GAP INC
Form 8-K
February 12, 2008

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

Form 8-K

Current Report
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): 02/06/2008

The Gap, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 1-7562

Delaware	**94-1697231**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

2 Folsom Street
San Francisco, CA 94105
(Address of principal executive offices, including zip code)

(650) 952-4400
(Registrant s telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

[ ] **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

[ ] **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**

[ ] **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On February 6, 2008, The Gap, Inc. (the "Company") entered into an agreement with Sabrina Simmons, the Company's Executive Vice President and Chief Financial Officer, regarding her employment with the Company. A copy of this agreement is attached hereto as Exhibit 10.1.

Item 9.01. Financial Statements and Exhibits

10.1 Agreement with Sabrina Simmons dated February 4, 2008, and confirmed on February 6, 2008

Signature(s)

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 hereunto duly authorized.

The Gap, Inc.

Date: February 12, 2008

By: /s/ Glenn Murphy

Glenn Murphy
Chairman and Chief Executive Officer

Exhibit Index

Exhibit No.	Description
EX-10.1	Agreement with Sabrina Simmons dated February 4, 2008, and confirmed on February 6, 2008

in; TEXT-INDENT: 35.45pt">The following table shows the average balance and average real interest rates of our sources of funding (interest-bearing, as well as non-interest-bearing) for the periods indicated measured using month-end balances:

R$ in thousands, except %	2018			2017			2016		
Average balance	**% of total**	**Average rate**	**Average balance**	**% of total**	**Average rate**	**Average balance**	**% of total**	**Average rate**	
Interest bearing liabilities									
Interbank deposits	1,212,828	0.1%	11.3%	1,397,862	0.1%	10.9%	1,205,451	0.1%	10
Savings deposits	103,764,844	9.1%	4.5%	96,511,751	8.7%	5.9%	93,598,769	8.6%	7
Time deposits	157,184,020	13.8%	4.0%	122,959,605	11.1%	6.1%	111,471,035	10.3%	7
Obligations for repurchase agreements	211,937,370	18.6%	7.1%	238,407,697	21.6%	9.5%	232,718,923	21.5%	11
Borrowings and onlendings	51,448,829	4.5%	6.2%	58,617,611	5.3%	5.2%	65,927,057	6.1%	5
Funds from securities issued	146,183,351	12.8%	6.2%	138,281,213	12.5%	9.6%	151,629,726	14.0%	11
Subordinated debt	47,741,687	4.2%	7.4%	52,065,114	4.7%	9.8%	52,348,349	4.8%	12
Insurance technical provisions and pension plans	245,141,522	21.5%	5.5%	226,765,103	20.5%	8.0%	198,174,725	18.3%	10
Total interest bearing liabilities	**964,614,451**	**84.6%**	**5.7%**	**935,005,956**	**84.6%**	**8.1%**	**907,074,035**	**83.7%**	**10**
Non interest bearing liabilities									
Demand deposits	32,720,748	2.9%	-	31,014,556	2.8%	-	32,645,961	3.0%	
Other non interest bearing liabilities	142,565,235	12.5%	-	138,586,108	12.5%	-	143,993,002	13.3%	
Total non interest bearing liabilities	**175,285,983**	**15.4%**	**-**	**169,600,664**	**15.4%**	**-**	**176,638,963**	**16.3%**	
Total liabilities	**1,139,900,434**	**100.0%**	**4.8%**	**1,104,606,620**	**100.0%**	**6.8%**	**1,083,712,998**	**100.0%**	**8**

Deposits are our most important source of funding, accounting for 25.9% of average total liabilities in 2018, compared to 22.8% in 2017 and 22.0% in 2016. Our deposits balance over these years progressed in the following manner:

- in 2017, the average balance of our deposits increased by 5.4% in comparison to 2016, mainly due to the increase of 10.3% in the average balance of our time deposits; and

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- in 2018, the average balance of our deposits increased by 17.1% in comparison to 2017, mainly due to the increase of 27.8% in the average balance of our time deposits.

Obligations for repurchase agreements, borrowings and onlendings and funds from securities issued represent an important sources of funding, accounting for 34.5% of total average liabilities in 2018, compared to 39.4% in 2017 and 41.5% in 2016.

The following table shows, as of the dates indicated, our sources of funding and liquidity, as well as other non-interest-bearing liabilities:

As of December 31,	**R$ in thousands**		
	2018	**2017**	**2016**
Interbank deposits	410,975	2,168,625	588,872
Savings deposits	111,170,912	103,332,697	97,088,828
Time deposits	195,398,721	125,617,424	103,137,867
Obligations for repurchase agreements	190,911,877	233,467,544	241,978,931
Borrowings and onlendings	54,851,398	49,291,007	58,196,002
Funds from securities issued	148,029,018	135,174,090	151,101,938
Subordinated debt	53,643,444	50,179,401	52,611,064
Insurance technical provisions and pension plans	251,578,287	239,089,590	215,840,000
Total interest-bearing liabilities	**1,005,994,632**	**938,320,378**	**920,543,502**
Demand deposits	35,318,292	34,088,616	33,420,111
Other non interest bearing liabilities	139,554,670	134,250,742	132,586,836
Total non interest bearing liabilities	**174,872,962**	**168,339,358**	**166,006,947**
Total liabilities	**1,180,867,594**	**1,106,659,736**	**1,086,550,449**

Deposits

Deposits accounted for 29.0% of total liabilities as of December 31, 2018. Our deposits consist of *real*-denominated, interest-bearing time and savings deposits and *real*-denominated, non-interest-bearing demand deposits. For additional information regarding our deposits, see "Item 4.B. Business Overview – Selected Statistical Information – Average deposit balances and interest rates."

Obligations for repurchase agreements

Obligations for repurchase agreements consist mainly of fundings we obtained from banks in the market by selling securities with agreements to repurchase. As of December 31, 2018, we had obligations for repurchase agreements in the amount of R$190,912 million, a decrease of R$42,556 million compared to the balance on December 31, 2017, which was R$233,468 million.

It is important to note the effects of adapting to Resolution No. 4,527/16, which altered the form of using the securities issued by institutions associated to the conglomerate, like the collateral in repurchase agreements, impacting, mainly the balance of debentures.

Borrowings and onlendings

Borrowings consist primarily of funding from lines obtained from banking correspondents for import and export financings. Our access to this source of resources has been continuous, and funding occurs with rates and terms according to market conditions.

Onlendings consist of funds borrowed for local onlending, in which we borrow from Brazilian governmental agencies and entities to make loans to Brazilian entities for investments in facilities, equipment and farming, among others.

As of December 31, 2017, the balance of our borrowings and onlendings totaled R$49,291 million, a decrease of R$8,905 million compared to December 31, 2016. The decrease was due to: (i) a decrease of R$3,639 million in borrowings and onlendings denominated in, or indexed to, foreign currencies, which balance was from R$22,158 million in 2016 to R$18,519 million in 2017; (ii) the decrease in the funds raised via borrowings and onlendings in the country, mainly through Finame and BNDES operations.

As of December 31, 2018, the balance of our borrowings and onlendings totaled R$54,851 million, an increase of R$5,560 million compared to December 31, 2017. The increase resulted primarily from the increase of R$11,162 million in borrowings and onlendings abroad of R$18,519 million in 2017 to R$29,681 million in 2018.

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Funds from securities issued

Funds from securities issued consist of: (i) financial notes (*letras financeiras*); (ii) real estate credit notes; (iii) agribusiness notes (*letras de agronegócio*); (iv) euronotes; and (v) securities issued through securitization.

As of December 31, 2017, our funds from securities issued totaled R$135,174 million, a decrease of R$15,928 million compared to December 31, 2016. The decrease in our funds from securities issued was influenced by: (i) the decrease of R$14,943 million in funds from the issuance of financial notes; (ii) the decrease of R$2,831 million of operations abroad; and partially offset by: (iii) the increase of R$1,857 million in agribusiness notes.

As of December 31, 2018, our funds from securities issued totaled R$148,029 million, an increase of R$12,855 million compared to December 31, 2017. The increase in our funds from securities issued was influenced by: (i) the increase of R$10,435 million in funds from the issuance of financial notes; and (ii) the increase of R$2,135 million in agribusiness notes. It is important to note that in 2018 we captured guaranteed real estate bonds, which are notes guaranteed by a portfolio of real estate loans, according to the requirements determined by Resolution No. 4,598/17 of Central Bank.

Subordinated debt

The subordinated debts totaled R$50,179 million in December 2017, a 4.6% decrease, or R$2,432 million compared to 2016, due to the maturity of subordinated debts in the period.

The subordinated debts totaled R$53,643 million in December 2018, a 6.9% increase, or R$3,464 million compared to 2017, due to the issuance of new subordinated debts in the period.

Sources of additional liquidity

From the implementation of the New Brazilian Payment System in April 2002, the Central Bank has offered a credit line from the portfolio of government securities issued by the National Treasury to provide liquidity to financial institutions, which is defined as re-discount (or "*Redesconto*"). This line can be used in the "intra-day" condition, or for a longer term negotiated with the Central Bank, which discloses the differentiated prices for the acceptance of these securities as collateral.

There is also a traditional re-discount line, where financial institutions offer assets represented by credit transactions or illiquid securities. In this case, the institution will open formal proceedings with the Central Bank, presenting the reasons for the request, projected cash flow, liquidity recovery plan, as well as detailing the assets to be re-discounted and the proposed payment flow to the Central Bank.

The Central Bank, upon analysis, will decide whether or not to release the liquidity line, costs, and other measures deemed necessary.

Bradesco has never used these liquidity resources.

Cash flow

In 2018, 2017 and 2016, our cash flow was affected by our business strategy and alterations in the Brazilian economic environment. The following table shows the principal variations in cash flows during the periods indicated:

For the year ended December 31,	**R$ in thousands**		
	2018	**2017**	**2016**
Net cash provided by (used in) operating activities	(6,497,318)	35,551,788	53,959,218
Net cash provided by (used in) investing activities	(34,485,022)	(18,229,963)	9,152,341
Net cash provided by (used in) financing activities	(5,598,241)	(43,304,122)	(23,524,819)
Net increase (decrease) in cash and cash equivalents	**(46,580,581)**	**(25,982,297)**	**39,586,740**

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2018

In 2018, we had a net decrease of R$46,581 million in cash and cash equivalents due to net cash used in investing activities, in the amount of R$34,485 million, in operating activities, in the amount of R$6,497 million and in financing activities, in the amount of R$5,598 million.

In 2018, cash used in our operating activities, in the amount of R$6,497 million, is related: (i) to our income before tax, in the amount of R$19,442 million; and (ii) to adjustments of reconciliation, in the amount of R$52,627 million, which were fully offset by: the net negative variations in assets and liabilities, in the amount of R$78,566 million, among which we highlight: (a) the increase of loans and advances to clients, in the amount of R$112,862 million; (b) the growth of R$30,302 million of other assets; (c) the increase of R$20,883 million in Central Bank compulsory deposits, which were partially offset by: (d) a net increase of R$88,660 million in the deposits from customers; and (e) by the amount of R$33,847 million, related to collected interest, net of the paid interest.

In 2018, cash used in our investing activities, resulted from (i) the acquisition, net of maturities, of financial assets at amortized cost, in the amount of R$48,960 million; and (ii) the acquisition, net of disposals, of property, equipment and intangible assets, in the amount of R$5,081 million, which were partially offset: (i) by the receipt of interest and dividends, in the amount of R$18,897 million and (ii) by the receipts from disposal, net of the acquisitions, of financial assets at fair value through other comprehensive income, in the amount of R$465 million.

In 2018, cash used in our financing activities is a result of interest paid and interest on capital and dividends payment, in the amount of R$23,526 million, which were partially offset: (i) by the issuance of securities, net of security issuance payments, in the amount of R$16,216 million; and (ii) by the issuance of subordinated debt net of payments of subordinated debt, in the amount of R$1,709 million.

2017

In 2017, we had a net decrease of R$25,982 million in cash and cash equivalents due to net cash used in financing activities, in the amount of R$43,304 million; and investing activities, in the amount of R$18,230 million. These decreases were partially offset by the net increase in cash provided by our operating activities, in the amount of R$35,552 million.

In 2017, cash provided by our operating activities, in the amount of R$35,552 million, is related to: (i) our income before tax, in the amount of R$23,744 million and adjustments of reconciliation, in the amount of R$56,901 million, totaling R$80,645 million, partially offset; and (ii) variations in asset and liability, in the amount of R$45,093 million, highlighting: (a) the increase, in the amount of R$59,579 million, of loans and advances to clients; (b) growth of financial assets for trading, in the amount of R$23,089 million; (c) the decrease, in the amount of R$11,556 million, in technical reserves from insurance and pension plans; (d) an increase in Central Bank compulsory deposits, in the amount of R$8,678 million; and (e) income tax and social contribution paid, in the amount of R$8,575 million; partially offset by interest received/paid, in the amount of R$34,489 million and increase of deposits from clients, in the amount of R$36,854 million.

In 2017, cash provided by our investing activities, resulted from (i) the net acquisition/disposal of financial assets available for sale, in the amount of R$31,427 million; (ii) acquisition/disposal of property, equipment and intangible assets, in the amount of R$5,197 million, partially offset by: (iii) cash resulting from the maturity, and investments held to maturity, in the amount of R$4,219 million; and (vi) the receipt of interest and dividends, in the amount of R$12,819 million.

In 2017, cash used in our financing activities is a result of: (i) interest paid and interest on capital and dividends payment, in the amount of R$30,978 million; (ii) costs associated with the issuance of securities, net of payment, in the amount of R$10,257 million; and (iii) the payment of subordinated debt, in the amount of R$8,666 million, partially offset by the issuance of subordinated debt, in the amount of R$6,595 million.

2016

In 2016, we had a net increase of R$39,587 million in cash and cash equivalents due to net cash provided by operating activities, in the amount of R$53,959 million; and investing activities, in the amount of R$9,152 million. These increases were partially offset by the net decrease in cash used in our financing activities, in the amount of R$23,525 million.

In 2016, cash provided by our operating activities, including adjustments to income, resulted primarily from (i) interest paid/received, in the amount of R$25,777 million; (ii) lower compulsory deposits with the Central Bank in the amount of R$11,651 million; (iii) a reduction in loans and advances to financial institutions, in the amount of R$10,368 million; (iv) a decrease in financial assets held for trading, in the amount of R$9,700 million; and (v) variation in insurance technical provisions and pension plans, in the amount of R$32,782 million. These events were partially offset by an increase: (i) in loans and advances to customers, in the amount of R$49,649 million; and (ii) in financial assets held for trading, in the amount of R$40,248 million.

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Cash provided by our investing activities, resulted from (i) interest received in the amount of R$12,668 million; and (ii) the net acquisition/disposal of financial assets available for sale, in the amount of R$7,428 million. These events were partially offset by: (i) the acquisition of subsidiaries, net of cash and cash equivalents paid/received, in the amount of R$7,189 million; and (ii) the acquisition of fixed assets used, equipment and intangible assets in the amount of R$5,123 million.

