

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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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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***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.

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**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.

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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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## **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.

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## ***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,

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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**

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## ***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.

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**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;

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**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

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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.

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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.

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**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.



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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.

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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.

- **Depositary (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.

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- 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

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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.

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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



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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.

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### **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

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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.

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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.

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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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***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  
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**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**

|   | 2018               | 2017               |
|---|--------------------|--------------------|
| <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  
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**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<br>reserves<br>Share<br>premium | Profit reserves  |                   | Asset<br>valuation<br>adjustments | Treasury<br>shares | Retained<br>earnings | Total              |
|--|-------------------|---|------------------|-------------------|-----------------------------------|--------------------|----------------------|--------------------|
|  |                   |   | Legal            | Statutory         |                                   |                    |                      |                    |
| <b>Balance on<br/>December<br/>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<br>increase with<br>reserves                                   | 8,000,000         | -                                       | -                | (8,000,000)       | -                                 | -                  | -                    | -                  |
| Asset<br>valuation<br>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<br>Shareholders'<br>Equity Paid                          | -                 | -                                       | -                | -                 | -                                 | -                  | (7,204,344)          | (7,204,344)        |
| <b>Balance on<br/>December<br/>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<br/>December<br/>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<br>increase with<br>reserves                                   | 8,000,000         | -                                       | -                | (8,000,000)       | -                                 | -                  | -                    | -                  |
| Asset<br>valuation<br>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<br>Shareholders'<br>Equity Paid<br>and/or<br>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<br>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.

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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<br>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% |

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|  | Activity        | On December 31          |         |
|--|-----------------|-------------------------|---------|
|  |                 | Equity interest<br>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<br>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,

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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.

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**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.

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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



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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.

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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;

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- 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

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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;

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- 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.

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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.

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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<br>2017                                       |   |  |            |
|--|---|--|---|---|---|--|------------|
|  | Accounting<br>Statement of<br>Financial<br>Position | Proportionately<br>consolidated<br>(1) | Adjustments<br>of<br>Consolidation<br>(2) | Managerial<br>Statement of<br>Financial<br>Position | Accounting<br>Statement of<br>Financial<br>Position | Proportionately<br>consolidated<br>(1) | Adj<br>Con |
| <b>Assets</b>  |   |  |   |   |   |  |            |
| <b>Current and<br/>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<br>from banks                               | 19,612,827  | 256,059                                | -   | 19,868,886  | 15,028,725  | 195,287                                |            |
| Interbank<br>investments                                 | 104,234,576   | (190,734)                              | -   | 104,043,842   | 154,346,624   | (72,186)                               |            |
| Securities and<br>derivative<br>financial<br>instruments | 563,492,771<br>89,026,037                           | 4,687,395<br>-                         | 90,321,057<br>-                           | 658,501,223<br>89,026,037                           | 500,609,064<br>68,196,914                           | 5,747,276<br>-                         |            |

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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> |

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
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**Notes to the Consolidated Financial Statements**

|  | 2018  |  |   | On De<br>2017                                       |   |  |            |
|--|---|--|---|---|---|--|------------|
|  | Accounting<br>Statement of<br>Financial<br>Position | Proportionately<br>consolidated<br>(1) | Adjustments<br>of<br>Consolidation<br>(2) | Managerial<br>Statement of<br>Financial<br>Position | Accounting<br>Statement of<br>Financial<br>Position | Proportionately<br>consolidated<br>(1) | Adj<br>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> | - |
|-------------------|-------------------|---|---|-------------------|-------------------|---|

(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.

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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) |               | Other<br>Activities<br>(2) | Eliminations<br>(4) | Managerial<br>Accounting<br>Statement of<br>Financial<br>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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**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.

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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<br>days               | 31 to 180<br>days  | 181 to 360<br>days | More than<br>360<br>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\$<br>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  
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**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<br>Insurance and<br>Capitalization<br>bonds | Pension<br>plans   | Other<br>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> |

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

| Securities (2)<br>(6)                                 | 2018              |                   |                    |                          |                            | On December 31, 2018 |                          |                            |                            |
|---|-------------------|-------------------|--------------------|--------------------------|----------------------------|----------------------|--------------------------|----------------------------|----------------------------|
|   | 1 to 30<br>days   | 31 to 180<br>days | 181 to 360<br>days | More than<br>360<br>days | Fair/book<br>value (3) (4) | Amortized<br>cost    | Fair Value<br>Adjustment | Fair/book<br>value (3) (4) | Fair/book<br>value (3) (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>183,026,742</b>         | <b>183,026,742</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                | 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                 | 34,988,999                 |
| National treasury notes                               | -                 | 1,620,743         | -                  | 10,409,252               | 12,029,995                 | 11,530,425           | 499,570                  | 11,274,699                 | 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                 | 10,034,100                 |
| Shares  | 6,175,888         | -                 | -                  | -                        | 6,175,888                  | 7,503,190            | (1,327,302)              | 7,328,911                  | 7,328,911                  |
| Foreign government bonds                              | -                 | -                 | -                  | -                        | -                          | -                    | -                        | 3,202,541                  | 3,202,541                  |
| Promissory Notes                                      | 13,233            | 201,567           | -                  | -                        | 214,800                    | 214,265              | 535                      | 495,522                    | 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                  | 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                  | 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>          | <b>20,042,280</b>          |
| National treasury notes                               | -                 | -                 | -                  | 13,262,070               | 13,262,070                 | 12,734,980           | 527,090                  | 12,275,390                 | 12,275,390                 |
| Shares  | 3,384,245         | -                 | -                  | -                        | 3,384,245                  | 3,009,730            | 374,515                  | 1,453,120                  | 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                  | 5,676,411                  |
| Other   | 345,874           | 14,663            | -                  | 222,134                  | 582,671                    | 580,065              | 2,606                    | 637,350                    | 637,350                    |
| <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>          | <b>15,251,580</b>          |
|   | -                 | -                 | -                  | 14,980,823               | 14,980,823                 | 13,043,278           | 1,937,545                | 12,841,874                 | 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)<br>(6)   | 2018               |                      |                          |                          |                       | On December 31 - R\$ thousand<br>2017 |  |                       |  |  |
|---|--------------------|----------------------|--------------------------|--------------------------|-----------------------|---------------------------------------|--|-----------------------|--|--|
|   | 1 to<br>30<br>days | 31 to<br>180<br>days | 181<br>to<br>360<br>days | More than<br>360<br>days | Amortized<br>cost (3) | Fair value<br>(4)                     | Gain (loss)<br>not<br>accounted<br>for | Amortized<br>cost (3) | Gain (loss)<br>not<br>accounted<br>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<br>treasury bills  | -                  | -                    | -                        | 53,109,511               | 53,109,511            | 54,743,449                            | 1,633,938                              | -                     | -                                      |  |
| Certificates of<br>real estate<br>receivables                         | -                  | 29,858               | -                        | 11,514,176               | 11,544,034            | 11,357,496                            | (186,538)                              | 12,259,565            | (295,783)                              |  |
| National<br>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<br/>companies<br/>and<br/>capitalization<br/>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<br>treasury notes  | -                  | -                    | -                        | 5,386,057                | 5,386,057             | 6,377,362                             | 991,305                                | 5,179,242             | 324,211                                |  |
| <b>- Pension<br/>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<br>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<br>days               | 31 to 180<br>days | 181 to 360<br>days | More than<br>360<br>days | Total in<br>2018<br>(3) (4) | Total in<br>2017<br>(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<br>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</b>                 | <b>34,076,347</b> | <b>11,692,359</b>  | <b>86,178,579</b>        | <b>131,978,176</b>          | <b>75,017,640</b>           |
| <b>Subject to repurchase<br/>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 360      | Total in 2018      | Total in 2017      |
|   | days                          | days              | days              | 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).

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**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.

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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<br>Original amortized cost | Mark-to-market adjustment | Fair value          | Nominal value      | Net amount value | On<br>2017<br>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).

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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<br>amortized<br>cost | Mark-to-market<br>adjustment | Fair value        | %            | 2018              |                    |                          |                | Total             |
| 1 to 90 days                             |                               |                              |                   |              | 91 to 180<br>days | 181 to<br>360 days | More<br>than 360<br>days |                |                   |
| Adjustment<br>receivable -<br>swaps      | 13,411,473                    | (1,240,227)                  | 12,171,246        | 82.4         | 12,140,766        | -                  | -                        | 30,480         | 12,171,246        |
| Adjustment<br>receivable -<br>future     | 12,333                        | -                            | 12,333            | 0.1          | 12,333            | -                  | -                        | -              | 12,333            |
| Receivable<br>forward<br>purchases       | 882,677                       | -                            | 882,677           | 6.0          | 201,434           | 123,425            | 544,004                  | 13,814         | 882,677           |
| Receivable<br>forward<br>sales (1)       | 193,071                       | -                            | 193,071           | 1.3          | 44,060            | 26,997             | 118,992                  | 3,022          | 193,071           |
| Premiums<br>on<br>exercisable<br>options | 1,402,844                     | 108,423                      | 1,511,267         | 10.2         | 549,625           | 9,194              | 82,210                   | 870,238        | 1,511,267         |
| <b>Total<br/>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<br>payables -<br>swaps        | (10,325,457)                  | (3,651,012)                  | (13,976,469)      | 86.6         | (13,946,280)      | -                  | -                        | (30,189)       | (13,976,469)      |
| Adjustment<br>payables -<br>future       | (21,283)                      | -                            | (21,283)          | 0.1          | (21,283)          | -                  | -                        | -              | (21,283)          |
| Payable<br>forward<br>purchases          | (151,532)                     | -                            | (151,532)         | 0.9          | (71,237)          | (50,792)           | (22,432)                 | (7,071)        | (151,532)         |
| Payable<br>forward<br>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.

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**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>     |

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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.

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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\$<br>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> |

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**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> |

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| On December 31 - R\$ thousand                         |                  |                  |                  |                  |                       |                   |              |                   |              |
|---|------------------|------------------|------------------|------------------|-----------------------|-------------------|--------------|-------------------|--------------|
| <b>Non-performing loans<br/>Past-due installments</b> |                  |                  |                  |                  |                       |                   |              |                   |              |
|   | <b>1 to 30</b>   | <b>31 to 60</b>  | <b>61 to 90</b>  | <b>91 to 180</b> | <b>181 to<br/>540</b> | <b>Total in</b>   | <b>% (4)</b> | <b>Total in</b>   | <b>% (4)</b> |
|   | <b>days</b>      | <b>days</b>      | <b>days</b>      | <b>days</b>      | <b>days</b>           | <b>2018 (B)</b>   |              | <b>2017 (B)</b>   |              |
| 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   | 234,323          | 175,235          | 112,685          | 257,478          | 235,935               | 1,015,656         | 9.3          | 1,185,609         | 10.1         |
| Agricultural and agribusiness loans                   | 19,988           | 29,511           | 71,386           | 98,495           | 38,979                | 258,359           | 2.4          | 361,187           | 3.1          |
| <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<br/>Installments not yet due</b> |                |                 |                 |                  |                       |                          |                 |              |                 |              |
|  | <b>1 to 30</b> | <b>31 to 60</b> | <b>61 to 90</b> | <b>91 to 180</b> | <b>181 to<br/>360</b> | <b>More<br/>than 360</b> | <b>Total in</b> | <b>% (4)</b> | <b>Total in</b> | <b>% (4)</b> |
|  | <b>days</b>    | <b>days</b>     | <b>days</b>     | <b>days</b>      | <b>days</b>           | <b>days</b>              | <b>2018 (C)</b> |              | <b>2017 (C)</b> |              |
| 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  | 177,239        | 187,037         | 151,512         | 407,074          | 650,638               | 2,909,800                | 4,483,300       | 32.6         | 6,225,552       | 35.7         |
| Agricultural and agribusiness loans                      | 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<br>receivables<br>(3) | 5,104          | 4,762          | 4,240          | 11,511           | 17,911           | 104,003          | 147,531           | 1.1          | 50,865            | 0.3          |
| <b>Total in<br/>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<br/>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  
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**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<br>2018 | % (1) | Total<br>2018 |
| <b>Installments<br/>not yet due</b>      | - - | 1,158,372 | 2,574,404 | 1,759,351 | 1,570,017 | 1,143,134 | 961,004   | 4,566,678  | 13,732,960       | 100.0 | 17,440,000    |
| 1 to 30                                  | - - | 118,646   | 159,418   | 93,107    | 81,894    | 48,607    | 50,982    | 238,477    | 791,131          | 5.8   | 99,000        |
| 31 to 60                                 | - - | 93,080    | 138,359   | 76,762    | 71,265    | 57,014    | 45,098    | 241,647    | 723,225          | 5.2   | 84,000        |
| 61 to 90                                 | - - | 78,041    | 107,669   | 65,811    | 62,284    | 54,075    | 37,560    | 184,315    | 589,755          | 4.3   | 84,000        |
| 91 to 180                                | - - | 150,889   | 263,122   | 189,092   | 179,254   | 110,345   | 109,699   | 525,657    | 1,528,058        | 11.1  | 1,990,000     |
| 181 to 360                               | - - | 202,679   | 404,569   | 312,068   | 282,309   | 182,611   | 185,536   | 830,234    | 2,400,006        | 17.5  | 2,980,000     |
| More than<br>360                         | - - | 515,037   | 1,501,267 | 1,022,511 | 893,011   | 690,482   | 532,129   | 2,546,348  | 7,700,785        | 56.1  | 9,860,000     |
| <b>Past-due<br/>installments<br/>(2)</b> | - - | 373,593   | 828,913   | 816,895   | 799,189   | 1,304,890 | 1,068,411 | 5,742,653  | 10,934,544       | 100.0 | 11,700,000    |
| 1 to 14                                  | - - | 22,655    | 63,472    | 48,870    | 33,053    | 654,231   | 16,848    | 169,069    | 1,008,198        | 9.2   | 670,000       |
| 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  | 1,330,000     |
| 61 to 90                                 | - - | -         | 14,409    | 493,090   | 132,475   | 67,090    | 328,815   | 286,190    | 1,322,069        | 12.1  | 1,170,000     |
| 91 to 180                                | - - | -         | 7,651     | 20,693    | 466,602   | 490,446   | 626,184   | 1,180,532  | 2,792,108        | 25.5  | 2,960,000     |
| 181 to 360                               | - - | -         | -         | -         | 12,211    | 20,660    | 21,734    | 3,646,401  | 3,701,006        | 33.9  | 4,360,000     |
| More than<br>360                         | - - | -         | -         | -         | -         | -         | -         | 56,681     | 56,681           | 0.5   | 150,000       |
| <b>Subtotal</b>                          | - - | 1,531,965 | 3,403,317 | 2,576,246 | 2,369,206 | 2,448,024 | 2,029,415 | 10,309,331 | 24,667,504       |       | 29,200,000    |
| Specific<br>provision                    | - - | 15,320    | 102,099   | 257,624   | 710,762   | 1,224,012 | 1,420,591 | 10,309,331 | 14,039,739       |       | 16,820,000    |

