Bradesco Vida e Previdência S.A.);

(10) The financial information portrayed is from the previous month;

(11) Company incorporated in October 2018, by the company Nova Paiol Participações Ltda.;

(12) Company incorporated in November 2018, by the company Nova Paiol Participações Ltda.; and

(13) The investment funds in which Bradesco assumes or substantially retains the risks and benefits were consolidated.

### **3) SIGNIFICANT ACCOUNTING PRACTICES**

#### **a) Functional and presentation currencies**

Consolidated financial statements are presented in Brazilian reais, which is also Bradesco's functional currency. Foreign branches and subsidiaries are mainly a continuation of activities in Brazil, and, therefore, assets, liabilities and profit or loss are translated into Brazilian reais using the appropriate currency exchange rate, to comply with accounting practices adopted in Brazil. Foreign currency translation gains and losses arising are recognized in the period's statement of income in the lines "Derivative Financial Instruments" and "Borrowing and On-lending".

#### **b) Income and expense recognition**

Income and expenses are recognized on an accrual basis in order to determine the net income for the period to which they relate, regardless of when the funds are received or paid.

Fixed rate contracts are recognized at their redemption value with the income or expense relating to future periods being recognized as a deduction from the corresponding asset or liability. Finance income and costs are recognized daily on a pro-rata basis and calculated using the compounding method, except when they relate to discounted notes or to foreign transactions, which are calculated using the straight-line method.

Floating rate and foreign-currency-indexed contracts are adjusted for interest and foreign exchange rates applicable at the reporting date.

Insurance and coinsurance premiums, net of premiums paid for coinsurance and related commissions, are recognized upon the issue of the related policies/certificates/endorsements and invoices, or upon the beginning of the exposure to risk in cases in which the risk begins before the policy issuance, and is

recognized on a straight-line basis over the policies' effective period through the upfront recognition and subsequent reversal through the statement of income of the unearned premium reserve and the deferred acquisition costs. Revenues from premiums and the corresponding deferred acquisition costs, relating to existing risk for which no policy has been issued,

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

are recognized in the statement of income at the beginning of the risk exposure, based on estimated figures.

The health insurance premiums are recognized in the premiums (results) account or provision for unearned premiums/considerations (PPCNG), according to the period of coverage of contracts in force on the reporting date.

Income and expenses arising from Mandatory Insurance For Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations are recognized based on information provided by Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

Accepted coinsurance and retrocession operations are recognized based on the information received from other insurers and IRB - Brasil Resseguros S.A. (IRB), respectively.

Reinsurance operations are recognized based on the premium and claims information provided, which is subject to the analysis of the re-insurers. The deductions of reinsurance premiums granted are consistent with the recognition of the corresponding insurance premium and/or terms of the reinsurance contract.

The acquisition costs related to the insurance commission are deferred and appropriated to the income in proportion to the recognition of the premium earned.

Contributions and agency fees are deferred and recognized in the statement of income on a straight-line basis over a period of 24 months for health insurance operations, and 12 months for other operations.

Pension plan contributions and life insurance premiums with survival coverage are recognized in the statement of income as they are received.

The management fee income is appropriated to the income on an accrual basis, according to contractually established rates.

Revenue from capitalization bonds is recognized in the month in which they are issued, according to the types of collection, which may be in monthly payments or in a single payment. Each security has a nominal value, which is indexed to the Reference Rate (TR) and interest rates defined in the plan. Technical provisions are recognized when the respective revenues are recognized.

The revenues arising from unclaimed and expired capitalization bonds (securities and non-redeemed draws) are recognized after the prescription period, that is, until November 2003, up to 20 years and five years after this date as established by law. The expenses related to commercialization of capitalization bonds are classified as "Acquisition Costs" and are recognized in the statement of income as incurred.

#### **c) Cash and cash equivalents**

Cash and cash equivalents include: funds available in currency, investments in gold, securities sold under agreements to repurchase and interest-earning deposits in other banks, maturing in 90 days or less, from the time of the acquisition, which are exposed to insignificant risk of change in fair value. These funds are used by Bradesco to manage its short-term commitments.

Cash and cash equivalents detailed balances are presented in Note 5.

#### **d) Interbank investments**

Securities purchased under agreements to resell are stated at their fair value. All other interbank investments are stated at cost, plus income earned up to the end of the reporting period, net of any devaluation allowance, if applicable.

The breakdown, terms and proceeds relating to interbank investments are presented in Note 6.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**e) Securities – Classification**

- Trading securities – securities acquired for the purpose of being actively and frequently traded. They are recognized at cost, plus income earned and adjusted to fair value with changes recognized in the Statement of Income for the period;
- Available-for-sale securities – securities that are not specifically intended for trading purposes or to be held to maturity. They are recognized at cost, plus income earned, which is recognized in profit or loss in the period and adjusted to fair value with changes recognized in shareholders' equity, net of tax, which will be transferred to the Statement of Income only when effectively realized; and
- Held-to-maturity securities – securities for which there is positive intent and financial capacity to hold to maturity. They are recognized at cost, plus income earned recognized in the Statement of Income for the period.

Securities classified as trading and available-for-sale, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their fair value. Fair value is generally based on quoted market prices or quotations for assets or liabilities with similar characteristics. If market prices are not available, fair values are based on traders' quotations, pricing models, discounted cash flows or similar techniques to determine the fair value and may require judgment or significant estimates by Management.

Classification, breakdown and segmentation of securities are presented in Note 7.

**f) Derivative financial instruments (assets and liabilities)**



Derivative financial instruments are designed to meet the Company's own needs to manage Bradesco's global exposure, as well to meet customer requests, in order to manage its positions.

The transactions are recorded at their fair value considering the mark-to-market methodologies adopted by Bradesco, and their adjustment can be recorded in the statement of income or equity, depending on the classification as accounting hedge (and the category of accounting hedge) or as an economic hedge.

Derivative financial instruments used to mitigate the risks of exposures in currencies, indexes, prices, rates or indexes are considered as hedge instruments, whose objectives are: (i) to ensure exposures remain with risk limits; (ii) change, modify or reverse positions due to market changes and operational strategies; and (iii) reduce or mitigate exposures of transactions in inactive markets, under stress or low liquidity conditions.

Instruments designated for hedge accounting purposes are classified according to their nature in:

- Market risk hedge: the gains and losses, realized or not, of the financial instruments classified in this category as well as the financial assets and liabilities, that are the object of the hedge, are recognized in the Statement of Income;
- Cash flow hedge: the effective portion of valuation or devaluation of the financial instruments classified in this category is recognized, net of taxes, in a specific account in shareholders' equity. The ineffective portion of the hedge is recognized directly in the Statement of Income; and
- Hedge of net investment in foreign operations - the financial instruments classified in this category are intended to hedge the exchange variation of investments abroad, whose functional currency is different from the national currency, and are accounted for in accordance with the accounting procedures applicable to the hedge category of cash flow, that is, with the effective portion recognized in shareholders' equity, net of tax effects, and the non-effective portion recognized in income for the period.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

For derivatives classified in the hedge accounting category, there is a follow-up of: (i) strategy effectiveness, through prospective and retrospective effectiveness tests, and (ii) mark-to-market of hedge instruments.

A breakdown of amounts included as derivative financial instruments, in the statement of financial position and off-balance-sheet accounts, is disclosed in Note 7.

**g) Loans and leases, advances on foreign exchange contracts, other receivables with credit characteristics and allowance for loan losses**

Loans and leases, advances on foreign exchange contracts and other receivables with credit characteristics are classified by risk level, based on: (i) the parameters established by CMN Resolution No. 2,682/99, which requires risk ratings to have nine levels, from "AA" (minimum risk) to "H" (maximum risk) considering, among other things, the delay levels (as described in table below); and (ii) Management's assessment of the risk level. This assessment, which is carried out regularly, considers current economic conditions and past experience with loan losses, as well as specific and general risks relating to contract, debtors and guarantors.

<b>Past-due period (1)</b>	<b>Customer rating</b>
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

(1) For transactions with terms of more than 36 months, past-due periods are doubled, as permitted by CMN Resolution No. 2,682/99.

Interest and inflation adjustments on past-due transactions are only recognized in the Statement of Income up to the 59th day that they are past due. As from the 60th day, they are recognized in off-balance sheet accounts and are only recognized in the Statement of Income when received.

H-rated past-due transactions remain at this level for six months, after which they are written-off against the existing allowance and controlled in off-balance-sheet accounts for at least five years.

Renegotiated loans are maintained at least at the same rating in which they were classified on the date of renegotiation.

Renegotiations of loans that had already been written-off against the allowance and that were recognized in off-balance-sheet accounts, are rated as level "H" and any possible gains derived from their renegotiation are recognized only when they are effectively received. When there is a significant repayment on the loan or when new material facts justify a change in the level of risk, the loan may be reclassified to a lower risk category.

The estimated allowance for loan losses is calculated to sufficiently cover probable losses, according to CMN and Bacen standards and instructions, together with Management's assessment of the credit risk.

The classification of the generally loans to the same economic client or group is defined as the one that presents the highest risk. In exceptional cases, different ratings for a particular loan are accepted according to the nature, value, purpose of the loan and characteristics of the guarantees.

Type, values, terms, levels of risk, concentration, economic sector of client's activity, renegotiation and income from loans, as well as the breakdown of expenses and statement of financial position accounts for the allowance for loan losses are presented in Note 9.

#### **h) Income tax and social contribution (assets and liabilities)**

Deferred tax assets, calculated on income tax losses, social contribution losses and temporary differences, are recognized in "Other Receivables - Sundry" and the deferred tax liabilities on tax differences in lease asset depreciation (applicable only for income tax), fair value adjustments on



Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

securities, inflation adjustment of judicial deposits, among others, are recognized in "Other Liabilities - Tax and Social Security".

Deferred tax assets on temporary differences are realized when the difference between the accounting treatment and the income tax treatment reverses. Deferred tax assets on income tax and social contribution losses are realizable when taxable income is generated, up to the 30% limit of the taxable profit for the period. Deferred tax assets are recognized based on current expectations of realization considering technical studies and analyses carried out by Management.

The provision for income tax is calculated at 15% of taxable income plus a 10% surcharge. For financial companies, for companies considered as such and for the insurance industry, the social contribution on the profit was calculated until August 2015, considering the rate of 15%. For the period between September 2015 and December 2018, the rate was changed to 20%, according to Law No. 13,169/15 and the rate is 15% again as from January 2019. For the other companies, the social contribution is calculated considering the rate of 9%.

Provisions were recognized for other income tax and social contribution in accordance with specific applicable legislation.

The breakdown of income tax and social contribution, showing the calculations, the origin and expected use of deferred tax assets, as well as unrecognized deferred tax assets, is presented in Note 33.

**i) Prepaid expenses**

Prepaid expenses consist of funds already disbursed for future benefits or services, which are recognized in the profit or loss on an accrual basis.

Incurring costs relating to assets that will generate revenue in subsequent periods are recognized in the Statement of Income according to the terms and the amount of expected benefits and directly recognized in the Statement of Income when the corresponding assets or rights are no longer part of the institution's assets or when future benefits are no longer expected.

In the case of the remuneration paid for the origination of credit operations or leases to the banking correspondents related to credit operations originated during 2015 and 2016, Bradesco opted to recognize part of the total value of compensation, pursuant to the provisions of Bacen Circular Letter No. 3,738/14. As from 2017, the remuneration mentioned is fully recognized as an expense.

Prepaid expenses are shown in detail in Note 11b.

#### **j) Investments**

Investments in unconsolidated companies, where Bradesco has significant influence over the investee or holds at least 20% of the voting rights, and jointly controlled companies, are accounted for using the equity method.

Tax incentives and other investments are stated at acquisition cost, less impairment, when applicable.

The composition of unconsolidated and jointly controlled companies, as well as other investments, are disclosed in Note 12.

#### **k) Premises and equipment**

Relates to the tangible assets used by the Bank in its activities, including those resulting from transactions that transfer risks, benefits and control of the assets to the Bank.

Premises and equipment are stated at acquisition cost, net of accumulated depreciation, calculated by the straight-line method based on the assets' estimated economic useful life, using the following rates: real estate – 4% per annum; installations, furniture, equipment for use, security systems and communications – 10% per annum; transport systems – 10% to 20% per annum; and data processing systems – 20% to 40% per annum, and adjusted for impairment, when applicable.

Economic and Financial Analysis Report – December 2018

---

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

The breakdown of asset costs and their corresponding depreciation, as well as the unrecognized surplus value for real estate and the fixed asset ratios, is disclosed in Note 13.

**l) Intangible assets**

Relates to the right over intangible assets used by the Bank in its activities.

Intangible assets comprise:

- Future profitability/acquired client portfolio and acquisition of right to provide banking services: they are recognized and amortized over the period in which the asset will directly and indirectly contribute to future cash flows and adjusted for impairment, where applicable; and
- Software: stated at cost less amortization calculated on a straight-line basis over the estimated useful life (20% p.a.), from the date it is available for use and adjusted for impairment, where applicable. Internal software development costs are recognized as an intangible asset when it is possible to show the intent and ability to complete and use the software, as well as to reliably measure costs directly attributable to the intangible asset. These costs are amortized during the software's estimated useful life, considering the expected future economic benefits.

Intangible assets and the movement in these balances by class are presented in Note 14.

**m) Impairment**



Financial and non-financial assets are tested for impairment.

Objective evidence of impairment may comprise the non-payment or payment delay by the debtor, possible bankruptcy process or the significant or extended decline in an asset value.

An impairment loss of a financial or non-financial asset is recognized in the profit or loss for the period if the carrying amount of an asset or cash-generating unit exceeds its recoverable value.

#### **n) Deposits and funds obtained in the open market**

These are recognized at the value of the liabilities and include, when applicable, related interest accrued at the end of the reporting period, calculated on a daily pro-rata basis.

The composition of the securities recorded in deposits and funds obtained in the open market, as well as their maturities and amounts recorded in equity and income accounts, are presented in Note 15.

#### **o) Technical provisions relating to insurance, pension plans and capitalization bonds**

- Damage, health and group insurance lines, except life insurance with survival coverage (VGBL):
  - The unearned premium reserve (PPNG) is calculated on a daily pro-rata basis, using premiums net of coinsurance, including amounts ceded through reinsurance, and is comprised of the portion corresponding to the remaining period of coverage less initial contracting costs (for contracts written prior to 2017), except for health and personal insurance. The portion of these reserves corresponding to the estimate for risks in effect but not yet contracted is designated 'PPNG-RVNE';
  - The unearned premium/payments reserve (PPCNG) is calculated on a daily pro-rata basis based on the portion of health insurance premiums corresponding to the remaining period of coverage, of the currently effective contracts;
  - The mathematical reserve for unvested benefits (PMBaC) whose calculation methodology considers, the difference between the current value of future benefits and the current value of future contributions, on obligations already assumed by Bradesco;

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

- For health insurance, the Mathematical Reserve for Benefits to be Granted (PMBaC) uses a discount rate of 4% per annum (4.5% in 2017). It considers the payment of premiums until the death of the insured and, from this moment, the costs related to the coverage of dependents who remain in the plan for five further years without payment of premiums;
  
- For health insurance, the mathematical reserve of benefits granted (PMBC) is constituted by the obligations arising from the contractual clauses of remittance of installments, regarding the coverage of health assistance and by the premiums paid by insured participating in the Bradesco Saúde Insurance Plan - "GBS Plan" considering a discount rate of 4% (4.5% in 2017) per annum;
  
- The reserve for events incurred but not reported (PEONA) is calculated from the final estimate of claims already incurred and still not reported, based on the run-off triangles, monthly that consider the historical development of claims advised in the last 12 months for health insurance and last 18 months for dental care to establish a future projection per period of occurrence;
  
- For Car insurance, the reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid' (IBNP) claims less the balance of the reserve for 'unsettled' claims (PSL) on the calculation date. For the other Damage insurance, the IBNR estimate is based on the run off triangles. A final estimate of IBNP is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the previous 10 semesters and in last 11 quarters to extended warranty segments to determine a future projection per occurrence period, and considers the estimated claims 'incurred but not sufficient' reported (IBNER), reflecting the changing expectation of the amount provisioned along the regulatory process;
  
- For life insurance, the provision of 'incurred but not reported claims (IBNR) is calculated based on semi-annual run-off triangles, which consider the historical development of claims paid and outstanding in the prior 10 semesters, to establish a future projection per period of occurrence; A residual cause study is performed to forecast the claims reported after 10 semesters that the event occurred;

- The reserve for unsettled claims (PSL), for health insurance, considers all claim notifications received up to the end of the reporting period, and includes all claims in litigation and related costs, updated monetarily;
  
- The provision for outstanding claims (PSL) for personal insurance considers the expected amounts to be settled from all claims notices received up to the reporting date. The provision covers administrative and judicial claims indexed to inflation and with interest in the event of judicial claims;
  
- For non-life insurance, the reserve for unsettled claims (PSL) is determined based on the indemnity payment estimates, considering all administrative and judicial claims existing at the reporting date, restated monetarily and with interest in case of judicial claims, net of the expected payments to be received;
  
- The technical surplus reserve (PET) corresponds to the difference between the expected value and the observed value for events occurred in the period for insurance of policyholders with a clause of participation in the technical surplus;
  
- The reserve for related expenses (PDR) for insurance of persons is recognized to cover expenses related to estimated claims and benefits for products structured in self-funding and partially regimes, the reserve covers claims incurred. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future;
  
- For damage insurance, the reserve for related expenses is (PDR) calculated on a monthly basis to cover the expenses related to indemnity payment, and it covers the expenses

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

allocated individually to each claim, as well as expenses related to claims that have not been itemized, that is, those at the level of the portfolio;

- The reserve for redemptions and other amounts to be settled (PVR) comprises figures related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer;
  
- The complementary reserve for coverage (PCC) for damage insurance shall be recorded when there is an insufficiency in the technical provisions, as calculated in the Liability Adequacy Test (TAP), pursuant to the determinations specified in the regulations in force. As of the base date, there is no need to record complementary reserve for coverage;
  
- The complementary reserve for coverage (PCC) for life insurance, refers to the amount necessary to complement technical provisions, as calculated in the liability adequacy test (TAP). The TAP, which is prepared using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, adjusted as per longevity development criteria in compliance with the last versions disclosed (improvement), claims, administrative and operating expenses and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy. The Adequacy Test result was fully offset by the portion corresponding to the difference between the market value and the book value of the collateralized securities makes technical provisions classified as "held to maturity", as required by SUSEP Circular 543/16;
  
- The other technical provisions for damage insurance correspond to the provision for administrative expenses (PDA) arising from Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations; and
  
- Other technical provisions are recognized for the individual health portfolio to address the differences between the expected present value of future premiums and the expected present value of indemnities and related expenses, using an annual discount rate of 4% (4.5% in 2017) per annum.

- Pension plans and life insurance with survival coverage (VGBL):
  - The unearned premium reserve (PPNG) is calculated on a daily prorated basis using net contributions, and is comprised of the portion corresponding to the remaining period of coverage. The portion of these reserves corresponding to the estimate for risks covered but not yet issued (is designated PPNG-RVNE);
  - The mathematical reserve for unvested benefits (PMBaC) is recognized for participants who have not yet received any benefit. In defined benefit pension plans, the reserve represents the difference between the present value of future benefits and the present value of future contributions, corresponding to obligations in the form of retirement, disability, pension and annuity plans. The reserve is calculated using methodologies and assumptions set forth in the actuarial technical notes;
  - The mathematical reserve for unvested benefits (PMBaC) related to pension plans and life insurance with survival coverage, as well as the defined contribution plans, shows the value of participant contributions, net of costs and other contractual charges, plus income from investment in specially constituted investment funds (FIEs);
  - The reserve for redemptions and other amounts to be settled (PVR) comprises figures related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer;
  - The mathematical reserve for vested benefits (PMBC), calculated using actuarial estimates based on the relevant data of the plan participants, is recognized for participants already receiving benefits and corresponds to the present value of future obligations related to the payment of those on-going benefits;

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

- The complementary reserve for coverage (PCC) refers to the amount necessary to complement technical provisions, as calculated in the liability adequacy test (TAP). The TAP, which is prepared semi-annually using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, adjusted as per longevity development criteria in compliance with the last versions disclosed (improvement), claims, administrative and operating expenses and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy. The adequacy test result was fully offset by the portion corresponding to the difference between the market value and the book value of the linked securities as collateral for technical provisions classified as "held to maturity", as required by SUSEP Circular 543/16;
  
- The reserve for related expenses (PDR) is recognized to cover expenses related to estimated claims and benefits, for products structured in self-funding and partially regimes. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future. The projections are performed through the liability adequacy test (TAP);
  
- The reserve for financial surplus (PEF) corresponds to the financial income exceeding the minimum assured profitability, transferred to contracts with a financial surplus participation clause;
  
- The provision for claims incurred but not reported (IBNR) is calculated based on semi-annual run-off triangles, which consider the historical development of claims paid and outstanding in the last 16 semesters for the creation of a new future projection by period of occurrence.
  
- The reserve for unsettled claims (PSL) considers the expected values to be settled from all loss notices received up to the end of the reporting period. The provision covers administrative and judicial claims and is adjusted for inflation and with interest in the case of judicial claims; and
  
- The financial charges credited to technical provisions, and the recording and/or reversal of the financial surplus, are classified as financial expenses, and are presented under "Financial income from insurance,

pension plans and capitalization bonds”.

- Capitalization bonds:

- The mathematical reserve for capitalization bond (PMC) is recognized for each active or suspended capitalization bond over the term set forth in the general conditions of the plan, and is calculated using the capitalization percentage, applicable to each of the payments made, plus the monthly accrual calculated using the inflation index and the interest rate established in the plan until the bond is redeemed or canceled;

- The reserve for redemption (PR) comprises the values of matured and early-terminated capitalization bonds and is calculated by updating the balance of bonds whose terms have expired or canceled using the inflation index until the holder receives the redemption payment;

- The reserve for draws to be made (PSR) is constituted to cover the prizes to be paid in future sweepstakes. The calculation methodology consists of the projection of the expected present value of the expenses of future draws and compared to the projection of the expected present value of the installments referring to the future receipts from the capitalization bonds;

- The reserve for draws payable (PSP) consists of the value of unpaid prize draw amounts, adjusted for inflation for the period between the date of the drawing and its effective settlement; and

- The reserve for administrative expense (PDA) is recognized to cover the cost for maintaining capitalization bonds. For the calculation, the present value of the expected future administrative expenses is projected and compared to present value of the projected loading fees on future installments of the bonds.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Technical provisions shown by account, product and segment, as well as amounts and details of plan assets covering these technical provisions, are shown in Note 20.