Cash used in our financing activities is a result of interest paid and interest on capital and dividends payment, in the amount of R$26,116 million; partially offset by the issuance of subordinated debt, in the amount of R$3,787 million.

Capital compliance - Basel III

The G20's December 2010 conference voted to institute a package of measures (known as "Basel III") that had been proposed by the Basel Committee on Banking Supervision to remedy deficiencies revealed by the 2008 economic crisis. The purpose of this reform is to enhance capital and liquidity management rules for financial institutions, thus strengthening the banking sector and dampening the impact of financial crises and their consequences for the real economy.

The first measure requires financial institutions to strengthen their capital levels. Common equity primarily comprises share capital (non-redeemable non-cumulative common and preferred shares), plus retained earnings, less amounts related to regulatory adjustments (tax credits, goodwill paid on acquisition of investments and deferred fixed assets, among others). After allowing for all deductions, Basel III will require banks to hold: (i) a common equity ratio of at least 4.5%; (ii) a Tier I capital ratio of at least 6.0%; and (iii) a minimum total capital ratio of 8.0%.

In January 2011, the Basel Committee on Banking Supervision ("BCBS") published a document known as the "January 13 Annex" in which it extended Basel III rules with additional requirements applicable to Tier I and II Capital. Under the January 13 Annex rules, a capital instrument issued by a bank must include a provision enabling the competent regulatory body to either cancel this instrument, or convert it to common shares on the occurrence of a "trigger event." A "trigger event" is whichever of the following occurs first: (i) a decision that a cancellation is necessary, without which the bank would become insolvent; and (ii) the decision to make a public capital injection, or equivalent subsidy, without which the bank would become insolvent. These additional requirements will apply to all instruments issued after January 2013; otherwise, any qualified instruments issued before that date and which do not meet the additional requirements (although meeting other requirements as of the date of the issuance) will be gradually deducted from capital measurement for a period of ten years as of 2013.

In June 2011, the BCBS released the report "Basel III: A global regulatory framework for more resilient banks and banking systems – revised." The revised version of Basel III regulations aims at improving the quality and quantity of financial institutions capital, with the purpose of making the financial system more resilient and reducing risks and costs. This Accord reflects a continuing change towards the improvement of the prudential structure applicable to financial institutions, with the main elements being the regulatory capital and the amount of allocated capital.

Basel III recommendations stipulate altered capital requirements for counterparty credit risk, both for the standard approach and for internal risk rating based approaches (“IRBs”), in order to ensure inclusion of material risks in capital structure.

The Basel III Accord recommends implementation of a leverage ratio as a supplementary capital measure. This ratio, together with the Basel Ratio, aims to limit a financial institutions’ risk exposure. It also assesses leverage through the ratio between Tier I capital and book value assets plus off-balance exposure (overdraft facilities, sureties, guarantees and derivatives).

Furthermore, in order to determine minimum requirements for quantitative liquidity of financial institutions, Basel III proposes two liquidity ratios: a short-term (LCR) and a long-term one (NSFR).

The purpose of the short-term liquidity ratio (Liquidity Coverage Ratio, or “LCR”) is to show that institutions maintain sufficient high-liquidity funds to withstand a one-month financial stress scenario. The purpose of the long-term liquidity ratio (Net Stable Funding Ratio, or “NSFR”) is to encourage institutions to finance their activities from more stable sources of funding. Basel III has set forth the requirement of a ratio of more than 100% for the LCR, with a minimum value of 60% in 2015 and an increase of 10 percentage points *per annum* until it reaches the minimum of 100% from January 2019 and the NSFR from January 2018.

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In December 2017, the BCBS approved the final reforms of Basel III: Finalizing post – crisis reforms – BIS. The reforms had two stages, the first one contemplated: (i) improving the quality of the regulatory capital; (ii) raise levels of capital; (iii) improvement of the measurement and weight of risks, including global standards of market risk, counterparty credit risk and securitization; (iv) aggregation of macro-prudential elements, such as capital buffers in the regulatory framework; (v) restriction for the excessive leverage of banks; and (vi) introduction of the indicators of control of liquidity risk. The second step complemented the overall regulatory improvements, aiming to restore credibility in the calculation of risk-weighted assets (RWA) and allow greater comparability between financial institutions by means of: (i) increase of the sensitivity to the risk of standardized approaches for credit risk, credit valuation adjustment (CVA) and operational risk; (ii) restriction for the use of the internal model, with limits on certain parameters used to calculate the capital requirements for credit risk and removal of the use of approaches of the internal model for the risk of CVA and operational risk; (iii) introduction of a leverage ratio buffer for important global banks (G-SIBs); and (iv) replacement of the existing standard in Basel II with standard more sensitive to risk.

Brazil has been a member of the BCBS since late 2009 and has adopted Basel III proposals. The Central Bank issued Notice No. 20,615/11 on preliminary guidelines and schedules for implementing recommendations on capital structure and liquidity requirements. According to this communication, the regulator intended to bring forward the implementation of several measures.

In June 2011, CMN published Resolution No. 3,988/11, which states that the Brazilian financial institutions should implement a capital management structure compatible with the nature of their operations, the complexity of the products and services offered and their risk exposure. This Resolution was revoked by CMN Resolution No. 4,557/17, which established a series of rules on the subject and that details the operation of the structure of continuous and integrated management of risks and structure for the ongoing management of capital. According to the rule, the management structures must be: (i) compatible with the business model, with the nature of the operations and with the complexity of the products, services, processes and activities of the institution; (ii) proportional to the size and relevance of exposure to risks, according to the criteria defined by the institution; (iii) appropriate to the risk profile and systemic importance of the institution; and (iv) capable of assessing the risks arising from macroeconomic conditions and markets in which the institution operates. Capital management is defined as a continuous process of (i) monitoring and controlling the financial institution’s capital; (ii) calculating the capital need in view of the risks to which the financial institution is exposed to; and (iii) planning goals and capital requirements considering the strategic objectives of the institution. Financial institutions shall disclose to the general public a report describing its capital management structure at least on an annual basis.

Under the Central Bank's preliminary rules, Brazil would follow the international schedule for gradually adopting capital requirements and definitions over the coming years. The original schedule proposed by the Central Bank was planned to begin in January 2013. However, it was postponed to March 2013 and the final term for the implementation of the referred rules is January 2019.

Provisional Measure No. 608/13, enacted in February 2013, sets forth the regulatory measures that Brazil has been adopting to adhere to the recommendations of Basel III, which was converted into Law No. 12,838/13. This rule changes the provision for capital to be recognized by financial institutions, addressing presumed credit and credit securities and instruments issued by financial institutions to comprise their Capital. It also states that the distribution of dividends to shareholders of financial institutions is subject to compliance with the prudential rules established by CMN.

In March 2013, the Central Bank published four Resolutions and 15 Circulars, by way of which it implemented the recommendations from the BCBS. In line with international recommendations and current practice, the minimum capital level was determined as a percentage of risk-weighted assets.

In accordance with the rules set forth by the CMN Resolution No. 4,192/13, the Capital of a financial institution consists of Tier I Capital plus Tier II Capital and is used when setting its operating limits.

Tier I Capital is aimed at helping the bank remain solvent, that is, remain a going concern. Tier II Capital is contingent capital, subject to conversion into equity in case of insolvency. When Basel III rules came into effect, Tier I Capital was broken down into two categories: Common Equity, comprising by shares and reserves; and Additional Capital, comprising instruments that are analogous to hybrid capital and debt instruments.

CMN Regulations that introduced Basel III rules in Brazil are stricter and more comprehensive when defining instruments eligible for inclusion in each capital category and set forth the deductions of some items, from Common Equity, Additional Capital and Tier II Capital.

Following the recommendations of Basel III, the CMN Resolution No. 4,193/13 introduced the Additional Common Equity, comprised by the Common Equity Conservation Buffer, Common Equity Countercyclical Buffer (“ACCPBrasil”), and Common Equity Systemically Importance Buffer. Under this Resolution, the value of the Common Equity Conservation Buffer and the ACCPBrasil will gradually increase, starting from 0.625% as from January 2016 and reaching up to 2.5% as from January 2019. The Common Equity Systemically Importance Buffer will gradually increase from 0.5% as from January 2017 to up to 2.0% as from January 2019. Moreover, the Central Bank is to determine the calculation methodology for the ACCPBrasil and the Common Equity Systemically Importance Buffer. The Central Bank’s Circular No. 3,768/15 established the methodology for calculating the Additional Portion of Systemic Importance of the Principal Capital, which corresponds to the multiplication between the assets weighted by risk and the annual factor of systemic importance ("FIS"). The value of the FIS, in turn, is defined based on the ratio between the value of the total exposure and the value of the GDP, considering the following gradation: (i) if the reason for total exposure/GDP is less than 10.0%, the value of the FIS is zero; (ii) if the reason for total exposure/GDP is equal to or greater than 10.0% and less than 50.0%, the FIS will vary from 0.25% from January to December 2017, and 1.0% from January 2019; and (iii) if the reason for total exposure/GDP is greater than 50.0%, the FIS will vary from 0.5% from January to December 2017, and 2.0% from January 2019. Now according to the Central Bank’s Circular No. 3,769/15, the amount of the ACCPBrasil must not exceed 1.25% of risk-weighted assets, in the period between January and December 2017. In addition, Article 3 of this same circular, established that the value of ACCPBrasil is equal to 0%, thus remaining subject to subsequent revaluations of the regulator.

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Under normal market conditions, financial institutions must hold excess capital in relation to the minimum requirements in an amount greater than additional Common Equity, as defined. Failure to comply with additional Common Equity rules will lead to restrictions affecting distribution of dividends, bonuses, earnings, profit sharing and incentive compensation geared to the performance of institutions' managements.

In October 2015, the CMN Resolution No. 4,401/15 came into effect. It defines the Leverage Ratio ("LCR"), which should be monitored on a daily basis, as the ratio between the high liquidity assets and the total cash outflows foreseen for a 30-day period under stress conditions. The main purpose of the LCR is to ensure the existence of a minimum number of net assets in normal market conditions to be used in periods of higher shortage or necessary liquidity in order to maintain the business ongoing and insure the stability of the financial system.

In relation to liquidity risk, the CMN and the Central Bank published the Resolution No. 4,616/17 and the Circular No. 3,869/17 about the index of Long-Term Liquidity Risk (NSFR) which establish, respectively, the minimum limit/compliance conditions and the methodology for calculation and disclosure of information to the market. Both rules will be in effect from on October 1, 2018. From January, 1st, 2020, Central Bank Circular No. 3,930/19, will come into force revoking part of the Circular No. 3,869/17 changing the standards on disclosure of NSFR ratio.

Under the rule currently in effect, CMN Resolution No. 4,193/13, Brazilian financial institutions must hold a capital base (Regulatory Capital - "RC") of 8.625% or more of total RWA (Basel ratio) from January 2018 to December 2018 and since January 2019, the mandatory RC shall be equal to or higher than 8%, and calculated using specific criteria determined by the Central Bank. The calculation of the RC is subject to various deductions, including weighting factors that vary according to the nature of the asset. As of December 31, 2018, our Basel ratio was 17.8% of total RWA, which is higher than the 11.0% level required by the Central Bank until December 2018.

In December 2018, CMN Resolution No. 4,703/18 that increase the instruments that should be deducted from the Common Equity, the Additional Capital or Tier II Capital as applicable. In addition to, this Resolution included limits to this deduction and established the value that exceeds its share of Capital should be deducted from: (i) both the Additional Capital and Common Equity or from the Common Equity, in this order, instruments eligible for Tier II or others financial instruments approved to Tier I or Tier II; (ii) Common Equity, in the case of instruments eligible for Additional Capital.

The following table shows our capital positions as a percentage of total risk-weighted assets:

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As of December 31,	In % Basel III Prudential Consolidated		
	2018	2017	2016
Tier I Capital	13.7%	13.1%	12.0%
Common Equity	12.3%	12.3%	11.2%
Additional Capital	1.4%	0.8%	0.8%
Total Ratio	**17.8%**	**17.1%**	**15.4%**

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Capital Management

The Capital Management structure aims to provide conditions to the follow-up and control of our capital, thus contributing to the achievement of the strategic goals established, through the accurate planning of the capital sufficiency. In addition to the Executive Committees and a Non-Statutory Committee, which support our Board of Directors and our *Diretoria Executiva* in the decision-making process, we have an area responsible for Capital Management reporting to the Planning, Budget and Control Department, and which operates together with the Integrated Risk Control Department, affiliated companies, business areas and our various support areas.

The capital plan, which comprehends a prospective vision of at least three years, is prepared on an annual basis, and is approved by our *Diretoria Executiva* and our Board of Directors, continually monitored and controlled by the capital management area. Any threats and opportunities, growth and market share targets, as well as projected capital needs, are included in the preparation of the plan to cover risks, as well as the capital held by us. In addition, the internal capital adequacy assessment process (ICAAP) provides conditions for the assessment of sufficiency of capital, taking into account different scenarios (baseline and stress) and allows for the anticipation of capital and contingency activities to be adopted for the respective scenarios.

Recovery Plan for Systematically Relevant Financial Institutions

In the context of the ongoing process of adoption in Brazil of the international regulatory best practices, on June 30, 2016, CMN Resolution No. 4,502/16 was published, as amended by CMN Resolution No. 4,704/18, establishing the minimum requirements to be observed in the preparation and execution of recovery plans by financial institutions and other institutions authorized to operate by the Central Bank. The main objective of CMN Resolution No. 4,502/16 is to restore adequate levels of capital and liquidity and preserve the feasibility of such institutions, thereby ensuring the robustness, stability and smooth operation of the National Financial System.

Interest rate sensitivity

Management of interest rate sensitivity is a key component of our asset and liability policy. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is considered balanced when an equal amount of these assets or liabilities matures or re-prices in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes loss sensitivity and normally means that a decline in interest rates would have a negative effect on net interest income. Conversely, a positive gap denotes gain sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income. These relationships can change significantly from day to day as a result of both market forces and Management decisions.

Our interest rate sensitivity strategy takes into account:

- rates of return;
- the underlying degree of risk; and
- liquidity requirements, including minimum regulatory banking reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds.

We monitor our maturity mismatches and positions and manage them within established limits. The positions are analyzed and reconsidered every second and fourth Friday of each month in our Treasury Executive Committee for Asset and Liability Management.

The following table shows the maturities of our interest-earning assets and interest-bearing liabilities as of December 31, 2018 and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the re-pricing periods presented due to differing re-pricing dates. Variations may also arise among the different currencies in which interest rate positions are held.