(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.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
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**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 |

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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> |

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**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>  |             |            |
| <b>%</b>             |                                 | <b>21.4</b>           | <b>18.7</b>                       | <b>40.1</b>       | <b>40.2</b>       | <b>80.3</b>       | <b>19.7</b>      | <b>100.0</b>      |             |             |            |
| <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> |             |             |            |
| <b>%</b>             |                                 | <b>22.7</b>           | <b>23.5</b>                       | <b>46.2</b>       | <b>34.9</b>       | <b>81.1</b>       | <b>18.9</b>      | <b>100.0</b>      |             |             |            |

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

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Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

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

|   | Years ended December 31 - R\$<br>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\$<br>thousand |                   |
|---|---|-------------------|
|   | 2018                                      | 2017              |
| 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).

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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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**Notes to the Consolidated Financial Statements**

**Foreign exchange results**

**Adjusted foreign exchange results for presentation purposes**

|   | Years ended December 31 - R\$<br>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> |

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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<br/>for<br/>devaluations</b> | <b>Cost net of provision<br/>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\$<br>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.

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**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.).

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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.

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**Notes to the Consolidated Financial Statements**

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

|   | On December 31 - R\$ thousand |   |  |                            |
|---|-------------------------------|---|--|----------------------------|
|   | <b>Opening<br/>balance</b>    | <b>Additions /<br/>(reductions)<br/>(1)</b> | <b>Amortization<br/>for the<br/>period</b> | <b>Closing<br/>balance</b> |
| 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).

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**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<br>days               | 31 to 180<br>days | 181 to 360<br>days | More than<br>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<br>days               | 31 to 180<br>days | 181 to 360<br>days | More than<br>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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**Notes to the Consolidated Financial Statements****c) Funds from issuance of securities**

|  | On December 31 - R\$ thousand |                   |                    |                       |                    |                    |
|--|-------------------------------|-------------------|--------------------|-----------------------|--------------------|--------------------|
|  | 1 to 30<br>days               | 31 to 180<br>days | 181 to 360<br>days | More than<br>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<br>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<br>money orders received from<br>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<br/>Certificates</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>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>.

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

|                                       | <b>2018</b>        | R\$ thousand<br><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<br>days               | 31 to 180<br>days | 181 to<br>360 days | More than<br>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<br>days               | 31 to 180<br>days | 181 to<br>360 days | More than<br>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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**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.

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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 adherence 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;

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- 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**

|   |                  | 2018             |                  | R\$ thousand |
|---|------------------|------------------|------------------|--------------|
|   | <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

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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

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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.

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

|                          |                           | On December 31 - R\$ thousand |           |            |
|--------------------------|---------------------------|-------------------------------|-----------|------------|
|                          | Original term<br>in years | Nominal<br>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.

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**b) Movement of subordinated debts**

|                                       | <b>2018</b>       | R\$ thousand<br><b>2017</b> |
|---------------------------------------|-------------------|-----------------------------|
| <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 |                  |
|--|-------------------------------|------------------|
|  | <b>2018</b>                   | <b>2017</b>      |
| 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 |             |
|--|-------------------------------|-------------|
|  | <b>2018</b>                   | <b>2017</b> |
| 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> |

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**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> |

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**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.

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**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\$<br>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.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and  
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**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\$<br/>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.



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

|  | Years ended December 31 - R\$<br>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\$<br>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\$<br>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> |

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**Notes to the Consolidated Financial Statements**

**26) TAX EXPENSES**

|   | Years ended December 31 - R\$<br>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\$<br>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\$<br>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\$<br>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).

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**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<br>Jointly controlled<br>companies (2) |           | Key Management<br>Personnel (3) |          | Total       |           |
|   | 2018                                   | 2017      | 2018  | 2017      | 2018                            | 2017     | 2018        | 2017      |
| Income from financial<br>intermediation           | 15,024                                 | (6,870)   | 36,088  | 73,836    | -                               | -        | 51,112      | 66,966    |
| Financial intermediation<br>expenses              | (793,853)                              | (880,189) | (47,902)  | (33,165)  | (55,045)                        | (84,818) | (896,800)   | (998,172) |
| Income from services<br>provided                  | 334                                    | -         | 315,832   | 441,381   | 247                             | -        | 316,413     | 441,381   |
| Other expenses net of<br>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.

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**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\$<br>thousand |             |
|----------|---|-------------|
|          | <b>2018</b>                               | <b>2017</b> |
| Salaries | 485,949                                   | 456,262     |

|              |                |                |
|--------------|----------------|----------------|
| <b>Total</b> | <b>485,949</b> | <b>456,262</b> |
|--------------|----------------|----------------|

**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<br/>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).



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## ***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>                       | <b>On December 31 - R\$ thousand</b> |                    |
|--|--------------------------------------|--------------------|
|  | <b>Prudential Conglomerate</b>       |                    |
|  | <b>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).

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**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.



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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.

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**Notes to the Consolidated Financial Statements****I - Sensitivity Analysis – Trading Portfolio**

|  |  | On December 31 - R\$ thousand |                  |                  |                |                  |                  |
|--|--|-------------------------------|------------------|------------------|----------------|------------------|------------------|
|  |  | 2018                          |                  |                  | 2017           |                  |                  |
|  |  | 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)            | (9)            | (420)            | (839)            |
| Foreign currency                                   | Exposure subject to exchange rate variations   | (331)                         | (8,265)          | (16,529)         | (1,629)        | (40,736)         | (81,473)         |
| Equities   | Exposure subject to variation in stock prices  | (88)                          | (2,195)          | (4,389)          | (1,215)        | (30,378)         | (60,757)         |
| Sovereign/Eurobonds and Treasuries                 | Exposure subject to variations in the interest rate of securities traded on the international market | (315)                         | (93,073)         | (129,865)        | (2,469)        | (61,730)         | (123,461)        |
| Other  | Exposure not classified in other definitions   | -                             | (37)             | (73)             | -              | -                | -                |
| <b>Total excluding correlation of risk factors</b> |  | <b>(826)</b>                  | <b>(117,742)</b> | <b>(178,396)</b> | <b>(5,828)</b> | <b>(212,337)</b> | <b>(420,213)</b> |
| <b>Total including correlation of risk factors</b> |  | <b>(429)</b>                  | <b>(93,092)</b>  | <b>(130,432)</b> | <b>(3,448)</b> | <b>(131,662)</b> | <b>(259,684)</b> |

(1) Amounts net of tax.



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**Notes to the Consolidated Financial Statements**

Presented below are the impacts of the financial exposures also considering the Banking Portfolio (composed of operations not classified in the Trading Portfolio, originating from other business of the Organization and their respective hedges).

**II - Sensitivity Analysis – Trading and Banking Portfolios**

|                                    |  | On December 31 - R\$ thousand      |             |             |                                    |             |             |
|------------------------------------|--|------------------------------------|-------------|-------------|------------------------------------|-------------|-------------|
|                                    |  | Trading and Banking Portfolios (1) |             |             | Trading and Banking Portfolios (1) |             |             |
|                                    |  | 2018                               |             |             | 2017                               |             |             |
|                                    |  | Scenarios                          |             |             |                                    |             |             |
|                                    |  | 1                                  | 2           | 3           | 1                                  | 2           | 3           |
| Interest rate in Reais             | Exposure subject to variations in fixed interest rates and interest rate coupons                     | (16,141)                           | (2,973,012) | (5,760,223) | (12,579)                           | (2,339,939) | (4,560,181) |
| Price indexes                      | Exposure subject to variations in price index coupon rates   | (8,410)                            | (913,671)   | (1,630,441) | (512)                              | (56,130)    | (107,716)   |
| Exchange coupon                    | Exposure subject to variations in foreign currency coupon rates                                      | (1,368)                            | (119,441)   | (229,387)   | (1,575)                            | (80,110)    | (158,548)   |
| Foreign currency                   | Exposure subject to exchange rate variations   | (407)                              | (10,119)    | (20,238)    | (600)                              | (15,004)    | (30,008)    |
| Equities                           | Exposure subject to variation in stock prices  | (21,229)                           | (530,729)   | (1,061,459) | (16,289)                           | (407,237)   | (814,475)   |
| Sovereign/Eurobonds and Treasuries | Exposure subject to variations in the interest rate of securities traded on the international market | (1,762)                            | (92,193)    | (184,758)   | (4,978)                            | (205,764)   | (406,054)   |

|  |  |                 |                    |                    |                 |                    |                    |
|--|--|-----------------|--------------------|--------------------|-----------------|--------------------|--------------------|
| Other  | Exposure not<br>classified in other<br>definitions | (412)           | (10,298)           | (20,596)           | (12)            | (307)              | (613)              |
| <b>Total excluding correlation of risk factors</b> |  | <b>(49,729)</b> | <b>(4,649,463)</b> | <b>(8,907,102)</b> | <b>(36,545)</b> | <b>(3,104,491)</b> | <b>(6,077,595)</b> |
| <b>Total including correlation of risk factors</b> |  | <b>(37,535)</b> | <b>(3,905,602)</b> | <b>(7,499,908)</b> | <b>(26,956)</b> | <b>(2,678,101)</b> | <b>(5,232,466)</b> |

(1) Amounts net of tax effects.

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

### **e) Social and environmental risk**

The social and environmental risk is represented by potential damages that an economic activity can cause to society and to the environment. The social and environmental risks associated with financial institutions are mostly indirect and stem from business relationships, including those with the supply chain and with customers, through financing and investment activities.

The social and environmental risk management process has a robust governance structure, comprised of committees, policies, standards and procedures, allowing the risk to be properly identified, measured, mitigated, monitored and reported. This process complies with Resolution No. 4,327/14 of the Central Bank and observes the principles of relevance and proportionality, which is necessary in view of the complexity of the financial products and the profile of Organization's activities.

The Organization seeks to constantly incorporate and improve the criteria for managing the social and environmental risk arising from business relations with customers, through loan and financing operations, guarantees, suppliers and investments, which comprise the scope of analysis reflected in the Organization's Social and Environmental Risk Standard.

The Organization has made several commitments related to environmental and social aspects, such as the Carbon Disclosure Project (CDP), the Principles for Responsible Investment (PRI), the Business Charter for Human Rights and Promotion of Decent Work (Ethos), the United Nations Environment Program (UNEP-FI), the Global Compact, among others.

Moreover, the Organization has been a signatory of the Equator Principles since 2004, and among the requirements evaluated are as follows the working conditions, impacts to the community and the environment of projects financed by the Organization, pursuant to the Brazilian legislation and the standards and guidelines of the International Finance Corporation (IFC), besides the World Bank Group's Health, Safety and Environment Guidelines. During the credit granting process, transactions under Equator Principles undergo a social and environmental risk analysis.

In the year 2018, there was no hiring Advisory Service and Financing Project Finance and Corporate Loan to projects classified under the criteria of the Equator Principles III.