**p) Provisions, contingent assets and liabilities and legal obligations – tax and social security**

Provisions, contingent assets and liabilities, and legal obligations, as defined below, are recognized, measured and disclosed in accordance with the criteria set out in CPC 25, approved by CMN Resolution No. 3,823/09 and CVM Resolution No. 594/09 and according to Circular Letter No. 3,429/10, which are:

- **Contingent Assets:** these are not recognized in the financial statements, except to the extent that there are real guarantees or favorable judicial decisions, to which no further appeals are applicable, and it is considered virtually certain that cash inflows will flow to Bradesco. Contingent assets with a chance of probable success are disclosed in the notes to the financial statements;
- **Provisions:** these are recognized taking into consideration the opinion of legal counsel, the nature of the lawsuits, similarity with previous lawsuits, complexity and positioning of the courts, whenever the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably measured;
- **Contingent Liabilities:** according to CPC 25, the term “contingent” is used for liabilities that are not recognized because their existence will only be confirmed by the occurrence of one or more uncertain future events beyond Management’s control. Contingent liabilities do not meet the criteria for recognition because they are considered as possible losses should only be disclosed in the notes when relevant. Obligations deemed remote are not recognized as a provision nor disclosed; and
- **Legal Obligations: Provision for Tax Risks:** results from judicial proceedings in which Bradesco is contesting the applicability of tax laws on the grounds of legality or constitutionality, which, regardless of the

assessment of the probability of success, are fully provided for in the financial statements.

Details on lawsuits, as well as segregation and changes in amounts recognized, by type, are presented in Note 17.

**q) Funding expenses**

Expenses related to funding transactions involving the issuance of securities reduce the corresponding liability and are recognized in the profit or loss over the term of the transaction, according to Notes 15c and 18.

**r) Post-employment benefits**

**Defined Contribution Plans**

Bradesco and its subsidiaries sponsor complementary pension plans for their employees and Management. Contributions obligations for pension plans of defined contribution are recognized as expenses in the Statement of Income when they are incurred. Once the contributions are paid, the Organization, in the capacity of employer, has no obligation to make any additional payment.

**Defined benefit plans**

The Organization's net obligation, in relation to the defined benefit plans, arises exclusively from institutions acquired and the plans are calculated separately for each plan, estimating the defined future benefit that the employees they will be entitled to post-employment leave when they leave the Organization or when they retire.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Bradesco's net obligation for defined benefit plans is calculated on the basis of an estimate of the value of future benefits that employees receive in return for services rendered in the current and prior periods. This value is discounted to its present value and is presented net of the fair value of any assets of the plan.

The calculation of the obligation of the defined benefit plan is performed annually by a qualified actuary using the projected unit credit method as required by the standard accounting.

The recalculations of the net obligation, which include the actuarial gains and losses, the return of the assets of the plan different from expectation (excluding interest) and the effect of the cap of the asset (if any, excluding interest), are recognized immediately in other comprehensive results.

The net interest and other costs related to the defined benefit plans are recognized in the result.

**s) Other assets and liabilities**

Assets are stated at their realizable amounts, including, when applicable, related income and inflation and exchange variations (on a daily prorated basis), less provision for losses, when deemed appropriate. Liabilities are stated at known or measurable amounts, including related charges and inflation and exchange variations (on a daily prorated basis).

**t) Subsequent events**

These refer to events occurring between the reporting date and the date the financial statements are authorized to be issued.

They comprise the following:

- Events resulting in adjustments: events relating to conditions already existing at the end of the reporting period; and
- Events not resulting in adjustments: events relating to conditions not existing at the end of the reporting period.

Subsequent events, if any, are described in Note 34.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****4) MANAGERIAL STATEMENTS OF FINANCIAL POSITION AND STATEMENT OF INCOME BY OPERATING SEGMENT****a) Reconciliation of the Statement of Financial Position and Statement of Income – Accountings. Managerial**

Management uses a variety of information, including those from financial statements, prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, prepared by consolidation criteria that differ in part from the criteria of CPC 36, as described in Note 2.

The main differences of consolidation criteria are shown below, through the Reconciliation of the Statements of Financial Position and the Statements of Income – Accountings. Managerial:

	2018			On De 2017			
	Accounting Statement of Financial Position	Proportionately consolidated (1)	Adjustments of Consolidation (2)	Managerial Statement of Financial Position	Accounting Statement of Financial Position	Proportionately consolidated (1)	Adj Con
<b>Assets</b>							
<b>Current and long-term assets</b>	<b>1,257,425,725</b>	<b>9,314,948</b>	<b>89,986,505</b>	<b>1,356,727,178</b>	<b>1,180,270,632</b>	<b>9,443,861</b>	
Cash and due from banks	19,612,827	256,059	-	19,868,886	15,028,725	195,287	
Interbank investments	104,234,576	(190,734)	-	104,043,842	154,346,624	(72,186)	
Securities and derivative financial instruments	563,492,771 89,026,037	4,687,395 -	90,321,057 -	658,501,223 89,026,037	500,609,064 68,196,914	5,747,276 -	

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Interbank and interdepartmental accounts						
Loans and leases	343,903,947	563,017	-	344,466,964	323,988,049	451,097
Allowance for Loan Losses (ALL)	(34,982,849)	(100,833)	-	(35,083,682)	(36,423,867)	(103,085)
Other receivables and assets	172,138,416	4,100,044	(334,552)	175,903,908	154,525,123	3,225,472
<b>Permanent Assets</b>	<b>29,866,380</b>	<b>(583,596)</b>	<b>-</b>	<b>29,282,784</b>	<b>31,001,086</b>	<b>(565,907)</b>
Investments	7,811,189	(5,619,603)	-	2,191,586	8,022,587	(5,840,951)
Premises and equipment	8,159,840	222,437	-	8,382,277	7,744,649	204,157
Intangible assets	13,895,351	4,813,570	-	18,708,921	15,233,850	5,070,887
<b>Total</b>	<b>1,287,292,105</b>	<b>8,731,352</b>	<b>89,986,505</b>	<b>1,386,009,962</b>	<b>1,211,271,718</b>	<b>8,877,954</b>

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	2018			On De 2017			
	Accounting Statement of Financial Position	Proportionately consolidated (1)	Adjustments of Consolidation (2)	Managerial Statement of Financial Position	Accounting Statement of Financial Position	Proportionately consolidated (1)	Adj Con
<b>Liabilities</b>							
<b>Current and long-term liabilities</b>	<b>1,165,126,216</b>	<b>7,630,632</b>	<b>89,986,505</b>	<b>1,262,743,353</b>	<b>1,099,841,108</b>	<b>7,744,166</b>	
Deposits	342,298,900	(239,487)	818,682	342,878,095	265,207,362	69,559	
Securities sold under agreements to repurchase	190,911,877	-	90,985,068	281,896,945	233,467,544	(128,206)	
Funds from Issuance of Securities	147,720,730	-	-	147,720,730	135,011,308	-	
Interbank and interdepartmental accounts	26,113,001	219,225	-	26,332,226	26,678,302	3,355,992	
Borrowing and on-lending	54,851,398	1,893,379	(86,218)	56,658,559	49,291,007	2,378,005	
Derivative financial instruments	16,152,087	22,752	(181,860)	15,992,979	14,274,999	(11,863)	
Technical provisions for insurance, pension plans and capitalization bonds	258,755,207	-	-	258,755,207	246,652,565	-	
Other liabilities	128,323,016	5,734,763	(1,549,167)	132,508,612	129,258,021	2,080,679	
<b>Deferred income</b>	<b>379,510</b>	<b>-</b>	<b>-</b>	<b>379,510</b>	<b>409,733</b>	<b>-</b>	
<b>Non-controlling interests in subsidiaries</b>	<b>665,510</b>	<b>1,100,720</b>	<b>-</b>	<b>1,766,230</b>	<b>563,401</b>	<b>1,133,788</b>	
<b>Shareholders' equity</b>	<b>121,120,869</b>	<b>-</b>	<b>-</b>	<b>121,120,869</b>	<b>110,457,476</b>	<b>-</b>	
<b>Total</b>	<b>1,287,292,105</b>	<b>8,731,352</b>	<b>89,986,505</b>	<b>1,386,009,962</b>	<b>1,211,271,718</b>	<b>8,877,954</b>	

	2018			2017			
	Accounting Statement of Income	Proportionately consolidated (1)	Adjustments of Consolidation (2)	Managerial Statement of Income	Accounting Statement of Income	Proportionately consolidated (1)	Adjustments of Consolidation (2)
Revenue from financial intermediation	125,611,761	1,084,631	1,084,034	127,780,426	148,262,127	1,321,024	2,928,000
Expenses from financial intermediation	(60,778,542)	(88,764)	(3,729,581)	(64,596,887)	(79,057,036)	(66,672)	(5,464,500)
<b>Financial margin</b>	<b>64,833,219</b>	<b>995,867</b>	<b>(2,645,547)</b>	<b>63,183,539</b>	<b>69,205,091</b>	<b>1,254,352</b>	<b>(2,535,500)</b>
Allowance for loan losses	(18,225,479)	(94,494)	-	(18,319,973)	(25,084,259)	(125,761)	
<b>Gross income from financial intermediation</b>	<b>46,607,740</b>	<b>901,373</b>	<b>(2,645,547)</b>	<b>44,863,566</b>	<b>44,120,832</b>	<b>1,128,591</b>	<b>(2,535,500)</b>
Income from insurance, pension plans and capitalization bonds	8,360,534	-	-	8,360,534	6,792,075	-	
Fee and commission income	25,219,997	4,578,360	2,527,231	32,325,588	24,027,966	4,443,914	2,390,000
Personnel expenses	(19,131,067)	(854,580)	-	(19,985,647)	(21,010,157)	(797,306)	
Other administrative expenses	(19,438,576)	(971,706)	119,519	(20,290,763)	(19,275,756)	(917,548)	60,000
Tax expenses	(6,096,899)	(597,722)	-	(6,694,621)	(5,960,618)	(534,145)	
Share of profit (loss) of unconsolidated and jointly controlled companies	1,618,817	(1,420,804)	-	198,013	1,505,270	(1,312,974)	
Other operating income / expenses	(12,322,737)	(891,788)	(1,203)	(13,215,728)	(9,695,873)	(1,067,313)	84,000
<b>Operating income</b>	<b>24,817,809</b>	<b>743,133</b>	<b>-</b>	<b>25,560,942</b>	<b>20,503,739</b>	<b>943,219</b>	
Non-operating income	(870,813)	(24,052)	-	(894,865)	(474,715)	(4,084)	
IT/SC (Income Tax/Soc. Contrib.) and non-controlling	(4,862,043)	(719,081)	-	(5,581,124)	(5,371,269)	(939,135)	



interests

<b>Net income</b>	<b>19,084,953</b>	-	-	<b>19,084,953</b>	<b>14,657,755</b>	-
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(1) Refers to the effects of the consolidation adjustments arising from the undertakings consolidated proportionally (Grupo Cielo, Grupo Alelo, Crediare, etc.) for managerial purposes; and

(2) Refers primarily to the effects of the consolidation adjustments arising from the "non-consolidation" of the exclusive funds.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) Statement of financial position and statements of income by segment – Managerial**

In accordance with CPC 22, the managerial information, hereinafter, was prepared based on reports available to the Management to evaluate the performance and make decisions regarding the allocation of resources for investments and other purposes.

	On December 31 - R\$ thousand						
	Financial (1) (2)		Insurance Group (2) (3)		Other Activities (2)	Eliminations (4)	Managerial Accounting Statement of Financial Position
	Brazil	Overseas	Brazil	Overseas			
<b>Assets</b>							
<b>Current and long-term assets</b>	<b>1,009,416,736</b>	<b>122,630,712</b>	<b>297,339,889</b>	<b>29,889</b>	<b>5,116,646</b>	<b>(77,806,694)</b>	<b>1,356,727,178</b>
Cash and due from banks	16,486,216	3,259,857	157,708	7,351	180,823	(223,069)	19,868,886
Interbank investments	102,531,451	1,512,391	-	-	-	-	104,043,842
Securities and derivative financial instruments	357,153,221	16,114,596	286,036,234	1,803	4,104,692	(4,909,323)	658,501,223
Interbank and interdepartmental accounts	89,026,037	-	-	-	-	-	89,026,037
Loans and leases	310,771,056	102,191,079	-	-	-	(68,495,171)	344,466,964
Allowance for Loan Losses (ALL)	(33,532,383)	(1,551,299)	-	-	-	-	(35,083,682)
Other receivables and assets	166,981,138	1,104,088	11,145,947	20,735	831,131	(4,179,131)	175,903,908
<b>Permanent assets</b>	<b>119,668,330</b>	<b>33,935</b>	<b>6,631,893</b>	<b>2,443</b>	<b>849,425</b>	<b>(97,903,242)</b>	<b>29,282,784</b>
Investments	97,416,676	-	2,617,258	-	60,894	(97,903,242)	2,191,586
	5,872,391	20,682	2,447,668	413	41,123	-	8,382,277

Premises and equipment								
Intangible assets	16,379,263	13,253	1,566,967	2,030	747,408	-	18,708,921	
<b>Total in 2018</b>	<b>1,129,085,066</b>	<b>122,664,647</b>	<b>303,971,782</b>	<b>32,332</b>	<b>5,966,071</b>	<b>(175,709,936)</b>	<b>1,386,009,962</b>	
<b>Total in 2017</b>	<b>1,048,995,508</b>	<b>97,541,006</b>	<b>289,441,246</b>	<b>20,166</b>	<b>5,615,832</b>	<b>(143,285,480)</b>	<b>1,298,328,278</b>	

**Liabilities****Current and long-term**

<b>liabilities</b>	<b>1,006,031,304</b>	<b>62,829,831</b>	<b>270,520,803</b>	<b>19,970</b>	<b>1,148,139</b>	<b>(77,806,694)</b>	<b>1,262,743,353</b>	
Deposits	327,256,175	16,333,357	-	-	-	(711,437)	342,878,095	
Securities sold under agreements to repurchase	272,287,894	9,609,051	-	-	-	-	281,896,945	
Funds from issuance of securities	148,392,513	4,092,232	-	-	-	(4,764,015)	147,720,730	
Interbank and interdepartmental accounts	26,332,226	-	-	-	-	-	26,332,226	
Borrowing and on-lending	107,233,609	17,920,143	-	-	-	(68,495,193)	56,658,559	
Derivative financial instruments	15,465,385	527,594	-	-	-	-	15,992,979	
Technical provisions for insurance, pension plans and capitalization bonds	-	-	258,741,273	13,934	-	-	258,755,207	
Other liabilities	109,063,502	14,347,454	11,779,530	6,036	1,148,139	(3,836,049)	132,508,612	
<b>Deferred income</b>	<b>357,364</b>	<b>-</b>	<b>22,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379,510</b>	
<b>Non-controlling interests in subsidiaries</b>	<b>1,575,529</b>	<b>59,834,816</b>	<b>33,428,833</b>	<b>12,362</b>	<b>4,817,932</b>	<b>(97,903,242)</b>	<b>1,766,230</b>	
<b>Shareholders' equity</b>	<b>121,120,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,120,869</b>	
<b>Total in 2018</b>	<b>1,129,085,066</b>	<b>122,664,647</b>	<b>303,971,782</b>	<b>32,332</b>	<b>5,966,071</b>	<b>(175,709,936)</b>	<b>1,386,009,962</b>	
<b>Total in 2017</b>	<b>1,048,995,508</b>	<b>97,541,006</b>	<b>289,441,246</b>	<b>20,166</b>	<b>5,615,832</b>	<b>(143,285,480)</b>	<b>1,298,328,278</b>	

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Bradesco

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Years ended December 31 - R\$ thousand						Managerial Statement of Income
	Financial (1) (2)		Insurance Group (2) (3)		Other Activities (2)	Eliminations (4)	
	Brazil	Overseas	Brazil	Overseas			
Revenue from financial intermediation	105,577,055	5,061,979	18,607,534	4,574	256,364	(1,727,080)	127,780,426
Expenses from financial intermediation	(50,949,559)	(2,008,882)	(13,365,526)	-	-	1,727,080	(64,596,887)
<b>Financial margin</b>	<b>54,627,496</b>	<b>3,053,097</b>	<b>5,242,008</b>	<b>4,574</b>	<b>256,364</b>	-	<b>63,183,539</b>
Allowance for loan losses	(18,138,894)	(181,079)	-	-	-	-	(18,319,973)
<b>Gross income from financial intermediation</b>	<b>36,488,602</b>	<b>2,872,018</b>	<b>5,242,008</b>	<b>4,574</b>	<b>256,364</b>	-	<b>44,863,566</b>
Income from insurance, pension plans and capitalization bonds	-	-	8,310,357	10,319	-	39,858	8,360,534
Fee and commission income	29,558,173	464,596	2,169,807	-	354,734	(221,722)	32,325,588
Personnel expenses	(17,906,012)	(196,440)	(1,638,046)	(5,688)	(239,461)	-	(19,985,647)
Other administrative expenses	(18,871,509)	(254,619)	(1,605,810)	(3,940)	(204,736)	649,851	(20,290,763)
Tax expenses	(5,632,821)	(27,698)	(960,331)	(122)	(73,649)	-	(6,694,621)
Share of profit (loss) of unconsolidated and jointly controlled companies	6,620	-	206,272	-	(14,879)	-	198,013
Other operating income / expenses	(11,819,015)	(124,470)	(996,452)	(1,618)	193,794	(467,967)	(13,215,728)
<b>Operating income</b>	<b>11,824,038</b>	<b>2,733,387</b>	<b>10,727,805</b>	<b>3,525</b>	<b>272,167</b>	<b>20</b>	<b>25,560,942</b>
Non-operating income	(943,323)	13,927	32,145	-	2,406	(20)	(894,865)
IT/SC (Income Tax/Soc. Contrib.) and non-controlling interests	(322,538)	(811,628)	(4,373,133)	(1,420)	(72,405)	-	(5,581,124)
<b>Net Income in 2018</b>	<b>10,558,177</b>	<b>1,935,686</b>	<b>6,386,817</b>	<b>2,105</b>	<b>202,168</b>	-	<b>19,084,953</b>

**Net Income in 2017**      **7,340,268**   **1,581,119**   **5,534,211**      **191**   **201,966**      -   **14,657,755**

(1) The financial segment is comprised of financial institutions, holding companies which are mainly responsible for managing financial resources, and credit card, consortium and asset management companies;

(2) The asset, liability, income and expense balances among companies from the same segment are eliminated;

(3) The Insurance Group segment comprises insurance, pension plan and capitalization bond companies; and

(4) Refers to amounts eliminated among companies from different segments, as well as among operations carried out in Brazil and overseas.

## 5) CASH AND CASH EQUIVALENTS

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Cash and due from banks in domestic currency	14,734,228	12,939,852
Cash and due from banks in foreign currency	4,877,776	2,088,498
Investments in gold	823	375
<b>Total cash and due from banks</b>	<b>19,612,827</b>	<b>15,028,725</b>
Interbank investments (1)	90,612,803	141,025,717
<b>Total cash and cash equivalents</b>	<b>110,225,630</b>	<b>156,054,442</b>

(1) Refers to operations that mature in 90 days or less from the date they were effectively invested and with insignificant risk of change in fair value.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****6) INTERBANK INVESTMENTS****a) Breakdown and maturity**

	On December 31 - R\$ thousand						
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2018	2017	
<b>Securities purchased under agreements to resell:</b>							
<b>Own portfolio position</b>	<b>10,246,334</b>	<b>21,530,879</b>	<b>66,798</b>	-	<b>31,844,011</b>	<b>17,487,177</b>	
National treasury notes	659,028	6,369,513	-	-	7,028,541	10,485,142	
Financial treasury bills	9,088,295	-	-	-	9,088,295	4,517,178	
National treasury bills	119,368	15,161,366	-	-	15,280,734	2,447,381	
Other	379,643	-	66,798	-	446,441	37,476	
<b>Funded position</b>	<b>19,874,059</b>	<b>40,569,478</b>	-	-	<b>60,443,537</b>	<b>123,691,195</b>	
National treasury notes	523,787	26,683,117	-	-	27,206,904	61,313,247	
Financial treasury bills	10,489,798	-	-	-	10,489,798	17,826,544	
National treasury bills	8,860,474	13,886,361	-	-	22,746,835	44,551,404	
<b>Unrestricted position</b>	<b>250,216</b>	<b>3,766,819</b>	-	-	<b>4,017,035</b>	<b>3,558,414</b>	
National treasury bills	250,216	3,766,819	-	-	4,017,035	3,558,414	
<b>Subtotal</b>	<b>30,370,609</b>	<b>65,867,176</b>	<b>66,798</b>	-	<b>96,304,583</b>	<b>144,736,786</b>	
<b>Interest-earning deposits in other banks:</b>							
Interest-earning deposits in other banks:	2,393,846	2,463,590	1,677,056	1,397,869	7,932,361	9,615,731	
Provision for losses	(28)	(2,120)	(220)	-	(2,368)	(5,893)	
<b>Subtotal</b>	<b>2,393,818</b>	<b>2,461,470</b>	<b>1,676,836</b>	<b>1,397,869</b>	<b>7,929,993</b>	<b>9,609,838</b>	
<b>Total in 2018</b>	<b>32,764,427</b>	<b>68,328,646</b>	<b>1,743,634</b>	<b>1,397,869</b>	<b>104,234,576</b>		
<b>%</b>	<b>31.4</b>	<b>65.6</b>	<b>1.7</b>	<b>1.3</b>	<b>100.0</b>		
<b>Total in 2017</b>	<b>48,954,081</b>	<b>100,884,936</b>	<b>3,262,266</b>	<b>1,245,341</b>		<b>154,346,624</b>	
<b>%</b>	<b>31.7</b>	<b>65.4</b>	<b>2.1</b>	<b>0.8</b>		<b>100.0</b>	

**b) Income from interbank investments**

Classified in the statement of income as income from operations with securities.