			R$ in thousands, except %				
December 31, 2018	**Up to 30 days**	**31 – 180 days**	**181 – 360 days**	**1 – 5 years**	**Over 5 years**	**Indefinite**	
Interest earning assets							
Financial assets at fair value through profit or loss	2,123,043	3,062,646	1,927,937	157,104,953	60,027,004	3,668,636	
Financial assets at fair value through other comprehensive income	17,524,982	44,288,649	14,212,200	67,290,177	23,931,049	-	
Financial Assets at Fair Value through Profit or Loss	1,040,454	2,361,956	855,476	91,922,854	44,423,998	-	
Loans and advances to banks	32,770,492	68,354,830	1,831,146	2,292,482	-	-	
Loans and advances to customers (1)	42,291,218	41,373,896	44,241,743	177,457,623	52,158,953	90,535,176	
Compulsory deposits with the Central Bank	80,448,189	-	-	-	-	-	
Other assets	29,524,094	134,393	131,233	11,910,297	2,193,292	-	
Total interest earning assets	**205,722,472**	**159,576,370**	**63,199,735**	**507,978,386**	**182,734,296**	**94,203,812**	**1,**
Interest bearing liabilities							
Deposits from banks (2)	191,995,907	20,377,472	13,489,852	15,646,679	4,664,340	-	
Savings deposits (3)	111,170,912	-	-	-	-	-	
Time deposits	8,697,190	15,639,175	42,076,109	128,986,247	-	-	
Funds from securities issued	2,598,083	29,410,415	34,192,057	81,108,678	719,785	-	
Subordinated debt	7,059	149,894	6,305,187	22,492,556	15,434,005	9,254,743	
Insurance technical provisions and pension plans (3)	216,282,259	2,347,327	939,034	32,009,667	-	-	
Total interest bearing liabilities	**530,751,410**	**67,924,283**	**97,002,239**	**280,243,827**	**20,818,130**	**9,254,743**	**1,**
Asset/liability gap	(325,028,938)	91,652,087	(33,802,504)	227,734,559	161,916,166	84,949,069	

Cumulative gap	(325,028,938)	(233,376,851)	(267,179,356)	(39,444,796)	122,471,370	207,420,439
Ratio of cumulative gap to total interest earning assets	(26.8)%	(19.2)%	(22.0)%	(3.3)%	10.1%	17.1%

(1) For indefinite operations, it refers to credit card operations;
(2) including: obligations for repurchase agreements, borrowings, onlendings and interbank deposits; and
(3) Savings deposits and insurance technical provisions and pension plans are classified as up to 30 days, without c
average historical turnover.

Exchange rate sensitivity

Most of our operations are denominated in *reais*. Our policy is to avoid material exchange rate mismatches. However, at any given time, we generally have outstanding long-term debt denominated in and indexed to foreign currencies, principally the U.S. dollar. As of December 31, 2018, our net foreign currency liability exposure, considering derivative financial instruments, was R$48,177 million, or 38.6% of shareholders' equity. Consolidated net foreign currency exposure is the difference between total foreign currency-indexed or -denominated assets and total foreign currency-indexed or -denominated liabilities, including derivative financial instruments.

Our foreign currency position arises mainly through our purchases and sales of foreign currencies (mainly U.S. dollars) from Brazilian exporters and importers, from other financial institutions on the interbank market, and on the spot and forward currency markets. The Central Bank regulates our maximum outstanding long and short foreign currency positions.

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As of December 31, 2018, the composition of our assets, liabilities and equity by currency and term was as set out in the table below. Our foreign currency assets are largely denominated in *reais* but are indexed to foreign currencies, principally the U.S. dollar. Most of our foreign currency liabilities are denominated in foreign currencies, principally the U.S. dollar.

	R$ in thousands, except %			
December 31, 2018	**R$**	**Foreign currency**	**Total**	**Foreign currency as % of total**
Assets				
Cash and balances with banks	102,331,967	4,877,776	107,209,743	4.5%
Financial assets at fair value through profit or loss				
Less than one year	9,962,464	2,509,161	12,471,625	20.1%
From one to five years	164,553,949	-	164,553,949	-
More than five years	57,673,097	4,317,506	61,990,603	7.0%
Indefinite	6,825,864	319,109	7,144,973	4.5%
Financial assets at fair value through other comprehensive income	-			
Less than one year	74,200,151	1,563,675	75,763,826	2.1%
From one to five years	59,160,822	8,129,355	67,290,177	12.1%
More than five years	22,721,087	1,345,963	24,067,050	5.6%
Indefinite	10,929,483	-	10,929,483	-
Financial assets at amortized cost	-			
Less than one year	3,906,668	351,218	4,257,886	8.2%
From one to five years	91,922,854	-	91,922,854	-
More than five years	44,423,998	-	44,423,998	-
Financial assets pledged as collateral	**-**	**-**	**-**	**-**
Loans and advances to banks	**103,425,618**	**1,823,332**	**105,248,950**	**1.7%**
Loans and advances to customers				
Less than one year	186,737,836	19,374,774	206,112,610	9.4%
From one to five years	113,473,124	11,808,183	125,281,307	9.4%
More than five years	46,838,698	2,154,461	48,993,159	4.4%
Non-current assets available for sale	**1,307,350**	**45,980**	**1,353,330**	**3.4%**

Investments in associates and joint ventures	**8,125,799**	**-**	**8,125,799**	**-**
Property and equipment, net of accumulated depreciation	**8,805,741**	**21,095**	**8,826,836**	**0.2%**
Intangible assets and goodwill, net of accumulated amortization	**16,113,265**	**15,283**	**16,128,548**	**0.1%**
Taxes to be offset	**13,435,287**	**62,977**	**13,498,264**	**0.5%**
Deferred income tax assets	**48,643,719**	**38,850**	**48,682,569**	**0.1%**
Other assets	-			
Less than one year	18,038,678	17,194,852	35,233,530	48.8%
From one to five years	12,407,304	166,183	12,573,487	1.3%
More than five years	3,000,301	458,857	3,459,158	13.3%
Total	**1,228,965,124**	**76,578,590**	**1,305,543,714**	**5.9%**
Percentage of total assets	94.1%	5.9%	100.0%	

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December 31, 2018	R$ in thousands, except %			
	R$	Foreign currency	Total	Foreign currency as % of total
Liabilities and Shareholders' Equity				
Deposits from banks (1)				
Less than one year	190,324,425	36,678,536	227,002,961	16.2%
From one to five years	12,781,921	2,864,758	15,646,679	18.3%
More than five years	4,569,757	94,582	4,664,339	2.0%
Deposits from customers				
Less than one year	196,860,949	14,900,999	211,761,948	7.0%
From one to five years	128,712,175	247,603	128,959,778	0.2%
More than five years	26,470	-	26,470	-
Financial liabilities at fair value through profit or loss	-	-		-
Less than one year	14,774,628	827,972	15,602,600	5.3%
From one to five years	(314,481)	491,510	177,029	277.6%
More than five years	372,458	-	372,458	-
Funds from securities issued				
Less than one year	65,428,435	1,094,802	66,523,237	1.6%
From one to five years	77,519,791	3,269,073	80,788,864	4.0%
More than five years	680,272	36,645	716,917	5.1%
Subordinated debt				
Less than one year	3,269,108	3,193,031	6,462,139	49.4%
From one to five years	12,044,400	10,448,157	22,492,557	46.5%
More than five years	24,688,748	-	24,688,748	-
Insurance technical provisions and pension plans	**251,564,353**	**13,934**	**251,578,287**	**0.0%**
Other provisions	**23,073,063**	**-**	**23,073,063**	**-**
Current income tax liabilities	**2,368,143**	**5,118**	**2,373,261**	**0.2%**
Deferred income tax liabilities	**1,200,522**	**67**	**1,200,589**	**0.0%**
Other liabilities (2)				
Less than one year	80,928,290	7,020,141	87,948,431	8.0%
From one to five years	4,878,786	28,631	4,907,417	0.6%
More than five years	3,879,112	20,710	3,899,822	0.5%
Shareholders' Equity	**124,676,120**	**-**	**124,676,120**	**-**
Total	**1,224,307,445**	**81,236,269**	**1,305,543,714**	**6.2%**
Percentage of total liabilities and shareholder's equity	**93.8%**	**6.2%**	**100.0%**	

(1) including: obligations for repurchase agreements, borrowings, onlendings and interbank deposits; and

(2) Other liabilities, whose primary components provision for contingent liabilities, are not a source of funding.

Derivative financial instruments are presented in the table below on the same basis as presented in the consolidated financial statements in "Item 18. Financial Statements."

Our cash and cash equivalents in foreign currency are represented principally by U.S. dollars. Amounts denominated in other currencies, which include Euros and Yen, are indexed to the U.S. dollar through currency swaps, effectively limiting our foreign currency exposure to U.S. dollars only.

Exchange rate sensitivity

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We enter into short-term derivative contracts with selected counterparties to manage our overall exposure, as well as to assist customers in managing their exposures. These transactions involve a variety of derivatives, including interest rate swaps, currency swaps, futures and options. For more information regarding these derivative contracts, see Note 23 of our consolidated financial statements in "Item 18. Financial Statements." As of December 31, 2018, the composition of notional reference and/or contracted values and fair values of trading derivatives held by us is presented below:

December 31, 2018		R$ in thousands Notional Value	
	R$	Foreign currency	Total
Derivatives			
Interest rate futures contracts			
Purchases	183,952,954	-	183,952,954
Sales	129,207,143	-	129,207,143
Foreign currency futures contracts			
Purchases	-	53,491,092	53,491,092
Sales	-	65,531,388	65,531,388
Futures contracts - other			
Purchases	300,160	-	300,160
Sales	288,801	-	288,801
Interest rate option contracts			
Purchases	37,543,735	-	37,543,735
Sales	37,032,836	-	37,032,836
Foreign currency option contracts			
Purchases	-	15,102,480	15,102,480
Sales	-	11,637,761	11,637,761
Option contracts - other			
Purchases	830,352	-	830,352
Sales	723,729	-	723,729
Interest rate forward contracts			
Purchases			
Foreign currency forward contracts			
Purchases	-	12,488,149	12,488,149
Sales	-	18,609,950	18,609,950
Forward contracts - other			
Purchases	896,288	-	896,288
Sales	603,890	-	603,890
Swap contracts			
Asset position			
Interest rate swaps	57,751,559	-	57,751,559
Currency swaps	-	15,551,428	15,551,428
Liability position			
Interest rate swaps	32,737,145	-	32,737,145

Exchange rate sensitivity

Currency swaps	-	23,368,049	23,368,049

Capital expenditures

In the past three years, we have made, and expect to continue to make moving forward, significant capital expenditures related to improvements and innovations in technology and the Internet designed to maintain and expand our technology infrastructure in order to increase our productivity, accessibility, cost efficiency and our reputation as a leader in technological innovation in the financial services sector. We have made significant capital expenditures for systems development, data processing equipment and other technology designed to further these goals. These expenditures are for systems and technology for use both in our own operations and by customers.

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The following table shows our capital expenditures accounted for as fixed assets in the periods shown:

	R$ in thousands		
	2018	**2017**	**2016**
Infrastructure			
Land and buildings	426,911	140,356	95,401
Installations, properties and equipment for use	1,311,526	680,829	1,086,811
Security and communications systems	39,006	31,874	27,100
Transportation systems	2,799	4,228	3,473
SubTotal	**1,780,242**	**857,287**	**1,212,785**
Information Technology			
Data processing systems	1,791,316	1,936,656	2,405,093
Financial leasing of data processing systems	607,177	655,407	633,680
SubTotal	**2,398,493**	**2,592,063**	**3,038,773**
Total	**4,178,735**	**3,449,350**	**4,251,558**

During 2018, we made investments in the amount of R$4,179 million, R$1,780 million of which were related to infrastructure and R$2,399 million related to information technology.

We believe that capital expenditures in 2019 and 2020 will not be substantially greater than historical expenditure levels and anticipate that in accordance with our practice during recent years, our capital expenditures in 2019 and 2020 will be funded from our own resources. No assurance can be given, however, that the capital expenditures will be made and, if made, that such expenditures will be made in the amounts currently expected.

5.C. Research and Development, Patents and Licenses

Not applicable.

5.D. Trend Information

For more information, see "Forward-looking Statements" and "Item 3.D. Risk Factors," where we present the risks we face in our business that may affect our commercial activities, operating results or liquidity.

5.E. Off-balance sheet arrangements

See "Item 5.A. Operating Results – Critical accounting policies – off-balance sheet financial guarantees."

5.F. Tabular Disclosure of Contractual Obligations

See "Item 5.A. Operating Results – Critical accounting policies – Commitments and contingencies."

5.G. Safe Harbor

Not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Board of Directors and Board of Executive Officers

We are managed by our Board of Directors and our Board of Executive Officers. The Board of Directors establishes our corporate strategy and policies and supervises and monitors the Board of Executive Officers. In turn, the Board of Executive Officers implements the strategy and policies set by the Board of Directors and is responsible for our day-to-day management.

Our Board of Executive Officers currently comprises (i) the *Diretoria Executiva* and (ii) our Officers, Department Officers and Regional Officers. The *Diretoria Executiva* consists of one Chief Executive Officer, four Vice-Presidents, seven Managing Officers and seven Deputy Officers.

Our eight-member Board of Directors meets six times during the year and on an extraordinary basis whenever necessary. It is responsible for:

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- establishing our corporate strategy;
- reviewing our business plans and policies; and
- supervising and monitoring the activities of our Board of Executive Officers.

Our Audit Committee, among other designations, is in charge of approving the engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

The *Diretoria Executiva* meets weekly and is responsible for:

- implementing the strategy and policies established by our Board of Directors; and
- managing our day-to-day business.

Several members of our Board of Directors and the *Diretoria Exe*cutiva also perform senior management functions at our subsidiaries, including BRAM, Bradesco Financiamentos, Bradesco Consórcios, Bradesco BBI, Bradesco Leasing, BEM DTVM, Bradesco Cartões, Bradesco Seguros and subsidiaries. Each of these subsidiaries has an independent management structure.

Pursuant to Brazilian law, the election of all members of our Board of Directors and Board of Executive Officers are subject to approval by the Central Bank.

We present below biographies of the current members of our Board of Directors and *Diretoria Executiva*:

Members of the Board of Directors:

Luiz Carlos Trabuco Cappi, Chairman:

Birth date: October 6, 1951.

Summary of Professional Experience: He began his career at Banco Bradesco S.A. in 1969, devoting his entire professional life to the Bradesco Organization. He was the Investor Relations Officer and the Executive Vice-President of Banco Bradesco from 1999 to 2009 accumulating such position with, the Presidency of Grupo Bradesco Seguros during six years. He was the Chairman of Banco Bradesco's Board of Executive Officers from March 2009 to March 2018, accumulating with the position of Vice-Chairman of the Board of Directors until October 2017, when he was promoted to Chairman of the Board of Directors.

Current positions: Chairman of the Board of Directors of Banco Bradesco S.A.