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**Notes to the Consolidated Financial Statements****f) Below is the statement of financial position by currency and maturity****I – The statement of financial position by currency**

|   | On December 31 - R\$ thousand |                      |                            |                            |
|---|-------------------------------|----------------------|----------------------------|----------------------------|
|   | <b>2018</b>                   |                      |                            | <b>2017</b>                |
|   | <b>Balance</b>                | <b>Local</b>         | <b>Foreign (1)<br/>(2)</b> | <b>Foreign (1)<br/>(2)</b> |
| <b>Assets</b>   |                               |                      |                            |                            |
| <b>Current and long-term assets</b>                                       | <b>1,257,425,725</b>          | <b>1,181,201,755</b> | <b>76,223,970</b>          | <b>69,196,335</b>          |
| Cash and due from banks   | 19,612,827                    | 14,735,051           | 4,877,776                  | 2,088,498                  |
| Interbank investments   | 104,234,576                   | 102,411,244          | 1,823,332                  | 2,317,795                  |
| Securities and derivative financial instruments                           | 563,492,771                   | 545,275,001          | 18,217,770                 | 20,091,137                 |
| Interbank and interdepartmental accounts                                  | 89,026,037                    | 89,026,037           | -                          | -                          |
| Loans and leases  | 310,931,571                   | 277,594,153          | 33,337,418                 | 30,206,332                 |
| Other receivables and assets  | 170,127,943                   | 152,160,269          | 17,967,674                 | 14,492,573                 |
| <b>Permanent assets</b>   | <b>29,866,380</b>             | <b>29,830,002</b>    | <b>36,378</b>              | <b>36,656</b>              |
| Investments   | 7,811,189                     | 7,811,189            | -                          | -                          |
| Premises and equipment and leased assets                                  | 8,159,840                     | 8,138,745            | 21,095                     | 22,301                     |
| Intangible assets   | 13,895,351                    | 13,880,068           | 15,283                     | 14,355                     |
| <b>Total</b>  | <b>1,287,292,105</b>          | <b>1,211,031,757</b> | <b>76,260,348</b>          | <b>69,232,991</b>          |
| <b>Liabilities</b>  |                               |                      |                            |                            |
| <b>Current and long-term liabilities</b>                                  | <b>1,165,126,216</b>          | <b>1,084,208,188</b> | <b>80,918,028</b>          | <b>63,126,942</b>          |
| Deposits  | 342,298,900                   | 327,003,276          | 15,295,624                 | 13,026,071                 |
| Securities sold under agreements to repurchase                            | 190,911,877                   | 181,302,826          | 9,609,051                  | 8,349,369                  |
| Funds from issuance of securities   | 147,720,730                   | 143,628,498          | 4,092,232                  | 3,078,089                  |
| Interbank and interdepartmental accounts                                  | 26,113,001                    | 23,099,720           | 3,013,281                  | 3,022,997                  |
| Borrowing and on-lending  | 54,851,398                    | 24,969,595           | 29,881,803                 | 18,858,163                 |
| Derivative financial instruments  | 16,152,087                    | 14,832,604           | 1,319,483                  | 520,154                    |
| Technical provision for insurance, pension plans and capitalization bonds | 258,755,207                   | 258,741,273          | 13,934                     | 5,002                      |
| Other liabilities:  |                               |                      |                            |                            |
| - Subordinated debts  | 53,643,444                    | 40,002,256           | 13,641,188                 | 11,637,722                 |

|  |                      |                      |                     |                     |
|--|----------------------|----------------------|---------------------|---------------------|
| - Others   | 74,679,572           | 70,628,140           | 4,051,432           | 4,629,375           |
| <b>Deferred income</b>                           | <b>379,510</b>       | <b>379,510</b>       | -                   | -                   |
| <b>Non-controlling interests in subsidiaries</b> | <b>665,510</b>       | <b>665,510</b>       | -                   | -                   |
| <b>Shareholders' equity</b>                      | <b>121,120,869</b>   | <b>121,120,869</b>   | -                   | -                   |
| <b>Total</b>                                     | <b>1,287,292,105</b> | <b>1,206,374,077</b> | <b>80,918,028</b>   | <b>63,126,942</b>   |
| <b>Net position of assets and liabilities</b>    |                      |                      | <b>(4,657,680)</b>  | <b>6,106,049</b>    |
| Net position of derivatives (2)                  |                      |                      | (43,541,075)        | (52,680,961)        |
| Other net off-balance-sheet accounts (3)         |                      |                      | (296,977)           | (268,316)           |
| <b>Net exchange position (liability) (4)</b>     |                      |                      | <b>(48,495,732)</b> | <b>(46,843,228)</b> |

(1) Amounts originally recognized and/or indexed mainly in USD;

(2) Excluding operations maturing in D+1, to be settled at the rate on the last day of the month;

(3) Other commitments recorded in off-balance-sheet accounts; and

(4) Assets, liabilities and results of foreign investments and dependencies are translated into Brazilian reais at the local currency exchange rates, and the effects resulting from the conversion process totaled R\$ 8,349,789 thousand in the period and were recorded in the result. These effects were neutralized by the results obtained by the financial instruments used to hedge the effects of the exchange variation produced by our investments abroad. For investments abroad that have a functional currency different from the real, the effects of the conversion are recorded in Shareholders' Equity in the Balance for Valuation Adjustments.

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**II - The statement of financial position by maturity**

|   | On December 31 - R\$ thousand |                    |                    |                       |                        |                      |
|---|-------------------------------|--------------------|--------------------|-----------------------|------------------------|----------------------|
|   | 1 to 30<br>days               | 31 to 180<br>days  | 181 to 360<br>days | More than<br>360 days | Maturity<br>not stated | Total                |
| <b>Assets</b>   |                               |                    |                    |                       |                        |                      |
| <b>Current and long-term assets</b>                     |                               |                    |                    |                       |                        |                      |
| Cash and due from banks                                 | 19,612,827                    | -                  | -                  | -                     | -                      | 19,612,827           |
| Interbank investments (1)                               | 73,333,905                    | 27,759,168         | 1,743,634          | 1,397,869             | -                      | 104,234,576          |
| Securities and derivative financial instruments (1) (2) | 393,862,157                   | 19,657,845         | 3,186,864          | 146,785,905           | -                      | 563,492,771          |
| Interbank and interdepartmental accounts                | 87,762,607                    | -                  | -                  | 1,263,430             | -                      | 89,026,037           |
| Loans and leases  | 28,761,562                    | 63,956,904         | 44,688,739         | 173,524,366           | -                      | 310,931,571          |
| Other receivables and assets                            | 67,336,200                    | 28,286,693         | 7,690,078          | 66,814,972            | -                      | 170,127,943          |
| <b>Permanent assets</b>                                 | <b>449,614</b>                | <b>2,249,410</b>   | <b>2,698,331</b>   | <b>15,513,074</b>     | <b>8,955,951</b>       | <b>29,866,380</b>    |
| Investments   | -                             | -                  | -                  | -                     | 7,811,189              | 7,811,189            |
| Premises and equipment                                  | 102,941                       | 514,710            | 617,652            | 6,105,782             | 818,755                | 8,159,840            |
| Intangible assets                                       | 346,673                       | 1,734,700          | 2,080,679          | 9,407,292             | 326,007                | 13,895,351           |
| <b>Total in December 31, 2018</b>                       | <b>671,118,872</b>            | <b>141,910,020</b> | <b>60,007,646</b>  | <b>405,299,616</b>    | <b>8,955,951</b>       | <b>1,287,292,105</b> |
| <b>Total in December 31, 2017</b>                       | <b>642,865,182</b>            | <b>114,484,510</b> | <b>67,822,287</b>  | <b>377,266,753</b>    | <b>8,832,986</b>       | <b>1,211,271,718</b> |
| <b>Liabilities</b>                                      |                               |                    |                    |                       |                        |                      |
| <b>Current and long-term liabilities</b>                |                               |                    |                    |                       |                        |                      |
| Deposits (3)  | 155,340,658                   | 15,867,286         | 42,079,740         | 129,011,216           | -                      | 342,298,900          |
| Securities sold under agreements to repurchase (1)      | 185,212,203                   | 3,418,371          | 1,342,091          | 939,212               | -                      | 190,911,877          |
| Funds from issuance of securities                       | 2,590,753                     | 29,436,606         | 34,190,589         | 81,502,782            | -                      | 147,720,730          |
| Interbank and interdepartmental accounts                | 26,113,001                    | -                  | -                  | -                     | -                      | 26,113,001           |
| Borrowing and on-lending                                | 6,629,441                     | 16,730,990         | 12,144,129         | 19,346,838            | -                      | 54,851,398           |
| Derivative financial instruments                        | 15,066,551                    | 373,896            | 162,153            | 549,487               | -                      | 16,152,087           |
| Technical provisions for insurance, pension plans and   | 221,199,338                   | 4,014,147          | 1,532,055          | 32,009,667            | -                      | 258,755,207          |

capitalization bonds (3)

Other liabilities:

|                        |                |           |           |            |           |                |
|------------------------|----------------|-----------|-----------|------------|-----------|----------------|
| - Subordinated debts   | 7,057          | 149,895   | 6,305,187 | 37,926,562 | 9,254,743 | 53,643,444     |
| - Others               | 41,172,112     | 1,903,000 | 835,350   | 30,769,110 | -         | 74,679,572     |
| <b>Deferred income</b> | <b>379,510</b> | -         | -         | -          | -         | <b>379,510</b> |

**Non-controlling interests in****subsidiaries****Shareholders' equity****Total in December 31, 2018****Total in December 31, 2017****Net assets accumulated on****December 31, 2018****Net assets accumulated on****December 31, 2017**

(1) Repurchase agreements are classified according to the maturity of the transactions;

(2) Investments in investment funds are classified as 1 to 30 days; and

(3) Demand and savings deposits and technical provisions for insurance, pension plans and capitalization bonds comprising "VGBL" and "PGBL" products are classified as 1 to 30 days, without considering average historical turnover.



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

### **32) EMPLOYEE BENEFITS**

Bradesco and its subsidiaries sponsor a private defined contribution pension for employees and managers, that allows financial resources to be accumulated by participants throughout their careers by means of employee and employer contributions and invested in an Exclusive Investment Fund (FIE). The Plan is managed by Bradesco Vida e Previdência S.A. and BRAM – Bradesco Asset Management S.A. DTVM is responsible for the financial management of the FIEs funds.

The Supplementary Pension Plan counts on contributions from employees and managers of Bradesco and its subsidiaries equivalent to at least 4% of the salary by employees and, 5% of the salary, plus the percentage allocated to covers of risk benefits (invalidity and death) by the company. Actuarial obligations of the defined contribution plan are fully covered by the plan assets of the corresponding FIE. In addition to the plan, in 2001, participants who chose to migrate from the defined benefit plan are guaranteed a proportional deferred benefit, corresponding to their accumulated rights in that plan. For the active participants, retirees and pensioners of the defined benefit plan, now closed to new members, the present value of the actuarial obligations of the plan is fully covered by guarantee assets.

Banco Alvorada S.A. (successor from the spin-off of Banco Baneb S.A.) maintains variable contribution and defined benefit retirement plans, through Fundação Baneb de Seguridade Social – Bases related to the former employees of Baneb.

Bradesco sponsors both variable benefit and defined contribution retirement plans, through *Caixa de Assistência e Aposentadoria dos Funcionários do Banco do Estado do Maranhão (Capof)*, to employees originating from Banco BEM S.A.

Bradesco sponsors a defined benefit plan through *Caixa de Previdência Privada Bec – Cabec* for employees of Banco do Estado do Ceará S.A.

Kirton Bank Brasil S.A., Kirton Capitalização S.A., Kirton Corretora de Seguros S.A., Bradesco-Kirton Corretora de Câmbio S.A. and Kirton Seguros S.A. sponsor a defined benefit plan called APABA for employees originating from Banco Bamerindus do Brasil S.A., and Kirton Administração de Serviços para Fundos de Pensão Ltda. sponsors for its employees a defined contribution plan, known as the Kirton Prev Benefits Plan (*Plano de Benefícios Kirton Prev*), both managed by MultiBRA – Pension Fund.

Banco Losango S.A., Kirton Bank Brasil S.A. and Credival – Participações, Administração e Assessoria Ltda. sponsor three pension plans for its employees, which are: Losango I Benefits Plan – Basic Part, in the defined benefit mode, Losango I – Supplementary Part and PREVMAIS Losango Plan, the last two in the form of contribution variable, all managed by MultiBRA – Settlor – Multiple Fund.

Bradesco also took on the obligations of Kirton Bank Brasil S.A. with regard to Life Insurance, Health Insurance Plans, and Retirement Compensation for employees coming from Banco Bamerindus do Brasil S.A.