	Years ended December 31 - R\$ thousand	
	2018	2017
<b>Income from investments in purchase and sale commitments:</b>		
• Own portfolio position	1,333,748	1,064,822
• Funded position	5,646,815	16,016,339
• Unrestricted position	1,809,839	747,625
<b>Subtotal</b>	<b>8,790,402</b>	<b>17,828,786</b>
<b>Income from interest-earning deposits in other banks</b>	<b>521,417</b>	<b>527,887</b>
<b>Total (Note 7g)</b>	<b>9,311,819</b>	<b>18,356,673</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****7) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS**

Information on securities and derivative financial instruments is as follows:

**a) Summary of the consolidated classification of securities by operating segment and issuer**

	On December 31 - R\$ thousand							
	Financial	Insurance Group Insurance and Capitalization bonds	Pension plans	Other Activities	2018	%	2017	%
<b>Trading securities</b>	<b>47,524,720</b>	<b>14,713,675</b>	<b>184,123,719</b>	<b>104,561</b>	<b>246,466,675</b>	<b>43.8</b>	<b>243,260,906</b>	<b>48.6</b>
- Government securities	26,808,529	11,059,376	170,014,168	7,014	207,889,087	37.0	203,404,572	40.7
- Corporate securities	5,979,237	3,647,247	14,082,963	97,547	23,806,994	4.2	25,616,910	5.1
- Derivative financial instruments (1) (5)	14,736,954	7,052	26,588	-	14,770,594	2.6	14,239,424	2.8
<b>Available-for-sale securities (2)</b>	<b>182,347,466</b>	<b>24,281,561</b>	<b>16,599,891</b>	<b>21,025</b>	<b>223,249,943</b>	<b>39.6</b>	<b>218,362,552</b>	<b>43.6</b>
- Government securities	116,597,880	20,496,135	15,273,012	16,394	152,383,421	27.0	159,532,639	31.8
- Corporate securities	65,749,586	3,785,426	1,326,879	4,631	70,866,522	12.6	58,829,913	11.8
<b>Held-to-maturity securities (2)</b>	<b>65,475,387</b>	<b>5,386,057</b>	<b>22,914,709</b>	<b>-</b>	<b>93,776,153</b>	<b>16.6</b>	<b>38,985,606</b>	<b>7.8</b>
- Government securities	53,930,505	5,386,057	22,914,709	-	82,231,271	14.6	26,726,041	5.4
- Corporate securities	11,544,882	-	-	-	11,544,882	2.0	12,259,565	2.4
<b>Total</b>	<b>295,347,573</b>	<b>44,381,293</b>	<b>223,638,319</b>	<b>125,586</b>	<b>563,492,771</b>	<b>100.0</b>	<b>500,609,064</b>	<b>100.0</b>



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- Government securities	197,336,914	36,941,568	208,201,889	23,408	442,503,779	78.6	389,663,252	77.9
- Corporate securities	98,010,659	7,439,725	15,436,430	102,178	120,988,992	21.4	110,945,812	22.1
<b>Total</b>	<b>295,347,573</b>	<b>44,381,293</b>	<b>223,638,319</b>	<b>125,586</b>	<b>563,492,771</b>	<b>100.0</b>	<b>500,609,064</b>	<b>100.0</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) Consolidated classification by category, maturity and operating segment****l) Trading securities**

Securities	2018				On December 31 - 2018			
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Fair/book value (3) (4)	Amortized cost	Fair Value Adjustment	Fair/book value (3) (4)
<b>- Financial</b>	<b>13,680,376</b>	<b>4,118,301</b>	<b>1,388,542</b>	<b>28,337,501</b>	<b>47,524,720</b>	<b>48,591,313</b>	<b>(1,066,593)</b>	<b>50,242,416</b>
Financial treasury bills National	-	319,444	-	14,104,478	14,423,922	14,422,968	954	15,680,208
treasury notes	69,261	224,201	-	6,637,103	6,930,565	6,689,680	240,885	8,377,953
Financial bills	40,417	224,899	214,092	251,521	730,929	734,297	(3,368)	799,756
Debentures	48,289	-	178,575	758,104	984,968	1,183,264	(198,296)	1,999,784
National treasury bills	298,739	464,377	225,921	3,331,964	4,321,001	4,263,823	57,178	1,074,843
Brazilian foreign debt securities	-	-	-	659,602	659,602	645,523	14,079	307
Derivative financial instruments (1) (5)	10,716,944	2,357,250	745,206	917,554	14,736,954	15,868,758	(1,131,804)	14,190,906
Other	2,506,726	528,130	24,748	1,677,175	4,736,779	4,783,000	(46,221)	8,118,659
<b>- Insurance companies and capitalization bonds</b>	<b>3,427,291</b>	<b>52,439</b>	<b>794,274</b>	<b>10,439,671</b>	<b>14,713,675</b>	<b>14,713,675</b>	<b>-</b>	<b>14,839,038</b>
Financial treasury bills	-	2,519	-	8,770,366	8,772,885	8,772,885	-	10,350,463
Financial bills	-	15,100	27,654	70,525	113,279	113,279	-	201,161
Other	3,427,291	34,820	766,620	1,598,780	5,827,511	5,827,511	-	4,287,414
<b>- Pension plans</b>	<b>2,590,471</b>	<b>1,659,746</b>	<b>550,863</b>	<b>179,322,639</b>	<b>184,123,719</b>	<b>184,123,719</b>	<b>-</b>	<b>178,160,635</b>

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Financial									
treasury bills	-	892,015	-	79,171,479	80,063,494	80,063,494	-	50,454,762	
National									
treasury notes	32,455	165,998	-	24,074,375	24,272,828	24,272,828	-	63,801,924	
National									
treasury bills	6,355	95	218,820	65,452,577	65,677,847	65,677,847	-	51,505,987	
Financial bills	118,155	173,016	195,123	7,279,694	7,765,988	7,765,988	-	5,395,337	
Debentures	-	181,656	80,088	3,060,751	3,322,495	3,322,495	-	3,522,015	
Other	2,433,506	246,966	56,832	283,763	3,021,067	3,021,067	-	3,480,610	
<b>- Other</b>									
<b>activities</b>	<b>97,526</b>	<b>2,096</b>	<b>-</b>	<b>4,939</b>	<b>104,561</b>	<b>104,562</b>	<b>(1)</b>	<b>18,817</b>	
Financial									
treasury bills	-	2,075	-	4,939	7,014	7,015	(1)	18,817	
Other	97,526	21	-	-	97,547	97,547	-	-	
<b>Total</b>	<b>19,795,664</b>	<b>5,832,582</b>	<b>2,733,679</b>	<b>218,104,750</b>	<b>246,466,675</b>	<b>247,533,269</b>	<b>(1,066,594)</b>	<b>243,260,906</b>	
<b>Derivative</b>									
<b>financial</b>									
<b>instruments</b>									
<b>(liabilities)</b>	<b>(5)</b>	<b>(15,066,551)</b>	<b>(373,896)</b>	<b>(162,153)</b>	<b>(549,487)</b>	<b>(16,152,087)</b>	<b>(12,514,929)</b>	<b>(3,637,158)</b>	<b>(14,274,999)</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****II) Available-for-sale securities**

Securities (2) (6)	2018					On December 31, 2018			
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Fair/book value (3)	Amortized cost (4)	Fair Value Adjustment	Fair/book value (3)	Fair/book value (4)
<b>- Financial</b>	<b>23,766,566</b>	<b>46,093,854</b>	<b>14,879,772</b>	<b>97,607,274</b>	<b>182,347,466</b>	<b>183,408,094</b>	<b>(1,060,628)</b>	<b>183,026,744</b>	
National treasury bills	14,228,693	40,551,096	13,678,225	32,589,626	101,047,640	100,093,999	953,641	109,550,755	
Debentures	843,075	1,668,834	724,845	41,311,358	44,548,112	45,725,023	(1,176,911)	34,988,999	
National treasury notes	-	1,620,743	-	10,409,252	12,029,995	11,530,425	499,570	11,274,699	
Foreign corporate securities	-	1,169,626	404,280	7,902,658	9,476,564	9,561,158	(84,594)	10,034,100	
Shares	6,175,888	-	-	-	6,175,888	7,503,190	(1,327,302)	7,328,916	
Foreign government bonds	-	-	-	-	-	-	-	3,202,541	
Promissory Notes	13,233	201,567	-	-	214,800	214,265	535	495,522	
Certificates of real estate receivables	21,680	2,741	-	1,625,340	1,649,761	1,605,499	44,262	1,095,211	
Other	2,483,997	879,247	72,422	3,769,040	7,204,706	7,174,535	30,171	5,055,999	
<b>- Insurance companies and capitalization bonds</b>	<b>3,889,179</b>	<b>48,686</b>	<b>129,696</b>	<b>20,214,000</b>	<b>24,281,561</b>	<b>23,158,896</b>	<b>1,122,665</b>	<b>20,042,280</b>	
National treasury notes	-	-	-	13,262,070	13,262,070	12,734,980	527,090	12,275,390	
Shares	3,384,245	-	-	-	3,384,245	3,009,730	374,515	1,453,120	
National treasury bills	159,060	34,023	129,696	6,729,796	7,052,575	6,834,121	218,454	5,676,411	
Other	345,874	14,663	-	222,134	582,671	580,065	2,606	637,351	
<b>- Pension plans</b>	<b>1,238,716</b>	<b>16,510</b>	<b>-</b>	<b>15,344,665</b>	<b>16,599,891</b>	<b>14,454,330</b>	<b>2,145,561</b>	<b>15,251,580</b>	
	-	-	-	14,980,823	14,980,823	13,043,278	1,937,545	12,841,874	

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National treasury notes									
Shares	1,238,716	-	-	-	1,238,716	1,046,444	192,272	1,716,400	
Debentures	-	-	-	88,163	88,163	78,384	9,779	95,060	
Other	-	16,510	-	275,679	292,189	286,224	5,965	598,240	
<b>- Other activities</b>	<b>4,631</b>	<b>-</b>	<b>-</b>	<b>16,394</b>	<b>21,025</b>	<b>16,391</b>	<b>4,634</b>	<b>41,930</b>	
Other	4,631	-	-	16,394	21,025	16,391	4,634	41,930	
<b>Subtotal</b>	<b>28,899,092</b>	<b>46,159,050</b>	<b>15,009,468</b>	<b>133,182,333</b>	<b>223,249,943</b>	<b>221,037,711</b>	<b>2,212,232</b>	<b>218,362,550</b>	
<i>Accounting</i>									
<i>Hedge (Note 7f)</i>	-	-	-	-	-	-	(409,784)	-	
Securities reclassified to "Held-to-maturity securities"	-	-	-	-	-	-	(671,605)	-	
<b>Total</b>	<b>28,899,092</b>	<b>46,159,050</b>	<b>15,009,468</b>	<b>133,182,333</b>	<b>223,249,943</b>	<b>221,037,711</b>	<b>1,130,843</b>	<b>218,362,550</b>	

Economic and Financial Analysis Report – December 2018

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****III) Held-to-maturity securities**

Securities (2) (6)	2018					On December 31 - R\$ thousand 2017				
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Amortized cost (3)	Fair value (4)	Gain (loss) not accounted for	Amortized cost (3)	Gain (loss) not accounted for	
<b>- Financial</b>	<b>133</b>	<b>30,959</b>	<b>1,077</b>	<b>65,443,218</b>	<b>65,475,387</b>	<b>66,985,732</b>	<b>1,510,345</b>	<b>12,277,210</b>	<b>(296,203)</b>	
National treasury bills	-	-	-	53,109,511	53,109,511	54,743,449	1,633,938	-	-	
Certificates of real estate receivables	-	29,858	-	11,514,176	11,544,034	11,357,496	(186,538)	12,259,565	(295,783)	
National treasury notes	133	1,101	1,077	815,718	818,029	880,974	62,945	7,115	-	
Other	-	-	-	3,813	3,813	3,813	-	10,530	(420)	
<b>- Insurance companies and capitalization bonds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,386,057</b>	<b>5,386,057</b>	<b>6,377,362</b>	<b>991,305</b>	<b>5,179,242</b>	<b>324,211</b>	
National treasury notes	-	-	-	5,386,057	5,386,057	6,377,362	991,305	5,179,242	324,211	
<b>- Pension plans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,914,709</b>	<b>22,914,709</b>	<b>27,902,665</b>	<b>4,987,956</b>	<b>21,529,154</b>	<b>2,112,143</b>	
National treasury notes	-	-	-	22,914,709	22,914,709	27,902,665	4,987,956	21,529,154	2,112,143	
<b>Total</b>	<b>133</b>	<b>30,959</b>	<b>1,077</b>	<b>93,743,984</b>	<b>93,776,153</b>	<b>101,265,759</b>	<b>7,489,606</b>	<b>38,985,606</b>	<b>2,140,151</b>	

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**c) Breakdown of the portfolios by financial statement classification**

Securities	On December 31 - R\$ thousand					
	1 to 30	31 to 180	181 to 360	More than 360	Total in 2018	Total in 2017
	days	days	days	days	(3) (4)	(3) (4)
<b>Own portfolio</b>	<b>37,913,414</b>	<b>12,514,540</b>	<b>4,209,717</b>	<b>357,691,059</b>	<b>412,328,730</b>	<b>406,340,984</b>
<b>Fixed income securities</b>	<b>23,663,918</b>	<b>12,514,540</b>	<b>4,209,717</b>	<b>357,691,059</b>	<b>398,079,234</b>	<b>392,791,585</b>
National treasury notes	101,849	154,656	1,077	74,955,200	75,212,782	118,255,210
Financial treasury bills	-	1,553,135	-	100,542,058	102,095,193	75,898,614
National treasury bills	14,692,848	7,458,441	3,055,121	112,984,713	138,191,123	117,273,959
Debentures	891,364	1,851,307	548,620	40,340,496	43,631,787	40,421,321
Financial bills	158,572	413,015	436,868	7,705,945	8,714,400	6,396,254
Certificates of real estate						
receivables	21,680	32,598	-	13,439,835	13,494,113	13,612,192
Foreign government bonds	17,108	3,825	3,776	448,726	473,435	3,556,358
Foreign corporate securities	1,222,488	336,338	10,323	3,735,894	5,305,043	6,612,280
Brazilian foreign debt securities	-	-	-	1,818,063	1,818,063	736,047
Promissory Notes	13,233	289,906	-	212,611	515,750	3,033,978
Bank deposit certificates	138,849	412,687	60,535	11,713	623,784	550,054
Other	6,405,927	8,632	93,397	1,495,805	8,003,761	6,445,318
<b>Equity securities</b>	<b>14,249,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,249,496</b>	<b>13,549,399</b>
Shares of listed companies	1,241,650	-	-	-	1,241,650	1,719,628
Shares of other companies	13,007,846	-	-	-	13,007,846	11,829,771
<b>Restricted securities</b>	<b>30,891,340</b>	<b>76,347,116</b>	<b>92,359,861</b>	<b>86,178,579</b>	<b>131,978,176</b>	<b>75,017,640</b>
<b>Subject to repurchase agreements</b>	<b>-</b>	<b>32,020,923</b>	<b>11,262,180</b>	<b>70,181,843</b>	<b>113,464,946</b>	<b>55,272,962</b>
National treasury bills	-	28,964,370	10,433,335	49,043,435	88,441,140	45,725,344
Foreign corporate securities	-	1,095,893	393,956	4,714,900	6,204,749	5,729,357
National treasury notes	-	1,844,910	-	10,482,335	12,327,245	2,816,750
Brazilian foreign debt securities	-	-	-	406,205	406,205	713,555
Debentures	-	-	434,889	4,943,552	5,378,441	-
Financial treasury bills	-	115,750	-	591,416	707,166	287,956
<b>Privatization rights</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,273</b>	<b>39,273</b>	<b>44,127</b>
<b>Given in guarantee</b>	<b>30,891</b>	<b>2,055,424</b>	<b>430,179</b>	<b>15,957,463</b>	<b>18,473,957</b>	<b>19,700,551</b>
National treasury notes	-	45,508	-	13,577,234	13,622,742	12,209,481
National treasury bills	-	1,552,326	430,179	42,787	2,025,292	4,067,036

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Financial treasury bills	571	457,590	-	2,258,364	2,716,525	3,054,238
Other	30,320	-	-	79,078	109,398	369,796
<b>Derivative financial instruments</b>						
<b>(1) (5)</b>	<b>10,750,584</b>	<b>2,357,250</b>	<b>745,206</b>	<b>917,554</b>	<b>14,770,594</b>	<b>14,239,424</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Securities	On December 31 - R\$ thousand					
	1 to 30	31 to 180	181 to 360	More than	Total in	Total in
	days	days	days	360	2018	2017
				days	(3) (4)	(3) (4)
<b>Securities sold under repurchase agreements - unrestricted</b>	-	<b>3,074,454</b>	<b>1,096,942</b>	<b>243,875</b>	<b>4,415,271</b>	<b>5,011,016</b>
National treasury bills	-	3,074,454	1,096,942	-	4,171,396	2,735,165
National treasury notes	-	-	-	243,875	243,875	2,273,706
Financial treasury bills	-	-	-	-	-	2,145
<b>Total</b>	<b>48,694,889</b>	<b>52,022,591</b>	<b>17,744,224</b>	<b>445,031,067</b>	<b>563,492,771</b>	<b>500,609,064</b>
<b>%</b>	<b>8.7</b>	<b>9.2</b>	<b>3.1</b>	<b>79.0</b>	<b>100.0</b>	<b>100.0</b>

(1) Consistent with the criteria in Bacen Circular Letter No. 3,068/01 and due to the characteristics of the instruments, we are classifying the derivative financial instruments, in the "Securities for Trading" category. For derivative financial instruments considered as accounting hedge, the category used is "Available-for-Sale Securities;

(2) In compliance with Article 8 of Bacen Circular Letter No. 3,068/01, Bradesco declares that it has the financial capacity and intention to maintain held-to-maturity securities until their maturity dates. At the time of preparation of the consolidated financial statements as from June 30, 2018, Management decided to reclassify Securities available for Sale to Held to Maturity, in the amount of R\$ 17,022,922 thousand, without any result, as the result (loss) in the gross amount of R\$ (297,343) thousand, was retained in shareholders' equity and will be recognized in income over the remaining period of the securities, according to article 5 of said Circular. This reclassification was based on the alignment of the risk management strategy. In the second semester of 2018 and in 2017, there were no sales or reclassifications of securities classified in this category;

(3) The number of days to maturity was based on the contractual maturity of the instruments, regardless of their accounting classification;

(4) The fair value of securities is determined based on the market price available at the end of the reporting period. If no market price quotation is available at the end of the reporting period, amounts are estimated based on the prices quoted by dealers, pricing models, quotation models or price quotations for instruments with similar characteristics. For investment funds, the original amortized cost reflects the fair value of the respective quotas;

(5) Includes hedge for protection of assets and liabilities, denominated in or indexed to foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities. For a better analysis of these items, consider the net exposure (Note 7d II); and

(6) In the year ended on December 31, 2018, there were impairment losses on financial assets (mostly debentures), net of reversals, related to securities classified as "Available-for-Sale" and "Held-to-Maturity" in

the amount of R\$ 981,233 thousand (R\$ 2,517,178 thousand in 2017).

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

**d) Derivative financial instruments**

Bradesco carries out transactions involving derivative financial instruments, which are recognized in the statement of financial position or in off-balance-sheet accounts, to meet its own needs in managing its global exposure, as well as to meet its customer's requests, in order to manage their exposure. These operations involve a range 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 mainly to mitigate the risks from operations carried out by the Bank and its subsidiaries.

Securities classified as trading and available-for-sale, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their fair value. Fair value is generally based on quoted market prices or quotations for assets or liabilities with similar characteristics. Should market prices not be available, fair values are based on dealer quotations, pricing models, discounted cash flows or similar techniques for which the determination of fair value may require judgment or significant estimates by Management.

Quoted market prices are used to determine the fair value of derivative financial instruments. The fair value of swaps is determined by using discounted cash flow modeling techniques that use yield curves, reflecting adequate risk factors. The information to build yield curves is mainly obtained from Securities, Commodities and Futures Exchange (B3), and the domestic and international secondary market. These yield curves are used to determine the fair value of currency swaps, interest rate and other risk factor swaps. The fair value of forward and futures contracts is also determined based on market price quotations for derivatives traded on an exchange or using methodologies similar to those outlined for swaps. The fair values of credit derivative instruments are determined based on market price quotation or prices received from specialized entities. 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 calculate volatility. To estimate the fair value of the over-the-counter (OTC) financial derivative instruments, the credit quality of each counterparty is also taken into account, relating an expected loss for each derivative portfolio (Credit valuation adjustment).

Derivative financial instruments in Brazil primarily consist of swaps and futures and are registered at B3.

Operations involving forward contracts of interest rates, indexes and currencies are contracted by Management to hedge Bradesco's overall exposures and to meet customer needs.

Foreign derivative financial instruments refer to swap, forward, options, credit and futures operations and primarily out at the stock exchanges in Chicago and New York, as well as the over-the-counter (OTC) markets.

Macro-strategies are defined for the Trading (proprietary) and Banking portfolios. Trading Portfolio transactions, including derivatives, look for gains from directional movements in prices and/or rates, arbitrage, hedge and market-maker strategies that may be fully or partly settled before the originally stipulated maturity date. The Banking Portfolio focuses on commercial transactions and their hedges.

Portfolio risk is controlled using information consolidated by risk factor; effective portfolio risk management requires joint use of derivatives with other instruments, including stocks and bonds.

The Financial Statements include a Risk Management and Capital Note on the main risk-control metrics and the risk management structure's key aspects. This Note complements the Securities and Derivatives Note and shows these instruments' exposures under various views, as well as derivatives' revenues and expenses.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****l) Amount of derivative financial instruments recognized by index**

	Nominal value	Net amount value	2018 Original amortized cost	Mark-to-market adjustment	Fair value	Nominal value	Net amount value	2017 Original amortized cost
<b>Futures contracts</b>								
<b>Purchase commitments:</b>	<b>237,744,206</b>		<b>12,333</b>	<b>-</b>	<b>12,333</b>	<b>144,621,001</b>		<b>4,990</b>
- Interbank market	183,952,954	54,745,811	8,902	-	8,902	96,081,180	-	3,690
- Foreign currency	53,491,092	-	3,174	-	3,174	48,376,597	-	1,140
- Other	300,160	11,359	257	-	257	163,224	49,452	150
<b>Sale commitments:</b>	<b>195,027,332</b>		<b>(21,283)</b>	<b>-</b>	<b>(21,283)</b>	<b>200,190,106</b>		<b>(155,300)</b>
- Interbank market (1)	129,207,143	-	(19,133)	-	(19,133)	132,837,699	36,756,519	(154,290)
- Foreign currency (2)	65,531,388	12,040,296	(1,911)	-	(1,911)	67,238,635	18,862,038	(900)
- Other	288,801	-	(239)	-	(239)	113,772	-	(100)
<b>Option contracts</b>								
<b>Purchase commitments:</b>	<b>53,476,567</b>		<b>1,402,844</b>	<b>108,423</b>	<b>1,511,267</b>	<b>18,442,138</b>		<b>1,108,430</b>
- Interbank market	37,543,735	510,899	530,930	29,882	560,812	10,663,668	1,047,539	467,110
- Foreign currency	15,102,480	3,464,719	825,937	72,814	898,751	7,335,027	-	630,320
- Other	830,352	106,623	45,977	5,727	51,704	443,443	215,302	10,990
<b>Sale commitments:</b>	<b>49,394,326</b>		<b>(1,659,204)</b>	<b>13,854</b>	<b>(1,645,350)</b>	<b>20,118,364</b>		<b>(1,011,850)</b>
- Interbank market	37,032,836	-	(1,001,378)	(29,965)	(1,031,343)	9,616,129	-	(529,820)
	11,637,761	-	(603,380)	31,513	(571,867)	10,274,094	2,939,067	(459,130)

- Foreign currency									
- Other	723,729	-	(54,446)	12,306	(42,140)	228,141	-	(22,899)	
<b>Forward contracts</b>									
<b>Purchase commitments:</b>	<b>13,597,633</b>		<b>731,145</b>	<b>-</b>	<b>731,145</b>	<b>10,486,497</b>		<b>(114,833)</b>	
- Interbank market	213,196	213,196	15,577	-	15,577	-	-	-	
- Foreign currency	12,488,149	-	135,002	-	135,002	10,372,477	-	(113,800)	
- Other	896,288	292,398	580,566	-	580,566	114,020	-	(1,033)	
<b>Sale commitments:</b>	<b>19,213,840</b>		<b>(164,382)</b>	<b>-</b>	<b>(164,382)</b>	<b>15,582,793</b>		<b>324,700</b>	
- Foreign currency (2)	18,609,950	6,121,801	(188,372)	-	(188,372)	14,947,271	4,574,794	(27,170)	
- Other	603,890	-	23,990	-	23,990	635,522	521,502	351,880	
<b>Swap contracts</b>									
<b>Assets (long position):</b>	<b>73,302,987</b>		<b>13,411,473</b>	<b>(1,240,227)</b>	<b>12,171,246</b>	<b>62,798,497</b>		<b>17,200,900</b>	
- Interbank market	4,439,901	2,835,083	319,859	89,857	409,716	6,286,693	3,417,373	508,360	
- Fixed rate	51,759,240	23,444,731	11,671,421	(1,910,637)	9,760,784	48,791,015	23,275,888	15,958,360	
- Foreign currency	15,551,428	-	1,296,270	461,908	1,758,178	6,161,641	-	696,030	
- IGPM	753,483	7,483	55,729	54,100	109,829	652,450	-	2,480	
- Other	798,935	-	68,194	64,545	132,739	906,698	-	35,660	

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Nominal value	Net amount value	2018 Original amortized cost	Mark-to-market adjustment	Fair value	Nominal value	Net amount value	On 2017 Original amortized cost
<b>Liabilities (unrestricted position):</b>	<b>56,105,194</b>		<b>(10,325,457)</b>	<b>(3,651,012)</b>	<b>(13,976,469)</b>	<b>45,743,215</b>		<b>(8,806,864)</b>
- Interbank market	1,604,818	-	(18,891)	(27,358)	(46,249)	2,869,320	-	(117,657)
- Fixed rate	28,314,509	-	(6,187,482)	(3,397,316)	(9,584,798)	25,515,127	-	(7,016,419)
- Foreign currency	23,368,049	7,816,621	(3,751,368)	25,542	(3,725,826)	14,288,568	8,126,927	(1,476,907)
- IGPM	746,000	-	(117,080)	(75,723)	(192,803)	728,000	75,550	(36,205)
- Other	2,071,818	1,272,883	(250,636)	(176,157)	(426,793)	2,342,200	1,435,502	(159,676)
<b>Total</b>	<b>697,862,085</b>		<b>3,387,469</b>	<b>(4,768,962)</b>	<b>(1,381,493)</b>	<b>517,982,611</b>		<b>8,550,180</b>

Derivatives include operations maturing in D+1.