Previous positions: Chairman of the Board of Directors of Odontoprev S.A.; Member of the Board of Directors of ArcelorMittal Brasil; Member of the Strategic Committee of Vale S.A.; Chief Executive Officer of the Marketing and Funding Committee of the *Associação Brasileira das Entidades de Crédito Imobiliário e Poupança* - ABECIP; of *Associação Nacional da Previdência Privada* - ANAPP; of the *Federação Nacional de Saúde Suplementar* - FENASAÚDE; Chairman of the Board of Representatives of *Diretoria Executiva da Confederação Nacional das Instituições Financeiras* – CNF; Member of the Superior Board and Vice-President of the *Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização* – CNSeg; Member of the Board of Director and of the Advisory Board of FEBRABAN – *Federação Brasileira de Bancos*; and Full Member of the *Association Internationale pour l'Etude de l'Economie de l'Assurance - Association de Genève*, Geneva, Switzerland.

Graduation: Degree in Philosophy from *Faculdade de Filosofia, Ciências e Letras de São Paulo.*

Other Qualifications: Postgraduate degree in Social Psychology at *Fundação Escola de Sociologia e Política de São Paulo*.

Carlos Alberto Rodrigues Guilherme, Vice-Chairman of the Board of Directors:

Birth date: December 21, 1943.

Summary of Professional Experience: He began his career in December 1957. He was elected Department Officer in March 1986, Deputy Officer in March 1998, Managing Officer in March 1999, Member of the Board of Directors in March 2009 and Vice-Chairman of the Board of Directors in October 2017, the position he currently holds.

Graduation: Law degree from Pinhalense Education Foundation.

Current positions: Vice-Chairman of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil; Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Member of the Board of Directors and Officer of *Cidade de Deus - Companhia Comercial de Participações*; Member of the Board of Director of *NCF Participações S.A.*; Officer of *Nova Cidade de Deus Participações S.A.*; Vice-Chairman of the Board of Directors and Member of the Strategic Committee of *BSP Empreendimentos Imobiliários S.A.*; Vice-Chairman of the Board of Directors of *BSP Park Estacionamento e Participações*

S.A.; Officer of Top *Clube Bradesco, Segurança, Educação e Assistência Social*; Member of the Board of Directors of Bradespar S.A.; Vice-Chairman of the Board of Directors of Bradesco Saúde S.A.; Vice-Chairman of the Board of Directors of *Bradseg Participações S.A.*; and General Officer of *Companhia Securitizadora de Créditos Financeiros Rubi*.

Previous positions: CEO of Banco Bradesco BERJ S.A.; Officer of Banco de Crédito Real de Minas Gerais S.A. and of Credireal Leasing S.A. - Arrendamento Mercantil.

Denise Aguiar Alvarez, Director:

Birth date: January 24, 1958.

Summary of Professional Experience: In April 1986, she was appointed to the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and in July 1988, she has also served as an Officer. In February 1990, she was also elected as Member of the Board of Directors of Banco Bradesco S.A., the position she currently holds.

Graduation: Degree in Education from PUC- SP - Pontifícia Universidade Católica de São Paulo.

Other Qualifications: Masters in Education from New York University, USA

Current positions: Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco*; CEO of ADC Bradesco – Sports Association; Member of the Board of Directors of *Bradespar S.A.*; Member of the Board of Directors of *Bradseg Participações S.A.*; Member of the Consulting Board of the *Associação Pinacoteca Arte e Cultura* - APAC; Member of the Deliberative Board of *Museu de Arte Moderna de São Paulo* (MAM); Member of the Board of Trustees of *Fundação Roberto Marinho*; Member of the Consulting Board of *Canal Futura*; and Chairman of the Board of Governance of *Todos pela Educação* (All for Education).

Previous positions: Chairman of the Board of Governance of GIFE - the Group of Institutes, Foundations and Enterprises; and Member of the Consulting Committee of *Fundação Dorina Nowill para Cegos*. She is João Aguiar Alvarez's sister, who is also a Director.

João Aguiar Alvarez, Director:

Birth date: August 11, 1960.

Summary of Professional Experience: In April 1986, he was elected to the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and since April 1988, he has served as an Officer and, in February 1990, Member of the Board of Directors, the position he currently holds.

Graduation: Degree in Agronomy from the Pinhalense Education Foundation – Manuel Carlos Gonçalves College of Agronomy and Animal Husbandry.

Current positions: Member of the Board of Directors of Bradespar S.A.; and Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco*. He is Denise Aguiar Alvarez's brother, who is also a Director.

Milton Matsumoto, Director:

Birth date: April 24, 1945.

Summary of Professional Experience: He has been with Bradesco since September 1957. He was elected Department Officer in March 1985, Deputy Officer in March 1998, a Managing Officer in March 1999 and Member of the Board of Directors in March 2011, the position he currently holds.

Graduation: Degree in Business Administration from UNIFIEO - University Center FIEO.

Current positions: Member of the Board of Directors of Bradesco Leasing S.A. - *Arrendamento Mercantil*; Member of the Board of Directors of Bradespar S.A.; Member of the Board of Directors of *Bradseg Participações S.A.*; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários S.A.; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Member of the Board of Directors of *NCF Participações S.A.*; Officer of *Nova Cidade de Deus Participações S.A.*; Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*.

Previous positions: Vice-Chairman of the Board of Directors of *Fidelity Processadora e Serviços S.A.*; Member of the Board of Directors of Banco Bradesco BERJ S.A. and an Officer of Bradesco S.A. *Corretora de Títulos e Valores Mobiliários*; the first Secretary Officer of the Bank Union in the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; Alternate Member of the Board of Directors of CPM Braxis Ltd.; Alternate Member of the Board of Directors of CPM Holdings Ltd.; Secretary Officer of the Union of the Credit, Financing and Investing Companies of the State of São Paulo; and Secretary Officer of the Interstate Federation of FENACREFI Loan, Financing and Investment Institutions.

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Alexandre da Silva Glüher – Director:

Birth date: August 14, 1960.

Summary of Professional Experience: He joined Banco Bradesco S.A. in March 1976. He was elected Regional Officer in August 2001, Department Officer in March 2005, Deputy Officer in December 2010, Managing Officer in January 2012, and Executive Vice-President in January 2014. In March 2018, he was elected Member of the Board of Directors, the position he currently holds.

Graduation: Degree in Accounting from Universidade Federal do Rio Grande do Sul, and in Business Administration from ULBRA - Universidade Luterana do Brasil.

Other Qualifications: International Executive Program at the Wharton School - Advanced Management Program - University of Pennsylvania, USA; Administration of Financial Institutions (Banking), Retail for Low-income Segments, and Credit Risk Management - Vision of Portfolio by the *Fundação Getúlio Vargas* - School of Business Administration of São Paulo.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco;* Vice-President of IBCB - *Instituto Brasileiro de Ciência Bancária*; Effective Member of the Board of Directors of *Aquarius Participações S.A*., *Fidelity Processadora* S.A., and also of *Fidelity Serviços e Contact Center S.A*; Chairman and Effective Member of the Consulting Board of Credit Guarantee Fund – FGC; and Full Member of the Board of Directors of *Câmara Interbancária de Pagamentos* – CIP.

Previous positions: Investor Relations Officer of Bradesco; Alternate Member of the Deliberative Council of Brazilian Association of Real Estate Credit and Savings Entities - ABECIP; Member of the Board of Directors of *Instituto BRAiN - Brasil Investimentos & Negócios*; Member of the Banking Self-Regulatory Council of FEBRABAN – *Federação Brasileira de Bancos*; Vice-President of FEBRABAN – *Federação Brasileira de Bancos;* Vice-President and Alternate Delegate *at CONSIF at FENABAN - Federação Nacional dos Bancos;* Treasury Officer of the Association of Banks of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; Officer of Brasilia Cayman Investments II Limited and of Brasilia Cayman Investments III Limited; Vice-Chairman of the Board of Directors of *Central de Exposição a Derivativos* – CED; and Representative of Bradesco Group at ANBIMA - Brazilian Association of Financial and Capital Markets Entities.

Josué Augusto Pancini – Director:

Birth date: April 14, 1960.

Summary of Professional Experience: He joined Banco Bradesco S.A. in July 1976. He was elected Regional Officer in July 1997, Department Officer in July 2003, Deputy Officer in December 2010, and

Managing Officer in January 2012. He was elected Executive Vice-President in January 2014. From March 2018 to January 2019, has been accumulated the position of Member of the Board of Directors and of Executive Vice-President. As of January, 2019, he was appointed only the role of Director of the Management.

Graduation: Degree in Mathematics from *Centro Universitário da Fundação de Ensino Octávio Bastos* – Feob (UNIFEOB).

Other Qualifications: “Lato Sensu” postgraduate degree in Business Economics - Finance from *Pontifícia Universidade Católica de Campinas - PUC - Campinas*; and AMP - Advanced Management Program, taught at the IESE Business School - University of Navarra, São Paulo.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Member of the Board of Directors and Managing Officer of *Fundação Instituto de Moléstias do Aparelho Digestivo e da Nutrição*; Member of the Board of Directors and Vice-President of *Bradesco Leasing S.A. - Arrendamento Mercantil*; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Member of the Board of Directors and Vice-President of *NCF Participações S.A.*; Member of the Board of Directors of *BSP Empreendimentos Imobiliários S.A.* and *BSP Park Estacionamentos e Participações S.A.*; Managing Officer of Kirton Bank S.A. – *Banco Múltiplo*; and Chairman of the Board of Directors of *MPO - Processadora de Pagamentos Móveis S.A.*.

Previous positions: Alternate Member of the Deliberative Board of ABECIP - Brazilian Association of Real Estate Credit and Savings Entities.

Maurício Machado de Minas – Director:

Birth date: July 1, 1959.

Summary of Professional Experience: He joined Banco Bradesco S.A. in July 2009 as Managing Officer. In January 2014 he was elected Executive Vice-President. From March 2018 to January 2019, has been accumulated the position of Member of the Board of Directors and of Vice-President. As of January 2019, he was appointed only the role of Director of the Management.

Graduation: Degree in Electrical Engineering from *Escola Politécnica da Universidade de São Paulo* (Poli/USP).

Other Qualifications: Specialization in Data Communications and Software Development at Wharton Business School, in the United States; university extension course in Finance at Wharton Business School, in the United States; and Executive Development Program at Columbia University in New York, United States.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Vice-Chairman of the Board of Directors of *Aquarius Participações S.A., Fidelity Processadora S.A.* and *Fidelity Serviços e Contact Center S.A.*; Member of the Consulting Committee of IBM Corporation; and Member of the Board of Directors of *NCR Brasil - Indústria de Equipamentos para Automação S.A.*

Previous positions: Executive Vice-President, COO (Chief Operations Officer) and an Alternate Member of the Board of Directors of CPM Braxis S.A.; Senior Analyst with Banco Itaú S.A.; Officer of Support Services of a group of Brazilian IT companies (Eletrodigi, Flexidisk and Polymax) and President of Scopus; and Member of the Board of Directors of MPO - *Processadora de Pagamentos Móveis S.A*.

Members of the Board of Diretoria Executiva:

Octavio de Lazari Junior, CEO:

Birth date: July 18, 1963.

Summary of Professional Experience: He joined Banco Bradesco S.A. in September 1978. He was promoted to the position of Executive Deputy Officer, in January 2012 and Managing Officer in February 2015 and Executive Vice-President in May 2017. In March 2018, he was promoted to CEO, the position he currently holds.

Graduation: Degree in Economics from *Faculdade de Ciências Econômicas e Administrativas de Osasco.*

Other Qualifications: Specialization courses in: Financial and Marketing Strategies at *Fundação Instituto de Administração* (FEA/USP); Financial Management from *Fundação Getúlio Vargas* - FGV and Strategies in Finance from *Fundação Dom Cabral* and Advanced Management Program from *Fundação Dom Cabral*; and the Advanced Management Program (AMP) taught at the IESE Business School - University of Navarra, São Paulo.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Member of *Núcleo de Altos Temas* (NAT); Member of Managing Board and Consulting Committee of FEBRABAN – *Federação Brasileira de Bancos*; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; CEO of *Banco Bradesco BBI S.A.*; and CEO of *Bradesco Leasing S.A. - Arrendamento Mercantil*.

Previous positions: Chairman of the Managing Board of ABECIP - *Associação Brasileira das Entidades de Crédito Imobiliário e Poupança*; Alternate Member of Board of Directors of CIP - Câmara Interbancária de Pagamentos; Full Member of the Board of Directors of CIBRASEC - *Companhia Brasileira de Securitização*; Member of the Council of Representatives of the CNF - *Confederação Nacional das Instituições Financeiras*; Officer of Real Estate Credit and Savings and Vice-Chairman of the Committee on

Governance of Portability of Credit Operations of FEBRABAN - *Federação Brasileira de Bancos*; Member of Consulting Committee of FIABCI/BRASIL - *Capítulo Nacional Brasileiro da Federação Internacional das Profissões Imobiliárias*; Alternate Officer of *Uniapravi - Unión Interameriana para la Vivienda;* and Managing Officer of Kirton Bank S.A. – *Banco Múltiplo*.

Marcelo de Araújo Noronha, Vice-President:

Birth date: August 10, 1965.

Summary of Professional Experience: Mr. Noronha started his career in 1985 at Banco Banorte, where he worked until 1996 when he started to work as Commercial Officer with Banco Bilbao Vizcaya Argentaria Brasil S.A, currently Banco Alvorada S.A. and was promoted to Vice-President for products, trade finance, middle market and retail. In February 2004, he was elected Department Officer of Banco Bradesco S.A. He was elected Deputy Officer in December 2010 and Managing Officer in January 2012. In February 2015, he was elected Executive Vice-President, the position he currently holds.

Graduation: Degree in Administration from *Universidade Federal de Pernambuco* (UFPE).

Other Qualifications: Specialization in Finance from IBMEC - *Instituto Brasileiro de Mercado de Capitais*; AMP - Advanced Management Program at IESE - *Instituto de Estudios Empresariales, Universidad de Navarra* in Barcelona and Certified Member of the Board of Directors of the Brazilian Institute of Corporate Governance - IBGC.

Current positions: Member of the Board of Trustees of *Fundação Bradesco*; Vice-Chairman of the Board of Directors of Alelo - *Companhia Brasileira de Soluções e Serviços*; Chairman of the Board of Directors of Cielo S.A. (leader accreditation entity in Brazil); Member of the Board of Directors of *Elo Participações S.A.*

Previous positions: CEO of ABECS - *Associação Brasileira das Empresas de Cartões de Crédito e Serviços*; and Member of the Council of Representatives (representing ABECS) of CNF - *Confederação Nacional das Instituições Financeiras*.

André Rodrigues Cano, Vice-President:

Birth date: July 22, 1958.

Summary of Professional Experience: Mr. Cano joined Bradesco Organization in April 1977 and was elected Department Officer in December 2001. He was elected Officer of Banco Bradesco Financiamentos S.A. in September 2008, remaining in this position until his return to Bradesco as Department Officer in December 2009. He was elected Deputy Officer in December 2010, Managing Officer in January 2012 and Executive Vice-President in January 2017.