In accordance with CPC 33 (R1) - Employee Benefits, approved by CVM Resolution No. 600/09, Bradesco and its subsidiaries, as sponsors of these plans, considering the economic and actuarial study, have calculated their actuarial commitments using real interest rate and recognize in their financial statements the obligation due. The resources guaranteeing the pension plans are invested in accordance with the relevant legislation (public and private securities, shares of listed companies and properties). Below are the main assumptions used by the independent actuary in the actuarial assessment of our plans, based on CPC 33 (R1):

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| <b>Risk factors</b>                                       | <b>2018</b>   | On December 31<br><b>2017</b>   |
|---|---|---|
| Nominal discount rate                                     | 8.8% - 9.31% a.a.<br>9.6% - 25.01%                                    | 8.5% - 10% p.a.<br>7.01% - 25.16%                                     |
| Nominal rate of minimum expected return on assets         | a.a.  | a.a.  |
| Nominal rate of future salary increases                   | 4.0% a.a.   | 4.3% p.a.   |
| Nominal growth rate of social security benefits and plans | 4.0% a.a.<br>8.16% - 9.72%  | 4.3% p.a.   |
| Initial rate of growth of medical costs                   | a.a.  | 10.51% a.a.   |
| Inflation rate  | 4.0% a.a.   | 4.3% p.a.   |
| Biometric table of overall mortality                      | AT 2000 and<br>BR-SEM   | AT 2000 and<br>BR-SEM   |
| Biometric table of entering disability                    | Per plan  | Per plan  |
| Expected turnover rate                                    | -   | -   |
| Probability of entering retirement                        | 100% in the 1 <sup>a</sup><br>eligibility to a<br>benefit by the plan | 100% in the 1 <sup>a</sup><br>eligibility to a<br>benefit by the plan |

Considering the above assumptions, in accordance with CPC 33 (R1), the present value of the actuarial obligations of the benefit plans and of its assets to cover these obligations, is represented below:

|   | Years ended December 31 - R\$ thousand |                  |   |                |
|---|--|------------------|---|----------------|
|   | <b>Retirement Benefits</b>             |                  | <b>Other post-employment<br/>benefits</b> |                |
|   | <b>2018</b>                            | <b>2017</b>      | <b>2018</b>                               | <b>2017</b>    |
| <b>(i) Projected benefit obligations:</b> |  |                  |   |                |
| <b>At the beginning of the year</b>       | <b>2,323,338</b>                       | <b>2,141,393</b> | <b>563,079</b>                            | <b>498,591</b> |
| Cost of current service                   | 151                                    | 186              | -   | 215            |
| Interest cost                             | 219,239                                | 227,980          | 54,654                                    | 54,230         |
| Participant's contribution                | 881                                    | 1,197            | -   | -              |
| Actuarial gain/(loss)                     | 179,851                                | 144,624          | 87,962                                    | 39,303         |
| Benefit paid                              | (192,870)                              | (192,042)        | (36,602)                                  | (29,260)       |
| <b>At the end of the year</b>             | <b>2,530,590</b>                       | <b>2,323,338</b> | <b>669,093</b>                            | <b>563,079</b> |
| <b>(ii) Plan assets at fair value:</b>    |  |                  |   |                |

|   |                  |                  |                |                |
|---|------------------|------------------|----------------|----------------|
| <b>At the beginning of the year</b>               | <b>2,375,529</b> | <b>2,127,872</b> | -              | -              |
| Expected earnings                                 | 225,060          | 227,360          | -              | -              |
| Actuarial gain/(loss)                             | (61,063)         | 196,186          | -              | -              |
| Contributions received:                           |                  |                  |                |                |
| Employer  | 15,472           | 14,957           | -              | -              |
| Employees   | 881              | 1,197            | -              | -              |
| Benefit paid                                      | (192,870)        | (192,043)        | -              | -              |
| <b>At the end of the year</b>                     | <b>2,363,009</b> | <b>2,375,529</b> | -              | -              |
| <b>(iii) Changes in the unrecoverable surplus</b> |                  |                  |                |                |
| <b>At the beginning of the year</b>               | <b>206,752</b>   | <b>123,416</b>   | -              | -              |
| Interest on the irrecoverable surplus             | 20,327           | 13,730           | -              | -              |
| Change in the unrecoverable surplus               | (173,054)        | 69,606           | -              | -              |
| <b>At the end of the year</b>                     | <b>54,025</b>    | <b>206,752</b>   | -              | -              |
| <b>(iv) Financed position:</b>                    |                  |                  |                |                |
| Plans in deficit                                  | <b>221,606</b>   | <b>154,561</b>   | <b>669,093</b> | <b>563,079</b> |
| <b>Net balance</b>                                | <b>221,606</b>   | <b>154,561</b>   | <b>669,093</b> | <b>563,079</b> |

The net cost/(benefit) of the pension plans, recognized in the statement of income, include the following components:

|  | Years ended December 31 - R\$ thousand |               |
|--|--|---------------|
|  | <b>2018</b>                            | <b>2017</b>   |
| <b>Projected benefit obligations:</b>          |  |               |
| Cost of service                                | 151                                    | 401           |
| Cost of interest on actuarial obligations      | 273,893                                | 282,210       |
| Expected earnings from the assets of the plan  | (225,060)                              | (227,360)     |
| <b>Net cost/(benefit) of the pension plans</b> | <b>48,984</b>                          | <b>55,251</b> |

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Maturity profile of the present value of the obligations of the benefit plans defined for the next years:

|                                   | On December 31 - R\$ thousand |                                       |
|-----------------------------------|-------------------------------|---------------------------------------|
|                                   | <b>Retirement Benefits</b>    | <b>Other post-employment benefits</b> |
| Weighted average duration (years) | 9.86                          | 15.00                                 |
| 2019                              | 202,553                       | 34,171                                |
| 2020                              | 208,484                       | 35,379                                |
| 2021                              | 214,845                       | 38,409                                |
| 2022                              | 220,785                       | 41,560                                |
| 2023                              | 226,353                       | 45,091                                |
| After 2023                        | 1,209,851                     | 278,367                               |

Contributions to defined-benefit plans are expected to total RS 18,282 thousand in 2019.

The long-term rate of return on plan assets is based on the following:

- Medium- to long-term expectations of the asset managers; and
- Public and private securities, a significant portion of the investments portfolio of our subsidiaries, the profitability of which is higher than inflation plus interest, with short to long-term maturities.

The resources guaranteeing the pension plans are invested in accordance with the relevant legislation (public and private securities, shares of listed companies and properties) and the weighted-average allocation of the pension plan's assets by category is as follows:

| Asset categories | Assets of the Alvorada Plan |               | Assets of the Bradesco Plan |               | Assets of the Kirton Plan |               | On December 31 Assets of the Losango Plan |               |
|------------------|-----------------------------|---------------|-----------------------------|---------------|---------------------------|---------------|---|---------------|
|                  | 2018                        | 2017          | 2018                        | 2017          | 2018                      | 2017          | 2018                                      | 2017          |
| Equities         |                             |               | 7.9%                        | 4.7%          |                           |               | 17.7%                                     | 17.3%         |
| Fixed income     | 93.3%                       | 92.7%         | 87.5%                       | 90.6%         | 100.0%                    | 100.0%        | 82.3%                                     | 82.7%         |
| Real estate      | 5.4%                        | 5.7%          | 2.5%                        | 2.6%          |                           |               |   |               |
| Other            | 1.3%                        | 1.6%          | 2.1%                        | 2.1%          |                           |               |   |               |
| <b>Total</b>     | <b>100.0%</b>               | <b>100.0%</b> | <b>100.0%</b>               | <b>100.0%</b> | <b>100.0%</b>             | <b>100.0%</b> | <b>100.0%</b>                             | <b>100.0%</b> |

The table below, of the sensitivity analysis of benefit plan obligations, shows the impact on actuarial exposure (8.5% - 10.0% p.a.) by means of the amendment in the premise regarding the discount rate by 1 p.p.:

| Rate              | Discount rate/Medical inflation rate | Sensitivity Analysis | Effect on actuarial liabilities | Effect on the present value of the obligations |
|-------------------|--------------------------------------|----------------------|---------------------------------|--|
| Discount rate     | 9.80% - 10.31%                       | Increase of 1 p.p.   | reduction                       | (185,803)                                      |
| Discount rate     | 7.80% - 8.31%                        | Decrease of 1 b.p.   | increase                        | 491,193  |
| Medical Inflation | 9.16% - 10.72%                       | Increase of 1 p.p.   | increase                        | 74,081   |
| Medical Inflation | 7.16% - 8.72%                        | Decrease of 1 b.p.   | reduction                       | (62,077)                                       |

Bradesco, in its offices abroad, provides pension plans for its employees and managers, in accordance with the standards established by the local authorities, which allows the accrual of financial resources during the professional career of the participant.

Total expenses related to contributions made during the year ended on December 31, 2018 totalled R\$ 942,427 thousand (R\$ 988,905 thousand in 2017).

In addition to this benefit, Bradesco and its subsidiaries offer other benefits to their employees and administrators, including health insurance, dental care, life and personal accident insurance, and professional training. These expenses, including the aforementioned contributions, totaled R\$ 4,550,580 thousand during the year ended on December 31, 2018 (R\$ 5,594,368 thousand in 2017).



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**33) INCOME TAX AND SOCIAL CONTRIBUTION**

**a) Calculation of income tax and social contribution charges**

|   | Years ended December 31 - R\$<br>thousand |                    |
|---|---|--------------------|
|   | <b>2018</b>                               | <b>2017</b>        |
| <b>Income before income tax and social contribution</b>                     | <b>23,946,996</b>                         | <b>20,029,024</b>  |
| Total burden of income tax and social contribution at the current rates (1) | (10,776,148)                              | (9,013,061)        |
| <b>Effect on the tax calculation:</b>                                       |   |                    |
| Equity investment in unconsolidated and jointly controlled companies        | 728,468                                   | 677,371            |
| Net non-deductible expenses of nontaxable income                            | 269,917                                   | 226,150            |
| Interest on shareholders' equity (paid and payable)                         | 3,284,368                                 | 3,241,955          |
| Other amounts (2)   | 1,796,209                                 | (276,627)          |
| <b>Income tax and social contribution for the period</b>                    | <b>(4,697,186)</b>                        | <b>(5,144,212)</b> |

(1) Current rates: (i) 25% for income tax; (ii) 20% for the social contribution to financial and companies treated as such, including the insurance segment, and of 9% for the other companies (Note 3h); and

(2) Primarily, includes: (i) the exchange rate variation of assets and liabilities, derived from investments abroad; (ii) the equalization of the effective rate in relation to the rate 45% shown; and (iii) the deduction incentives.

**b) Breakdown of income tax and social contribution in the statement of income**

Years ended December 31 - R\$  
thousand



|   | <b>2018</b>        | <b>2017</b>        |
|---|--------------------|--------------------|
| <b>Current taxes:</b>   |                    |                    |
| <b>Income tax and social contribution payable</b>               | <b>(5,927,813)</b> | <b>(7,335,166)</b> |
| <b>Deferred taxes:</b>  |                    |                    |
| Amount recorded/realized in the period on temporary differences | (444,996)          | 2,782,811          |
| <b>Use of opening balances of:</b>                              |                    |                    |
| Social contribution loss  | (313,223)          | (430,584)          |
| Income tax loss   | (343,791)          | (331,512)          |
| <b>Constitution in the period on:</b>                           |                    |                    |
| Social contribution loss  | 870,717            | 150,371            |
| Income tax loss   | 1,461,920          | 19,868             |
| <b>Total deferred tax assets</b>                                | <b>1,230,627</b>   | <b>2,190,954</b>   |
| <b>Income tax and social contribution for the period</b>        | <b>(4,697,186)</b> | <b>(5,144,212)</b> |

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**Notes to the Consolidated Financial Statements****c) Deferred income tax and social contribution**

|   | <b>Balance on<br/>12/31/2017</b> | <b>Amount<br/>recorded</b> | <b>Realized /<br/>Decrease</b> | <b>R\$ thousand<br/>Balance on<br/>12/31/2018</b> |
|---|----------------------------------|----------------------------|--------------------------------|---|
| Allowance for loan losses   | 29,789,386                       | 8,051,816                  | (6,415,433)                    | 31,425,769  |
| Civil provisions  | 2,191,002                        | 602,555                    | (574,586)                      | 2,218,971   |
| Tax provisions  | 2,874,482                        | 372,779                    | (312,087)                      | 2,935,174   |
| Labor provisions  | 2,160,997                        | 860,053                    | (640,472)                      | 2,380,578   |
| Provision for devaluation of securities and investments             | 239,482                          | 4,313                      | (138,609)                      | 105,186   |
| Provision for devaluation of foreclosed assets                      | 607,613                          | 320,870                    | (262,718)                      | 665,765   |
| Adjustment to fair value of trading securities                      | 3,704,394                        | 955,711                    | (2,461,363)                    | 2,198,742   |
| Amortization of goodwill  | 346,069                          | 33,386                     | (18,552)                       | 360,903   |
| Other   | 4,921,716                        | 2,527,590                  | (3,350,249)                    | 4,099,057   |
| <b>Total deductible taxes on temporary differences</b>              | <b>46,835,141</b>                | <b>13,729,073</b>          | <b>(14,174,069)</b>            | <b>46,390,145</b>                                 |
| Income tax and social contribution losses in Brazil and overseas    | 5,003,872                        | 2,332,637                  | (657,014)                      | 6,679,495   |
| <b>Subtotal</b>   | <b>51,839,013</b>                | <b>16,061,710</b>          | <b>(14,831,083)</b>            | <b>53,069,640</b>                                 |
| Adjustment to fair value of available-for-sale securities           | 557,807                          | 662,328                    | (242,496)                      | 977,639   |
| <b>Total deferred tax assets (Note 10b) (1)</b>                     | <b>52,396,820</b>                | <b>16,724,038</b>          | <b>(15,073,579)</b>            | <b>54,047,279</b>                                 |
| <b>Deferred tax liabilities (Note 33e)</b>                          | <b>4,562,687</b>                 | <b>1,578,060</b>           | <b>(2,020,360)</b>             | <b>4,120,387</b>                                  |
| <b>Deferred tax assets, net of deferred tax liabilities</b>         | <b>47,834,133</b>                | <b>15,145,978</b>          | <b>(13,053,219)</b>            | <b>49,926,892</b>                                 |
| <b>- Percentage of net deferred tax assets on capital (Note 31)</b> | <b>45.7%</b>                     |                            |                                | <b>42.3%</b>                                      |
| <b>- Percentage of net deferred tax assets over total assets</b>    | <b>3.9%</b>                      |                            |                                | <b>3.9%</b>                                       |

(1) Deferred tax assets from companies in the financial and insurance sectors were calculated considering the increase in the social contribution rate, determined by Law No.11,727/08 (Note 3h).