(1) Includes: (i) accounting hedges to protect CDI-related funding totaling R\$ 8,285,152 thousand (R\$ 6,769,979 in 2017); and (ii) accounting hedges to protect interbank investments, in the amount of R\$ 9,784,183 thousand (R\$ 16,030,487 thousand in 2017) (note 7f); and

(2) Includes specific hedges to protect assets and liabilities, arising from foreign investments. Investments abroad totaling the amount of R\$ 59,884,730 thousand (R\$ 49,543,254 thousand in 2017).

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****II) Breakdown of derivative financial instruments (assets and liabilities) shown at original amortized cost, fair value and maturity**

	On December 31								
	Original amortized cost	Mark-to-market adjustment	Fair value	%	2018				Total
1 to 90 days					91 to 180 days	181 to 360 days	More than 360 days		
Adjustment receivable - swaps	13,411,473	(1,240,227)	12,171,246	82.4	12,140,766	-	-	30,480	12,171,246
Adjustment receivable - future	12,333	-	12,333	0.1	12,333	-	-	-	12,333
Receivable forward purchases	882,677	-	882,677	6.0	201,434	123,425	544,004	13,814	882,677
Receivable forward sales (1)	193,071	-	193,071	1.3	44,060	26,997	118,992	3,022	193,071
Premiums on exercisable options	1,402,844	108,423	1,511,267	10.2	549,625	9,194	82,210	870,238	1,511,267
<b>Total assets (A)</b>	<b>15,902,398</b>	<b>(1,131,804)</b>	<b>14,770,594</b>	<b>100.0</b>	<b>12,948,218</b>	<b>159,616</b>	<b>745,206</b>	<b>917,554</b>	<b>14,770,594</b>
Adjustment payables - swaps	(10,325,457)	(3,651,012)	(13,976,469)	86.6	(13,946,280)	-	-	(30,189)	(13,976,469)
Adjustment payables - future	(21,283)	-	(21,283)	0.1	(21,283)	-	-	-	(21,283)
Payable forward purchases	(151,532)	-	(151,532)	0.9	(71,237)	(50,792)	(22,432)	(7,071)	(151,532)
Payable forward sales	(357,453)	-	(357,453)	2.2	(168,047)	(119,813)	(52,914)	(16,679)	(357,453)



Premiums on written options	(1,659,204)	13,854	(1,645,350)	10.2	(1,021,818)	(41,177)	(86,807)	(495,548)	(1,645,350)
<b>Total liabilities (B)</b>	<b>(12,514,929)</b>	<b>(3,637,158)</b>	<b>(16,152,087)</b>	<b>100.0</b>	<b>(15,228,665)</b>	<b>(211,782)</b>	<b>(162,153)</b>	<b>(549,487)</b>	<b>(16,152,087)</b>
<b>Net Effect (A-B)</b>	<b>3,387,469</b>	<b>(4,768,962)</b>	<b>(1,381,493)</b>		<b>(2,280,447)</b>	<b>(52,166)</b>	<b>583,053</b>	<b>368,067</b>	<b>(1,381,493)</b>

(1) Includes receivable adjustments relating to hedge of assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities.

### III) Futures, options, forward and swap contracts – (Nominal Value)

	On December 31 - R\$ thousand				2018	2017
	1 to 90 days	91 to 180 days	181 to 360 days	More than 360 days		
Futures contracts (1)	202,017,588	30,847,896	23,551,869	176,354,185	432,771,538	344,811,107
Option contracts	16,416,087	3,263,816	38,695,326	44,495,664	102,870,893	38,560,502
Forward contracts (1)	19,008,661	8,405,384	4,195,332	1,202,096	32,811,473	26,069,290
Swap contracts	4,388,287	12,029,281	35,170,283	77,820,330	129,408,181	108,541,712
<b>Total in 2018</b>	<b>241,830,623</b>	<b>54,546,377</b>	<b>101,612,810</b>	<b>299,872,275</b>	<b>697,862,085</b>	
<b>Total in 2017</b>	<b>166,528,634</b>	<b>42,254,988</b>	<b>33,073,697</b>	<b>276,125,292</b>		<b>517,982,611</b>

(1) Includes contracts relating to hedges for the protection of assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities.

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**IV) Types of margin offered in guarantee of derivative financial instruments, primarily futures contracts**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
<b>Government securities</b>		
National treasury bills	-	2,401,816
National treasury notes	4,525,418	4,555,551
<b>Total</b>	<b>4,525,418</b>	<b>6,957,367</b>

**V) Revenues and expenses, net**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Swap contracts	(1,614,631)	227,089
Forward contracts (1)	(585,339)	(685,037)
Option contracts	(164,181)	(227,736)
Futures contracts (1)	(8,347,172)	(992,900)
Foreign exchange variation of assets and liabilities overseas	4,335,238	445,982
<b>Total (Note 7g)</b>	<b>(6,376,085)</b>	<b>(1,232,602)</b>

(1) Includes the gain (loss) and the respective adjustment to the market capitalization of the hedge for protection of the assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments.

**VI) Reference values of derivative financial instruments, by trading location and counterparty**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
B3 (stock exchange)	488,039,597	338,227,005

<b>B3 (over-the-counter)</b>	<b>163,937,706</b>	<b>143,299,608</b>
Financial Institutions	89,673,925	87,985,959
Companies	74,165,418	55,170,349
Individuals	98,363	143,300
Overseas (stock exchange) (1)	31,202,691	32,785,342
Overseas (over-the-counter) (1)	14,682,091	3,670,656
<b>Total</b>	<b>697,862,085</b>	<b>517,982,611</b>

(1) Comprised of operations carried out on the Chicago and New York Stock Exchanges and over-the-counter markets.

#### e) Credit Default Swaps (CDS)

In general, these represent bilateral agreements in which one of the parties purchases protection against the credit risk of a certain financial instrument (the risk is transferred). The selling counterparty receives remuneration that is usually paid linearly over the term of the agreement.

In the case of a default, the purchasing counterparty will receive a payment to offset the loss incurred on the financial instrument. In this case, the selling counterparty usually receives the underlying asset of the agreement in exchange for the payment.

	On December 31 - R\$ thousand	
	2018	2017
<b>Risk received in credit Swaps:</b>	<b>3,330,639</b>	<b>584,987</b>
- Debt securities issued by companies	749,735	468,214
- Bonds of the Brazilian public debt	2,574,317	116,773
- Bonds of foreign public debt	6,587	-
<b>Risk transferred in credit Swaps:</b>	<b>(271,236)</b>	<b>-</b>
- Brazilian public debt derivatives	(96,870)	-
- Foreign public debt derivatives	(174,366)	-
<b>Total net credit risk value</b>	<b>3,059,403</b>	<b>584,987</b>
<b>Effect on Shareholders' Equity</b>	<b>61,551</b>	<b>49,162</b>
<b>Remuneration on the counterparty receiving the risk</b>	<b>(7,372)</b>	<b>195</b>

Economic and Financial Analysis Report – December 2018

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

The contracts related to credit derivatives transactions described above are due in 2025. There were no credit events, as defined in the agreements, during the period.

**f) Hedge Accounting**

On December 31, 2018, Bradesco maintained hedge, in accordance with Bacen's Circular No. 3,082/02, composed by:

**I) Cash Flow Hedge** - the financial instruments classified in this category, aims to reduce exposure to future changes in interest rates, which impact the outcome of the organization. The effective portion of the valuations or devaluations of these instruments is recognized in a separate account of shareholders' equity, net of tax effects and is only transferred to income in two situations: (i) in case of ineffectiveness of the hedge; or (ii) the realization of the hedge object. The ineffective portion of the respective hedge is recognized directly in the income statement.

Strategy	Hedge instrument nominal value	Hedge object accounting value	On December 31 - R\$ thousand	
			Fair Value Accumulated Adjustments in shareholders' equity (gross of tax effects)	Fair Value Accumulated Adjustments in shareholders' equity (net of tax effects)
<i>Hedge of interest receipts from investments in securities (1)</i>	9,784,183	8,048,943	-	-
<i>Hedge of interest payments on funding (2)</i>	8,285,152	8,054,345	(140,745)	(84,447)
<b>Total in 2018</b>	<b>18,069,335</b>	<b>16,103,288</b>	<b>(140,745)</b>	<b>(84,447)</b>
*				
<i>Hedge of interest receipts from investments in securities (1)</i>	16,030,487	14,708,544	40,060	24,036
<i>Hedge of interest payments on funding (2)</i>	6,769,979	6,671,048	(84,044)	(50,426)
<b>Total in 2017</b>	<b>22,800,466</b>	<b>21,379,592</b>	<b>(43,984)</b>	<b>(26,390)</b>

- (1) Referring to the DI interest rate risk, using DI Futures contracts in B3, with the maturity in 2019, making the cash flow prefixed; and
- (2) Referring to the DI interest rate risk, using DI Futures contracts in B3, with maturity dates in 2020, making the cash flow prefixed.

The effectiveness of the hedge portfolio is in accordance with Bacen's Circular No. 3,082/02.

For the next 12 months, the gains related to the cash flow hedge, which we expect to recognize in the income statement, amount to R\$ (33,690) thousand.

The gains/(losses) related to the cash flow hedge recorded in the income statements in the year ended on December 31, 2018 were R\$ 22,970 thousand (2017 – R\$ 13,944 thousand).

**II) Hedge of investments abroad** - the financial instruments classified in this category, have the objective of reducing the exposure to foreign exchange variation of investments abroad, whose functional currency is different from the national currency, which impacts the result of the organization. The effective portion of the valuations or devaluations of these instruments is recognized in a separate account of shareholders' equity, net of tax effects and is only transferred to income in two situations: (i) hedge ineffectiveness; or (ii) in the disposal or partial sale of the foreign operation. The ineffective portion of the respective hedge is recognized directly in the income statement.

Strategy	Hedge instrument nominal value	Hedge object accounting value	On December 31 - R\$ thousand	
			Fair Value Accumulated Adjustments in shareholders' equity (gross of tax effects)	Fair Value Accumulated Adjustments in shareholders' equity (net of tax effects)
<i>Hedge of exchange variation on future cash flows (1)</i>	1,375,232	755,611	(269,039)	(161,423)
<b>Total in 2018</b>	<b>1,375,232</b>	<b>755,611</b>	<b>(269,039)</b>	<b>(161,423)</b>
<i>Hedge of exchange variation on future cash flows (1)</i>	1,110,888	582,567	(59,739)	(35,843)
<b>Total in 2017</b>	<b>1,110,888</b>	<b>582,567</b>	<b>(59,739)</b>	<b>(35,843)</b>

(1) Whose functional currency is different from the real, using Forward contracts, with the object of hedging the foreign investment referenced to MXN (Mexican Peso).

The effectiveness of the hedge portfolio is in accordance with Bacen's Circular No. 3,082/02.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

For the next 12 months, the gains/(losses) related to the hedge of investments abroad, which we expect to recognize in the result, amount to R\$ 4,775 thousand.

Gains/(losses) related to the hedge of investments abroad recorded in income accounts in the year ended on December 31, 2018 were R\$ (7,943) thousand (2017 – R\$ (359) thousand).

**g) Income from securities, insurance, pension plans and capitalization bonds, and derivative financial instruments**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Fixed income securities (1)	21,787,124	21,667,219
Interbank investments (Note 6b)	9,311,819	18,356,673
Equity securities (2)	247,561	1,245,755
<b>Subtotal</b>	<b>31,346,504</b>	<b>41,269,647</b>
Income from insurance, pension plans and capitalization bonds (3)	24,923,391	28,345,353
Income from derivative financial instruments (Note 7d V)	(6,376,085)	(1,232,602)
<b>Total</b>	<b>49,893,810</b>	<b>68,382,398</b>

(1) In the year ended on December 31, 2018, there were losses due to impairment of financial assets (mostly debentures), net of reversals, in the amount of R\$ 979,765 thousand (R\$ 2,487,725 thousand in 2017);

(2) In the year ended on December 31, 2017, there were losses due to impairment of shares in the amount of R\$ 29,453 thousand; and

(3) In the year ended on December 31, 2018, there were losses due to impairment in the amount of R\$ 1,468 thousand.

**8) INTERBANK ACCOUNTS – RESERVE REQUIREMENT****a) Reserve requirement**

		On December 31 - R\$ thousand	
		<b>2018</b>	<b>2017</b>
	<b>Remuneration</b>		
Compulsory deposit – demand deposits	not remunerated	7,186,254	4,415,702
Compulsory deposit – savings deposits	savings index	21,999,114	24,672,508
Compulsory deposit – time deposits	Selic rate	58,411,548	37,579,791
Requirement rural loans funds	not remunerated	-	46,225
Reserve requirement – SFH	TR + interest rate	1,283,317	1,217,337
<b>Total</b>		<b>88,880,233</b>	<b>67,931,563</b>

For more information on compulsory deposits see Note 34.

**b) Revenue from reserve requirement**

		Years ended December 31 - R\$ thousand	
		<b>2018</b>	<b>2017</b>
Reserve requirement – Bacen (Compulsory deposit)		3,916,299	4,881,319
Reserve requirement – SFH		50,208	54,142
<b>Total</b>		<b>3,966,507</b>	<b>4,935,461</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****9) LOANS**

Information relating to loans, including advances on foreign exchange contracts, leases and other receivables with credit characteristics is shown below:

**a) By type and maturity**

	Performing loans						Total in	% (4)	Tot
	1 to 30	31 to 60	61 to 90	91 to 180	181 to 360	More than	2018 (A)	201	
	days	days	days	days	days	360			
						days			
Discounted trade receivables and loans (1)	22,203,208	11,247,239	8,880,347	21,305,726	25,577,376	75,293,001	164,506,897	35.7	149,6
Financing	4,843,528	4,992,333	3,618,280	10,304,050	14,673,396	94,993,593	133,425,180	29.0	123,4
Agricultural and agribusiness loans	708,431	883,765	889,401	3,171,885	5,978,208	8,298,395	19,930,085	4.3	19,9
<b>Subtotal</b>	<b>27,755,167</b>	<b>17,123,337</b>	<b>13,388,028</b>	<b>34,781,661</b>	<b>46,228,980</b>	<b>178,584,989</b>	<b>317,862,162</b>	<b>69.0</b>	<b>293,0</b>
Leases	93,240	87,987	85,056	225,530	370,644	1,079,859	1,942,316	0.4	2,1
Advances on foreign exchange contracts (2)	1,418,072	1,691,617	1,501,668	5,516,585	3,950,908	65,079	14,143,929	3.1	9,3
<b>Subtotal</b>	<b>29,266,479</b>	<b>18,902,941</b>	<b>14,974,752</b>	<b>40,523,776</b>	<b>50,550,532</b>	<b>179,729,927</b>	<b>333,948,407</b>	<b>72.5</b>	<b>304,5</b>
Other receivables (3)	23,010,117	9,897,502	3,839,851	6,619,217	4,227,388	607,834	48,201,909	10.5	35,7
<b>Total loans</b>	<b>52,276,596</b>	<b>28,800,443</b>	<b>18,814,603</b>	<b>47,142,993</b>	<b>54,777,920</b>	<b>180,337,761</b>	<b>382,150,316</b>	<b>83.0</b>	<b>340,2</b>
Acquisition of credit card receivables	1,379,816	802,771	459,614	805,428	481,272	-	3,928,901	0.9	2,6
<b>Subtotal</b>	<b>53,656,412</b>	<b>29,603,214</b>	<b>19,274,217</b>	<b>47,948,421</b>	<b>55,259,192</b>	<b>180,337,761</b>	<b>386,079,217</b>	<b>83.9</b>	<b>342,9</b>
Sureties and guarantees	2,975,110	1,435,271	1,299,313	7,316,209	10,954,418	48,890,643	72,870,964	15.8	78,8
Loan assignment - real estate	30,450	30,449	30,447	87,628	130,776	439,678	749,428	0.2	9

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receivables										
certificate										
Guarantee given on rural loans assigned	-	-	-	-	8,544	57,119	65,663	-		
Letters of credit for imports	71,965	63,277	21,371	201,046	3,934	-	361,593	0.1	2	
Confirmed exports loans	20,000	431	-	21,515	28,445	-	70,391	-		
<b>Total - Off-balance-sheet accounts</b>	<b>3,097,525</b>	<b>1,529,428</b>	<b>1,351,131</b>	<b>7,626,398</b>	<b>11,126,117</b>	<b>49,387,440</b>	<b>74,118,039</b>	<b>16.1</b>	<b>80.2</b>	
<b>Total in 2018</b>	<b>56,753,937</b>	<b>31,132,642</b>	<b>20,625,348</b>	<b>55,574,819</b>	<b>66,385,309</b>	<b>229,725,201</b>	<b>460,197,256</b>	<b>100.0</b>		
<b>Total in 2017</b>	<b>44,083,363</b>	<b>31,712,299</b>	<b>18,136,948</b>	<b>47,320,447</b>	<b>63,137,375</b>	<b>218,748,292</b>				<b>423.1</b>

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

On December 31 - R\$ thousand

	<b>Non-performing loans Past-due installments</b>						Total in 2018 (B)	% (4)	Total in 2017 (B)	% (4)
	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 540 days					
Discounted trade receivables and loans (1)	1,538,830	980,529	1,072,325	2,262,097	3,367,568	9,221,349	84.3	9,831,873	83.6	
Financing Agricultural and agribusiness loans	234,323	175,235	112,685	257,478	235,935	1,015,656	9.3	1,185,609	10.1	
<b>Subtotal</b>	<b>1,793,141</b>	<b>1,185,275</b>	<b>1,256,396</b>	<b>2,618,070</b>	<b>3,642,482</b>	<b>10,495,364</b>	<b>96.0</b>	<b>11,378,669</b>	<b>96.8</b>	
Leases	4,731	3,813	3,039	5,634	1,459	18,676	0.2	31,175	0.3	
Advances on foreign exchange contracts (2)	4,699	8,715	507	87,396	1,838	103,155	0.9	110,536	0.9	
<b>Subtotal</b>	<b>1,802,571</b>	<b>1,197,803</b>	<b>1,259,942</b>	<b>2,711,100</b>	<b>3,645,779</b>	<b>10,617,195</b>	<b>97.1</b>	<b>11,520,380</b>	<b>98.0</b>	
Other receivables (3)	34,856	27,450	62,127	81,008	111,908	317,349	2.9	235,928	2.0	
<b>Total in 2018</b>	<b>1,837,427</b>	<b>1,225,253</b>	<b>1,322,069</b>	<b>2,792,108</b>	<b>3,757,687</b>	<b>10,934,544</b>	<b>100.0</b>			
<b>Total in 2017</b>	<b>1,710,269</b>	<b>1,390,306</b>	<b>1,178,413</b>	<b>2,960,423</b>	<b>4,516,897</b>			<b>11,756,308</b>	<b>100.0</b>	

On December 31 - R\$ thousand

	<b>Non-performing loans Installments not yet due</b>						Total in 2018 (C)	% (4)	Total in 2017 (C)	% (4)
	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days				
Discounted trade receivables and loans (1)	601,679	524,215	426,437	1,084,560	1,667,549	4,534,006	8,838,446	64.4	10,781,179	61.7
Financing Agricultural and agribusiness loans	177,239	187,037	151,512	407,074	650,638	2,909,800	4,483,300	32.6	6,225,552	35.7
	946	1,972	3,562	12,710	42,792	72,831	134,813	1.0	291,808	1.7

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<b>Subtotal</b>	<b>779,864</b>	<b>713,224</b>	<b>581,511</b>	<b>1,504,344</b>	<b>2,360,979</b>	<b>7,516,637</b>	<b>13,456,559</b>	<b>98.0</b>	<b>17,298,539</b>	<b>99.1</b>
Leases	6,163	5,239	4,004	12,203	21,116	80,145	128,870	0.9	97,858	0.6
<b>Subtotal</b>	<b>786,027</b>	<b>718,463</b>	<b>585,515</b>	<b>1,516,547</b>	<b>2,382,095</b>	<b>7,596,782</b>	<b>13,585,429</b>	<b>98.9</b>	<b>17,396,397</b>	<b>99.7</b>
Other receivables (3)	5,104	4,762	4,240	11,511	17,911	104,003	147,531	1.1	50,865	0.3
<b>Total in 2018</b>	<b>791,131</b>	<b>723,225</b>	<b>589,755</b>	<b>1,528,058</b>	<b>2,400,006</b>	<b>7,700,785</b>	<b>13,732,960</b>	<b>100.0</b>		
<b>Total in 2017</b>	<b>952,793</b>	<b>840,246</b>	<b>846,093</b>	<b>1,950,805</b>	<b>2,988,928</b>	<b>9,868,397</b>			<b>17,447,262</b>	<b>100.0</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	On December 31 - R\$ thousand			
	<b>Total in 2018</b>	<b>% (4)</b>	<b>Total in 2017</b>	<b>% (4)</b>
	<b>(A+B+C)</b>		<b>(A+B+C)</b>	
Discounted trade receivables and loans (1)	182,566,692	37.7	170,246,035	37.6
Financing	138,924,136	28.7	130,904,455	28.9
Agricultural and agribusiness loans	20,323,257	4.2	20,587,700	4.6
<b>Subtotal</b>	<b>341,814,085</b>	<b>70.6</b>	<b>321,738,190</b>	<b>71.1</b>
Leases	2,089,862	0.4	2,249,859	0.5
Advances on foreign exchange contracts (2) (Note 10a)	14,247,084	2.9	9,430,404	2.1
<b>Subtotal</b>	<b>358,151,031</b>	<b>73.9</b>	<b>333,418,453</b>	<b>73.7</b>
Other receivables (3)	48,666,789	10.0	36,051,962	8.0
<b>Total loans</b>	<b>406,817,820</b>	<b>83.9</b>	<b>369,470,415</b>	<b>81.7</b>
Acquisition of credit card receivables	3,928,901	0.8	2,668,353	0.6
<b>Subtotal</b>	<b>410,746,721</b>	<b>84.7</b>	<b>372,138,768</b>	<b>82.3</b>
Sureties and guarantees	72,870,964	15.0	78,867,347	17.4
Loan assignment - real estate receivables certificate	749,428	0.2	902,429	0.2
Guarantee given on rural loans assigned	65,663	-	76,984	-
Letters of credit for imports	361,593	0.1	294,229	0.1
Confirmed exports loans	70,391	-	62,537	-
<b>Total - Off-balance-sheet accounts</b>	<b>74,118,039</b>	<b>15.3</b>	<b>80,203,526</b>	<b>17.7</b>
<b>Total in 2018</b>	<b>484,864,760</b>	<b>100.0</b>		
<b>Total in 2017</b>			<b>452,342,294</b>	<b>100.0</b>