Graduation: Degree in Business Administration from FMU - *Faculdades Metropolitanas Unidas*.

Other Qualifications: MBA - Controller from FIPECAFI - Institute of Accounting, Finance and Actuarial Research - FEA-USP; and the Advanced Management Program (AMP) - Harvard Business School in Boston, USA.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco;* Managing Director of Kirton Bank S.A. – *Banco Múltiplo*; Effective Officer of the National Confederation of the Financial System – CONSIF; Vice-President and Alternate Delegate at CONSIF at FENABAN - *Federação Nacional dos Bancos*; Treasury Officer of the Association of Banks of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; Representative of Bradesco Group at ANBIMA - Brazilian Association of Financial and Capital Markets Entities; Vice-President of FEBRABAN - *Federação Brasileira de Bancos*; Member of the Board of Directors of *BBD Participações S.A.*; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Member of the Board of Directors (Representing the Bradesco Organization) of CPM Holdings Limited; Member of the Board of Directors of IT Partners Limited; Vice-President of *Bradesco Leasing S.A. - Arrendamento Mercantil*; Vice-President of *NCF Participações S.A.*; Managing Officer of *Bradescard Elo Participações S.A.*; and Managing Officer of *Bradesco Administradora de Consórcios Ltda*.

Previous positions: Alternate Vice-Chairman of the Board of Directors of *Fidelity Processadora e Serviços S.A.*; Effective Member and Director of the Board of Directors of TECBAN - *Tecnologia Bancária S.A.*; Effective Member of the Fiscal Council of Tele Celular Sul Participações S.A.; Alternate Member of the Fiscal Council of *Tele Nordeste Celular Participações S.A.*; Executive Officer of ACREFI - *Associação Nacional das Instituições de Crédito, Financiamento e Investimento*; and Vice-Chairman of the Curator Council of the National Quality Foundation – FNQ.

Cassiano Ricardo Scarpelli - Vice-President:

Birth date: July 28, 1968.

Summary of Professional Experience: He joined Bradesco Organization in June 1984. In February 2001 he was promoted to Executive Superintendent. In March 2007, he was elected Department Officer, in February 2015, Deputy Officer, and in January 2017, Managing Officer. In March 2018, he was elected Executive Vice-President, the position he currently holds.

Graduation: Degree in Economics from *Faculdade de Ciências Econômicas e Administrativas de Osasco.*

Other Qualifications: International Executive Program at *Queen's School of Business – Queen's Executive Program*, in Ontario, Canada.

Current positions: Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Chairman of the Board of Regulation and Best Practices for the Capital Market of ANBIMA - Brazilian Association of Financial and Capital Markets Entities, having previously held the following positions: Vice-President of the Regulation and Best Practices Board for Qualified Services to the Capital Market, and Alternate Member of the Qualified Services to the Capital Market Commission; Member of the Committee of Products and Pricing of B3 S.A. - *Brasil, Bolsa, Balcão*; and Deputy Officer of Kirton Bank S.A. - *Banco Múltiplo*.

Previous positions: Member of the *Câmara Consultiva de Renda Fixa, Câmbio e Derivativos* of B3 S.A. - *Brasil, Bolsa, Balcão*; Member of the Board of Directors of *Bica de Pedra Industrial S.A.; CP Cimento e Participações S.A.* and Latasa S.A., Effective Member of the Board of Directors of Iochpe-Maxion S.A. and *Tecnologia Bancária S.A.*; Full Member of the Board of Directors of *Tigre S.A. - Tubos e Conexões*; Effective Member of the Fiscal Council of Bradespar S.A., First Alternate Member of the Fiscal Council of Boavista Prev - *Fundo de Pensão Multipatrocinado*, Alternate Member of the Board of Directors of *São Paulo Alpargatas S.A.*, and Officer of BEM - *Distribuidora de Títulos e Valores Mobiliários Ltda.*, BMC Asset Management - *Distribuidora de Títulos e Valores Mobiliários Ltda*. and of UGB Participações S.A.

Eurico Ramos Fabri – Vice-President:

Birth date: September 29, 1972.

Summary of Professional Experience: In February 2008, he joined as Officer in Banco Finasa S.A., a financial institution acquired by Banco Finasa BMC S.A. (currently Banco Bradesco Financiamentos S.A.), as an Officer, remaining until December 2009. From July 2008 to April 2011, he held the position of Officer of *Finasa Promotora de Vendas Ltda*. In December 2010, he was elected Officer of Banco Bradesco S.A., in January 2012, Department Officer, in February 2015, Deputy Officer and, in January 2017, Managing

Officer. In March 2018, he was elected Executive Vice-President, the position he currently holds.

Graduation: Degree in Economic Sciences from UNICAMP - *Universidade Estadual de Campinas*.

Other Qualifications: Executive MBA in Finance from Insper - *Instituto de Ensino e Pesquisa*; STC Executive from *Fundação Dom Cabral* in partnership with Kellogg Graduate School of Management; and *Advanced Management Program* from Harvard Business School, Boston, USA.

Current positions: He is a Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; and Chairman of the *Conselho da Gestora de Inteligência de Crédito S.A.*

Previous positions: Member of the Board of Directors of Cielo S.A., *Companhia Brasileira de Soluções e Serviços* and *Elo Participações S.A.*; Alternate Member of Board of Directors of *Aquarius Participações S.A.*, *Fidelity Processadora S.A.* and *Fidelity Serviços e Contact Center S.A.*; and Deputy Officer of Kirton Bank S.A. - *Banco Múltiplo*.

Moacir Nachbar Junior, Managing Officer:

Birth date: April 5, 1965.

Summary of Professional Experience: He began his career with Banco Bradesco S.A. in June 1979. In March 2005, he was elected Department Officer. He was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position he currently holds. In March 2018, he became responsible for risk management - Chief Risk Officer (CRO).

Graduation: Degree in Accounting from *Faculdade Campos Salles*.

Other Qualifications: “Lato Sensu” postgraduate degree in Financial Management from *Faculdade Campos Salles*; MBA-Controller from FIPECAFI - Institute of Accounting, Finance and Actuarial Research (FEA-USP); and Tuck Executive Program from Tuck School of Business at Dartmouth, in Hanover, New Hampshire – USA;

Current positions: Member of the Board of Trustees of *Fundação Bradesco*; Officer of *Banco Losango S.A. - Banco Múltiplo*; Executive Officer of *Instituto Kirton Solidariedade*; Officer of Kirton Bank S.A. - *Banco Múltiplo*; Chief Executive Officer of 2bCapital S.A.; Member of the Managing Board, Member of the Audit and Accounting Standards Committee and Member of the Capital Market Committee of ABRASCA - *Associação Brasileira das Companhias Abertas*; Member of the Board of Directors of CPM Holdings Limited; Member of the Board of Directors of IT Partners Limited; and Alternate Member of Advisory Board of the *Fundo Garantidor de Créditos* – FGC.

Previous positions: He was an Officer and Effective Member of the Fiscal Council of Boavista Prev - *Fundo de Pensão Multipatrocinado*, a multi-sponsor pension fund; Member of Self-regulation Council of FEBRABAN – *Federação Brasileira de Bancos*; an Alternate Member of the Board of Directors of *Fidelity Processadora S.A.,* and Alternate Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social*; Full Member of the Board of Directors of Valepar S.A.; and Alternate Member of the Board of Directors and Member of the Compliance and Risk Committee of Vale S.A.

Renato Ejnisman, Managing Officer:

Birth date: February 12, 1970.

Summary of Professional Experience: In April 1999, he began his career in the financial market at Bank of America, where he worked until February 2007, with a short spell at Bank Boston during this period. In February 2007, he joined Banco Bradesco BBI S.A., as an Executive Superintendent. In April 2008, he was elected Officer and, in February 2011, Managing Officer and General Officer in February 2015. At Banco Bradesco S.A., he was elected Deputy Officer in February 2015 and, in January 2017, Managing Officer, a position he holds simultaneously with the position of General Officer of Banco Bradesco BBI S.A.

Graduation: Degree in Physics from USP - *Universidade São Paulo*.

Other Qualifications: Master's degree in Nuclear Physics from *Universidade São Paulo* (USP) and a Doctoral degree in Physics from the University of Rochester, New York, USA.

Current positions: Superintendent Officer of *Bradesco-Kirton Corretora de Câmbio S.A.*; Officer of Brasilia Cayman Investments II Limited and of Brasilia Cayman Investments III Limited; Chairman of the Board of Regulation and Best Practices for the Capital Market of ANBIMA - Brazilian Association of Financial and Capital Markets Entities; and Vice-Chairman of the Board of Directors of Bradesco Securities Hong Kong Limited, Bradesco Securities, Inc. and Bradesco Securities UK Limited.; and Member of the Board of Trustees of *Fundação Bradesco*.

Previous positions: Chief Executive Officer of *Bradesco S.A. Corretora de Títulos e Valores Mobiliários*, *Ágora Corretora de Títulos e Valores Mobiliários S.A*. and *Ágora Educacional Ltda*.; Effective Member of *Câmara Consultiva de Listagem* of B3 S.A. – *Brasil, Bolsa, Balcão*; and Alternate Member of the Managing Board of ABRASCA - *Associação Brasileira das Companhias Abertas*.

Walkiria Schirrmeister Marchetti, Managing Officer:

Birth date: November 1, 1960.

Summary of Professional Experience: She joined Banco Bradesco S.A. in May 1981. In September 1998, she was promoted to the position of Executive Superintendent. In March 2007, she was elected Department Officer, in February 2015, Deputy Officer, and in January 2017, Managing Officer, the position she currently holds.

Graduation: Degree in Mathematics from *Faculdade de Ciências e Letras Teresa Martin.*

Other Qualifications: Specialization in System Analysis from *Instituto Presbiteriano Mackenzie*; "Lato Sensu" postgraduate degree - MBA Banking from*Fundação Instituto de Administração* - FIA; and International Executive Programs at the Wharton School - Strategic Thinking and Management for Competitive Advantage Program - Pennsylvania - USA; Columbia Business School - Columbia Senior Executive Program - New York - USA; and Harvard Business School - Negotiation and Competitive Decision Making - Boston - USA.

Current positions: Member of the Board of Trustees of *Fundação Bradesco*; and Alternate Member of the Board of Directors of *Aquarius Participações S.A.,* of *Fidelity Processadora S.A*. and of *Fidelity Serviços e Contact Center S.A.*

Bruno D'Avila Melo Boetger, Managing Officer:

Birth date: June 17, 1967.

Summary of Professional Experience: He began his career in 1994 at Citicorp Securities Inc., in New York (USA), where he worked until 1996. From 1997 to March 2007 he worked at the Salomon Brothers Inc. companies and Citigroup Global Markets Inc. (USA), and *Salomon Smith Barney Representações Ltda*. In April 2007, he joined Banco Bradesco BBI S.A. as Executive Superintendent and, in April 2008, he was elected Officer, and remained in the position until March 2012. In August 2011, he also began to work in Banco Bradesco S.A. as General Manager in the branch of New York (USA), remaining in the position until January 2014, so than was elected Department Officer. In December 2017, he was elected Executive Deputy Officer. In January 2019 he was elected Executive Managing Officer.

Graduation: Degree in Administration by *Escola de Administração de Empresas de São Paulo da Fundação Getúlio Vargas* - FGV/EAESP.

Other Qualifications: Master's degree in Business Administration - Concentration in Finance from Cornell University - Johnson Graduate School of Management - Ithaca, New York; and Senior Executive Program -

Strategy, Leadership and Transformation by London Business School - Education of Executives – London, England.

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; Vice-President of the Board of Directors of Banco Bradesco Europa S.A.; Member of the Board of Directors of *Fundação Instituto de Moléstias do Aparelho Digestivo e da Nutrição*; and Officer of *Banco Losango S.A. - Banco Múltiplo*.

Previous Positions: CEO of Bradesco North America LLC and of Bram US LLC (USA); Manager of Bradesco Overseas Funchal - Consulting Services, Sociedade Unipessoal Lda; and Officer of *Banco Bradesco Argentina S.A.*

Guilherme Muller Leal, Managing Officer:

Birth date: November 12, 1967.

Summary of Professional Experience: He joined, in August 1999, Banco Bilbao Vizcaya Argentaria Brasil S.A., currently denominated Banco Alvorada S.A., reaching the position of Corporate Deputy Officer. In September 2003, was transferred to Banco Bradesco S.A., and in June 2007, he was promoted to the position of Executive Superintendent, in February 2011, he was elected Officer, in January 2012, Department Officer, and in January 2017, Deputy Officer and in January 2019, Executive Managing Officer.

Graduation: Degree in Economics from *Universidade Santa Úrsula* - USU.

Other Qualifications: “Lato Sensu” postgraduate degree with specialization in Corporate Finance from *Pontifícia Universidade Católica do Rio de Janeiro* - PUC-Rio; and Executive Development Program (*Programa de Desenvolvimento de Executivos* – PDE) from *Fundação Dom Cabral*, and the following international executive programs: Authentic Leadership Development and Behavioral Economics: Designing Strategic Solutions For Your Customer and Your Organization from Harvard Business School - Boston, Massachusetts - USA, Executive Education Program from New York Trend Consulting - NYTC - New York - USA, Wharton Advanced Management Program and Executive Negotiation Workshop: Bargaining for Advantage by University of Pennsylvania - The Wharton School - Philadelphia - Pennsylvania - USA, and Leadership at the Peak Program from Center for Creative Leadership Staff and Leadership at the Peak Participants - Colorado Springs - USA.

Current position: Member of the Board of Trustees of *Fundação Bradesco*; and Officer of *Banco Bradesco BERJ S.A.*

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João Carlos Gomes da Silva, Managing Officer:
Birth date: January 20, 1961.

Summary of Professional Experience: He joined Banco Bradesco S.A. in June 1981, and was promoted to the position of Branch Manager in May 1992, and Regional Manager in April 2004. In December 2009, he was elected Regional Officer, in January 2012, Departmental Officer and in February 2017, Deputy Officer and in January 2019, Executive Managing Officer.

Graduation: Degree in Accounting Sciences from *Faculdade de Administração e Economia* (FAE).

Other Qualifications: Postgraduate MBA in Business Management and Executive MBA in Distance-learning Business Administration - Emphasis on Banking by the *Fundação Getúlio Vargas* (FGV); and AMP - Advanced Management Program from IESE Business School - University of Navarra, São Paulo.

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; and Member of the Management Committee for the Portability of Credit Operations of FEBRABAN – *Federação Brasileira de Bancos*.