The accounting record of the tax credits was made by the rates applicable to the period provisioned for its realization and is based on the projection of future results and on a technical analysis. Due to being classified in the condition established by art.1, paragraph I of CMN Resolution No. 3,059/02, with

amendments introduced by CMN Resolution No. 4,441/15 and article 3 of CMN Circular No. 3,776/15, Bradesco protocolled with Bacen, an authorization request to maintain the stock and constitute new tax credits, which was deferred on January 22, 2019. On December 31, 2018, no tax credits were constituted, substantially, on temporary differences, in the amount of R\$ 487,129 thousand, which will be recorded upon the effective perspectives of realization, according to the technical study and analyses made by the Board and by the Standards of Bacen.

**d) Expected realization of deferred tax assets on temporary differences, tax loss and negative basis of social contribution**

|              |                       |                     |   |                     | R\$ thousand      |
|--------------|-----------------------|---------------------|---|---------------------|-------------------|
|              | Temporary differences |                     | Income tax and social contribution losses |                     | Total             |
|              | Income tax            | Social contribution | Income tax                                | Social contribution |                   |
| 2019         | 8,569,784             | 5,128,286           | 173,339                                   | 116,422             | 13,987,831        |
| 2020         | 7,412,374             | 4,433,014           | 209,055                                   | 125,180             | 12,179,623        |
| 2021         | 6,242,713             | 3,732,989           | 373,951                                   | 222,054             | 10,571,707        |
| 2022         | 4,645,734             | 2,780,477           | 693,635                                   | 412,132             | 8,531,978         |
| 2023         | 1,856,624             | 1,073,247           | 1,958,633                                 | 1,198,738           | 6,087,242         |
| After 2023   | 321,851               | 193,052             | 327,524                                   | 868,832             | 1,711,259         |
| <b>Total</b> | <b>29,049,080</b>     | <b>17,341,065</b>   | <b>3,736,137</b>                          | <b>2,943,358</b>    | <b>53,069,640</b> |

The projected realization of deferred tax assets is an estimate and it is not directly related to the expected accounting income.

On December 31, 2018, the present value of deferred tax assets, calculated based on the average funding rate, net of tax effects, amounts to R\$ 50,040,054 thousand (R\$ 48,700,271 thousand in 2017), of which: R\$ 44,038,646 thousand (R\$ 44,201,179 thousand in 2017) of temporary differences; and R\$ 6,001,408 thousand (R\$ 4,499,092 thousand in 2017) to tax losses and negative basis of social contribution.

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**e) Deferred tax liabilities**

|  | On December 31 - R\$ thousand |                  |
|--|-------------------------------|------------------|
|  | <b>2018</b>                   | <b>2017</b>      |
| Fair value adjustment to securities and derivative financial instruments | 1,441,175                     | 1,773,395        |
| Difference in depreciation   | 242,571                       | 283,231          |
| Judicial deposit and others  | 2,436,641                     | 2,506,061        |
| <b>Total</b>   | <b>4,120,387</b>              | <b>4,562,687</b> |

The deferred tax liabilities of companies in the financial and insurance sectors were established considering the increased social contribution rate, established by Law No. 11,727/08 (Note 3h).

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**Notes to the Consolidated Financial Statements****34) OTHER INFORMATION****a) Fair value**

The book value, net of loss provisions of the principal financial instruments is shown below:

| Portfolio  | On December 31 - R\$ thousand              |             |                     |                   |                         |                   |
|--|--|-------------|---------------------|-------------------|-------------------------|-------------------|
|  | Unrealized gain/(loss) without tax effects |             |                     |                   |                         |                   |
|  | Book value                                 | Fair value  | In income statement |                   | In shareholders' equity |                   |
|  | 2018                                       | 2018        | 2018                | 2017              | 2018                    | 2017              |
| Securities and derivative financial instruments (Notes 3e, 3f and 7) | 563,492,771                                | 570,982,377 | 8,620,449           | 5,054,650         | 7,489,606               | 2,140,151         |
| - Adjustment of available-for-sale securities (Note 7bii)            |  |             | 1,130,843           | 2,914,499         |                         |                   |
| - Adjustment of held-to-maturity securities (Note 7c item 4)         |  |             | 7,489,606           | 2,140,151         | 7,489,606               | 2,140,151         |
| Loan and leases (Notes 2, 3g and 9) (1)                              | 406,817,820                                | 408,228,134 | 1,410,314           | (124,507)         | 1,410,314               | (124,507)         |
| Investments (Notes 3j and 12) (2)                                    | 7,811,189                                  | 21,854,367  | 14,043,178          | 24,909,034        | 14,043,178              | 24,909,034        |
| Treasury shares (Note 22d)   | 440,514                                    | 989,039     | -                   | -                 | 548,525                 | 359,097           |
| Time deposits (Notes 3n and 15a)                                     | 195,398,721                                | 195,163,446 | 235,275             | 248,003           | 235,275                 | 248,003           |
| Funds from issuance of securities (Note 15c)                         | 147,720,730                                | 147,264,150 | 456,580             | 283,459           | 456,580                 | 283,459           |
| Borrowing and on-lending (Notes 16a and 16b)                         | 54,851,398                                 | 55,754,386  | (902,988)           | 240,963           | (902,988)               | 240,963           |
| Subordinated debts (Note 18)   | 53,643,444                                 | 54,081,544  | (438,100)           | (833,035)         | (438,100)               | (833,035)         |
| <b>Unrealized gains excluding tax</b>                                |  |             | <b>23,424,708</b>   | <b>29,778,567</b> | <b>22,842,390</b>       | <b>27,223,165</b> |

(1) Includes advances on foreign exchange contracts, leases and other receivables with lending characteristics; and

(2) Primarily includes the surplus of interest in subsidiaries, associates and jointly controlled companies (Cielo, Odontoprev, IRB and Fleury).

**Determination of the fair value of financial instruments:**

- Securities and derivative financial instruments, investments, subordinated debts and treasury shares are based on the quoted market price at the reporting date. If no quoted market price is available, amounts are estimated based on the dealer quotations, pricing models, quotation models or quotations for instruments with similar characteristics;
- Fixed rate loans were determined by discounting estimated cash flows, using interest rates applied by the Organization for new contracts with similar features. These rates are consistent with the market at the reporting date; and
- Time deposits, funds from issuance of securities, borrowing and on-lending were calculated by discounting the difference between the cash flows under the contract terms and our prevailing market rates for the same product at the reporting date.

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**b)** The Organization manages investment funds and portfolios with net assets which, on December 31, 2018, amounted to R\$ 897,577,143 thousand (R\$ 834,646,218 thousand in 2017).

**c)** Consortium funds

|  | On December 31 - R\$ thousand |             |
|--|-------------------------------|-------------|
|  | <b>2018</b>                   | <b>2017</b> |
| Monthly estimate of funds receivable from consortium members | 653,690                       | 633,191     |
| Contributions payable by the group                           | 31,570,330                    | 30,776,291  |
| Consortium members - assets to be included                   | 27,468,111                    | 26,811,848  |
| Credits available to consortium members                      | 6,347,845                     | 5,836,717   |

**b)**

|                                     | On December 31 - In units |             |
|-------------------------------------|---------------------------|-------------|
|                                     | <b>2018</b>               | <b>2017</b> |
| Number of groups managed            | 3,527                     | 3,457       |
| Number of active consortium members | 1,503,817                 | 1,410,736   |
| Number of assets to be included     | 625,186                   | 641,449     |

**d)** As part of the convergence process with international accounting standards, the Brazilian Accounting Pronouncements Committee (CPC) has issued several accounting pronouncements, as well as their interpretations and guidelines, which are applicable to financial institutions only after approval by CMN. Until December 31, 2018, the accounting pronouncements approved by CMN and adopted by Bradesco were as follows:

- Resolution No. 3,566/08 – Impairment of Assets (CPC 01);
- Resolution No. 3,604/08 – Statement of Cash Flows (CPC 03);
- Resolution No. 3,750/09 – Related Party Disclosures (CPC 05);

- Resolution No. 3,823/09 – Provisions, Contingent Liabilities and Contingent Assets (CPC 25);
- Resolution No. 3,973/11 – Subsequent Event (CPC 24);
- Resolution No. 3,989/11 – Share-based Payment (CPC 10 - R1);
- Resolution No. 4,007/11 – Accounting Policies, Changes in Estimates and Error Correction (CPC 23);
- Resolution No. 4,144/12 – Basic Conceptual Pronouncement (R1); and
- Resolution No. 4,424/15 – Employee Benefits (CPC 33 – R1).

Presently, it is not possible to estimate when the CMN will approve the other CPC accounting pronouncements or if they will be applied prospectively or retrospectively.

CMN Resolution No. 3,786/09 and Circular Letter No. 3,472/09 establish that financial institutions and other entities authorized by Bacen to operate, which are publicly-held companies or which are required to establish an Audit Committee shall, since December 31, 2010, annually prepare and publish in up to 90 days after the reference date of December 31 their consolidated financial statements, prepared under the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). As required by Resolution, on March 8, 2018, Bradesco published its consolidated financial statements for December 31, 2017 and 2016 on its website, in accordance with IFRS.

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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) For the year ended December 31, 2018, in order to simplify existing rules and lower compulsory deposit amounts, Central Bank of Brazil introduced the following changes:

| <b>Description</b>       | <b>Previous Rule</b>   | <b>Current Rule</b>   |
|--------------------------|--|---|
| Time Deposits            | Time deposits were subject to compulsory deposits of 34% of the regulatory calculation base.   | As from December 31, 2018, compulsory deposits required against time deposits were reduced to 33% on the regulatory calculation base.   |
|                          | Compulsory deposits for time deposits were subject to amount-base-maturity deduction.  | As from December 31, 2018, this deduction has been revoked.   |
| Savings Deposits         | Compulsory deposits for savings were 24.5% on regulatory calculation base.   | As from May 7, 2018, compulsory deposits required against savings accounts were reduced to 20% on the regulatory calculation base.  |
| Savings Deposits (Rural) | Compulsory deposits for rural savings were 21% on regulatory calculation base.   | As from May 7, 2018, compulsory deposits required against rural savings accounts were reduced to 20% on the regulatory calculation base.  |
| Demand Deposits          | Compulsory deposits for demand deposits were 40% on the regulatory calculation base, which was altered to 25% for the period from May 5, 2018 to December 28, 2018.  | As from December 31, 2018, compulsory deposits required against demand accounts were reduced to 21% on the regulatory calculation base.   |
|                          | The amount deductible from compulsory deposit calculation base for demand deposits corresponded to the arithmetic average of reserve requirements determined in the calculation period was R\$ 70,000,000.00 but rose to R\$ 200,000,000.00 in the period from May 5, 2018 to December 28, 2018. | As from December 31, 2018, the calculation base for compulsory deposits required against demand account deposits will be subject to a R\$ 500,000,000.00 deduction.                                     |
|                          | Requirements were based on the sum of the Banking Reserves account's daily balances, from the arithmetic average posted under "1.1.1.10.00-6 Cash", with 40% of the requirement and the balance of deductible transactions (amount-  | As from December 31, 2018, the balance of transactions eligible for deduction (amount-base-demand) was revoked. To ensure the requirement is fulfilled, the Banking Reserves account's daily balance is |

base-demand); the arithmetic mean of positions should correspond to 100% of the requirement, and the minimum daily position was 80%. checked. The arithmetic average of these positions should correspond to 100% of the requirement and the daily position to at least 65%.

As of May 5, 2018, balances posted under "1.1.1.10.00-6 Cash" could no longer be used to fulfill compulsory deposit requirements.

**f)** On July 20, 2018, Odontoprev, a subsidiary of Bradesco Saúde S.A., informed the Market about the proposed acquisition of 100% of the share capital of Odonto System Planos Odontológicos Ltda., a company with head offices in Fortaleza /Ceará, for the amount of R\$ 201,637 thousand, in addition to this amount, the acquisition foresees a variable price for the future, related the achievement of the future targets of growth of the EBITDA for Odonto System on 2018 and 2019. This transaction was approved, with no restrictions, by the Agência Nacional de Saúde Suplementar – ANS (National Supplementary Health Agency), Central Bank of Brazil – BACEN and Administrative Council for Economic Defense – CADE. The transaction was approved by the shareholders of the company, in General Meeting realized in August 6, 2018.