(1) Including credit card loans of R\$ 13,205,662 thousand (R\$ 15,344,607 thousand in 2017);

(2) Advances on foreign exchange contracts are classified as a deduction from "Other Liabilities";

(3) The item "Other Receivables" comprises receivables on sureties and guarantees honored, receivables on sale of assets, securities and credits receivable, income receivable from foreign exchange contracts and export contracts and credit card receivables (cash and installment purchases at merchants) totaling R\$ 29,465,888 thousand (R\$ 26,109,733 thousand in 2017); and

(4) Percentage of each type in relation to the total loan portfolio, including sureties and guarantee, loan assignment and acquisition of receivables, co-obligations in the transfer of rural credit, credits opened for importation and confirmed export credits.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) By type and levels of risk**

	Levels of risk								
	AA	A	B	C	D	E	F	G	H
Discounted trade receivables and loans	22,697,299	85,652,813	15,497,190	26,905,640	6,658,475	4,486,262	4,940,242	2,590,212	13,138,551
Financing Agricultural and agribusiness loans	82,694,005	28,585,111	10,254,080	9,305,063	2,096,650	1,204,229	1,255,876	684,926	2,844,190
<b>Subtotal</b>	<b>109,920,968</b>	<b>122,912,443</b>	<b>30,121,337</b>	<b>38,286,796</b>	<b>9,094,258</b>	<b>5,766,737</b>	<b>6,246,488</b>	<b>3,333,329</b>	<b>16,131,721</b>
Leases	332,123	314,307	1,227,159	30,053	15,632	58,704	28,598	12,727	70,551
Advances on foreign exchange contracts (2)	6,405,692	2,376,087	2,792,441	1,992,999	39,612	40,725	374,408	1,330	223,790
<b>Subtotal</b>	<b>116,658,783</b>	<b>125,602,837</b>	<b>34,140,937</b>	<b>40,309,848</b>	<b>9,149,502</b>	<b>5,866,166</b>	<b>6,649,494</b>	<b>3,347,386</b>	<b>16,426,071</b>
Other receivables	15,706,111	22,420,235	4,695,592	4,589,153	253,365	167,105	80,916	43,146	711,160
<b>Subtotal</b>	<b>132,364,894</b>	<b>148,023,072</b>	<b>38,836,529</b>	<b>44,899,001</b>	<b>9,402,867</b>	<b>6,033,271</b>	<b>6,730,410</b>	<b>3,390,532</b>	<b>17,137,241</b>
Financial guarantees provided (3)	58,032,431	3,772,435	2,149,091	8,395,269	521,738	-	-	-	-
<b>Total in 2018</b>	<b>190,397,325</b>	<b>151,795,507</b>	<b>40,985,620</b>	<b>53,294,270</b>	<b>9,924,605</b>	<b>6,033,271</b>	<b>6,730,410</b>	<b>3,390,532</b>	<b>17,137,241</b>
<b>%</b>	<b>32.6</b>	<b>36.4</b>	<b>9.5</b>	<b>11.0</b>	<b>2.3</b>	<b>1.5</b>	<b>1.7</b>	<b>0.8</b>	<b>4.5</b>
<b>Total in 2017</b>	<b>178,568,782</b>	<b>130,084,098</b>	<b>42,352,068</b>	<b>49,153,772</b>	<b>13,808,254</b>	<b>7,656,290</b>	<b>4,264,014</b>	<b>2,952,535</b>	<b>19,497,941</b>
<b>%</b>	<b>39.8</b>	<b>29.0</b>	<b>9.4</b>	<b>11.0</b>	<b>3.1</b>	<b>1.7</b>	<b>1.0</b>	<b>0.7</b>	<b>4.5</b>

(1) Percentage of each type in relation to the total loan portfolio, excluding sureties and guarantees, loan assignments, acquisition of receivables and co-obligation in rural loan assignments;

(2) Note 10a; and

(3) The provision for losses, associated to the financial guarantees provided, is being evaluated as provided by CMN Resolution No. 4,512/16, more information on the methodology used, see Note 19c.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****c) Composition of loan operations by risk level and delay situation****l) Levels of risk**

On December 31 - P											
<b>Levels of risk</b>											
<b>Non-performing loans (3)</b>											
	AAA	B	C	D	E	F	G	H	Total in 2018	% (1)	Total 2018
<b>Installments not yet due</b>	- -	<b>1,158,372</b>	<b>2,574,404</b>	<b>1,759,351</b>	<b>1,570,017</b>	<b>1,143,134</b>	<b>961,004</b>	<b>4,566,678</b>	<b>13,732,960</b>	<b>100.0</b>	<b>17,440,000</b>
1 to 30	- -	118,646	159,418	93,107	81,894	48,607	50,982	238,477	791,131	5.8	9,800,000
31 to 60	- -	93,080	138,359	76,762	71,265	57,014	45,098	241,647	723,225	5.2	8,400,000
61 to 90	- -	78,041	107,669	65,811	62,284	54,075	37,560	184,315	589,755	4.3	8,400,000
91 to 180	- -	150,889	263,122	189,092	179,254	110,345	109,699	525,657	1,528,058	11.1	1,900,000
181 to 360	- -	202,679	404,569	312,068	282,309	182,611	185,536	830,234	2,400,006	17.5	2,900,000
More than 360	- -	515,037	1,501,267	1,022,511	893,011	690,482	532,129	2,546,348	7,700,785	56.1	9,800,000
<b>Past-due installments (2)</b>	- -	<b>373,593</b>	<b>828,913</b>	<b>816,895</b>	<b>799,189</b>	<b>1,304,890</b>	<b>1,068,411</b>	<b>5,742,653</b>	<b>10,934,544</b>	<b>100.0</b>	<b>11,700,000</b>
1 to 14	- -	22,655	63,472	48,870	33,053	654,231	16,848	169,069	1,008,198	9.2	6,000,000
15 to 30	- -	342,494	182,596	82,397	47,896	21,699	25,007	127,140	829,229	7.6	1,000,000
31 to 60	- -	8,444	560,785	171,845	106,952	50,764	49,823	276,640	1,225,253	11.2	1,300,000
61 to 90	- -	-	14,409	493,090	132,475	67,090	328,815	286,190	1,322,069	12.1	1,100,000
91 to 180	- -	-	7,651	20,693	466,602	490,446	626,184	1,180,532	2,792,108	25.5	2,900,000
181 to 360	- -	-	-	-	12,211	20,660	21,734	3,646,401	3,701,006	33.9	4,300,000
More than 360	- -	-	-	-	-	-	-	56,681	56,681	0.5	15,000,000
<b>Subtotal</b>	- -	<b>1,531,965</b>	<b>3,403,317</b>	<b>2,576,246</b>	<b>2,369,206</b>	<b>2,448,024</b>	<b>2,029,415</b>	<b>10,309,331</b>	<b>24,667,504</b>		<b>29,200,000</b>
Specific provision	- -	15,320	102,099	257,624	710,762	1,224,012	1,420,591	10,309,331	14,039,739		16,800,000

(1) Percentage of maturities by installment;

(2) For transactions with terms of more than 36 months, past-due periods are doubled, as permitted by

Resolution No. 2,682/99; and

(3) For contracts with installments past-due for more than 14 days or which have been restructured or where the borrower is bankrupt or in judicial recovery.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Levels of risk								
	Performing loans (2)								
	AA	A	B	C	D	E	F	G	H
<b>Installments not yet due</b>	<b>132,158,642</b>	<b>147,303,708</b>	<b>37,209,478</b>	<b>41,292,415</b>	<b>6,709,960</b>	<b>3,590,358</b>	<b>4,052,612</b>	<b>1,351,968</b>	<b>6,755,993</b>
1 to 30	13,207,530	21,571,881	4,478,721	7,865,652	673,294	431,548	1,687,272	86,437	549,079
31 to 60	8,440,765	12,432,587	3,381,780	3,665,928	248,960	236,976	38,414	37,598	317,433
61 to 90	5,590,315	7,981,811	1,898,551	2,689,095	207,555	153,469	46,402	31,621	215,784
91 to 180	14,230,685	18,432,911	6,332,112	5,897,937	545,793	350,777	391,468	133,211	828,099
181 to 360	17,482,162	21,253,742	6,665,072	6,763,396	1,262,635	444,871	246,020	130,099	529,923
More than 360	73,207,185	65,630,776	14,453,242	14,410,407	3,771,723	1,972,717	1,643,036	933,002	4,315,673
<b>Past due up to 14 days</b>	<b>206,252</b>	<b>719,364</b>	<b>95,086</b>	<b>203,269</b>	<b>116,661</b>	<b>73,707</b>	<b>229,774</b>	<b>9,149</b>	<b>71,920</b>
<b>Subtotal</b>	<b>132,364,894</b>	<b>148,023,072</b>	<b>37,304,564</b>	<b>41,495,684</b>	<b>6,826,621</b>	<b>3,664,065</b>	<b>4,282,386</b>	<b>1,361,117</b>	<b>6,827,913</b>
Generic provision	-	740,115	373,045	1,244,871	682,662	1,099,220	2,141,193	952,782	6,827,913
<b>Total in 2018</b>	<b>132,364,894</b>	<b>148,023,072</b>	<b>38,836,529</b>	<b>44,899,001</b>	<b>9,402,867</b>	<b>6,033,271</b>	<b>6,730,410</b>	<b>3,390,532</b>	<b>17,137,244</b>
Existing provision	-	833,445	425,490	1,461,291	1,464,936	4,642,200	5,640,439	3,377,804	17,137,244
Minimum required provision	-	740,115	388,365	1,346,970	940,286	1,809,982	3,365,205	2,373,373	17,137,244
Excess provision	-	93,330	37,125	114,321	524,650	2,832,218	2,275,234	1,004,431	-
<b>Total in 2017</b>	<b>114,222,513</b>	<b>126,270,682</b>	<b>41,868,307</b>	<b>39,822,819</b>	<b>12,922,698</b>	<b>7,648,898</b>	<b>4,264,014</b>	<b>2,952,535</b>	<b>19,497,949</b>
Existing provision	-	712,568	458,716	1,336,231	1,902,674	5,464,736	4,118,336	2,932,657	19,497,949
Minimum required provision	-	631,353	418,683	1,194,685	1,292,270	2,294,669	2,132,007	2,066,774	19,497,949
Excess provision	-	81,215	40,033	141,546	610,404	3,170,067	1,986,329	865,883	-

- (1) Percentage of maturities by installment; and  
 (2) Transactions past-due for less than 15 days and which have not been restructured and where the borrower is not bankrupt or in judicial recovery.

**II) Operations**

Exposure	Operation							Total
	On time	Past-due 0 to 14 days	Past-due 15 to 60 days	Past-due 61 to 90 days	Past-due 91 to 180 days	Past-due 181 to 360 days	Past-due more than 360	
Loans	366,915,951	11,381,260	11,188,730	3,093,220	6,402,889	7,656,691	179,079	406,817,820

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****d) Concentration of loans**

	On December 31 - R\$ thousand			
	2018	% (1)	2017	% (1)
Largest borrower	9,092,151	2.2	9,410,382	2.5
10 largest borrowers	37,315,119	9.2	30,628,439	8.3
20 largest borrowers	52,976,450	13.0	45,506,149	12.3
50 largest borrowers	76,660,370	18.8	66,362,206	17.9
100 largest borrowers	94,185,453	27.4	82,897,313	22.4

(1) Percentage on total portfolio (as defined by Bacen).

**e) By economic sector**

	On December 31 - R\$ thousand			
	2018	%	2017	%
<b>Public sector</b>	<b>9,259,368</b>	<b>2.3</b>	<b>9,676,927</b>	<b>2.6</b>
Oil, derivatives and aggregate activities	9,092,151	2.2	9,410,382	2.5
Production and distribution of electricity	1,829	-	1,322	-
Other industries	165,388	-	265,223	0.1
<b>Private sector</b>	<b>397,558,452</b>	<b>97.7</b>	<b>359,793,488</b>	<b>97.4</b>
<b>Companies</b>	<b>204,690,732</b>	<b>50.3</b>	<b>185,805,095</b>	<b>50.3</b>
Real estate and construction activities	25,267,761	6.2	29,383,442	8.0
Retail	32,472,286	8.0	23,935,638	6.5
Services	19,086,508	4.7	17,996,533	4.9
Transportation and concession	17,261,369	4.2	14,190,284	3.8
Automotive	11,284,972	2.8	10,014,454	2.7
Food products	12,040,631	3.0	8,866,028	2.4
Wholesale	11,467,168	2.8	9,045,916	2.4
Production and distribution of electricity	4,784,015	1.2	7,360,804	2.0
Iron and steel industry	7,698,444	1.9	7,001,290	1.9
Sugar and alcohol	6,907,858	1.7	7,042,811	1.9
Holding	3,872,935	1.0	3,539,364	1.0

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Capital goods	3,385,548	0.8	3,740,520	1.0
Pulp and paper	3,359,793	0.8	3,358,341	0.9
Chemical	3,534,785	0.9	3,464,871	0.9
Cooperative	2,657,072	0.7	3,007,516	0.8
Financial	2,611,622	0.6	2,988,105	0.8
Leisure and tourism	3,076,927	0.8	2,570,126	0.7
Textiles	2,038,464	0.5	1,848,748	0.5
Agriculture	1,824,795	0.4	1,870,938	0.5
Oil, derivatives and aggregate activities	1,824,116	0.4	1,787,235	0.5
Other industries	28,233,663	6.9	22,792,131	6.2
<b>Individuals</b>	<b>192,867,720</b>	<b>47.4</b>	<b>173,988,393</b>	<b>47.1</b>
<b>Total</b>	<b>406,817,820</b>	<b>100.0</b>	<b>369,470,415</b>	<b>100.0</b>

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements****f) Breakdown of loans and allowance for loan losses**

On December 31 - R\$ thousand

Level of risk	Non-performing loans		Portfolio balance		Total	% (1)	% (2)	
	Installments past due	Installments not yet due	Total - non-performing loans	Performing loans			2018 YTD	% 2017 YTD
AA	-	-	-	132,364,894	132,364,894	32.6	32.6	30.9
A	-	-	-	148,023,072	148,023,072	36.4	69.0	65.1
B	373,593	1,158,372	1,531,965	37,304,564	38,836,529	9.5	78.5	76.4
C	828,913	2,574,404	3,403,317	41,495,684	44,899,001	11.0	89.5	87.2
<b>Subtotal</b>	<b>1,202,506</b>	<b>3,732,776</b>	<b>4,935,282</b>	<b>359,188,214</b>	<b>364,123,496</b>	<b>89.5</b>		
D	816,895	1,759,351	2,576,246	6,826,621	9,402,867	2.3	91.8	90.7
E	799,189	1,570,017	2,369,206	3,664,065	6,033,271	1.5	93.3	92.8
F	1,304,890	1,143,134	2,448,024	4,282,386	6,730,410	1.7	95.0	93.9
G	1,068,411	961,004	2,029,415	1,361,117	3,390,532	0.8	95.8	94.7
H	5,742,653	4,566,678	10,309,331	6,827,913	17,137,244	4.2	100.0	100.0
<b>Subtotal</b>	<b>9,732,038</b>	<b>10,000,184</b>	<b>19,732,222</b>	<b>22,962,102</b>	<b>42,694,324</b>	<b>10.5</b>		
<b>Total in 2018</b>	<b>10,934,544</b>	<b>13,732,960</b>	<b>24,667,504</b>	<b>382,150,316</b>	<b>406,817,820</b>	<b>100.0</b>		
<b>%</b>	<b>2.7</b>	<b>3.4</b>	<b>6.1</b>	<b>93.9</b>	<b>100.0</b>			
<b>Total in 2017</b>	<b>11,756,308</b>	<b>17,447,262</b>	<b>29,203,570</b>	<b>340,266,845</b>	<b>369,470,415</b>			
<b>%</b>	<b>3.2</b>	<b>4.7</b>	<b>7.9</b>	<b>92.1</b>	<b>100.0</b>			

(1) Percentage of level of risk in relation to the total portfolio; and

(2) Cumulative percentage of level of risk on total portfolio.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Level of risk	% Minimum provisioning required	Provision					Excess		Existing	% 2018 YTD	% 2017 YTD
		Minimum required		Total	Generic	Total	Excess	Existing			
		Installments past due	Specific Installments not yet due								
AA	-	-	-	-	-	-	-	-	-	-	
A	0.5	-	-	-	740,115	740,115	93,330	833,445	0.6	0.6	
B	1.0	3,736	11,584	15,320	373,045	388,365	37,125	425,490	1.1	1.1	
C	3.0	24,867	77,232	102,099	1,244,871	1,346,970	114,321	1,461,291	3.3	3.3	
<b>Subtotal</b>		<b>28,603</b>	<b>88,816</b>	<b>117,419</b>	<b>2,358,031</b>	<b>2,475,450</b>	<b>244,776</b>	<b>2,720,226</b>	<b>0.7</b>	<b>0.7</b>	
D	10.0	81,689	175,935	257,624	682,662	940,286	524,650	1,464,936	15.6	15.6	
E	30.0	239,757	471,005	710,762	1,099,220	1,809,982	2,832,218	4,642,200	76.9	76.9	
F	50.0	652,445	571,567	1,224,012	2,141,193	3,365,205	2,275,234	5,640,439	83.8	83.8	
G	70.0	747,888	672,703	1,420,591	952,782	2,373,373	1,004,431	3,377,804	99.6	99.6	
H	100.0	5,742,653	4,566,678	10,309,331	6,827,913	17,137,244	-	17,137,244	100.0	100.0	
<b>Subtotal</b>		<b>7,464,432</b>	<b>6,457,888</b>	<b>13,922,320</b>	<b>11,703,770</b>	<b>25,626,090</b>	<b>6,636,533</b>	<b>32,262,623</b>	<b>75.6</b>	<b>75.6</b>	
<b>Total in 2018</b>									<b>8.6</b>		
%		21.4	18.7	40.1	40.2	80.3	19.7	100.0			
<b>Total in 2017</b>		<b>8,285,345</b>	<b>8,543,109</b>	<b>16,828,454</b>	<b>12,699,936</b>	<b>29,528,390</b>	<b>6,895,477</b>	<b>36,423,867</b>			
%		22.7	23.5	46.2	34.9	81.1	18.9	100.0			

(1) Percentage of existing provision in relation to total portfolio, by level of risk.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**g) Changes in allowance for loan losses**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
- <b>Specific provision (1)</b>	<b>16,828,454</b>	<b>22,386,423</b>
- <b>Generic provision (2)</b>	<b>12,699,936</b>	<b>10,737,580</b>
- <b>Excess provision (3) (4)</b>	<b>6,895,477</b>	<b>7,490,351</b>
- Loans	6,895,477	4,429,361
- Guarantees provided (4)	-	3,060,990
<b>Opening balance on December 31</b>	<b>36,423,867</b>	<b>40,614,354</b>
Accounting for allowance for loan losses (Note 9h-1) (5)	18,225,479	25,084,259
Accounting for/reversal of provisions for guarantees provided (4)	-	(3,060,990)
Write-offs	(19,916,376)	(26,248,164)
Exchange variation	249,879	34,408
<b>Closing balance on December 31</b>	<b>34,982,849</b>	<b>36,423,867</b>
- <b>Specific provision (1)</b>	<b>14,039,739</b>	<b>16,828,454</b>
- <b>Generic provision (2)</b>	<b>14,061,801</b>	<b>12,699,936</b>
- <b>Excess provision (3)</b>	<b>6,881,309</b>	<b>6,895,477</b>

(1) For contracts with installments past-due for more than 14 days;

(2) Recognized based on the customer/transaction classification and therefore not included in the preceding item;

(3) The excess provision is recognized based on Management's experience and the expectation in relation to the loan portfolio, to determine the total provision deemed sufficient to cover specific and general credit risk, when considered together with the provision calculated based on levels of risk and the corresponding minimum percentage in the provision established by Resolution No. 2,682/99. The excess provision per customer was classified according to the level of risk (Note 9f);

(4) Up to December 31, 2016, included the constitution of provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, which comprises the concept of "excess" provision that totaled R\$ 3,060,990 thousand. In accordance with Resolution No. 4,512/16, in January 2017, part of this balance (R\$ 604,623 thousand) was allocated to a specific account under "Other Liabilities - Sundry" (Note 19b), and the remaining balance (R\$ 2,456,367 thousand) was allocated to "Excess Provision - Loans"; and

(5) Includes, in the year ended on December 31, 2017, the formation of allowance for loan losses, in the amount of R\$ 2,456,367 thousand, as a result of the adequacy of the provision for guarantees provided, already mentioned in the previous item.

**h) Allowance for Loan Losses expense net of amounts recovered**

Expenses with the allowance for loan losses, net of credit write-offs recovered, are as follows.

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Amount recognized (1)	18,225,479	22,627,892
Amount recovered (2) (3)	(7,147,095)	(7,034,857)
<b>Allowance for Loan Losses expense net of amounts recovered</b>	<b>11,078,384</b>	<b>15,593,035</b>

(1) In the year ended on December 31, 2017, it refers to the formation of allowance for loan losses, in the amount of R\$ 25,084,259 thousand, excluding the portion related to the adequacy of the provision for guarantees provided, in the amount of R\$ 2,456,367 thousand (Note 9g);

(2) Classified in income from loans (Note 9j); and

(3) In the year ended on December 31, 2018, credit was granted for operations already written-off for losses, without the retention of risks and benefits, in the amount of R\$ 13,810,254 thousand (R\$ 7,866,440 thousand in 2017), whose sale value was R\$ 204,472 thousand (R\$ 88,226 thousand in 2017).