Previous Positions: Member of the Consulting Committee of the Commerce Association of São Paulo; Sitting Vice-President of the Managing Board and Effective Member of the Deliberative Board of ABECIP - Brazilian Association of Real Estate Credit and Savings Entities; Alternate Member of the Board of Directors of CIP - *Câmara Interbancária de Pagamentos*; Vice-President and Sitting Member of Board of Directors CIBRASEC - *Companhia Brasileira de Securitização*; Full Member of the Board of the São Paulo Industrial Employers Association (*Centro das Indústrias do Estado de São Paulo*, CIESP *Castelo*); Alternate Member of Managerial Council of Housing Guarantee Fund – CGFGH; Member of Consulting Board of FIABCI/BRASIL - Brazilian National Chapter of the International Real Estate Federation; Secretary Officer of ABEL - Brazilian Leasing Companies Association; Vice-Chairman of the Managing Board of ACREFI; *Associação Nacional das Instituições de Créditos, Financiamentos e Investimento*; Officer of Credit Products PJ (for Legal Entities); Associate Officer of the Executive Committee of Banking Products PF (for Individuals) of FEBRABAN – *Federação Brasileira de Bancos*; and Chief Secretary of the *Sindicato Nacional das Empresas de Arrendamento Mercantil* (Leasing).

Rogério Pedro Câmara, Managing Officer:

Birth date: October 5, 1963.

Summary of Professional Experience: He joined Banco Bradesco S.A. in June 1983. In December 2008, he was promoted to the position of Executive Superintendent, in June 2011, he was elected Officer in January 2012, Department Officer, in January 2017, Executive Deputy Officer, and in January 2019, Executive Managing Officer.

Graduation: Degree in Administration from *Universidade Paulista* - UNIP.

Other Qualifications: MBA in Controller from *Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras da Universidade de São Paulo* - FIPECAFI/USP; “Lato Sensu” postgraduate degree and MBA with specialization in Knowledge, Innovation and Technology from *Fundação Instituto de Administração* – FIA (FEA/USP); International Module - MBA in Knowledge, Innovation and Technology from Bentley College - Waltham Massachusetts – USA; Advanced Management Program from *Fundação Dom Cabral*; Advanced Management Program - IESE Business School from University of Navarra, São Paulo, SP; International Executive Programs: Changing the Game: Negotiation and Competitive Decision Making from Harvard Business School - Boston, USA; Customer - Focused Innovation Program and Leading Change and Organizational Renewal Program from Stanford University Graduate School of Business - California, USA; Making Strategy Work: Leading Effective Execution and Strategic Thinking and Management for Competitive Advantage Program from The Wharton School - Philadelphia, USA; The Leadership at the Peak Program from Center for Creative Leadership - Colorado Springs, USA; and The Advanced Strategy Program: Building and Implementing Growth Strategies, High Performance Leadership and in The Executive Development Program from The University of Chicago Booth School of Business - Chicago, USA.

Current positions: Member of the Board of Trustees of *Fundação Bradesco*; and Alternate Member of the Board of Directors of *Câmara Interbancária de Pagamentos* – CIP; Aquarius Participações S.A., Fidelity Processadora S.A. and of Fidelity Serviços e Contact Center S.A.; and Officer of Banco Bradescard S.A.

Previous positions: Alternate Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social*; and Officer of Kirton Bank S.A. - *Banco Múltiplo*.

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Glaucimar Peticov – Deputy Officer:

Birth Date: March 18, 1963.

Summary of Professional Experience: She began his career in August 1984, with Banco Econômico S.A., then with Banco Excel Econômico S.A., and then with Banco Bilbao Vizcaya Argentaria Brasil S.A., currently named Banco Alvorada S.A. In September 2003, she was transferred to Banco Bradesco S.A., and in December 2009, promoted to the position of Executive Superintendent and, in June 2011, she was elected Department Officer, reporting to the Human Resource Department and to UNIBRAD - *Universidade Corporativa Bradesco* and, in March 2018, she was elected Deputy Officer.

Graduation: Degree in Psychology by *Universidade São Marcos*.

Other Qualifications: "Lato Sensu" Postgraduate degree in Human Resource Management by *Fundação Armando Alvares Penteado* – CENAP; Specialization in Marketing - FGV (2006); Advanced Management, administered by *Fundação Dom Cabral*; International Executive Programs: Strategic Human Resource Planning, by University of Michigan Business School - Ann Arbor, Michigan, USA; Senior Executive Program, by Columbia Business School – New York, USA; Negotiation and Competitive Decision-Making, by Harvard Business School - Boston, USA; and Leadership at the Peak Program, by the Center for Creative Leadership - Colorado, USA.

Current Positions: Member of Board of Trustees of *Fundação Bradesco*; Chief Executive Officer of ARFAB - *Associação Recreativa dos Funcionários da Atlântica-Bradesco* and of *Clube Bradesco de Seguros*; Member of Consulting Board of Global Council of Corporate Universities (GlobalCCU); and Secretary Officer of SINDICREFI - Union of the Credit, Financing and Investing Companies of the State of São Paulo.

Previous Positions: Officer of *ADC Bradesco - Associação Desportista Classista*; Secretary Officer of FENACREFI - *Federação Interestadual das Instituições de Crédito, Financiamento e Investimento*; Officer of Generation and Management of Knowledge and Content Officer of ABRH - Brazil - *Associação Brasileira de Recursos Humanos*; Member of the Deliberative Council of FEBRACORP Live University; and Deputy Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social*.

José Ramos Rocha Neto – Deputy Officer:

Birth date: December 8, 1968.

Summary of Professional Experience: He joined Banco Bilbao Vizcaya Argentaria Brasil S.A. in May 2000 as Corporate Branch Officer, currently named Banco Alvorada S.A., where he also held the position of Executive Superintendent responsible for Trade Finance and Business Development. In September

2003, he was transferred to Banco Bradesco S.A., and in December 2009, he was elected Officer and in June 2011, Department Officer. In March 2018, he was elected Deputy Officer, position he currently holds.

Graduation: Degree in Economics by UFPE - *Universidade Federal de Pernambuco*.

Other Qualifications: “Lato Sensu” postgraduate degree in Business Administration by CEAG *Fundação Getúlio Vargas* - FGV – EAESP; and International Executive Programs at Wharton Business School, Harvard Business School, IESE Business School and Center for Creative Leadership and Executive Development Program at *Fundação Dom Cabral*, Stanford University School of Business and at Amana Key.

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; Superintendent Officer of *BEC - Distribuidora de Títulos e Valores Mobiliários Ltda.*; Superintendent Officer of *BEM - Distribuidora de Títulos e Valores Mobiliários Ltda.*; and Superintendent Officer of *Bradesco Administradora de Consórcios Ltda.*

Previous Positions: Officer of *BRAM - Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários*; Officer of *Kirton Gestão de Recursos Ltda.*; Member of the Plenary Board and Member of the Consulting Committee of the Commerce Association of São Paulo – ACSP; Alternate Member of the Board of Directors of CIBRASEC - *Companhia Brasileira de Securitização*; Member of the Management Committee for the Portability of Credit Operations of FEBRABAN - *Federação Brasileira de Bancos*, and President and Full Member of *Comitê de Distribuição de Produtos no Varejo* (Committee of Distribution of Products in Retail) of ANBIMA - Brazilian Association of Financial and Capital Markets Entities.

Antonio José da Barbara, Deputy Officer:

Birth date: December 21, 1968

Summary of Professional Experience: He began his career at Banco Bradesco S.A. in June 1984. In May 2009, was elected Officer, responsible for the General Secretariat and, in December of the same year, became Department Officer. In January 2019, was elected Executive Deputy Officer.

Graduation: Degree in Administration by the *Centro Universitário Anhanguera de São Paulo* (Ibero-Americano).

Other Qualifications: "Lato Sensu" postgraduate degree in Financial Administration by the *Fundação Escola de Comércio Álvares Penteado* (FECAP).

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; and Effective Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social*.

Previous Positions: Effective Member of the Fiscal Council of Bradespar S.A.; Deputy Member of the Fiscal

Council of *Boavista Prev - Fundo de Pensão Multipatrocinado, of Vale S.A.* and of Cielo S.A.; and Officer of *NCD Participações Ltda*.

Edson Marcelo Moreto, Deputy Officer:

Birth date: January 16, 1970

Summary of Professional Experience: Joined *Banco Excel Econômico S.A.* in October 1996, an entity initially acquired by *Banco Bilbao Vizcaya Argentaria Brasil S.A.*, currently denominated *Banco Alvorada S.A.* In September 2003 was transferred to Banco Bradesco S.A. as Loan Manager and, in August 2010, was promoted to Executive Superintendent. In March 2014 was elected Officer, in February 2015, Department Officer and, in January 2019, Executive Deputy Officer.

Graduation: Degree in Art Education by the *Faculdades Integradas Tereza D'Ávila* (FATEA); and Electrical Engineering degree from the *Universidade Santa Cecília* (UNISANTA).

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; Member of the Loan Committee of *Elo Serviços S.A.*; Effective Member of the Executive Committee of the Credit Environment of the FEBRABAN – *Federação Brasileira de Bancos*; and Deputy Member of the Executive Board of *Gestora de Inteligência de Crédito S.A.*

Previous Positions: Commercial Manager of *Banco Safra S.A.*, from March to August 1996, and of *Banco Nacional S.A.*, from 1985 to 1996.

José Sergio Bordin, Deputy Officer:

Birth date: February 26, 1968

Summary of Professional Experience: Joined *Banco Excel Econômico S.A.* in September 1996, an entity initially acquired by *Banco Bilbao Vizcaya Argentaria Brasil S.A.*, currently denominated *Banco Alvorada S.A.* In September 2003, was transferred to Banco Bradesco S.A., and in December 2009, he was elected Regional Officer, remained in the position until January 2014, so then he was elected Managing Officer of *Bradesco Capitalização S.A.*, remaining in this position until January 2015, when he was elected General Officer of *Bradesco Auto/RE Companhia de Seguros*, the company he worked for until October 2017. From March to December 2017, held the position of General Officer of *Bradesco Administradora de Consórcios Ltda.*, returning to Banco Bradesco in December 2017, as Department Officer. In January 2019, was elected Executive Deputy Officer.

Graduation: Degree in Accounting by the *Faculdade de Ciências Contábeis e Atuariais da Alta Noroeste*.

Other Qualifications: In Company MBA "Banking Affairs" by the *Fundação Getúlio Vargas - Escola de Administração de Empresas de São Paulo* (FGV/EAESP); and the Advanced Management Program from the University of Navarra (IESE), São Paulo.

Previous Positions: General Officer of *Atlântica Companhia de Seguros*, *Bradesco Seguros S.A.*, *Bradseg Participações S.A.*, *Bradseg Promotora de Vendas S.A.*, BSP Affinity Ltda., Ipê Holdings Ltda., *Kirton Participações e Investimentos Ltda.* and *Kirton Seguros S.A.*; Vice-President of the *Federação Nacional de Seguros Gerais* (FenSeg.); and Officer of the *Associação de Bancos no Estado do Rio de Janeiro* (ABERJ), of the *Sindicato dos Bancos do Estado do Rio de Janeiro* (SBERJ) and of the *Federação Nacional de Capitalização* (FenaCap).

Leandro de Miranda Araujo, Deputy Officer:

Birth date: December 11,1971.

Summary of Professional Experience: In July 2011 was hired in *Banco Bradesco BBI S.A.* as Executive Superintendent. In February 2015 was elected Managing Officer. In January 2019, joined Banco Bradesco S.A., being elected Deputy Executive Director and taking the role of Investor Relations Officer.

Graduation: Degree in Law by the *Universidade do Estado do Rio de Janeiro* (UERJ).

Other Qualifications: Executive MBA by the *Instituto Brasileiro de Mercado de Capitais* (IBMEC); and MBA from the University of Michigan Business School (UMBS), USA.

Previous Positions: Alternative Investments Manager at Credit Suisse Asset Management S.A.; Manager, Partner of Fixed Income at *BTG Invest Ltda./Banco BTG Pactual S.A.*; President at Principal Partners Ltda.; Capital Markets Executive Officer at *Banco Santos S.A.*; Debt Capital Markets Manager at *Banco Santander S.A.*; International Debt Capital Markets Manager *Banco Bozano*, Simonsen S.A.; Corporate Finance Manager at *Banco Liberal S.A.* and Legal Intern at *Banco BBM S.A.*

Roberto de Jesus Paris, Deputy Officer:

Birth date: September 15, 1972.

Summary of Professional Experience: He began at Bradesco S.A. in January 1987. He was promoted to the position of Executive Superintendent in May 2007. In June 2011 he was elected Officer. In February 2015, Department Officer and in January 2019, Deputy Officer.

Graduation: Degree in Administration by the *Universidade Paulista* - UNIP.

Other Qualifications: "Lato Sensu" Postgraduate Degree - Executive MBA in Finance, with focus on Market Finance, by the *Instituto de Ensino e Pesquisa* (Insper); Executive Education Program from the Graduate School of Business - Columbia University, New York, USA.; and Chartered Financial Analyst Certification (CFA) by the CFA Institute, Virginia, USA.

Current Positions: Member of the Board of Trustees of *Fundação Bradesco*; Sectoral Director of the Executive Committee of Treasury Operations of the FEBRABAN – *Federação Brasileira de Bancos;* and Vice-President of the Treasury Affairs Committee of the *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais* (ANBIMA).

Previous Positions: Member of the Board of Directors and of the Pricing Committee of *CETIP S.A. - Mercados Organizados*.

6.B. Compensation

The maximum global compensation of our members of the Board of Directors and Board of Executive Officers are established at the Shareholders' Meetings. These bodies comprise our Executive Officers, Department Officers, Officers, Regional Officers and Officers of our subsidiaries for the ensuing year. In 2018, our shareholders set the global compensation for our Board of Directors and our Board of Executive Officers and our subsidiaries at R$530.7 million.

In 2018, our Directors, our Board of Executive Officers and our subsidiaries received aggregate compensation of R$485.9 million for their services. Regarding the Management’s compensation, part of it was paid as variable compensation. The current compensation policy mandates that 50.0% of the net variable compensation amount is meant for the acquisition of BBD Participações S.A. preferred shares ("PNB BBD shares") and/or of our preferred shares issued by Bradesco ("PN Bradesco shares") to be paid in three annual sequential installments. The first installment is due a year after the payment date. This policy complies with CMN Resolution No. 3,921/10, which regulates compensation policies for senior management of financial institutions.

Our Directors, our Board of Executive Officers and our subsidiaries have the right to participate in the same pension plans available to all our employees. In 2018, we contributed R$474.4 million to pension plans on behalf of our Directors, members of our Board of Executive Officers and of our subsidiaries.

6.C. Board Practices

Our shareholders elect the members of our Board of Directors at the Annual Shareholders’ Meeting for two-year terms and members may be re-elected for consecutive terms. The Board of Directors appoints the members of our Board of Executive Officers for two-year terms, which can also be extended for consecutive terms.