**g)** On October 2, 2018, Bradesco entered into a strategic partnership with RCB Investimentos S.A., one of the leading companies in the credit management and recovery market in Brazil, after acquiring 65% of its shares. Bradesco expects to add more efficiency to its credit recovery process, as well as actively participate in the credit acquisition market for recovery.

**h)** On December 31, 2018, Bradesco and the Fidelity Group concluded the termination of its joint venture in Fidelity Processadora S.A. ("Processing Company"), whereby Bradesco will be the sole shareholder of the Processing Company, whose shareholders' equity is composed exclusively of the assets and liabilities relating to the provision of credit card processing services to the Bradesco Organization. The operation (a) aims to reduce the costs of processing and the increase in the efficiency of the credit card business; (b) will not have any impact on the activities and clients of Bradesco; and (c) did not involve any financial values. The parties, Bradesco and Fidelity Group, will also maintain their association in Fidelity Serviços S.A., a company that provides call center services, collection, fraud prevention, support and other related services.

Bradesco

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

**Management Bodies**

|                                       |  |   |
|---------------------------------------|--|---|
| <b>Base Date January 28, 2019</b>     | *José Leandro Borges                   | Carlos Alberto Rodrigues<br>Guilherme                   |
|                                       | Marcos Antônio Martins                 |   |
| <b>Board of Directors</b>             | Nairo José Martinelli Vidal Júnior     | André Rodrigues Cano                                    |
|                                       | Nilton Pereira dos Santos Junior       |   |
| <b>Chairman</b>                       | Roberto França                         | <b>Succession Planning and<br/>Nomination Committee</b> |
| Luiz Carlos Trabuco Cappi             | Romero Gomes de Albuquerque            | Luiz Carlos Trabuco Cappi -<br>Coordinator              |
|                                       | *Ruy Celso Rosa Filho                  |   |
| <b>Vice Chairman</b>                  | Victor Rosa Marinho de Queiroz         | Carlos Alberto Rodrigues<br>Guilherme                   |
| Carlos Alberto Rodrigues<br>Guilherme |  | Milton Matsumoto  |
|                                       | <b>Regional Officers</b>               | Octavio de Lazari Junior                                |
| <b>Members</b>                        | Ademir Aparecido Correa Junior         | André Rodrigues Cano                                    |
| Denise Aguiar Alvarez                 | Alberto do Nascimento Lemos            | Glaucimar Peticov                                       |
| João Aguiar Alvarez                   | Almir Rocha                            |   |
| Milton Matsumoto                      | Altair Luiz Guarda                     |   |
| Alexandre da Silva Glüher             | Altair Naumann                         | <b>Sustainability and Diversity<br/>Committee</b>       |
| Josué Augusto Pancini                 | Amadeu Emilio Suter Neto               | Luiz Carlos Trabuco Cappi -<br>Coordinator              |
| Maurício Machado de Minas             | César Cabús Berenguer Silvaný          |   |
|                                       | Delvair Fidêncio de Lima               | Carlos Alberto Rodrigues<br>Guilherme                   |
| <b>Board of Executive Officers</b>    | Francisco Henrique França<br>Fernandes | Milton Matsumoto  |
|                                       | Geraldo Dias Pacheco                   | Alexandre da Silva Glüher                               |

**Executive Officers**

João Pedro da Silva Villela Josué Augusto Pancini

**Chief Executive Officer**

Joel Queiroz de Lima Maurício Machado de Minas

Octavio de Lazari Junior

José Flávio Ferreira Clemente Octavio de Lazari Junior

José Roberto Guzela Marcelo de Araújo Noronha

**Executive Vice-Presidents**

Luís Francisco da Silva Júnior André Rodrigues Cano

Marcelo de Araújo Noronha

\*Marcos Daniel Boll Eurico Ramos Fabri

André Rodrigues Cano

Nelson Veiga Neto Moacir Nachbar Junior

Cassiano Ricardo Scarpelli

Osmar Sanches Biscuola Glaucimar Peticov

Eurico Ramos Fabri

Paulo Roberto Andrade de Aguiar Marcos Aparecido Galende

\*Telma Maria dos Santos Calura

**Managing Officers**

**Committee Subordinated to the Chief Executive Officer**

Moacir Nachbar Junior

**Committees Subordinated to the Board of Directors**

Renato Ejnisman

**Disclosure Executive Committee**

Walkiria Schirrmeister Marchetti

**Statutory Committees**

Leandro de Miranda Araujo - Coordinator

Guilherme Muller Leal

Octavio de Lazari Junior

Rogério Pedro Câmara

**Audit Committee**

Marcelo de Araújo Noronha

João Carlos Gomes da Silva

Milton Matsumoto - Coordinator

André Rodrigues Cano

Bruno D'Avila Melo Boetger

Paulo Roberto Simões da Cunha – Financial Specialist

Cassiano Ricardo Scarpelli

**Deputy Officers**

Wilson Antonio Salmeron Gutierrez Eurico Ramos Fabri

Luiz Carlos Brandão Cavalcanti Junior

Paulo Ricardo Satyro Bianchini Moacir Nachbar Junior

Antonio José de Barbara

Glaucimar Peticov

**Remuneration Committee**

Carlos Wagner Firetti

José Ramos Rocha Neto

Luiz Carlos Trabuco Cappi – Coordinator

Marcelo Santos Dall'Occo

Antonio José da Barbara

Marcos Aparecido Galende

Edson Marcelo Moreto

Carlos Alberto Rodrigues Guilherme

Oswaldo Tadeu Fernandes

|                            |  |  |
|----------------------------|--|--|
| José Sérgio Bordin         | Milton Matsumoto                         | Antonio Campanha Junior                    |
| *Leandro de Miranda Araujo | Valdirene Soares Secato<br>(Non-Manager) | Vinicius José de Almeida Albernaz          |
| Roberto de Jesus Paris     |  | Haydewaldo Roberto Chamberlain<br>da Costa |

**Non-Statutory Committees**

**Department Officers**

\*Alessandro Décio Farkuh

Amilton Nieto

André Bernardino da Cruz Filho

André Ferreira Gomes

Antonio Carlos Melhado

Antonio Daissuke Tokuriki

Antonio Gualberto Diniz

Carlos Wagner Firetti

Clayton Camacho

Edilson Dias dos Reis

Edilson Wiggers

Fernando Antônio Tenório

Fernando Freiburger

Fernando Honorato Barbosa

Frederico William Wolf

João Albino Winkelmann

José Gomes Fernandes

Julio Cardoso Paixão

Klayton Tomaz dos Santos

Layette Lamartine Azevedo Júnior

Leandro José Diniz

**Internal Controls and Compliance Committee**

Carlos Alberto Rodrigues Guilherme  
- Coordinator

Milton Matsumoto

Alexandre da Silva Glüher

Josué Augusto Pancini

Maurício Machado de Minas

Marcelo de Araújo Noronha

André Rodrigues Cano

Moacir Nachbar Junior

Clayton Camacho

Edilson Wiggers

Frederico William Wolf

Marlos Francisco de Souza Araujo

**Ethics Committee**

Carlos Alberto Rodrigues Guilherme  
- Coordinator

Milton Matsumoto

Alexandre da Silva Glüher

Josué Augusto Pancini

**Fiscal Council**

**Sitting Members**

Ariovaldo Pereira - Coordinator

Domingos Aparecido Maia

José Maria Soares Nunes

João Carlos de Oliveira

Walter Luis Bernardes Albertoni

**Deputy Members**

Jorge Tadeu Pinto de Figueiredo

Nilson Pinhal

Renaud Roberto Teixeira

-

Reginaldo Ferreira Alexandre

**Ombudsman Department**

Nairo José Martinelli Vidal Júnior -  
Ombudsman

|                                   |  |   |
|-----------------------------------|--|---|
| Lucio Rideki Takahama             | Maurício Machado de Minas  | <b>General Accounting Department</b>                          |
| Manoel Guedes de Araujo Neto      | Octavio de Lazari Junior   | Oswaldo Tadeu Fernandes                                       |
| Marcelo Frontini                  | Marcelo de Araújo Noronha  | Accountant – CRC 1SP271968/O-5                                |
| Marcelo Santos Dall’Occo          | André Rodrigues Cano   |   |
| Marcio Henrique Araujo Parizotto  | Glaucimar Peticov  |   |
| Marcos Aparecido Galende          | Clayton Camacho  |   |
| Marlos Francisco de Souza Araujo  | Edilson Wiggers  |   |
| Mauricio Gomes Maciel             | Frederico William Wolf   |   |
| Oswaldo Tadeu Fernandes           | Nairo José Martinelli Vidal Júnior                                 | * Process in the process of homologation by the Central Bank. |
| Paulo Aparecido dos Santos        |  |   |
| Paulo Eduardo Waack               | <b>Integrated Risk Management and Capital Allocation Committee</b> |   |
| Roberto Medeiros Paula            | André Rodrigues Cano - Coordinator                                 |   |
| Waldemar Ruggiero Júnior          | Alexandre da Silva Glüher  |   |
| <b>Officers</b>                   | Josué Augusto Pancini  |   |
| Albert Adell Roso                 | Maurício Machado de Minas  |   |
| Alexandre Cesar Pinheiro Quercia  | Marcelo de Araújo Noronha  |   |
| *Alexandre Panico                 | Cassiano Ricardo Scarpelli   |   |
| Antranik Haroutiounian            | Eurico Ramos Fabri   |   |
| Carlos Alberto Alástico           | Moacir Nachbar Junior  |   |
| Carlos Henrique Villela Pedras    | Vinicius José de Almeida Albernaz                                  |   |
| Carlos Leibowicz                  | Marlos Francisco de Souza Araujo                                   |   |
| Edmir José Domingues              |  |   |
| Gilvandro Matos Silva             | <b>Risk Committee</b>  |   |
| *Jeferson Ricardo Garcia Honorato | Alexandre da Silva Glüher - Coordinator                            |   |
| Jefferson Ricardo Romon           |  |   |

José Augusto Ramalho Miranda

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

***Independent Auditors' Report on the Consolidated Financial Statements***

To

The Shareholders and the Board of Directors of

Banco Bradesco S.A.

Osasco – SP

**Opinion**

We have audited the consolidated financial statements of Banco Bradesco S.A. (“Bradesco”), which comprise the consolidated balance sheet as of December 31, 2018 and the respective consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the related explanatory notes, including a summary of the main accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bradesco as of December 31, 2018, the consolidated performance of its operations and its respective consolidated cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

**Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the “*The Auditors' responsibilities for the audit of the consolidated financial statements*” section of our report. We are independent of Bradesco and its subsidiaries, in accordance with the ethical requirements established in the Accountant's Professional Ethics Code and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and, we do not express a separate opinion on these matters.



### **Allowance for doubtful accounts**

As disclosed in Notes 3g and 9, for purposes of measuring the allowance for doubtful accounts, which total amount shown in the Consolidated Financial Statements is R\$ 34,982,849 thousand, Bradesco classifies its loans (which comprise loans, leasing, advances on foreign exchange contracts, other receivables with credit characteristics), into nine risk levels, taking into account inputs and assumptions, from clients and operations, such as late payments, economic and financial position, indebtedness level, economic sector, collateral characteristics, and the other factors and assumptions described in CMN Resolution No. 2.682/99, with rating "AA" being the minimum risk level, and "H" the maximum risk level. Bradesco initially applies the loss percentages established in such Resolution for each risk level for purposes of calculating the allowance and further increases the allowance, when necessary, based on additional internal evaluations (excess provision). The loans classification into risk levels as well as the loss percentages related to each risk level requires Bradesco to make assumptions and judgments, based on its internal risk classification methodologies, and the allowance for doubtful accounts represent Bradesco's best estimate of the portfolio losses. Due to the relevance of loans and the uncertainties related to the estimate of the allowance for doubtful accounts, we consider this as a significant matter in our audit.

### **How our audit addressed this matter**

We evaluate the design and operating effectiveness of the internal controls related to the approval processes, recording and accrual of loans as well as the internal risk rating methodologies that support the classification of transactions, the main assumptions used for calculation and the arithmetic accuracy of the allowance for doubtful accounts. We also evaluate, on a sample basis, whether Bradesco met the minimum requirements established by the CMN Resolution No. 2.682/99, related to the determination of the allowance for doubtful accounts. We also evaluated the disclosures made in the financial statements, included in Notes 3g and 9.

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Based on the evidence obtained from the procedures summarized above, we considered adequate Bradesco's estimate of the allowance for doubtful accounts, as well as the respective disclosures in the context of the consolidated financial statements taken as a whole.