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****i) Changes in the renegotiated portfolio**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
<b>Opening balance on December 31</b>	<b>17,183,869</b>	<b>17,501,423</b>
Amount renegotiated	15,193,567	16,185,863
Amount received	(9,472,888)	(10,108,040)
Write-offs	(5,761,336)	(6,395,377)
<b>Closing balance on December 31</b>	<b>17,143,212</b>	<b>17,183,869</b>
Allowance for loan losses	13,426,625	13,146,472
Percentage on renegotiated portfolio	78.3%	76.5%

**j) Income from loans and leases**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Discounted trade receivables and loans	45,334,036	47,484,571
Financing	15,370,413	16,451,085
Agricultural and agribusiness loans	1,964,890	1,706,809
<b>Subtotal</b>	<b>62,669,339</b>	<b>65,642,465</b>
Recovery of credits charged-off as losses	7,147,095	7,034,857
<b>Subtotal</b>	<b>69,816,434</b>	<b>72,677,322</b>
Leases, net of expenses	258,200	270,647
<b>Total</b>	<b>70,074,634</b>	<b>72,947,969</b>

**10) OTHER RECEIVABLES****a) Foreign exchange portfolio**

**Balances**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
<b>Assets – other receivables</b>		
Exchange purchases pending settlement	16,843,467	13,631,206
Foreign exchange and forward documents in foreign currencies	36,149	8,185
Exchange sale receivables	3,583,992	3,816,306
(-) Advances in domestic currency received	(283,780)	(176,370)
Income receivable on advances granted	279,978	190,273
<b>Total</b>	<b>20,459,806</b>	<b>17,469,600</b>
<b>Liabilities – other liabilities</b>		
Exchange sales pending settlement	3,593,445	3,854,054
Exchange purchase payables	16,205,817	13,228,153
(-) Advances on foreign exchange contracts	(14,247,084)	(9,430,404)
Other	2,206	2,822
<b>Total</b>	<b>5,554,384</b>	<b>7,654,625</b>
<b>Net foreign exchange portfolio</b>	<b>14,905,422</b>	<b>9,814,975</b>
<b>Off-balance-sheet accounts:</b>		
- Loans available for import	361,593	294,229
- Confirmed exports loans	70,391	62,537

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**Foreign exchange results**

**Adjusted foreign exchange results for presentation purposes**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
<b>Foreign exchange income</b>	<b>1,657,135</b>	<b>2,286,446</b>
<b>Adjustments:</b>		
- Income on foreign currency financing (1)	200,184	151,836
- Income on export financing (1)	1,652,684	2,080,324
- Expenses of liabilities with foreign bankers (2) (Note 16c)	(1,066,302)	(1,089,448)
- Funding expenses (3)	(1,669,410)	(1,628,839)
- Other (4)	592,711	(3,385)
<b>Total adjustments</b>	<b>(290,133)</b>	<b>(489,512)</b>
<b>Adjusted foreign exchange income</b>	<b>1,367,002</b>	<b>1,796,934</b>

(1) Recognized in "Income from loans";

(2) Related to funds for financing of advances on foreign exchange contracts and import financing, recognized in "Borrowing and on-lending expenses";

(3) Refers to funding expenses of investments in foreign exchange; and

(4) Primarily includes the exchange rate variations of resources invested in foreign currency.

**b) Sundry**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Deferred tax assets (Note 33c)	54,047,279	52,396,820
Credit card operations	29,465,888	28,778,086
Debtors for escrow deposits	18,729,321	17,840,698
Trade and credit receivables	19,220,547	9,780,285
Prepaid taxes	13,498,263	10,524,575

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Other debtors	2,983,944	4,070,288
Payments to be reimbursed	777,868	713,828
Receivables from sale of assets	196,804	191,152
Other	661,167	840,233
<b>Total</b>	<b>139,581,081</b>	<b>125,135,965</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****11) OTHER ASSETS****a) Foreclosed assets/other**

	On December 31 - R\$ thousand			
	<b>Cost</b>	<b>Provisions for devaluations</b>	<b>Cost net of provision 2018</b>	<b>2017</b>
Real estate	2,503,016	(1,382,582)	1,120,434	1,250,380
Vehicles and similar	528,872	(297,767)	231,105	262,774
Inventories/warehouse	15,755	-	15,755	23,336
Machinery and equipment	3,881	(3,296)	585	2,037
Other	16,565	(15,359)	1,206	5,782
<b>Total in 2018</b>	<b>3,068,089</b>	<b>(1,699,004)</b>	<b>1,369,085</b>	
<b>Total in 2017</b>	<b>2,933,208</b>	<b>(1,388,899)</b>		<b>1,544,309</b>

**b) Prepaid expenses**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Deferred insurance acquisition costs (1)	973,808	1,127,904
Commission on the placement of loans and financing (2)	540,125	406,722
Advertising and marketing expenses (3)	190,112	129,284
Other (4)	503,051	1,057,521
<b>Total</b>	<b>2,207,096</b>	<b>2,721,431</b>

(1) Commissions paid to brokers and representatives on sale of insurance, pension plans and capitalization bond products;

(2) Commissions paid to storeowners, car dealers and correspondent banks – payroll-deductible loans;

(3) Prepaid expenses of future advertising and marketing campaigns on media; and

(4) It includes, primarily: (i) anticipation of commissions concerning the operational agreement to offer credit cards and other products; and (ii) card issue costs.

**12) INVESTMENTS****a) Composition of investments in the consolidated financial statements**

	On December 31 - R\$	
		thousand
<b>Associates and Jointly Controlled Companies</b>	<b>2018</b>	<b>2017</b>
- Cielo S.A.	4,124,373	4,364,415
- Elo Participações S.A.	1,260,912	1,048,664
- Fleury S.A.	699,927	692,380
- IRB-Brasil Resseguros S.A.	606,161	543,025
- Swiss Re Corporate Solutions Brasil (1)	345,036	463,400
- Aquarius Participações S.A. (2)	43,030	263,630
- Haitong Banco de Investimento do Brasil S.A.	100,597	105,649
- Others (1)	476,532	393,253
<b>Total investment in Associates and Jointly Controlled Companies – in Brazil and Overseas</b>	<b>7,656,568</b>	<b>7,874,416</b>
- Tax incentives	95,585	234,717
- Other investments	142,901	168,189
Provision for:		
- Tax incentives	(51,486)	(207,933)
- Other investments	(32,379)	(46,802)
<b>Total investments</b>	<b>7,811,189</b>	<b>8,022,587</b>

(1) In the year ended in 2018, impairment losses were recorded in the line “unconsolidated and jointly controlled companies” in the amount of R\$ 107,000 thousand (R\$ 31,868 thousand in 2017); and

(2) In December 2018, the partial spin-off of Fidelity Processadora S.A. occurred, a company controlled by Aquarius Participações S.A.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

b) The income/expense from the equity method accounting of investments was recognized in the statement of income, under "Share of profit (loss) of unconsolidated and jointly controlled companies", and are demonstrated below:

Companies	Years ended December 31 - R\$ thousand							Equity accounting adjustments (1)	
	Capital	Shareholders' equity adjusted	Number of shares/quotas held (in thousands)		Equity interest consolidated on capital stock	Adjusted income	2018	2017	
			Ordinary (ON)	Preferential (PN)					
- Elo Participações S.A. (2)	1,052,000	2,521,320	372	-	50.01%	575,967	288,041	161,170	
- Aquarius Participações S.A. (3)	63,600	87,816	30,541	623	49.00%	266,876	130,769	116,070	
- Haitong Banco de Investimento do Brasil S.A.	420,000	502,985	12,734	12,734	20.00%	3,010	602	(22,637)	
- Others (4)							1,199,405	1,250,667	
<b>Share of profit (loss) of unconsolidated and jointly controlled companies</b>							<b>1,618,817</b>	<b>1,505,270</b>	

(1) The adjustment considers income calculated periodically by the companies and includes equity variations recognized by the investees not recognized in profit or loss, as well as alignment of accounting practice adjustments, where applicable;

(2) Investment in jointly controlled companies;

(3) In December 2018, the partial spin-off of Fidelity Processadora S.A. occurred, a company controlled by Aquarius Participações S.A.; and

(4) Includes, primarily, the adjustments resulting from the assessment by the equity method in public companies (Cielo S.A., Fleury S.A. and IRB-Brasil Resseguros S.A.).

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****13) PREMISES AND EQUIPMENT**

	Annual rate	Cost	Depreciation	On December 31 - R\$ thousand	
				Cost net of depreciation 2018	2017
Property and equipment:					
- Buildings	4%	2,321,247	(698,923)	1,622,324	1,154,636
- Land	-	818,755	-	818,755	810,399
Facilities, furniture and premises and equipment	10%	6,216,815	(3,144,381)	3,072,434	2,564,367
Security and communication systems (1)	10%	379,099	(236,293)	142,806	135,349
Data processing systems (1)	20 to 40%	7,706,747	(5,325,267)	2,381,480	2,822,322
Transportation systems	10 to 20%	92,403	(60,760)	31,643	38,459
Fixed Assets in course	-	90,398	-	90,398	219,117
<b>Total in 2018</b>		<b>17,625,464</b>	<b>(9,465,624)</b>	<b>8,159,840</b>	
<b>Total in 2017</b>		<b>15,853,256</b>	<b>(8,108,607)</b>		<b>7,744,649</b>

(1) In the year ended in 2018, Impairment losses were recognized in the lines "Other Operating Expenses" in the amount of R\$ 31,323 thousand (R\$ 52,450 thousand in 2017).

The fixed assets to shareholders' equity ratio is 36.3% when considering only the companies and payment institutions within the economic group (the "Prudential Conglomerate"), where the maximum limit is 50.0% as required by Resolution No 2,669/99.

**14) INTANGIBLE ASSETS****a) Goodwill**

The goodwill recognized from investment acquisitions totaled R\$ 7,556,536 thousand, net of accumulated amortization, as applicable, of which: (i) R\$ 1,719,668 thousand recognized in 'Permanent Assets –

Investments' arose from the acquisition of shares of associates and jointly controlled companies (Cielo/Fleury/Swiss Re); and (ii) R\$ 5,836,868 thousand arose from the acquisition of shares of subsidiaries, relating to the future profitability/client portfolio/fair value, which is amortized in up to twenty years, net of accrued amortizations, if applicable, recognized in Fixed Assets – Intangible Assets.

In the year ended on December 31, 2018, goodwill was amortized totaling R\$ 2,115,506 thousand (R\$ 2,460,210 thousand in 2017) (Note 28).

## b) Intangible assets

Acquired intangible assets consist of:

	Rate of Amortization (1)	Cost	On December 31 - R\$ thousand		
			Amortization	Cost net of amortization	
			2018	2017	
Acquisition of financial services rights	Contract	7,176,668	(2,381,532)	4,795,136	4,051,898
Software (2)	20%	11,574,895	(8,333,615)	3,241,280	3,790,418
Goodwill (3)	Up to 20%	11,947,732	(6,110,864)	5,836,868	7,358,541
Other	Contract	49,984	(27,917)	22,067	32,993
<b>Total in 2018</b>		<b>30,749,279</b>	<b>(16,853,928)</b>	<b>13,895,351</b>	
<b>Total in 2017</b>		<b>29,709,180</b>	<b>(14,475,330)</b>		<b>15,233,850</b>

(1) Intangible assets are amortized over an estimated period of economic benefit, composed of: (i) Software and Other recorded under "Other Administrative Expenses"; and (ii) Acquisition of Payroll and Goodwill in "Other Operating Expenses";

(2) Software acquired and/or developed by specialized companies; and

(3) On December 31, 2018, primarily composed of goodwill on the acquisition of equity interest in Bradescard - R\$ 549,406 thousand, Odontoprev - R\$ 42,862 thousand, Odonto System – R\$ 198,416 thousand, Bradescard Mexico - R\$ 15,490 thousand, Europ Assistance - R\$ 265 thousand, Bradesco BBI S.A. - R\$ 100,638 thousand, Kirton Bank - R\$ 4,490,388 thousand, Fidelity Processadora - R\$ 211,301 thousand and RCB Investimentos - R\$ 221,037 thousand, value subject to change due to price adjustment.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**c) Changes in intangible assets by type**

	On December 31 - R\$ thousand			
	Opening balance	Additions / (reductions) (1)	Amortization for the period	Closing balance
Acquisition of financial services rights	4,051,898	1,859,743	(1,116,505)	4,795,136
<i>Software</i>	3,790,418	812,131	(1,361,269)	3,241,280
Goodwill – Future profitability	3,761,412	627,222	(983,982)	3,404,652
Goodwill – Based on intangible assets and other reasons	2,548,412	52,623	(802,677)	1,798,358
Goodwill – Difference in fair value of assets/liabilities	1,048,717	(86,012)	(328,847)	633,858
Other	32,993	(5,144)	(5,782)	22,067
<b>Total in 2018</b>	<b>15,233,850</b>	<b>3,260,563</b>	<b>(4,599,062)</b>	<b>13,895,351</b>
<b>Total in 2017</b>	<b>16,338,785</b>	<b>3,686,281</b>	<b>(4,791,216)</b>	<b>15,233,850</b>

(1) Includes, in the year ended in December 31, 2018, impairment in the amount of R\$ 446,798 thousand (R\$ 57,427 thousand in 2017).

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****15) DEPOSITS, SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND FUNDS FROM ISSUANCE OF SECURITIES****a) Deposits**

	On December 31 - R\$ thousand					2018	2017
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days			
Demand deposits (1)	35,318,292	-	-	-	35,318,292	34,088,616	
Savings deposits (1)	111,170,912	-	-	-	111,170,912	103,332,697	
Interbank deposits	154,264	228,111	3,631	24,969	410,975	2,168,625	
Time deposits (2)	8,697,190	15,639,175	42,076,109	128,986,247	195,398,721	125,617,424	
<b>Total in 2018</b>	<b>155,340,658</b>	<b>15,867,286</b>	<b>42,079,740</b>	<b>129,011,216</b>	<b>342,298,900</b>		
%	45.4	4.6	12.3	37.7	100.0		
<b>Total in 2017</b>	<b>143,818,887</b>	<b>11,604,118</b>	<b>11,764,124</b>	<b>98,020,233</b>		<b>265,207,362</b>	
%	54.2	4.4	4.4	37.0		100.0	

(1) Classified as 1 to 30 days, not considering average historical turnover; and

(2) Considers the actual maturities of the investments.

**b) Securities sold under agreements to repurchase**

	On December 31 - R\$ thousand					2018	2017
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days			
<b>Own portfolio</b>	<b>115,730,394</b>	<b>3,184,159</b>	<b>1,342,091</b>	<b>939,212</b>	<b>121,195,856</b>	<b>101,000,061</b>	
Government securities	101,450,382	205,445	87,816	-	101,743,643	48,069,452	
Debentures of own issuance	5,741,412	2,978,714	1,092,771	30,265	9,843,162	44,581,240	
Foreign	8,538,600	-	161,504	908,947	9,609,051	8,349,369	
<b>Third-party portfolio (1)</b>	<b>61,059,702</b>	-	-	-	<b>61,059,702</b>	<b>123,753,860</b>	
<b>Unrestricted portfolio (1)</b>	<b>8,422,107</b>	<b>234,212</b>	-	-	<b>8,656,319</b>	<b>8,713,623</b>	

<b>Total in 2018</b>	<b>185,212,203</b>	<b>3,418,371</b>	<b>1,342,091</b>	<b>939,212</b>	<b>190,911,877</b>	
<b>%</b>	<b>97.0</b>	<b>1.8</b>	<b>0.7</b>	<b>0.5</b>	<b>100.0</b>	
<b>Total in 2017</b>	<b>191,928,034</b>	<b>15,719,159</b>	<b>19,699,619</b>	<b>6,120,732</b>		<b>233,467,544</b>
<b>%</b>	<b>82.3</b>	<b>6.7</b>	<b>8.4</b>	<b>2.6</b>		<b>100.0</b>

(1) Represented by government securities.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements****c) Funds from issuance of securities**

	On December 31 - R\$ thousand					
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2018	2017
<b>Securities – Brazil:</b>						
- Financial bills	1,547,274	13,816,662	16,836,317	71,804,983	104,005,236	93,570,141
- Letters of credit for real estate	493,425	8,579,819	13,040,573	3,267,902	25,381,719	27,020,911
- Letters of credit for agribusiness	516,795	6,404,679	3,691,895	2,495,226	13,108,595	10,973,682
- Letters of credit property guaranteed (2)	-	-	-	476,332	476,332	-
<b>Subtotal</b>	<b>2,557,494</b>	<b>28,801,160</b>	<b>33,568,785</b>	<b>78,044,443</b>	<b>142,971,882</b>	<b>131,564,734</b>
<b>Securities – Overseas:</b>						
- Securitization of future flow of money orders received from overseas	20,263	375,174	367,578	2,079,163	2,842,178	2,464,179
- MTN Program Issues (1)	4,207	-	19,292	1,246,910	1,270,409	634,549
- Issuance costs	-	-	-	(20,355)	(20,355)	(20,639)
<b>Subtotal</b>	<b>24,470</b>	<b>375,174</b>	<b>386,870</b>	<b>3,305,718</b>	<b>4,092,232</b>	<b>3,078,089</b>
<b>Structured Operations</b>	<b>8,789</b>	<b>260,272</b>	<b>234,934</b>	<b>152,621</b>	<b>656,616</b>	<b>368,485</b>
<b>Certificates</b>						
<b>Total in 2018</b>	<b>2,590,753</b>	<b>29,436,606</b>	<b>34,190,589</b>	<b>81,502,782</b>	<b>147,720,730</b>	
<b>%</b>	<b>1.8</b>	<b>19.9</b>	<b>23.1</b>	<b>55.2</b>	<b>100.0</b>	
<b>Total in 2017</b>	<b>3,371,432</b>	<b>31,282,315</b>	<b>48,453,296</b>	<b>51,904,265</b>		<b>135,011,308</b>
<b>%</b>	<b>2.5</b>	<b>23.2</b>	<b>35.9</b>	<b>38.4</b>		<b>100.0</b>

(1) Issuance of securities on the international market to invest in foreign exchange transactions, pre-export financing, import financing and working capital financing, predominately in the medium and long-term; and

(2) Funding is secured by the Real Estate Credit Portfolio, for the amount of R\$ 549,665 thousand, which meets all Central Bank (BACEN) Resolution No. 4,598/17 requirements: 115.38% sufficiency (including fiduciary agent remuneration), liquidity; the asset portfolio's weighted average tenor being 309 months, issuing LIGs (secured real estate notes or 'covered bonds') with tenor 35 months, none due within 180 days, receivables corresponding to 0.05% of total assets and 61.46% of the properties' guarantee amount. The credit portfolio's guarantor assets are mostly rated AA and A (66% and 23% respectively). In addition, the LIG Issue and the asset portfolio management policy, as required by Article 11 of BACEN Resolution No. 4,598/17, can be found at the following address



<https://banco.bradesco/html/prime/produtos-servicos/investimentos/letra-imobiliaria-garantida.shtm>.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****d) Movement of funds from issuance of securities**

	<b>2018</b>	R\$ thousand <b>2017</b>
<b>Opening balance on December 31</b>	<b>135,011,308</b>	<b>150,807,358</b>
Issuance	85,817,689	62,237,380
Interest	9,339,229	13,287,164
Settlement and interest payments	(82,973,990)	(91,230,401)
Exchange variation	526,494	(90,193)
<b>Closing balance on December 31</b>	<b>147,720,730</b>	<b>135,011,308</b>

**e) Cost for market funding and inflation and interest adjustments of technical provisions for insurance, pension plans and capitalization bonds**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Savings deposits	4,646,528	5,730,457
Time deposits	6,228,723	7,521,431
Securities sold under agreements to repurchase	15,094,786	24,248,326
Funds from issuance of securities	9,339,229	13,287,164
Subordinated debts (Note 18)	3,517,067	5,100,017
Other funding expenses	641,600	644,013
<b>Subtotal</b>	<b>39,467,933</b>	<b>56,531,408</b>
<b>Cost for inflation and interest adjustment of technical provisions of insurance, pension plans and capitalization bonds</b>	<b>13,365,526</b>	<b>18,174,550</b>
<b>Total</b>	<b>52,833,459</b>	<b>74,705,958</b>

**16) BORROWING AND ON-LENDING****a) Borrowing**

	On December 31 - R\$ thousand					
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2018	2017
<b>In Brazil - Other Institutions</b>	101	-	-	-	101	2,819
<b>Overseas</b>	5,747,864	13,500,609	8,624,551	1,808,215	29,681,239	18,518,894
<b>Total in 2018</b>	<b>5,747,965</b>	<b>13,500,609</b>	<b>8,624,551</b>	<b>1,808,215</b>	<b>29,681,340</b>	
<b>%</b>	<b>19.4</b>	<b>45.4</b>	<b>29.1</b>	<b>6.1</b>	<b>100.0</b>	
<b>Total in 2017</b>	<b>3,056,325</b>	<b>8,979,714</b>	<b>5,242,846</b>	<b>1,242,828</b>		<b>18,521,713</b>
<b>%</b>	<b>16.5</b>	<b>48.5</b>	<b>28.3</b>	<b>6.7</b>		<b>100.0</b>

## b) On-lending

	On December 31 - R\$ thousand					
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2018	2017
<b>In Brazil</b>	<b>881,476</b>	<b>3,230,381</b>	<b>3,519,578</b>	<b>17,538,623</b>	<b>25,170,058</b>	<b>30,769,294</b>
- FINAME	415,545	2,263,759	2,425,438	9,222,862	14,327,604	16,877,731
- BNDES	465,806	966,622	987,096	8,315,761	10,735,285	13,792,853
- National Treasury	-	-	105,725	-	105,725	97,200
- Other institutions	125	-	1,319	-	1,444	1,510
<b>Total in 2018</b>	<b>881,476</b>	<b>3,230,381</b>	<b>3,519,578</b>	<b>17,538,623</b>	<b>25,170,058</b>	
<b>%</b>	<b>3.5</b>	<b>12.8</b>	<b>14.0</b>	<b>69.7</b>	<b>100.0</b>	
<b>Total in 2017</b>	<b>899,537</b>	<b>4,738,203</b>	<b>5,415,039</b>	<b>19,716,515</b>		<b>30,769,294</b>
<b>%</b>	<b>2.9</b>	<b>15.4</b>	<b>17.6</b>	<b>64.1</b>		<b>100.0</b>

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Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements****c) Borrowing and on-lending expenses**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
<b>Borrowing:</b>		
- In Brazil	75,557	457,400
- Overseas	9,284,395	1,194,691
- Exchange variation from assets and liabilities overseas	(4,057,396)	(236,292)
<b>Subtotal borrowing</b>	<b>5,302,556</b>	<b>1,415,799</b>
<b>On-lending in Brazil:</b>		
- BNDES	824,260	1,130,511
- FINAME	747,745	708,242
- National Treasury	4,215	7,023
- Other institutions	5	55
<b>On-lending overseas:</b>		
- Payables to foreign bankers (Note 10a)	1,066,302	1,089,448
<b>Subtotal on-lending</b>	<b>2,642,527</b>	<b>2,935,279</b>
<b>Total</b>	<b>7,945,083</b>	<b>4,351,078</b>

**17) PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS – TAX AND SOCIAL SECURITY****a) Contingent assets**

Contingent assets are not recognized in the financial statements. However, there are ongoing proceedings where the chance of success is considered probable, such as: a) Social Integration Program (PIS), Bradesco has made a claim to offset PIS against Gross Operating Income, paid under Decree-Laws No. 2,445/88 and No. 2,449/88, regarding the payment that exceeded the amount due under Supplementary Law No. 07/70 (PIS Repique); and b) other taxes, the legality and/or constitutionality of which is being challenged, where the decision may lead to reimbursement of amounts paid.

**b) Provisions classified as probable losses and legal obligations – tax and social security**

The Organization is a party to a number of labor, civil and tax lawsuits, arising from the normal course of business.