In addition to this requirement, another condition, included in our Bylaws, remains in force to become a member of our *Diretoria Executiva*, a person must have worked for us or our affiliates for a minimum of 10 consecutive years. The Board of Executive Officers, besides the Executive Officers, consists of 34 Department Officers, 21 Officers and 19 Regional Officers. Department Officers, Officers and Regional Officers direct the business of each of our various divisions and branches and report to the *Diretoria Executiva*. To become a Department Officer, Officer or Regional Officer, a person must be an employee or manager at our staff or one of the affiliates. Our Board of Directors may, for up to 25.0% of the members of our Board of Executive Officers, waive the fulfillment of certain requirements for their appointment, as follows:

- Executive Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee of our staff or any of the affiliates for at least 10 years. Notwithstanding the above, such requirement cannot be waived for persons to be appointed as Chief Executive Officers or Vice-Presidents; and

- Department Officers, Officers and Regional Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee or member of the management of our staff or any of the affiliates.

The members of our Board of Directors are required to work exclusively for us, unless an exception is granted by the Board of Directors. Notwithstanding the above, the members of our Board of Directors are not required to be or to have been our employees, and service as a member of our Board of Directors does not constitute employment with us.

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Fiscal Council

Under Brazilian law, corporations may have a "*Conselho Fiscal*," or Fiscal Council, an independent corporate body with general monitoring and supervision powers and shall have from three to five effective members and the same number for alternates. As from the Special Shareholders' Meeting held in March 2015, our Bylaws require our Fiscal Council to be a permanent corporate body.

Our Fiscal Council has five full members (Ariovaldo Pereira, Domingos Aparecido Maia, José Maria Soares Nunes, Walter Luis Bernardes Albertoni and Ivanyra Maura de Medeiros Correia) and four alternates members (João Batista de Moraes, Nilson Pinhal, Renaud Roberto Teixeira and Reginaldo Ferreira Alexandre), since on March 3, 2019, Mr. Cezar Manoel de Medeiros resigned from the his position, all of whom were elected on March 11, 2019, for a one-year term that will expire in March 2020. In accordance with Brazilian Corporate Law, our Fiscal Council has the right and obligation to, among other things:

- supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;

- review and issue opinions regarding our financial statements prior to their disclosure, including the Notes to the financial statements, the independent auditor's report and any Management reports;

- opine on any management proposals to be submitted to the shareholders' meeting related to:

- changes in our social capital;

- issuance of subscription warrants;

- investment plans and capital expenditure budgets;

- distributions of dividends; and

- transformation of our corporate form and corporate restructuring, such as takeovers, mergers and spin-offs.

- inform our Management of any error, fraud, or misdemeanor detected and suggest measures management should take in order to protect our main interests. If our Management fails to take the measures required to protect the company's interests, they are required to inform the shareholders' meeting of these facts; and

- call shareholders' meetings if Management delays the general shareholders' meeting for more than one month and call special shareholders' meetings in case of material or important matters.

Board Advisory Committees

Our shareholders approved, at the Special Shareholders' Meeting held in December 2003, the creation of the Audit Committee, the Compliance and Internal Control Committee and the Compensation Committee. At the Special Shareholders' Meeting held in March 2006, our shareholders approved the transformation of the Ethical Conduct Committee into a statutory committee. At the special shareholders' meeting held in March 2008, our shareholders approved the creation of the COGIRAC. At the Special Shareholders' Meeting held in March 2013, the shareholders resolved to exclude from the Bylaws Articles 22, 24 and 25, which dealt, respectively, with organizational components of the Internal Controls and Compliance Committee, the Ethical Conduct Committee and COGIRAC, reflecting the proposal presented by the Executive Committee of Corporate Governance, assessed by the Board of Directors, to maintain in the Bylaws only those committees whose characterization as statutory is required by legal norms, giving greater speed to the process of managing the committees subordinated to the Board of Directors. Thus, only the Audit Committee and the Compensation Committee remain as statutory roles, which should not be construed as a weakening of the corporate governance structure, as the Board of Directors will maintain these committees under its structure, which removal from the Bylaws was approved.

Statutory Committees

Audit Committee – Pursuant to our Bylaws and to Central Bank regulations since April 2004, we established the Audit Committee, comprised of three to five members, one of which is appointed coordinator, all of them appointed and subject to replacement by the Board of Directors. Appointments to our Audit Committee are for a term of two years. The former members of the Audit Committee may only rejoin the body, after at least three years have passed since the last permitted reappointment. Up to one third of the Audit Committee’s members may be re-elected for a single consecutive term, waiving this period.

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The current members of the Audit Committee are Milton Matsumoto (coordinator), Paulo Roberto Simões da Cunha (financial expert), Wilson Antonio Salmeron Gutierrez, Paulo Ricardo Satvro Bianchini and José Luis Elias, members with no specific designation. Milton Matsumoto is also a member of the Board of Directors.

The responsibilities of the Audit Committee include:

- establishing its own rules of operation;

- recommending to the Board of Directors the outside firm which should be hired to provide independent audit services, the amount of compensation such firm should receive and providing recommendations as to substitute auditors;

- previously analyzing and authorize hiring, in exceptional cases, our independent auditor for services other than auditing financial statements, from the point of view of compliance with rules on independent status;

- reviewing financial statements prior to their disclosure, including the notes to the financial statements, the independent auditor's report and Management reports;

- establishing and disclosing procedures for responding to any reports or allegations of a failure to comply with applicable legal requirements or internal codes and regulations, including procedures to ensure the confidentiality and protection of any persons providing information regarding such failures;

- evaluating the effectiveness of the work of both the internal and the independent auditors, including their compliance with applicable legal obligations and internal regulations and codes;

- meeting with our Senior Management and both the independent and the internal auditors at least quarterly;

- assessing the Senior Management’s responsiveness to any recommendations made by both the independent and internal auditors;

- advising our Board of Directors regarding any conflicts between the independent auditors and the Board of Executive Officers;

- recommending to our Senior Management, the correction or improvement of policies, practices and procedures identified when performing their activities; and

- following up by occasion of its meetings, on its recommendations and requests for information, including the planning of the respective auditing works in order to turn into minutes the content of such meetings.

Compensation Committee – The Compensation Committee has three to seven members, all of whom are members of our Board of Directors with terms of office of one year, and according to the provisions set forth in CMN Resolution No. 3,921/10, should have at least one non-management member. Members are appointed by and may be replaced by the Board of Directors. The committee's primary responsibility is to advise the Board of Directors in the coordination of the Management compensation policy.

Non-Statutory Committees

Compliance and Internal Control Committee – the Compliance and Internal Control Committee is comprised of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The Committee's primary responsibility is to assist the Board of Directors with the performance of its duties related to the adoption of strategies, policies and measures governing internal controls, mitigation of risks, and compliance with the rules applicable to us.

Integrity and Ethical Conduct Committee – the Integrity and Ethical Conduct Committee is composed of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The Committee's primary responsibility is to propose actions to ensure the enforcement of our Corporate and Sector Codes of Ethical Conduct, and of the rules of conduct related to issues of anticorruption and competition, so that they remain effective.

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Integrated Risk Management and Capital Allocation Committee - COGIRAC – The Integrated Risk Management and Capital Allocation Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. This Committee's primary responsibility is to advise the Board of Directors in the performance of its duties in the management and control of risks and capital in the sense of the consolidated economic financial entity.

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Sustainability and Diversity Committee – the Sustainability and Diversity Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. The Committee's purpose is to advise the Board of Directors in the performance its tasks related to fostering sustainability strategies, including the establishment of corporate guidelines and actions and reconciling economic development issues with those of socioenvironmental responsibility.

Succession Planning and Nomination Committee – made up of at least five members, all formally appointed and dismissible by the Board of Directors, including its Coordinator. The purpose of the Committee is to advise the Board of Directors and in the process of nomination of Qualified Employees, within the scope of the Bradesco Organization.

Risks Committee – composed by at least three and at most five members, all formally appointed and dismissed by the Board of Directors, including its Coordinator. The purpose of the Committee is to advise the Board of Directors in the performance of its duties related to risk and capital management.

Ombudsman

At the Special Shareholders' Meeting held in August 2007, our shareholders formalized the creation of the Ombudsman. Previously we had an informal Ombudsman. The Ombudsman works on behalf of all our institutions, authorized to operate by the Central Bank. There is one Ombudsman, with a two-year term. The Ombudsman is appointed and may be dismissed by the Board of Directors.

The Ombudsman is responsible for:

- checking strict compliance with legal and regulatory rules related to consumer's rights and acting as a communication channel among us and our institutions authorized to operate by the Central Bank, and our customers and users of its products and services, including mediating conflicts;

- receiving, registering, instructing, analyzing and formally and properly dealing with complaints from customers and users of products and services of the abovementioned institutions, not resolved by the usual services offered by the branches or by any other service station;

- giving necessary clarifications and replying to claimants regarding the status of complaints and the solutions offered;

- informing claimants of the waiting time for a final answer, which should not exceed ten business days, and may be extended, exceptionally and in a justified manner, only once, for an equal period limiting the number of extensions to 10.0% of total claims in the month, and the claimant must be informed of the reasons for the extension;

- sending a conclusive answer to the claimant's demand until expiration of the above waiting time;

- proposing to the Board of Directors corrective or improvement measures to procedures and routines based on the analysis of the complaints received; and

- preparing and sending to the Board of Directors, the Audit Committee and the Internal Audit, at the end of each semester, a qualitative report regarding the Ombudsman's performance, comprising the proposals addressed in the prior item, if any.

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According to our Bylaws and in order to comply with the rules of the Central Bank, in March 2018, Nairo José Martinelli Vidal Júnior was appointed by the Board of Directors as an Ombudsman, until the first Extraordinary Meeting of the Board of Directors to be held after the Annual Shareholders' Meeting of 2020.

The Ombudsman may be dismissed by our Board of Directors at any time, during the term of his mandate, in cases of noncompliance with the obligations inherent to his position or if his performance is below expectation.

Legal Advice

In pursuance of the best practices of Corporate Governance and for the dealing of specific legal affairs, the Board of Directors and the Board of Executive Officers established, in February 2019, the Legal Advice Department.

The Department will have as duties the provision of legal advice to the Board of Directors and to the Board of Executive Officers in issues of strategic interest, in the shareholding, contractual, and regulatory fields, as well as to follow up legal and administrative actions of high complexity for the Organization.

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Internal Audit

Our internal audit area is directly subordinated to the Board of Directors and independently assesses business and information technology processes, contributing to the mitigation of risks, the sufficiency and effectiveness of internal controls, and compliance with internal and external policies, rules, standards, procedures, and regulations. The methodology and execution of the work are certified by the Brazilian Institute of Independent Auditors, which takes into account the technical recommendations of the Institute of Internal Auditors ("IIA") in its assumptions.

6.D. Employees
As of December 31, 2018, we had 98,605 employees, of which 85,815 were employed by us and 12,790 were employed by our subsidiaries, compared to 98,808 employees as of December 31, 2017 and compared to 108,793 employees as of December 31, 2016.

The following table sets forth the number of our employees and a breakdown of employees by main category of activity and geographic location as of the dates indicated:

December 31,	**2018**	**2017**	**2016**
Total number of employees	**98,605**	**98,808**	**108,793**
Number by category of activity			
Bradesco	87.1%	87.2%	87.2%
Insurance activities	6.8%	6.4%	6.2%
Pension plan activity	0.6%	0.5%	0.4%
Other categories	5.5%	5.9%	6.2%
Number by geographic location			
Cidade de Deus, Osasco	10.8%	10.3%	10.5%
Alphaville, Barueri	4.1%	3.8%	2.2%
São Paulo	15.8%	16.2%	16.5%
Other locations in Brazil	69.0%	69.4%	70.5%
International	0.3%	0.3%	0.3%

Our part-time employees work six hours a day, while our full-time employees work eight hours a day, both in a five-day workweek. 24% of the employees worked part-time and 76% as full-time employees as of December 31, 2018, compared to 25% of the part-time employees and 75% of the full-time employees as of December 31, 2017 compared to 26% of the part-time employees and 74% of the full-time employees as of December 31, 2016.

We generally hire our employees at the entry level, and encourage them to remain with us throughout their careers. All employees are entitled, through internal hiring process, to fill new positions, including those in Middle Management, senior and managerial positions.

As of December 31, 2018, approximately 50.1% of our employees were associated with one of the labor unions that represent bank or insurance employees in Brazil. We maintain good relations with our employees as well as with their respective labor unions, which we believe is owing mostly to our policy of appreciating staff and having transparent relationships. We are party to two collective bargaining agreements: (i) one relating to our banking employees; and (ii) the other to our insurance sector employees.

We offer our employees benefits which include our health and dental plans enabling beneficiaries to choose their doctors, hospitals and dentists anywhere in Brazil, retirement and pension plans, and life and accident insurance with varying coverages. We also have an employee support program – called "Lig Viva Bem," offering 24-hour support and making available 100% confidential free-of-charge telephone calls. The team is composed of psychologists, social workers and other specialized professionals guiding and supporting employees and their dependents in relation to personal, professional, familiar, legal, nutritional and affective issues. These benefits are available regardless of an employee's position. Currently, 53.6% of our employees participate in our pension plan Bradesco Vida e Previdência. In accordance with our collective bargaining agreement, we also offer our employees profit-sharing compensation plans.

Through *Universidade Corporativa Bradesco* - UniBrad (Bradesco Corporate University), whose mission is to provide professional education and social mobility, we offer development solutions and training to our employees. In 2018, we invested R$166.9 million in professional training with a total of more than 793.4 thousand participations.

6.E. Share Ownership

As of March 11, 2019, the members of our Board of Directors and Board of Executive Officers indirectly held 2.9% of our voting capital and 1.5% of our total capital stock, in aggregate, through a company called BBD Participações S.A., or "BBD." In addition, some of our directors and executive officers directly hold shares of our capital stock. However, as of March 11, 2019, none of our directors and executive officers individually owned, directly or indirectly, more than 1.0% of any class of our shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

As of March 11, 2019, our capital stock was composed of 3,359,929,223 common shares (5,535,803 treasury shares) and 3,359,928,872 preferred shares (20,741,320 treasury shares), with no par value.

For information on shareholders' rights and our dividend distributions, see "Item 8.A. Consolidated Statements and Other Financial Information – Policy on dividend distributions" and "Item 10.B. Memorandum and Articles of Association – Organization – Allocation of net income and distribution of dividends."