**Measurement of financial instruments with no observable market prices or parameters**

As disclosed in the Notes 3e, 3f, 7 and 34a, derivative financial instruments amount to R\$ 14,770,594 thousand (assets) and R\$ (16,152,087) thousand (liabilities), available-for-sale securities amount to R\$ 223,249,943 thousand and trading securities amount to R\$ 231,696,081 thousand. These instruments, measured at market value, are relevant to the consolidated financial statements of Bradesco. For the financial instruments whose market prices or parameters are not observable, the determination of market values is subject to a high level of uncertainty, according as Bradesco performs significant judgments to estimate these values. In addition, financial assets classified as Available for Sale and Held to Maturity are also evaluated as evidence of impairment losses. Therefore, we consider the measurement of the market value of these financial instruments as a significant issue in our audit.

**How our audit addressed this matter**

As part of our procedures, we evaluate the design and operating effectiveness of the relevant internal controls implemented by Bradesco to mitigate the risk of material misstatement in the consolidated financial statements arising from uncertainties in the market value measurement of financial instruments. For a sample of financial instruments which market price measurement parameters are not observable, we evaluate, with the technical support of our specialists in financial instruments, whenever necessary, the models developed by Bradesco for determining market values and the reasonableness of data, parameters and information included in the pricing models used, we recalculate, on a sample basis, the market value of these operations, as well as we reviewed the criteria and policies related to indications of evidence of impairment losses. Our procedures also included the evaluation of the Bradesco's disclosures in the consolidated financial statements described in Notes 3e, 3f, 7 and 34a.

Based on the evidence obtained from the procedures summarized above, we considered adequate the market value measurement of financial instruments and respective disclosures in the context of the consolidated financial statements taken as a whole.

### **Provisions and contingent liabilities - tax, civil and labor**

As described in Notes 3p and 17, Bradesco is defendant in lawsuits of tax, civil and labor nature, related to the normal course of its activities, which total provision recognized in the consolidated financial statements amounts to R\$ 8,204,206 thousand, R\$ 5,614,362 thousand, and R\$ 5,983,603 thousand, respectively. Some laws, regulations and legal disputes in Brazil have high complexity levels, and, therefore, the measurement, recognition and disclosure of Provisions and Contingent Liabilities, related to lawsuits, and/or, in certain cases, adherence to laws and regulations, require Bradesco's professional judgment. Due to the relevance, complexity and judgment involved in the evaluation, measurement, disclosures related to Provisions and Contingent Liabilities as well as the compliance with laws and regulations, we consider this as a significant matter in our audit.

### **How our audit addressed this matter**

Our audit procedures included the evaluation of the design and operating effectiveness of the internal controls related to the identification, evaluation, measurement and disclosure of Provisions and Contingent Liabilities, as well as those related to the compliance with laws and regulations. Additionally, we evaluated the sufficiency of the recognized provisions and disclosed contingency amounts, by evaluating the criteria and assumptions adopted in the measurement methodology, considering the assessment of the internal and external legal advisors of Bradesco, as well as historical data and information. This work included, whenever necessary, the involvement of our legal experts in the evaluation of the likelihood of unfavorable outcome and of the documentation and information related to the main tax matters involving Bradesco. We also evaluated whether the disclosures in the consolidated financial statements are in accordance with the applicable accounting practices and provide information on the nature, exposure and amounts of provisions or disclosures related to the main tax, civil and labor matters in which Bradesco is involved.

Based on the evidence obtained from the procedures summarized above, we considered adequate Bradesco's estimate of the provisions and contingent liabilities, as well as the respective disclosures in the context of the consolidated financial statements taken as a whole.

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***Independent Auditors' Report on the Consolidated Financial Statements***

**Impairment of assets**

The consolidated financial statements include deferred tax assets in the amount of R\$ 54,047,279 thousand (Note 33) and intangible assets, which include goodwill on acquisitions in the amount of R\$ 5,836,868 thousand and other intangible assets in the amount of R\$ 4,795,136 (Note 14) which realization depends on future profitability based on business plans and budgets prepared by Bradesco and which are supported by several economic and business assumptions, among others. As described in Notes 3h, 3l and 3m, considering the frequent changes that occur in the economic or regulatory environment of the markets where it operates, Bradesco continuously evaluate the assumptions and estimates of taxable profit, profitability of the cash generating units (CGU) to which goodwill and intangible assets are allocated, growth rates, discount rates, and cash flow projections, or, at least, indications of evidence of impairment losses of the assets. Due to the degree of judgment inherent in the determination of these estimates and the potential impact that eventual changes in the assumptions could cause in the consolidated financial statements, we consider that this area is relevant to our audit.

**How our audit addressed this matter**

On a sample basis, we tested the design and operating effectiveness of the relevant internal controls related to Bradesco's assessment of indicators that the related assets may have suffered devaluation. Additionally, we evaluated, with the technical support of our corporate finance specialists, whenever necessary, the reasonableness and consistency of the data and assumptions used for preparing this assessment. We also made the analysis of the reasonableness of the mathematical calculations included in the technical study to support the tax credits. Our procedures also included the evaluation of the disclosures made by Bradesco in the consolidated financial statements.

Based on the evidence obtained from the procedures summarized above, we considered adequate the measurement of impairment and the respective disclosures in the context of the consolidated financial statements taken as a whole.

**Technical Provisions – Insurance and Pension Plans**

As mentioned in Notes 3o and 20, Bradesco has liabilities related to insurance contracts and pension plans denominated Technical Provisions, in the amount of R\$ 250,568,252 thousand, which includes, among others, the following provisions that involves judgment: Provisions for Incurred and Unreported claims (IBNR) in the amount of R\$ 4,332,935 thousand, Provisions for Claims Incurred and Not Sufficiently Reported (IBNeR) and Provisions for Losses to be Liquidated (PSL) in the amount of R\$ 5,818,525 thousand, Provisions for Unearned Premiums in the amount of R\$ 158,535 thousand, Mathematical Provisions of Benefits to be Granted - Insurance in the amount of R\$ 1,218,860 thousand, Mathematical Provisions of Benefits Granted in the amount of R\$ 8,833,164 thousand, Provisions for Premiums Insufficiency (PIP) in the amount of R\$ 2,133,130 thousand, Provisions for Related Expenses in the amount of R\$ 558,190 thousand and Other Technical Provisions in the amount of R\$ 2,007,136 thousand. Provisions identified above, as well as the liabilities adequacy test, requires judgment in the selection of methodologies and assumptions which includes, among others, expectations of loss ratio, mortality, longevity, persistency, conversion into income and interest rates. Due to the relevance of Bradesco's judgment, subjectivity, uncertainties and the impact that eventual changes in assumptions and methodologies would have in the amount of Technical Provisions, we consider this matter relevant to our audit.

#### **How our audit addressed this matter**

On a sample basis, we tested the design and operating effectiveness of the significant internal controls related with the processes of calculation and measurement of the above mentioned Technical Provisions and the liability adequacy test. With the technical support of our actuarial specialists, we evaluate the methodologies, the consistency of data and reasonability of the assumptions, such as expectations of loss ratio, mortality, longevity, persistency, conversion into income and interest rates used for measuring the Technical Provisions and the liabilities adequacy test, as well as, on a sample bases, the recalculation of the technical provisions and the liabilities adequacy test. Our audit procedures also included the evaluation of the disclosures made in the consolidated financial statements adherence to regulation and disclosure to financial instruments asset offered to cover Technical Reserves.

Based on evidence obtained from the procedures summarized above, we considered Bradesco's estimate for the technical provisions of insurance and pension plans, as well as the respective disclosures adequate in the context of the consolidated financial statements as of December 31, 2018 taken as a whole.

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**Application controls and information technology general controls**

Bradesco has a technological structure as well as a technology investment plan for conducting its business. The technology environment has processes of access management and changes in the systems and applications, development of new programs, besides automated controls and/or controls with automated components in the several relevant processes. In order to maintain its operations, Bradesco provides its employees with access to systems and applications, taking into account the duties performed by them and within its organizational structure. The controls to authorize, monitor, restrict, and/or revoke the respective accesses to this environment are important to assure that the accesses and information updates are appropriately performed and by the appropriate professionals, to mitigate the potential risk of fraud or error arising from inappropriate access or change in a system or information, and to guarantee the integrity of the financial information and accounting records. In view of the high investment level and heavy dependence of Bradesco on its technology systems, the high daily volume of processed transactions and the importance of access controls and the management of changes in its systems and applications, we consider that this area is relevant to our audit.

**How our audit addressed this matter**

The design and operating effectiveness of access controls, such as authorization of new users, revocation of terminated users, and periodic monitoring of active users were tested, on a sample basis, with the assistance of our information technology specialists, whenever we plan to rely on specific information extracted from certain systems, considered relevant for the purpose of preparing the financial statements. In areas where our judgment is highly dependent on information technology, our tests included assessing password policies, security settings, and control over developments and changes in systems and applications. In addition, when we identify key internal controls for the financial reporting process and other relevant fully automated processes or with some component dependent on systems and applications, we tested, with the assistance of our information technology specialists, the design and operating effectiveness of these controls.

The evidence obtained from the above summarized procedures has allowed us to consider information from certain systems to plan the nature, time and extension of our substantive tests in the context of the consolidated financial statements taken as a whole.

**Other matters**

### **Statement of added value**

The consolidated statement of added value for the year ended December 31, 2018, prepared under the responsibility of Bradesco's management, and presented as supplementary information in relation to the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was subjected to audit procedures performed in conjunction with the audit of Bradesco's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these consolidated statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the consolidated financial statements taken as a whole.

### **Individual financial statements**

Bradesco prepared a complete set of individual financial statements of Banco Bradesco S.A. for the year ended December 31, 2018 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil that were presented separately, over which we issued a separate independent audit report, without any modification, dated January 30, 2019.

### **Other information that accompany the consolidated financial statements and the auditor report**

Bradesco's management is responsible for the other information. The other information comprises the Management's Report.

Our opinion on the consolidated financial statements does not cover other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, and, in doing so, consider whether the other information is materially inconsistent with the

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***Independent Auditors' Report on the Consolidated Financial Statements***

consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those in charge with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, and the internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Bradesco's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate Bradesco and its subsidiaries or to cease operations, or there has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing Bradesco's financial reporting process.

**Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment, and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and



obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bradesco and its subsidiaries internal control.
- evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Bradesco.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on Bradesco's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause Bradesco and its subsidiaries to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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***Independent Auditors' Report on the Consolidated Financial Statements***

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matters, or when, in extremely rare circumstances, we determine a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Osasco, January 30, 2019

KPMG Auditores Independentes

CRC 2SP028567/O-1 F SP

*Original report in Portuguese signed by*

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Rodrigo de Mattos Lia

Accountant CRC 1SP252418/O-3

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### ***Audit Committee Report Summary***

**To the Board of Directors of the**

### **BRADESCO ORGANIZATION**

- **PRESENTATION**

The Statutory Audit Committee is a Body of a permanent nature, linked directly to the Board of Directors of the Bradesco Organization, governed by Resolution No. 3,198/2004, of the National Monetary Council (CMN), and other applicable regulations, among which is Law No. 6,404/76 *Lei das S/A* (Corporation Law) and the Sarbanes-Oxley Act – for Companies registered in the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, possessing its own Internal Regulation, available on the website [www.bradesco.com.br/ri](http://www.bradesco.com.br/ri), area of Corporate Governance.

The Audit Committee has the purpose of advising the Board of Directors on the exercise of its duties, acting primarily regarding (i) the quality, transparency and integrity of the individual and consolidated financial statements; (ii) the effectiveness of internal controls to mitigate the risks in relevant processes; and (iii) the assurance of the independence and quality of the work of Independent and Internal Audits.

It is the responsibility of the Management and of the Independent Audit to ensure that the individual or consolidated financial statements of the Bradesco Organization are complete and accurate, and are presented in accordance with the practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Audit Committee is composed of a Board of Directors' Member – Milton Matsumoto (coordinator), Paulo Roberto Simões da Cunha (financial specialist), Wilson Antonio Salmeron Gutierrez and Paulo Ricardo Satyro Bianchini. All the members meet the independence criteria set out in the current legislation.

- **DUTIES AND RESPONSIBILITIES**

- **Management of Banco Bradesco and its Affiliated Companies**

The Management is responsible: (i) for the definition and implementation of processes and procedures in order to collect data for the preparation of the financial statements, in compliance with the corporate legislation, with the accounting practices adopted in Brazil, in addition to those issued by the International Accounting Standards Board (IASB), of normative acts relevant to the Securities and Exchange Commission (CVM) and, due to Banco Bradesco being listed on the New York Stock Exchange, of the standards established by the Securities and Exchange Commission (SEC) by the Sarbanes-Oxley Act (SOX); (ii) for preparing and ensuring the integrity of financial statements, managing risks, maintaining an effective system of internal controls and ensuring compliance with the activities in accordance with the legal rules and regulations, and (iii) for processes, policies and internal control procedures to ensure the safeguarding of assets, the timely recognition of liabilities and the elimination or reduction, to acceptable levels of risk factors.

- **Internal Audit**

Area directly subordinate to the Board of Directors. It responds by conducting periodic assignments, focused on the main risks, evaluating, wide and independently, the actions of management of these risks and the adequacy of internal controls and governance, contemplating the areas and activities that have risks that are more sensitive to the operations and strategy of the Bradesco Organization.