Management recognized provisions where, based on their opinion and that of their legal counsel, the nature of the lawsuit, similarity to previous lawsuits, complexity and the courts standing, the loss is deemed probable.

Management considers that the provision is sufficient to cover the future losses generated by the respective lawsuits.

Provisions related to legal obligations are maintained until the conclusion of the lawsuit, represented by judicial decisions with no further appeals or due to the statute of limitation.

**I - Labor claims**

These are claims brought by former employees and outsourced employees seeking indemnifications, most significantly for unpaid “overtime”, pursuant to Article 224 of the Consolidation of Labor Laws (CLT). In proceedings in which a judicial deposit is used to guarantee the execution of the judgment, the labor provision is made considering the estimated loss of these deposits. For proceedings with similar characteristics and for which there has been no official court decision, the provision is recognized based on the average calculated value of payments made for labor complaints settled in the past 12 months; and for proceedings originating from acquired banks, with unique characteristics, the calculation and assessment of the required balance is conducted periodically, based on the updated recent loss history.

Economic and Financial Analysis Report – December 2018

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

Overtime is monitored by using electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by former employees do not represent significant amounts.

**II - Civil claims**

These are claims for pain and suffering and property damages, mainly relating to protests, returned checks, the inclusion of information about debtors in the credit restriction registry and the replacement of inflation adjustments excluded as a result of government economic plans. These lawsuits are individually controlled using a computer-based system and provisioned whenever the loss is deemed as probable, considering the opinion of Management and their legal counsel, the nature of the lawsuits, similarity with previous lawsuits, complexity and positioning of the courts.

Most of these lawsuits are brought to the Special Civil Court (JEC), in which the claims are limited to 40 times the minimum wage and do not have a significant impact on the Organization's financial position.

In relation to the legal claims that are pleading alleged differences in the adjustment of inflation on savings account balances and due to the implementation of economic plans that were part of the federal government's economic policy to reduce inflation in the 80s and 90s, Bradesco, despite complying with the law and regulation in force at the time, has provisioned certain proceedings, taking into consideration the claims in which they were mentioned and the perspective of loss, of each demand, in view of the decisions and subjects still under analysis in the Superior Court of Justice (STJ), such as, for example, the application of default interest in executions arising from Public Civil Actions, interest payments and succession.

In December 2017, with the mediation of the Attorney's General Office (AGU), the entities representing the bank and the savings accounts, entered into an agreement related to litigation of economic plans, with the purpose of closing these claims, in which conditions and schedule were established for savings accounts holders to accede to the agreement. This agreement was approved by the Federal Supreme Court (STF) on March 1, 2018, the period of adhesion for interested parties is for two (02) years from this date. As this is a voluntary agreement, Bradesco is unable to predict how many savings account holders will choose to

accept the settlement offer. It is important to note that Bradesco understands that the provisioning was made to cover the eligible proceedings to the related agreement. The proceedings that are not in the context of the agreement, including those related to incorporated banks are evaluated individually based on the procedural stage they are in.

Note that, regarding disputes relating to economic plans, the Federal Supreme Court (STF) suspended the prosecution of all lawsuits at the cognizance stage, until the Court issues a final decision on the right under litigation.

### **III - Provision for tax risks**

The Organization is disputing the legality and constitutionality of certain taxes and contributions in court, for which provisions have been recognized in full, although there is a good chance of a favorable outcome, based on the opinion of Management and their legal counsel. The processing of these provisions for cases for which the risk of loss is deemed as probable and legal obligations is regularly monitored in the legal court. During or after the conclusion of each case, a favorable outcome may arise for the Organization, resulting in the reversal of the related provisions.

The main cases are:

- PIS and COFINS – R\$ 2,562,453 thousand (R\$ 2,489,247 thousand in 2017): a request for authorization to calculate and pay PIS and COFINS based on effective billing, as set forth in Article 2 of Supplementary Law No. 70/91, removing from the calculation base the unconstitutional inclusion of other revenues other than those billed;

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

- Pension Contributions – R\$ 1,729,211 thousand (R\$ 1,466,469 thousand in 2017): official notifications related to the pension contributions made to private pension plans, considered by the authorities to be employee compensation subject to the incidence of mandatory pension contributions and to an isolated fine for not withholding IRRF on such financial contributions;
- IRPJ/CSLL on losses of credits – R\$ 1,461,621 thousand (R\$ 1,614,663 thousand in 2017): we are requesting to deduct from income tax and social contributions payable (IRPJ and CSLL, respectively) amounts of actual and definite loan losses related to unconditional discounts granted during collections, regardless of compliance with the terms and conditions provided for in Articles 9 to 14 of Law No. 9,430/96 that only apply to temporary losses;
- IRPJ/CSLL on MTM – R\$ 607.258 thousand: IRPJ and CSLL deficiency note related to the exclusions of revenues marking Securities at fair value in 2007;
- INSS Autonomous Brokers – R\$ 470,237 thousand (R\$ 643,655 thousand in 2017): The Bradesco Organization is questioning the charging of social security contribution on remunerations paid to third-party service providers, established by Supplementary Law No. 84/96 and subsequent regulations/amendments, at 20.0% with an additional 2.5%, on the grounds that services are not provided to insurance companies but to policyholders, thus being outside the scope of such a contribution as provided for in item I, Article 22 of Law No. 8,212/91, as new wording in Law No. 9,876/99; and
- INSS – Contribution to SAT – R\$ 417,442 thousand (R\$ 401,018 thousand in 2017): in an ordinary lawsuit filed by the Brazilian Federation of Banks – Febraban, since April 2007, on behalf of its members, is questioned the classification of banks at the highest level of risk, with respect to Work Accident Risk – RAT, which eventually raised the rate of the respective contribution from 1% to 3%, in accordance with Decree No. 6,042/07.

In general, the provisions relating to lawsuits are classified as non-current, due to the unpredictability of the duration of the proceedings in the Brazilian justice system. For this reason, the estimate has not been disclosed with relation to the specific year in which these lawsuits will be finalized.



**IV - Provisions by nature**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Labor claims	5,983,603	5,554,796
Civil claims	5,614,362	5,346,563
Provision for tax risks	8,204,206	7,589,368
<b>Total (Note 19b)</b>	<b>19,802,171</b>	<b>18,490,727</b>

**V - Changes in provisions**

		R\$ thousand	
		<b>2018</b>	
	<b>Labor</b>	<b>Civil</b>	<b>Tax (1)</b>
<b>Balance on December 31, 2017</b>	<b>5,554,796</b>	<b>5,346,563</b>	<b>7,589,368</b>
Adjustment for inflation	677,970	508,399	386,671
Provisions, net of (reversals and write-offs)	1,289,664	912,287	531,052
Payments	(1,538,827)	(1,152,887)	(302,885)
<b>Balance on December 31, 2018</b>	<b>5,983,603</b>	<b>5,614,362</b>	<b>8,204,206</b>

**c) Contingent liabilities classified as possible losses**

The Organization maintains a system to monitor all administrative and judicial proceedings in which the institution is plaintiff or defendant and, based on the opinion of legal counsel, classifies the lawsuits according to the expectation of loss. Case law trends are periodically analyzed and, if necessary, the related risk is reclassified. In this respect, contingent lawsuits deemed to have a possible risk of loss

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

are not recognized as a liability in the financial statements. The main proceedings in this category are the following:

- 2006 to 2013 IRPJ and CSLL – R\$ 6,863,623 thousand (R\$ 6,264,741 thousand in 2017), relating to goodwill amortization being disallowed on the acquisition of investments;
- COFINS – R\$ 5,070,337 thousand (R\$ 4,902,151 thousand in 2017): Fines and disallowances of Cofins loan compensations, released after a favorable decision in a judicial proceeding, where the unconstitutionality of the expansion of the intended calculation base was discussed for revenues other than those from billing (Law No. 9,718/98);
- Leasing companies' Tax on Services of any Nature (ISSQN), R\$ 2,478,296 thousand (R\$ 2,394,087 thousand in 2017) which relates to the municipal tax demands from municipalities other than those in which the company is located and where, under law, tax is collected;
- IRPJ and CSLL deficiency note – 2004 to 2012 – R\$ 1,759,431 thousand (R\$ 2,431,844 thousand in 2017): relating to disallowance of exclusions and expenses, differences in depreciation expenses, insufficient depreciation expenses, expenses with depreciation of leased assets, operating expenses and income and disallowance of tax loss compensation;
- IRPJ and CSLL deficiency note – 2012 and 2013 – R\$ 1,689,160 thousand: due to the disallowance of operating expenses (CDI), related to resources that were capitalized between the companies of the Organization;
- PIS and COFINS notifications and disallowances of compensations – R\$ 1,445,126 thousand (R\$ 1,399,506 thousand in 2017): related to the unconstitutional extension of the basis of calculation intended for other income other than the billing (Law No. 9,718/98), from acquired companies;

- IRPJ and CSLL deficiency note – R\$ 859,049 thousand (R\$ 969,713 thousand in 2017): relating to disallowance of exclusions with losses in collections; and
  
- IRPJ and CSLL deficiency note – 2008 and 2009 – R\$ 508,180 thousand (R\$ 489,687 thousand in 2017): relating to profit of subsidiaries based overseas.

**d) Other matters**

On May 31, 2016, a criminal proceeding was opened against three members of Bradesco's Board of Executive Officers, carried out by the Brazilian Federal Police under the so-called "Operation Zealots", which investigates the alleged improper performance of members of CARF - Administrative Council of Tax Appeals. On July 28, 2016, the Public Prosecutor's Office filed charges against three members of the Board of Executive Officers, and a former member of its Board of Directors, which was received by the Federal District Judiciary Section's 10<sup>th</sup> Federal Court Judge. Currently, only two of the members of Bradesco's Board of Directors remain in the process. They presented their responses in the criminal case, pointing out the facts and evidence demonstrating their innocence.

The Company's Management conducted a careful internal evaluation of records and documents related to the matter and found no evidence of any illegal conduct practiced by its representatives. Bradesco provided all of the information to the competent regulatory bodies, both in Brazil and abroad.

The investigation phase of the process was already completed, and is currently waiting for the decision of the first degree court.

On account of the news of Operation Zealots, a Class Action was filed against Bradesco and three members of its Board of Executive Officers before the District Court of New York, on June 3, 2016, based on Section 10 (b) and 20 (a) of the Securities Exchange Act of 1934. The demand is based on the allegation that investors who purchased preferred American Depositary Shares ("ADS") of Bradesco between April 30, 2012 and July 27, 2016 suffered losses caused by alleged violation

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

regarding the American laws of capital markets. On September 29, 2017, the Court limited the proposed class to investors who purchased ADS Bradesco between August 8, 2014 and July 27, 2016, as well as excluding one of the executives. The Class Action is currently, in the phase of pre-trial Discovery and class certification. On September 14, 2018, the plaintiff presented a formal request to include another class representative that has already been objected by Bradesco, which is currently being analyzed by the judge.

Considering the stage that the demand is at, it is not possible to determine the degree of exposure of Bradesco's business and there are insufficient elements to carry out a risk assessment.

Bradesco was also summoned by the *Corregedoria Geral do Ministério da Fazenda* for the opening of an Administrative Accountability Process ("PAR"). This process may imply the application of a fine and/or be mentioned in public lists that may eventually bring restrictions on business with public entities.

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****18) SUBORDINATED DEBT****a) Composition by maturity**

		On December 31 - R\$ thousand			
	Original term in years	Nominal amount	2018	2017	
<b>In Brazil:</b>					
<b>Subordinated CDB:</b>					
	2019	10	20,000	69,851	62,303
<b>Financial bills:</b>					
	2018 (1)	6	-	-	10,130,108
	2019	6	21,858	39,261	36,139
	2018 (1)	7	-	-	316,757
	2019	7	3,172,835	3,490,180	3,436,734
	2020	7	1,700	3,038	2,801
	2022	7	4,305,011	6,010,103	5,597,559
	2023	7	1,359,452	1,829,083	1,699,872
	2024	7	67,450	80,479	73,861
	2025 (2)	7	5,425,906	5,578,707	
	2018 (1)	8	-	-	119,417
	2019	8	12,735	31,742	28,184
	2020	8	28,556	59,398	54,383
	2021	8	1,236	2,192	2,027
	2023	8	1,706,846	2,464,978	2,265,488
	2024	8	136,695	172,590	159,205
	2025	8	6,193,653	6,427,806	6,624,611
	2026 (2)	8	870,300	894,417	
	2021	9	7,000	14,064	13,125
	2024	9	4,924	7,444	6,611
	2025	9	400,944	491,031	457,679
	2027 (2)	9	144,900	149,211	
	2021	10	19,200	44,962	40,429
	2022	10	54,143	108,467	99,338
	2023	10	688,064	1,146,189	1,070,085
	2025	10	284,137	451,136	392,376

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2026	10	361,196	480,443	438,776
2027	10	258,743	295,946	273,498
2028 (2)	10	248,300	257,524	
2026	11	3,400	4,622	4,271
2027	11	47,046	58,346	53,996
2028	11	74,764	84,304	77,079
Perpetual (2)		9,201,200	9,254,743	5,004,967
<b>Subtotal in Brazil</b>			<b>40,002,257</b>	<b>38,541,679</b>
<b>Overseas:</b>				
2019	10	1,333,575	2,955,140	2,523,797
2021	11	2,766,650	6,359,999	3,701,272
2022	11	1,886,720	4,335,459	5,425,738
Issuance costs on funding			(9,411)	(13,085)
<b>Subtotal overseas</b>			<b>13,641,187</b>	<b>11,637,722</b>
<b>Total (3) (4)</b>			<b>53,643,444</b>	<b>50,179,401</b>

(1) Subordinated debt transactions that matured in 2018;

(2) Issues of financial letters subordinate were recognized under the heading “Eligible Debt Capital Instruments”;

(3) It includes the amount of R\$ 34,992,913 thousand (R\$ 23,129,838 thousand in 2017), referring to subordinated debts recognized in “Eligible Debt Capital Instruments”; and

(4) The information on results is presented on Note 15e, cost for market funding and inflation and interest adjustments of technical provisions for insurance, pension plans and capitalization bonds.

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**b) Movement of subordinated debts**

	2018	R\$ thousand 2017
<b>Opening balance on December 31</b>	<b>50,179,401</b>	<b>52,611,063</b>
Issuance	10,890,606	6,594,610
Interest	3,517,067	5,100,017
Settlement and interest payments	(12,941,124)	(14,301,613)
Exchange variation	1,997,494	175,324
<b>Closing balance on December 31</b>	<b>53,643,444</b>	<b>50,179,401</b>

**19) OTHER LIABILITIES**

**a) Tax and social security**

	On December 31 - R\$ thousand	
	2018	2017
Provision for deferred income tax (Note 33e)	4,120,387	4,562,687
Taxes and contributions on profit payable	2,373,261	2,416,345
Taxes and contributions payable	1,757,283	1,466,307
<b>Total</b>	<b>8,250,931</b>	<b>8,445,339</b>

**b) Sundry**

	On December 31 - R\$ thousand	
	2018	2017
Credit card operations	3,912,283	6,698,199
Civil, tax and labor provisions (Note 17b)	19,802,171	18,490,727
Loan assignment obligations	8,058,619	8,454,076
Provision for payments	8,280,937	8,743,428

Sundry creditors	4,336,807	4,790,284
Liabilities for acquisition of assets and rights	1,206,376	1,480,777
Obligations by quotas of investment funds	1,142,356	1,510,229
Other (1)	5,202,210	4,853,957
<b>Total</b>	<b>51,941,759</b>	<b>55,021,677</b>

(1) Includes a specific provision for financial guarantees provided, pursuant to Resolution No. 4,512/16.

### c) Financial guarantees

Financial guarantees provided are contracts requiring the Organization to make specific payments to the holder of the financial guarantee for a loss it will incur when a specific debtor fails to make the payment under the terms of the debt instrument. The provision for financial guarantees provided is formed based on the best estimate of the non-recoverable amount of the guarantee, if such disbursement is likely. The provisioning parameters are established based on the internal credit risk management models. In case of retail operations, these models use historical information, while in wholesale operations, in addition to historical information, we adopted simulation processes to capture unobserved events. Any increase in liabilities related to financial guarantees is recognized in the statement of income under "Other operating income/expenses".

	On December 31 - R\$ thousand			
	2018		2017	
	Guaranteed Values	Provisions	Guaranteed Values	Provisions
Surety and guarantees in judicial and administrative proceedings of a fiscal nature	38,131,363	(261,834)	31,961,448	(306,158)
Bank sureties	33,641,541	(424,536)	43,049,075	(446,968)
Others	1,098,060	(32,847)	3,856,824	(62,274)
<b>Total</b>	<b>72,870,964</b>	<b>(719,217)</b>	<b>78,867,347</b>	<b>(815,400)</b>

Economic and Financial Analysis Report – December 2018

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****20) INSURANCE, PENSION PLANS AND CAPITALIZATION BONDS****a) Technical provisions by account**

	On December 31 - R\$ thousand							
	Insurance (1)		Life and pension plans (2)		Capitalization bonds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Current and long-term liabilities</b>								
Mathematical reserve for unvested benefits	1,218,860	1,051,507	217,884,791	207,818,859	-	-	219,103,651	208,870,366
Mathematical reserve for vested benefits	343,852	265,727	8,489,312	9,367,712	-	-	8,833,164	9,633,439
Mathematical reserve for capitalization bonds	-	-	-	-	7,153,034	6,549,944	7,153,034	6,549,944
Reserve for claims incurred but not reported (IBNR)	3,401,781	3,159,967	931,154	1,030,107	-	-	4,332,935	4,190,074
Unearned premium reserve (3)	4,283,281	4,068,716	647,709	567,369	-	-	4,930,990	4,636,085
Complementary reserve for coverage (4)	-	-	-	847,593	-	-	-	847,593
Reserve for unsettled claims	4,472,929	4,291,432	1,345,596	1,588,489	-	-	5,818,525	5,879,921

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Reserve for financial surplus	-	-	549,135	514,199	-	-	<b>549,135</b>	<b>514,199</b>
Reserve for draws and redemptions	-	-	-	-	936,325	907,688	<b>936,325</b>	<b>907,688</b>
Other reserves (5)	2,186,799	1,999,157	4,813,053	2,518,757	97,596	105,342	<b>7,097,448</b>	<b>4,623,256</b>
<b>Total technical provisions</b>	<b>15,907,502</b>	<b>14,836,506</b>	<b>234,660,750</b>	<b>224,253,085</b>	<b>8,186,955</b>	<b>7,562,974</b>	<b>258,755,207</b>	<b>246,652,565</b>

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**b) Guarantees for technical provisions**

	On December 31 - R\$ thousand							
	Insurance		Life and pension plans		Capitalization bonds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Total technical provisions</b>	<b>15,907,502</b>	<b>14,836,506</b>	<b>234,660,750</b>	<b>224,253,085</b>	<b>8,186,955</b>	<b>7,562,974</b>	<b>258,755,207</b>	<b>246,652,565</b>
(-)								
Commercialization surcharge – extended warranty	(54,183)	(138,780)	-	-	-	-	(54,183)	(138,780)
(-) Portion corresponding to contracted reinsurance	(116,838)	(153,137)	(8,694)	(14,123)	-	-	(125,532)	(167,260)
(-) Receivables	(1,043,399)	(925,999)	-	-	-	-	(1,043,399)	(925,999)
(-) Unearned premium reserve – Health and dental insurance (6)	(1,376,962)	(1,268,243)	-	-	-	-	(1,376,962)	(1,268,243)
(-) Reserves from DPVAT agreements	(597,397)	(502,491)	-	-	-	-	(597,397)	(502,491)
<b>To be insured</b>	<b>12,718,723</b>	<b>11,847,856</b>	<b>234,652,056</b>	<b>224,238,962</b>	<b>8,186,955</b>	<b>7,562,974</b>	<b>255,557,734</b>	<b>243,649,792</b>
Investment fund quotas (VGBL and PGBL)	-	-	198,748,039	190,639,798	-	-	198,748,039	190,639,798
Investment fund quotas (excluding VGBL and PGBL)	5,155,446	5,076,006	23,230,004	21,639,087	1,112,825	1,309,037	29,498,275	28,024,130
Government securities	10,164,283	9,011,657	19,534,894	18,608,194	7,517,785	7,243,643	37,216,962	34,863,494
Shares	2,935	3,227	1,238,716	1,716,401	-	-	1,241,651	1,719,628
Private securities	15,378	18,203	151,681	164,338	-	39,918	167,059	222,459
<b>Total technical provision</b>	<b>15,338,042</b>	<b>14,109,093</b>	<b>242,903,334</b>	<b>232,767,818</b>	<b>8,630,610</b>	<b>8,592,598</b>	<b>266,871,986</b>	<b>255,469,509</b>

**guarantees**

- (1) "Other reserves" - Insurance includes the Provision for Insufficient Premiums (PIP) of R\$ 2,133,130 thousand and the Reserve for Related Expenses of R\$ 37,577 thousand;
- (2) "Other reserves" - Life and Pension Plan mainly includes the "Reserve for redemption and other amounts to be settled" in the amount of R\$ 2,248,238 thousand, "Reserve for related expenses" of R\$ 520,613 thousand and "Other technical provisions" of R\$ 2,007,136 thousand;
- (3) Includes the unearned Premium Reserve of risks covered not yet issued (PPNG-RVNE) in the amount of R\$ 158,535 thousand;
- (4) The liability adequacy test result, conducted for the reference date of December 31, 2018, presented a total insufficiency of R\$ 1,058,152 thousand which, in compliance with SUSEP Circular No. 517/15 and its amendments, was fully offset by the amount corresponding to the difference between the market value and the book-entry value of the securities given in guarantee of the technical provisions classified under the category "held to maturity", the reason why the Complementary Reserve for Coverage (PCC) was fully reversed on the reference date of December 31, 2018;
- (5) In Other technical provisions, Life and Pension Plan, includes the transfer of R\$ 2,007,136 thousand of the mathematical provisions of benefits to be granted and benefits granted, with the authorization of SUSEP; and
- (6) Deduction set forth in Article 4 of ANS Normative Resolution No. 392/15.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****c) Insurance, pension plan contribution and capitalization bond retained premiums**

	Year ended December 31,	
	2018	
	<b>2018</b>	<b>2017</b>
Written premiums	38,768,956	36,916,138
Pension plan contributions (including VGBL)	28,176,564	33,740,196
Capitalization bond income	6,206,751	6,051,527
Granted coinsurance premiums	(47,232)	(49,714)
Refunded premiums	(536,732)	(368,895)
<b>Net written premiums earned</b>	<b>72,568,307</b>	<b>76,289,252</b>
Reinsurance premiums paid	(91,463)	(191,088)
<b>Insurance, pension plan and capitalization bond retained premiums</b>	<b>72,476,844</b>	<b>76,098,164</b>

**21) NON-CONTROLLING INTERESTS IN SUBSIDIARIES**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Banco Bradesco BBI S.A.	5,044	17,918
Other (1)	660,466	545,483
<b>Total</b>	<b>665,510</b>	<b>563,401</b>

(1) Primarily relates to the non-controlling interest in the subsidiary "Odontoprev".