In accordance with the existing regulations, the Audit Committee and the Board of Directors are responsible for approving the Regulation, the Work Plan and the Annual Report on the Activities of the Internal Audit.

- **Independent Audit**

KPMG Auditores Independentes (KPMG) is responsible for the audit of the annual financial statements published and for the revision of the quarterly information (ITRs) filed with the CVM, issuing reports that



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reflect the results of their verifications and present their independent opinion regarding the reliability of the financial statements in relation to the practices adopted in Brazil, issued by the Accounting Pronouncements Committee (CPC) and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), besides the adherence to the standards of the CVM, precepts of the Brazilian corporation law and North American regulations applicable to Banco Bradesco.

- **Risk Management and Monitoring/Internal Controls**

The Department of Risk Management (DCIR), linked to the Vice-Presidency of Risks, is responsible for strengthening the integrated vision of risks, through the identification, assessment, monitoring and management of risks, in conjunction with the various areas and companies of the Bradesco Organization.

- **Compliance**

The Department of Compliance, Conduct and Ethics (DCCE) is responsible for supporting the Board of Directors, the Audit Committee and the Board of Executive Officers in conducting a Program of Corporate Conduct (Compliance), which consists in the compliance with the internal and external laws and regulations, aligned with the Organization's strategy and its social surroundings.

It is also responsible for establishing standards and subsidizing the Areas in compliance with the issues related to integrity, conflict of interests, ethics, corporate and competitive conduct, anti-corruption, prevention of money laundering and the financing of terrorism, and sanctions (restrictive lists).

- **Customer Call Center (SAC)**

The monitoring of the performance of the Organization against the Rankings of Complaints is of competence of the Ombudsmen of Banco Bradesco and the Grupo Bradesco Seguros, reporting the main events, contributing with changes to the practices and routines to meet the expectations of clients and users.

To ensure the outcome and to stimulate the continuous improvement of processes, products and services, the Ombudsmen interact with the Dependencies and Affiliated Companies, in addition to interacting with the Regulatory Agencies and those of Consumer Rights and Protection.

The Audit Committee holds semiannual meetings with the Ombudsman Areas.

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### ***Audit Committee Report Summary***

- **SUMMARY OF ACTIVITIES – YEAR OF 2018**

The Committee has participated in **302** meetings, especially those with the Board of Directors, with the Fiscal Council, with executives from the areas of Business, Information Technology, of Internal Control, Compliance and Risk Management, with the Internal and Independent Audit, and with the Central Bank of Brazil. The meetings, duly formalized in Minutes, are presented as:

In the scope of Continuing Education, the members of the Committee participate in congresses, seminars and refresher courses and technical/professional development, which totaled 220 hours in 2018.

The Work Plan of the Audit Committee, for the period mentioned, had as its focus the main processes and products inherent to the business of the Bradesco Organization. Among the aspects considered most relevant, we highlight:

- **Allowance for Loan Losses:** impairment – loans and advances portfolio, including guarantees, sureties and debentures;
- **Fair value of financial instruments:** measuring the fair value of derivative instruments, available-for-sale securities and trading, and their impacts when IFRS 9 is applied;
- **Provisions and Contingent Liabilities:** integrity of the database, criteria adopted for the accounting provisions and their respective sufficiencies;

- **Recoverable value of assets – Tax Credits and Premiums:** achievement supported by assumptions and estimates of future profitability based on the business plan and budget prepared by the Management;

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- **Technical Provisions from Insurance, Pension Plans and Capitalization:** premises in adherence to the Actuarial Technical Notes and Pledged Assets (linked to bonds and securities);
- **Relationship with Clients:** regulatory compliance in meeting the consumer service standards: Customer Service (SAC/Ombudsman), Prevention of Money Laundering (PLD) and the Concentration Agreement – Administrative Council for Economic Defense (CADE), Central Bank of Brazil (Bacen), and the Protection and Consumer Rights Program (Procon): commitment signed at the time of acquisition of HSBC;
- **Management of loan portfolios:** evolution of different loan portfolios in the face of the economic framework, renewals, recoveries and concessions of new credits;
- **Compliance:** effectiveness of structures responsible for ensuring compliance with the laws, rules and regulations applicable to the business;
- **Prevention of Money Laundering and Terrorism Financing:** continuous improvement in the management of the Prevention of Money Laundering process (methodologies and tools);
- **Internal Control Systems:** effective action of the first three lines of defense, as to the responsibility of each one in the improvement of the controls adopted, aiming to mitigate the risks inherent to the business processes;
- **Applications and information technology general controls:** change management, security (logical and physical), computing operation and register;
- **Cyber Security Process:** continuous follow-up of security measures, mitigating the associated risks.

- **Internal Audit**

To allow the effective and appropriate monitoring of the activities performed by the Internal Audit, in adherence to the regulations in force, the Audit Committee received information of the highlights of the work carried out, by means of reports and executive overviews, and periodic meetings were also part of the work of the Audit Committee with the Internal Audit.

Upon acknowledgement of the focal points and recommendations, the Audit Committee has followed the remedial measures taken by the Management with the areas audited.

Annually, the function of Internal Audit is submitted to a process of technical evaluation conducted by the Committee, whose results are discussed with the Board of the Internal Audit. This practice of evaluation is one of the important items in the maintenance of the Program for Quality Certification of The Institute of Internal Auditors (IIA), which envisages the continuous improvement of the management of the processes in this Area and in the adoption of best practices (methodologies, tools and management).

**The Internal Audit has responded adequately to the demands of the Audit Committee and to the needs and requirements of the Organization and the Regulatory Agencies.**

- **Independent Audit**

With respect to the Audits of the Financial Statements of Banco Bradesco and Affiliated Companies performed in 2018, conducted by KPMG Auditores Independentes (KPMG), the teams responsible for the assignment presented, in a timely manner, the results and main conclusions to the Audit Committee.

The highlight is the procedure of this Committee, upon acknowledging the relevant aspects involving the evaluation of the accounting systems and internal controls, drawn up in connection with the audits of the Financial Statements, to monitor the implementation of the respective recommendations for the improvement of processes, systems and risk mitigations.

The Audit Committee has evaluated the proposals presented by KPMG to perform Other Services, in relation to the verification of the absence of conflicts of interest or risk of loss of independence.

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### ***Audit Committee Report Summary***

Based on the planning submitted by the Independent Auditors, in subsequent discussions about the results of the assignments and the formal process of "Technical Evaluation of the Independent Audit", **the Committee considers that the assignments were adequate to the business of the Organization.**

- **Management and Monitoring of Risks**

In the meetings in 2018 with the area responsible for the Integrated Control of Risks (DCIR) and other correlated departments of the Bradesco Organization, issues regarding the Matrix of Corporate Risks were dealt with.

For the Market Risks and Liquidity, weekly, the Audit Committee through the reports received, monitors the results of the "trading" portfolio and the limits established by governance for the corresponding Value at Risk (VARs), Minimum Reserves of Liquidity (RML) and Liquidity Coverage Ratio (LCR). The main exposures in currencies, indexes and assets are also reported to the Audit Committee, including the "Banking" Portfolio with the correspondent Economic Value of Equity ( $\Delta$ EVE).

For the Credit Risks, monthly, the Committee meets with the area responsible for the Integrated Control of Risks for assessment of the evolution of the main Loan Portfolios, delinquency levels by individuals, legal entities and their respective Segments, as well as by modalities and sectors of the economy. In these meetings verifications are made as to the sufficiencies of provision, concentration levels and approaches for credit recovery.

- **Compliance and Internal Control System**

The Management of the Internal Control System in the Bradesco Organization is exercised by an Independent Unit of the business areas.

During the year of 2018, the Audit Committee monitored the work of the Department of Integrated Control of Risks (DCIR), in the evaluation of adherence to the Internal Control System and in the identification, monitoring, and management of the more relevant risks.

The evaluations were completed at the time of the meetings with the various business and control areas, with the Independent and Internal Audits, in the monitoring of the main processes, and Management's commitment to act to mitigate risks, and in the continuous improvement of the associated internal controls.

**Assumptions that allow the Audit Committee to recognize that the activities carried out in the context of Compliance and Corporate Internal Control System are properly routed**, considering the size and complexity of the Organization and record as positive, the efforts that have been made to guarantee the efficiency of its operations, of information that generate the financial reports, as well as the compliance with internal and external standards to which the transactions are subjected.

- **Customer Call Center (SAC)**

In the meetings of the area of Ombudsman with the Audit Committee specific situations of complaints via the various Whistle Blowing Channels available were addressed. Details presented regarding the current normatized and practiced procedures in disagreement to such guidelines, with a record of actions sent to Business managers involved with the theme of rectifying such anomalies, which allow, corporately, the improvement of processes and the acculturation of areas in the marketing of products and services of the Bradesco Organization.

- **Financial Statements of Banco Bradesco and Affiliated Companies**

The Committee met with the areas of General Accounting (CG), Planning, Budget and Control (DPOC), Internal Audit (IGL) and Independent Audit (KPMG) to assess the financial statements, the occasion in which the aspects of preparation of balance sheets and individual and consolidated balance sheets, the explanatory notes and the financial reports published were verified.

The accounting practices adopted were also examined, in accordance with the regulations in Brazil, including those issued by the responsible supervisory authorities – Central Bank of Brazil (Bacen), Superintendence of Private Insurance (SUSEP), Securities and Exchange Commission (CVM) and National Supplementary Health Agency (ANS). The Committee reviewed the procedures for the preparation and disclosure of the consolidated





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financial statements prepared in accordance with standards issued by the International Accounting Standards Board (IASB).

Before the disclosure of the Quarterly Information (ITRs) and the balance sheet of December 31, 2018, the Committee met with KPMG to assess the aspects of independence of auditors and the control environment in generating the figures for disclosure.

By recommendation of the Audit Committee for the Grupo Bradesco Seguros (GBS) the practice for the choice of the company responsible for the Actuarial Audit was established, according to the provisions of CNSP Resolution 321/2015, which shall be different than the one responsible for the Financial Statements Audit.

Also, by recommendation of the Audit Committee, the main joint-stock companies in the Bradesco Conglomerate and the Grupo Bradesco Seguros in their Consolidated, will publish their Financial Statements together with the audit reports, including the Key Audit Matters (PAAs).

The Audit Committee held a semiannual meeting with the Board of Directors and with the Fiscal Council, **at which time it presented the results of the work of its activities.**

- **CONCLUSION**

Based on the work, evaluations, reviews, and discussions mentioned above, and taking into account the context and scope of its duties, the **Audit Committee on recognizing that all the relevant issues that they were presented with are adequately disclosed in the Financial Statements and Financial Reports for the fiscal year ended on December 31, 2018**, accompanied by the Report of the Independent Auditors issued with no exceptions, **recommends to the Board of Directors the approval of the mentioned Financial Statements.**

Cidade de Deus, Osasco, SP, January 30, 2019.

**MILTON MATSUMOTO**

**(Coordinator)**

**PAULO ROBERTO SIMOES DA CUNHA**

**(Financial Specialist)**

**WILSON ANTONIO SALMERON GUTIERREZ**

**(Member)**

**PAULO RICARDO SATYRO BIANCHINI**

**(Member)**

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***Fiscal Council Report***

The members of the Fiscal Council, in the exercise of their legal and statutory attributes, have examined the Management Report and the Financial Statements of Banco Bradesco S.A. (Bradesco) for the year ended on December 31, 2018, and based on: (i) the Independent Auditors' Report on that date; (ii) the technical feasibility study for use of deferred tax assets, prepared by Bradesco's Management, in compliance with provisions established by Instruction No. 371/02, of Brazilian Securities and Exchange Commission - CVM; the Resolution No. 3,059/02, of National Monetary Council; and the Circular Letter No. 3,171/02, of the Central Bank of Brazil, whose amounts are recognized in the respective Notes; (iii) the meetings with Independent Auditors; (iv) the reports of the Bradesco's Audit Committee; (v) the document analysis and heavy flow of information received; and (vi) the regular meetings with managers of Bradesco's various areas, came to the conclusion that the stated documents examined reflect the assets, financial status and activities developed by Bradesco during the year of 2018, supporting the Audit Committee's opinion that the internal control is appropriate to the size and complexity of the business, which is structured around internal and external regulations and supported by systems that allow for financial reports, aiming to ensure operational efficiency.

In view of the report, the members of the Fiscal Council are of the opinion that the stated documents examined are ready to be reviewed by the shareholders at the next Bradesco's Annual Shareholders' Meeting.

Cidade de Deus, Osasco, SP, January 30, 2019.

Ariovaldo Pereira

Domingos Aparecido Maia

José Maria Soares Nunes

João Carlos de Oliveira

Walter Luis Bernardes Albertoni

Bradesco .

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For further information, please contact:

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Leandro de Miranda Araújo

Executive Deputy Officer and Investor Relations Officer

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Osasco – SP

Brazil

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 15, 2019

BANCO BRADESCO S.A.

By:

/S/Leandro de Miranda Araujo

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**Leandro de Miranda Araujo**  
**Executive Deputy Officer and**  
**Investor Relations Officer.**

## FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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