**22) SHAREHOLDERS' EQUITY (PARENT COMPANY)****a) Capital stock in number of shares**

Fully subscribed and paid-in capital stock comprises non-par, registered, book-entry shares.

	On December 31	
	2018	2017
Common	3,359,929,223	3,054,481,112
Preferred	3,359,928,872	3,054,480,793
<b>Subtotal</b>	<b>6,719,858,095</b>	<b>6,108,961,905</b>
Treasury (common shares)	(5,535,803)	(5,032,549)
Treasury (preferred shares)	(20,741,320)	(18,855,746)
<b>Total outstanding shares</b>	<b>6,693,580,972</b>	<b>6,085,073,610</b>

#### b) Transactions of capital stock involving quantities of shares

	Common	Preferred	Total
<b>Number of outstanding shares as at December 31, 2017</b>	<b>3,049,448,563</b>	<b>3,035,625,047</b>	<b>6,085,073,610</b>
Increase of capital stock with issuing of shares – bonus of 10% (1)	305,448,111	305,448,079	610,896,190
Increase of shares in treasury – bonus of 10%	(503,254)	(1,885,574)	(2,388,828)
<b>Number of outstanding shares as at December 31, 2018</b>	<b>3,354,393,420</b>	<b>3,339,187,552</b>	<b>6,693,580,972</b>

(1) It benefited the shareholders registered in the records of Bradesco on March 29, 2018.

In the Special Shareholders' Meeting of March 12, 2018, the approval was proposed by the Board of Directors to increase the capital stock by R\$ 8,000,000 thousand, increasing it from R\$ 59,100,000 thousand to R\$ 67,100,000 thousand, with a bonus in shares, through the capitalization of part of the balance of the account "Profit Reserves - Statutory Reserve", in compliance with the provisions in Article 169 of Law No. 6,404/76, by issuing 610,896,190 new nominative-book entry shares, with no nominal value, whereby 305,448,111 are common and 305,448,079 are preferred shares, attributed free-of-charge to the shareholders as bonus, to the ratio of 1 new share for every 10 shares of the same type that they own on the base date, and was approved by the Bacen on March 16, 2018.

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**c) Interest on Shareholders' Equity**

Bradesco's capital remuneration policy aims to distribute interest on shareholders' equity at the maximum amount calculated under current legislation, and this is included, net of Withholding Income Tax (IRRF), in the calculation for mandatory dividends for the year under the Company's Bylaws.

The Board of Directors' Meeting held on June 29, 2018 approved the Board of Executive Officers' proposal to pay to the shareholders interim interest on shareholder's equity for the firstsemester of 2018, of R\$ 1,212,000 thousand, of which R\$ 0.172465322 are per common share and R\$ 0.189711854 per preferred share, whose payment was made on July 16, 2018.

The Board of Directors' Meeting held on December 21, 2018 approved the Board of Executive Officers' proposal to pay to the shareholders complementary interest on shareholder's equity for the year 2018, of R\$ 4,665,000 thousand, of which R\$ 0.663820730 are per common share and R\$ 0.730202804 per preferred share, whose payment will be made on March 8, 2019.

Interest on shareholders' equity for the period ended on December 31, 2018 is calculated as follows:

	<b>R\$ thousand</b>	<b>% (1)</b>
Net income for the period	19,084,953	
(-) Legal reserve	954,247	
<b>Adjusted calculation basis</b>	<b>18,130,706</b>	
Monthly, intermediaries and supplementary interest on shareholders' equity (gross), paid and/or provisioned	7,298,596	
Withholding income tax on interest on shareholders' equity	(1,094,789)	
<b>Interest on Shareholders' Equity (net) accumulated in December 2018</b>	<b>6,203,807</b>	<b>34.22</b>
<b>Interest on Shareholders' Equity (net) accumulated in December 2017</b>	<b>6,123,692</b>	<b>43.98</b>

(1) Percentage of interest on shareholders' equity after adjustments.

Interest on shareholders' equity were paid or recognized in provisions, as follows:

Description	Per share (gross)		Gross amount paid/recognized in provision	Withholding Income Tax (IRRF) (15%)	R\$ thousand
	Common	Preferred			Net amount paid/recognized in provision
	Monthly interest on shareholders' equity paid	0.206998			0.227698
Intermediary interest on shareholders' equity paid	0.172494	0.189743	1,102,000	165,300	936,700
Supplementary interest paid on shareholders' equity	0.754465	0.829911	4,820,000	723,000	4,097,000
<b>Total accrued on December 31, 2017</b>	<b>1.133957</b>	<b>1.247352</b>	<b>7,204,344</b>	<b>1,080,652</b>	<b>6,123,692</b>
Monthly interest on shareholders' equity paid	0.206998	0.227698	1,421,596	213,239	1,208,357
Intermediary interest on shareholders' equity paid	0.172465	0.189712	1,212,000	181,800	1,030,200
Supplementary interest on shareholders' equity provisioned	0.663821	0.730203	4,665,000	699,750	3,965,250
<b>Total accrued on December 31, 2018</b>	<b>1.043284</b>	<b>1.147613</b>	<b>7,298,596</b>	<b>1,094,789</b>	<b>6,203,807</b>

#### d) Treasury shares

Bradesco acquired a total of 5,535,803 common shares and 20,741,320 preferred shares for a total amount of R\$ 440,514 thousand in the year ended on December 31, 2018 which all remain in treasury. The minimum, average and maximum cost per common share is R\$ 19.34962, R\$ 24.55863 and 27.14350, and per preferred share is R\$ 19.37456, R\$ 26.98306 and R\$ 33.12855, respectively. The fair value was R\$ 33.85 per common share and R\$ 38.65 per preferred share on December 31, 2018.



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****23) FEE AND COMMISSION INCOME**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Credit card income	6,951,609	6,848,855
Checking account	7,165,667	6,652,711
Loans	3,094,990	2,984,609
Collections	1,982,037	1,965,601
Consortium management	1,683,942	1,526,660
Asset management	1,525,280	1,463,469
<i>Underwriting/ Financial Advisory Services</i>	815,242	801,219
Custody and brokerage services	916,083	754,966
Payments	448,416	409,267
Other	636,731	620,609
<b>Total</b>	<b>25,219,997</b>	<b>24,027,966</b>

**24) PAYROLL AND RELATED BENEFITS**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Salaries	8,610,066	9,264,618
Benefits	4,383,644	5,430,419
Social security charges	2,997,889	3,552,172
Employee profit sharing	1,682,868	1,588,073
Provision for labor claims	1,289,664	1,010,926
Training	166,936	163,949
<b>Total (1)</b>	<b>19,131,067</b>	<b>21,010,157</b>

(1) In 2017, includes the effects of the Special Voluntary Termination Plan.

**25) OTHER ADMINISTRATIVE EXPENSES**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Outsourced services	4,776,441	4,794,580
Depreciation and amortization	2,795,256	2,607,527
Data processing	2,398,676	2,275,251
Communication	1,541,742	1,684,153
Asset maintenance	1,112,508	1,158,840
Rental	1,142,408	1,142,166
Financial system services	1,009,209	1,033,017
Advertising and marketing	1,136,062	942,851
Security and surveillance	748,577	818,221
Transport	749,685	782,444
Water, electricity and gas	412,789	405,515
Supplies	216,768	263,527
Travel	286,731	261,911
Other	1,111,724	1,105,753
<b>Total</b>	<b>19,438,576</b>	<b>19,275,756</b>

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**26) TAX EXPENSES**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Contribution for Social Security Financing (COFINS)	3,855,324	3,989,959
Social Integration Program (PIS) contribution	638,409	716,203
Tax on Services (ISSQN)	1,093,891	775,117
Municipal Real Estate Tax (IPTU) expenses	124,523	102,412
Other	384,752	376,927
<b>Total</b>	<b>6,096,899</b>	<b>5,960,618</b>

**27) OTHER OPERATING INCOME**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Other interest income	2,094,887	1,930,976
Reversal of other operating provisions (1)	2,435,334	5,358,715
Revenues from recovery of charges and expenses	285,110	287,781
Gains on sale of goods	19,767	10,632
Other	2,223,666	2,589,016
<b>Total</b>	<b>7,058,764</b>	<b>10,177,120</b>

(1) In the year ended on December 31, 2017, it includes: (i) reversal of generic provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, pursuant to Resolution No. 4,512/16; and (ii) reversals of: (a) provision for tax risks regarding the PIS process, to offset overpaid amounts; and (b) provision for tax risks related to IRPJ/CSLL on credit losses.

**28) OTHER OPERATING EXPENSES**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Other finance costs	4,391,010	5,049,714
Sundry losses	1,814,291	1,800,668
Discount granted	1,526,080	1,503,676
Commissions on loans and financing	604,101	1,056,371
Intangible assets amortization - payroll	1,116,505	1,000,894
Goodwill amortization (Note 14a)	2,115,506	2,460,210
Other (1)	7,814,008	7,001,460
<b>Total</b>	<b>19,381,501</b>	<b>19,872,993</b>

(1) In the year ended on December 31, 2017, it includes a specific provision for guarantees provided, encompassing sureties, guarantees and credit letters, pursuant to Resolution No. 4,512/16.

## 29) NON-OPERATING INCOME (LOSS)

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Gain/loss on sale and write-off of assets and investments	(614,895)	(412,957)
Recording/reversal of non-operating provisions (1)	(361,805)	(179,067)
Other	105,887	117,309
<b>Total</b>	<b>(870,813)</b>	<b>(474,715)</b>

(1) Includes primarily allowance for non-use assets (BNDU).

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****30) RELATED-PARTY TRANSACTIONS**

a) Related-party transactions (direct and indirect) are carried out according to CMN Resolution No. 3,750/99 and CVM Resolution No. 642/10. The Organization has a Transaction Policy with related parts disclosed on the Investor Relations website. The transactions are carried out under conditions and at rates consistent with those entered into with third parties at that time. The transactions are as follows:

	On December 31 - R\$ thousand							
	Controllers (1)		Associates and Jointly controlled companies (2)		Key Management Personnel (3)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets</b>								
Interbank investments	-	-	585,191	724,369	-	-	585,191	724,369
Securities and derivative financial instruments	16,015	-	19,267	-	-	-	35,282	-
Loans, other receivables and assets	9	-	326,762	3,572	49,244	-	376,015	3,572
<b>Liabilities</b>								
Demand deposits/Savings accounts	227	297	25,968	10,162	14,769	15,094	40,964	25,553
Time deposits	1,581,681	903,293	1,059,509	93,572	103,175	72,119	2,744,365	1,068,984
Securities sold under agreements to repurchase	1,317,711	-	13,388	244,082	2,642	10,096	1,333,741	254,178
Funds from issuance of securities and subordinated debts	8,569,271	6,632,932	-	-	797,182	1,395,107	9,366,453	8,028,039
Derivative financial instruments	165	27,551	-	-	-	-	165	27,551
Interest on own capital and dividends payable	1,540,846	2,275,419	-	-	-	-	1,540,846	2,275,419
Other liabilities	-	-	10,101,886	8,827,877	5,484	-	10,107,370	8,827,877

	Years ended December 31 - R\$ thousand							
	Controllers (1)		Associates and Jointly controlled companies (2)		Key Management Personnel (3)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Income from financial intermediation	15,024	(6,870)	36,088	73,836	-	-	51,112	66,966
Financial intermediation expenses	(793,853)	(880,189)	(47,902)	(33,165)	(55,045)	(84,818)	(896,800)	(998,172)
Income from services provided	334	-	315,832	441,381	247	-	316,413	441,381
Other expenses net of other operating revenues	(50,745)	(2,652)	(2,635,494)	(289,100)	(323,130)	-	(2,363,109)	(291,752)

(1) Cidade de Deus Cia. Coml. de Participações, Fundação Bradesco, NCF Participações S.A., BBD Participações S.A. and Nova Cidade de Deus Participações S.A.;

(2) Companies listed in Note 12; and

(3) Members of the Board of Directors and the Board of Executive Officers.

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**b) Remuneration of Key Management Personnel**

Each year, the Annual Shareholders' Meeting approves:

- The annual total amount of Management compensation, set forth at the Board of Directors Meetings, to be paid to board members and members of the Board of Executive Officers, as determined by the Company's Bylaws; and
- The amount allocated to finance Management pension plans, within the Employee and Management pension plan of the Bradesco Organization.

For 2018, the maximum amount of R\$ 530,689 thousand was set for Management compensation and R\$ 534,780 thousand to finance defined contribution pension plans.

The current policy on Management compensation sets forth that 50% of net variable compensation, if any, must be allocated to the acquisition of preferred class b shares issued by BBD Participações S.A. and /or preferred shares issued by Banco Bradesco S.A., which vest in three equal, annual and successive installments, the first of which is in the year following the payment date. This procedure complies with CMN Resolution No. 3,921/10, which sets forth a management compensation policy for financial institutions.

**Short and medium term remuneration to Managers**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Salaries	485,949	456,262

<b>Total</b>	<b>485,949</b>	<b>456,262</b>
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**Post-employment benefits**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Defined contribution supplementary pension plans	474,378	473,663
<b>Total</b>	<b>474,378</b>	<b>473,663</b>

Bradesco does not offer its Key Management Personnel long-term benefits related to severance pay or share-based compensation, pursuant to CPC 10 – Share-Based Payment, approved by CMN Resolution No. 3,989/11.

**Shareholding**

Together, members of the Board of Directors and Board of Executive Officers had the following shareholding in Bradesco:

	<b>2018</b>	<b>On December 31 2017</b>
Common shares	0.55%	0.46%
Preferred shares	1.07%	1.04%
Total shares (1)	0.81%	0.75%

(1) On December 31, 2018, direct and indirect shareholding of the members of Bradesco's Board of Directors and Board of Executive Officers amounted to 2.60% of common shares, 1.11% of preferred shares and 1.85% of all shares (2.34% of common shares, 1.08% of preferred shares and 1.71% of all shares in 2017).



Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## ***Notes to the Consolidated Financial Statements***

### **31) RISK AND CAPITAL MANAGEMENT**

#### **a) Risk Management**

Bradesco carries out a corporate risk control in an integrated and independent manner, preserving and giving value to a collective decision-making environment, developing and implementing methodologies, models and tools for measurement and control. Within Bradesco the dissemination of knowledge amongst employees at all hierarchical levels is stimulated, from the business areas to the Board of Directors.

Risk and capital management structures have established policies, standards and procedures, ensuring that the Bradesco Organization maintains a control process consistent with the nature of its operations, complexity of its products and services, activities, processes, systems and the extent of its exposure to risks. These structures are also composed by a number of committees, commissions and departments that provide support to the Board of Directors and the Executive Board in decision-making. The most notable amongst these are the Integrated Risk Management and Capital Allocation Committee, whose role is to ensure compliance with the Organization's risk management processes and policies, and the Risk Committee, whose main objective is to assess the Organization's risk management framework and eventually propose improvements. Both advise the Board of Directors in the performance of its duties in the management and control of risks and capital.

Detailed information on risk management process, reference equity and also Bradesco's risk exposures may be found in Investors Relations website at [bradescori.com.br](http://bradescori.com.br) – Market Information.

#### **b) Capital Management**

The Basel Ratio is part of the set of indicators that are monitored and evaluated in the process of Capital Management, and is intended to measure the sufficiency of capital in relation to the exposure to risks. The table below shows the composition of the Reference Equity and of the Risk Weighted Assets, according to

the standards of Bacen. During the period, Bradesco has fulfilled all the minimum regulatory requirements.

**Below is the Basel Ratio:**

<b>Calculation basis - Basel Ratio</b>	On December 31 - R\$ thousand	
	<b>Prudential Conglomerate 2018</b>	<b>2017</b>
<b>Tier I capital</b>	<b>90,322,147</b>	<b>80,084,744</b>
Common equity	81,090,060	75,079,777
Shareholders' equity	121,120,869	110,457,476
Non-controlling interest / Other	169,606	68,072
Prudential adjustments (1)	(40,200,415)	(35,445,771)
Additional Capital (2)	9,232,087	5,004,967
<b>Tier II capital</b>	<b>27,618,026</b>	<b>24,588,090</b>
Subordinated debts (Resolution No. 4,192/13)	22,416,933	16,947,024
Subordinated debts (previous to CMN Resolution No. 4,192/13)	5,201,093	7,641,066
<b>Reference Equity (a)</b>	<b>117,940,173</b>	<b>104,672,834</b>
- Credit risk	598,057,619	554,928,771
- Market risk	10,407,258	8,908,205
- Operational risk	53,150,786	47,605,162
<b>Risk-weighted assets – RWA (b)</b>	<b>661,615,663</b>	<b>611,442,138</b>
<b>Basel ratio (a/b)</b>	<b>17.8%</b>	<b>17.1%</b>
<b>Tier I capital</b>	<b>13.7%</b>	<b>13.1%</b>
- Principal capital	12.3%	12.3%
- Additional capital	1.4%	0.8%
<b>Tier II capital</b>	<b>4.2%</b>	<b>4.0%</b>

(1) As from January 2018, the factor applied to prudential adjustments went from 80% to 100%, according to the timeline for application of deductions of prudential adjustments, defined in Article 11 of Resolution No. 4,192/13. Includes the positive effects of Resolution No. 4,680/18, reducing the impact of deferred tax assets arising from tax losses; and

(2) Authorization of subordinated debts to compose Tier I in the amount of R\$ 4,179 thousand (R\$ 1,737 thousand in December 2018 and in R\$ 2,442 thousand in January 2019).

Bradesco

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**c) Indicator of Global Systemic Importance (IAISG)**

According to Bacen Circular Letter No 3,751/15, Bradesco calculated the indicators for the evaluation of global systemic importance (IAISG), disclosed in Investor Relations website (bradescori.com.br - Market Information - Risk Management – Global Systemic Importance Index – Annex I and II).

**d) Market Risk**

Our market risk management process is run on a corporate wide basis, from business areas to the Board of Directors. This process involves several areas with specific purposes, ensuring an efficient structure, with market risk measurement and control carried out on a centralized and independent basis. This process allowed the Organization to be the first financial institution in the country authorized by the Central Bank of Brazil to use, since January 2013, its in-house models of market risk to determine our regulatory capital requirement. The management process, approved by the Board of Directors, is also reassessed at least annually by the relevant committees and the Board of Directors itself. Proposed market risk limits are validated by specific committees for approval by the Integrated Risk Management and Capital Allocation Committee, to be submitted to the Board of Directors depending on the characteristics of business, which are separated into the following portfolios:

**Trading Portfolio:** it is composed of all the operations made with financial instruments, including derivatives, retained for negotiation or destined to hedge other instruments of the portfolio itself, and that are not subject to the limitation of their negotiability. The operations destined for negotiation are those destined for resale, to obtain benefits based on the variation of effective or expected prices, or for arbitrage. Portfolio risks in these cases are monitored by:

- Value at Risk (VaR): by the Delta-Normal methodology, with a 99% confidence level, and 10-day horizon. For the option, the models of historical simulation and the Delta-Gama-Vega are applied, whereby the most conservative of the two prevails;

- Stress: quantifies the negative impact of extreme events, based on historical and prospective scenarios;
- Results Management;
- Financial Exposure/ Concentration; and
- Sensitivity analysis.

**Banking Portfolio:** composed of operations not classified in the Trading Portfolio, originating from other business of the Organization and their respective hedges. Portfolio risks in these cases are monitored by:

- Interest Rate Risk – EVE (Economic Value of Equity); and
- Sensitivity analysis.

The Market Risk unit provides daily management reports for the controlling of the business areas and positions to the Senior Management, in addition to weekly reports and periodic presentations to the Board of Directors. The reports are realized according to system of alerts, which determines the recipients of the risk reports in accordance with the percentage of use of limits. Thus, the higher the risk limit consumption, the more members of the Senior Management will receive the reports.

In addition to daily reports, every fortnight the positions of the Trading Portfolio are discussed in the Treasury Executive Committee and the positions of the Banking Portfolio and liquidity reports are handled by the Treasury Executive Committee for the Management of Assets and Liabilities. In both committees, the results and the risks are evaluated and the strategies are discussed. Both the governance process and the existing limits are validated by the Integrated Risk Management and Capital Allocation Committee and submitted for approval by the Board of Directors, being reviewed at least once a year.

In case of any risk limit breach monitored by the Integrated Risk Control Department – DCIR, the head of the business unit in charge is informed of the limit usage and, in a timely manner, Integrated Risk Management and Capital Allocation Committee is called in order to make a decision. If the committee chooses to increase the limit and/or change or maintain the positions, the Board of Directors is called to approve a new limit or to review our strategy with regard to this particular risk.



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Below is the 1-day VaR:

<b>Risk factors</b>	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Fixed rates	850	8,956
IGPM/IPCA	264	2,751
Exchange coupon	142	48
Foreign currency	712	2,925
Equities	655	289
Sovereign/Eurobonds and Treasuries	3,770	826
Other	1,597	1
Correlation/diversification effect	(2,214)	(1,379)
<b>VaR (Value at Risk)</b>	<b>5,776</b>	<b>14,417</b>

Amounts net of tax.

**Sensitivity analysis - CVM Instruction No. 475/08**

Sensitivity analysis of the Organization's financial exposures (Trading and Banking Portfolio) were carried out based on scenarios prepared at the respective dates, always considering market data at the time and scenarios that would adversely affect our positions, according to the examples below:

**Scenario 1:** Based on market information (B3, Anbima, etc.), stresses were applied for 1 basis point on the interest rate and 1.0% variation on prices. For example: for a Real/US dollar exchange rate of R\$ 3.87 a scenario of R\$ 3.91 was used, while for a 1-year fixed interest rate of 6.55%, a 6.56% scenario was applied;

**Scenario 2:** 25.0% stresses were determined based on market information. For example: for a Real/US dollar exchange rate of R\$ 3.87 a scenario of R\$ 4.84 was used, while for a 1-year fixed interest rate of

6.55%, a 8.18% scenario was applied. The scenarios for other risk factors also accounted for 25.0% stresses in the respective curves or prices; and

**Scenario 3:** 50.0% stresses were determined based on market information. For example: for a Real/US dollar exchange rate of R\$ 3.87 a scenario of R\$ 5.81 was used, while for a 1-year fixed interest rate of 6.55%, a 9.82% scenario was applied. The scenarios for other risk factors also account for 50.0% stresses in the respective curves or prices.

The results presented reveal the impacts for each scenario in a static position of the portfolio. The dynamism of the market and portfolios means that these positions change continuously and do not necessarily reflect the position demonstrated here. In addition, the Organization has a continuous market risk management process, which is always searching for ways to mitigate the associated risks, according to the strategy determined by Senior Management. Therefore, where there are indicators of deterioration in certain positions, proactive measures are taken to minimize any potential negative impact and maximize the risk/return ratio for the Organization.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**I - Sensitivity Analysis – Trading Portfolio**

		On December 31 - R\$ thousand					
		2018			2017		
		Trading Portfolio (1)					
		Scenarios			Scenarios		
		1	2	3	1	2	3
Interest rate in Reais	Exposure subject to variations in fixed interest rates and interest rate coupons	(67)	(11,474)	(22,374)	(359)	(61,497)	(120,385)
Price indexes	Exposure subject to variations in price index coupon rates	(22)	(2,462)	(4,706)	(147)	(17,576)	(33,298)
Exchange coupon	Exposure subject to variations in foreign currency coupon rates	(3)	(236)	(460)			