The following chart illustrates our capital ownership structure as of March 11, 2019:

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The following table shows the direct ownership of our outstanding common and preferred shares as of March 11, 2019, Cidade de Deus, Fundação Bradesco and NCF directly hold 5.0% or more of our securities with voting rights:

Shareholder	**Number of shares, except %**				
	Number of common shares	**Common shares as a percentage of outstanding shares**	**Number of preferred shares**	**Preferred shares as a percentage of outstanding shares**	**Total Numbe of shares**
Cidade de Deus Participações	1,530,941,641	45.6%	809,001	0.0%	1,531,750,64
Fundação Bradesco[1]	572,546,729	17.1%	0	0.0%	572,546,72
NCF Participações	282,926,887	8.4%	74,990,590	2.2%	357,917,47
Subtotal	**2,386,415,257**	**71.1%**	**75,799,591**	**2.3%**	**2,462,214,84**
Members of the Board of Directors					
Luiz Carlos Trabuco Cappi	(*)	(*)	(*)	(*)	(*)
Carlos Alberto Rodrigues Guilherme	(*)	(*)	(*)	(*)	(*)
João Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)
Denise Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)
Milton Matsumoto	(*)	(*)	(*)	(*)	(*)
Alexandre da Silva Glüher	(*)	(*)	(*)	(*)	(*)
Josué Augusto Pancini	(*)	(*)	(*)	(*)	(*)
Maurício Machado de Minas	(*)	(*)	(*)	(*)	(*)
Total Board of Directors	**18,362,731**	**0.5%**	**33,753,141**	**1.0%**	**52,115,87**
Members of the Diretoria Executiva					
Octavio de Lazari Junior	(*)	(*)	(*)	(*)	(*)
Marcelo de Araújo Noronha	(*)	(*)	(*)	(*)	(*)
André Rodrigues Cano	(*)	(*)	(*)	(*)	(*)
Cassiano Ricardo Scarpelli	(*)	(*)	(*)	(*)	(*)
Eurico Ramos Fabri	(*)	(*)	(*)	(*)	(*)
Moacir Nachbar Junior	(*)	(*)	(*)	(*)	(*)
Renato Ejnisman	(*)	(*)	(*)	(*)	(*)
Walkiria Schirrmeister Marchetti	(*)	(*)	(*)	(*)	(*)
Guilherme Muller Leal	(*)	(*)	(*)	(*)	(*)
Rogério Pedro Câmara	(*)	(*)	(*)	(*)	(*)
João Carlos Gomes da Silva	(*)	(*)	(*)	(*)	(*)
Bruno D'Avila Melo Boetger	(*)	(*)	(*)	(*)	(*)
Glaucimar Peticov	(*)	(*)	(*)	(*)	(*)
José Ramos Rocha Neto	(*)	(*)	(*)	(*)	(*)

Antonio José da Barbara	(*)	(*)	(*)	(*)	(*)
Edson Marcelo Moreto	(*)	(*)	(*)	(*)	(*)
José Sérgio Bordin	(*)	(*)	(*)	(*)	(*)
Leandro de Miranda Araújo	(*)	(*)	(*)	(*)	(*)
Roberto de Jesus Paris	(*)	(*)	(*)	(*)	(*)
Total Members of the Diretoria Executiva	**43,401**	**0.0%**	**828,284**	**0.0%**	**871,68**
Subtotal	**2,404,821,389**	**71.7%**	**110,381,016**	**3.3%**	**2,515,202,40**
Other	949,572,031	28.3%	3,228,806,536	96.7%	4,178,378,56
Outstanding Shares	**3,354,393,420**	**100.0%**	**3,339,187,552**	**100.0%**	**6,693,580,97**
Treasury shares	5,535,803	-	20,741,320	-	26,277,12
Total	**3,359,929,223**	**100.0%**	**3,359,928,872**	**100.0%**	**6,719,858,09**

(1) Also indirectly owns, through its interest in Cidade de Deus Participações and Nova Cidade de Deus, and NCF F
41.8% of our common shares and 21.9% of our total shares.
(*) None of the members of our Board of Directors, Board of Executive Officers or other administrative, supervisory
management bodies directly or beneficially holds 1.0% or more of any of our classes of shares, and their individual
ownership has not been previously disclosed to our shareholders or otherwise made public. For more information, s
Share Ownership".

The following is a description of our principal beneficial shareholders as of March 11, 2019. None of the principal beneficial shareholders have voting rights that differ from those of the other holders of our common shares.

Cidade de Deus Companhia Comercial de Participações

Cidade de Deus Companhia Comercial de Participações is a holding company, which we refer to as “Cidade de Deus Participações”. It directly holds 45.6% of our voting capital and 22.9% of our total capital. Its shareholders are: (i) Nova Cidade de Deus, with 47.9% of its common and total shares; (ii) Fundação Bradesco, with 35.4% of its common and total shares; and (iii) the Aguiar Family, with 16.7% of its common and total shares as of March 11, 2019. The company's capital stock is made up of common, nominative book-entry shares, with no par value.

Nova Cidade de Deus Participações

Nova Cidade de Deus Participações is a holding company which we refer to as “Nova Cidade de Deus.” It holds investments in other companies, mainly those that, directly or indirectly, own our voting capital. As of March 11, 2019, the company owned, through its participation in Cidade de Deus Participações, 23.5% of our common shares and 12.0% of our total shares.

The capital stock of Nova Cidade de Deus is divided in class A and class B common shares and one class of preferred shares. Ownership of the class B common shares is limited to:

- members of our *Diretoria Executiva*;

- members of our Board of Directors who have been officers of Banco Bradesco or its controlled entities; and

- commercial or civil associations in which the majority of the voting interest is owned by the individuals above.

Ownership of Nova Cidade de Deus' class A common shares is limited to the persons entitled to own class B common shares and any civil associations and private foundations managed by them or their appointed representatives. Only the class A and class B common shareholders in Nova Cidade de Deus have voting rights.

The Aguiar Family

As of March 11, 2019, the members of the Aguiar Family indirectly owned, by way of their participation in Cidade de Deus Participações, 8.2% of our common shares and 4.2% of our total shares. In addition, the same parties directly held a total of 3.6% of our common shares, 3.9% of our preferred shares, which correspond to 3.8% of our total shares. None of the members of the Aguiar Family individually or directly holds more than 5.0% of our voting shares.

Fundação Bradesco

As of March 11, 2019, Fundação Bradesco owned 58.8% of our common shares, 2.0% of our preferred shares and 30.5% of our total shares, directly and indirectly, through its participation in Cidade de Deus Participações, Nova Cidade de Deus, NCD Participações and NCF.

Under the terms of Fundação Bradesco's bylaws, all of our directors, members of the *Diretoria Executiva* and department officers, as well as directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco, known as the "Board of Trustees." They receive no compensation for their service on the Board of Trustees.

Fundação Bradesco is one of the largest private socio-educational programs in Brazil, it is an innovative social investment initiative which reaches every state in Brazil and the Federal District, and its 40 schools are primarily located in regions of accentuated educational deprivation.

In 2018, a total of 94,256 students attended Fundação Bradesco schools from early childhood through to secondary school, and secondary-level vocational or technical education, as well as courses for young people and adults and initial and continuing education for employment and income. In addition to quality formal education free of charge, approximately 42,000 elementary school students are also provided with school uniforms, classroom stationery, meals, and medical and dental care.

Our "Escola Virtual" (Virtual School) e-learning portal's distance learning programs (“EaD”), benefited more than 780,000 students who completed at least one of more than 90 courses offered, and another 9,035 students were involved in projects and partnership initiatives such as our "Educate - Act" (*Educa+Ação*)

Program as well as educational courses and talks on information technology.

The IT for the Visually Handicapped Program has benefited and trained 12,687 students and fostered social inclusion for thousands of people.

Fundação Bradesco's 2018 budget totaled R$606.9 million. Over the last 10 years, Fundação Bradesco has invested a total of R$6.9 billion (at current values) in the foundation.

BBD

BBD indirectly owned 6.1% of our common shares and 3.1% of our total shares as of March 11, 2019, through its participation in Nova Cidade de Deus. BBD is a holding company that was organized to hold interests in our capital and in the capital of our indirect and direct shareholders. In 1999, BBD acquired from several shareholders an indirect interest of 5.5% of our voting capital. Only members of the Board of Directors and of the Board of Executive Officers, as well as our skilled employees, of Bradespar, or of our subsidiaries and national not-for-profit legal entities or national companies controlled by them that have as managers only our employees and/or managers, may hold BBD shares. However, only the members of the Board of Directors and Executive Officers may own voting shares. Most of our Board members and Executive Officers own shares in BBD.

NCF

NCF is a holding company controlled by Cidade de Deus Participações and by Fundação Bradesco. As of March 11, 2019, NCF held 8.4% of our common shares and 5.3% of our total shares.

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Market

Direct market holdings represented 28.9% of our voting capital as of March 11, 2019 and 97.7% of our preferred shares. Common and preferred shares held by the market accounted for 63.2% of our share capital.

As of December 31, 2018, 1,356 foreign investors with a stake in our share capital in the amount of: (i) 57.7% of preferred shares; and (ii) 10.2% of common shares. Of the reported percentages, the GDRs (Global Depositary Receipts) accounted for 0.01% of preferred shares and the ADRs (American Depositary Receipts) accounted for 22.7% of preferred shares and 0.04% of common shares.

7.B. Related Party Transactions

Transactions with controllers, joint control and related parties, and key management personnel are conducted on arms' length terms as demonstrated below:

December 31,	**R$ in thousands**		
	2018	**2017**	**2016**
ASSETS			
Loans and advances to banks	585,191	724,369	1,033,479
Securities and derivative financial instruments	35,282	-	-
Other assets	376,015	3,572	6,128
LIABILITIES			
Deposits from customers	(2,785,494)	(1,122,088)	(1,524,462)
Funds from securities issued	(10,700,194)	(8,282,217)	(6,977,691)
Corporate and statutory obligations	(1,540,846)	(2,275,419)	(1,770,149)
Other liabilities	(10,107,370)	(8,827,877)	(13,704)
INCOME AND EXPENSES	-	-	-
Net interest income	(845,688)	(931,206)	(1,280,078)
Other income/expense	(2,046,696)	149,629	133,451

CMN Resolution No. 4,693/18 contains provisions conditions and limits for the application of credit transactions with related parties through financial institutions and through leasing companies, pursuant to Article 34 of Laws No. 4,595/64 and No. 7,492/86.

Under this resolution, the following are considered related-parties of an institution:

- its controllers (individuals or legal entities), pursuant to Article 116 of Law No. 6,404/76, as well as their spouses, partners and blood relatives up to the second degree;

- officers and members of statutory or contractual bodies, as well as their spouses, partners and blood relatives up to the second degree;
- individuals with qualified equity interest; and
- legal entities with qualified equity interest (equivalent to 15% of the Capital) (i) in which they have a direct or indirect stake; (ii) in which there is effective operational control or relevance in the deliberations, regardless of equity interest; and (iii) that have an officer or member of the board of directors in common.

Conditions for the execution of loan operations with related parties

The institutions can only perform loan operations with related parties under conditions compatible with the market, using the parameters adopted in loan operations of the same type for borrowers with the same profile and credit risk.

Limits to operate

The loan operations with related parties must not be higher than 10% of the value of the adjusted shareholders' equity of the financial institution granting the credit, observing the following individual caps; (i) 1% for contracts with an individual; and (ii) 5% for contracts with a legal entity.

The limits referred to in this article shall be established on the date of concession of the loan operation, based on the accounting document concerning the month preceding the base date of reference.

Registration Log

Financial institutions must keep specific and updated records of the names of legal entities, individuals and their direct relatives, collateral or by affinity up to the second degree, which are classified as related parties. For further details on restrictions on the operations of financial institutions, see "Item 4.B. Business Overview – Regulation and Supervision – Bank regulations – Principal limitations and restrictions on activities of financial institutions."

For further information on related party transactions, see Note 45 to our consolidated financial statements in "Item 18. Financial Statements."

7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements and other Financial Information

See "Item 18. Financial Statements," which contains our audited consolidated financial statements prepared in accordance with IFRS.

Legal proceedings

We are a party to civil, tax and labor administrative proceedings and lawsuits that have arisen during the normal course of our business, which main matters refers to:

Labor matters – The labor matters in which we were involved during the year ended December 31, 2018 are mainly claims brought by former employees and outsourced employees seeking indemnifications, especially for unpaid overtime, according 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, the provision is recorded based on the average calculated value of payments made for labor complaints settled in the past twelve months; and 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. Overtime is monitored by using electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by our former employees do not represent significant amounts.

Tax-related matters – We are also a party to a number of judicial lawsuits and administrative proceedings, mainly involving issues related to constitutionality and fair interpretation of some tax requirements. Some claims relate to the non-payment of taxes which we are contesting; others stem from collections (notifications) of supervisory agencies of the Ministry of Finance and others aim at recovering taxes we understand have already been paid or unduly paid. The amounts we have not paid in view of these claims have in general been provisioned in conformity with applicable accounting rules and are restated based on criteria established by tax legislation. On the other hand, those taxes to be refunded are only recorded when the prospect of realizing these assets is practically certain. See Note 18 to our consolidated financial statements for a description of our most relevant tax claims.

Civil matters – We are a party to various civil lawsuits, although none of them are material. Lawsuits consist mainly of claims for indemnification for presumed damages caused during the ordinary course of business activities and cases where inflation indices were not applied to the adjustment of saving accounts as a result of economic plans, although we complied with the law in force at the time. For more information on lawsuits in relation to economic plans, see "Item 3.D. Risk Factors – Risks relating to us and the Brazilian banking industry – The Brazilian Supreme Court is currently deciding cases relating to the application of inflation adjustments which may increase our costs and cause losses".Probable risk cases are all provisioned, and do not incur in a material adverse effect on our results of operations or financial position; and

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Other matters – We are currently not subject to any significant disputed processes with the Central Bank, CVM, ANS or SUSEP. We comply with all regulations applicable to the business, issued by the aforementioned regulatory bodies.

In this context, there is no individually significant or litigation matters of material importance or risk that deserves to be highlighted, as well as pending or imminent lawsuits that if decided against us would have a material adverse effect on our business, financial condition, properties, prospects or results of operations.

As of December 31, 2018, 41.4% of the total amount of R$19,802 million, related to our provisions, relates to tax and social security issues, mainly related to IRPJ and CSLL, PIS, COFINS and INSS .

Labor matters correspond to 30.2%, while civil liability represent 28.4% of the same amount, which we believe is adequate to cover any potential exposure arising from the issues presented above.

Among the remaining litigation, where the probability of loss is considered as possible, we highlight those related to tax and social security matters, which main lawsuits amount to R$20,673 million as of December 31, 2018. (R$18,852 million as of December 31, 2017).

For additional information, see Note 42 to our consolidated financial statements in "Item 18. Financial Statements".

Policy on dividend distributions

Our Bylaws require our Board of Directors to recommend, at each annual shareholders' meeting, that our net income for the fiscal year (in accordance with BR GAAP) be allocated as follows:

- 5.0% for the legal reserve, not exceeding 20.0% of the paid-up capital in each fiscal year. This requirement shall not be applicable in fiscal years when the legal reserve, added to our other capital reserves, exceeds 30.0% of our paid-up capital;

- an amount (to be determined by our shareholders based on probable potential losses) to a contingency reserve against future losses;

- at least 30.0% (after the deductions for the legal reserves and contingencies) for mandatory distribution to our shareholders; and

- any outstanding balance to a statutory profit reserve for the maintenance of an operating margin that is compatible with our credit businesses, up to a limit of 95.0% of our paid-up capital.

Our Bylaws also authorize our shareholders to allocate an amount to a reserve for realizable revenue. Our shareholders have never allocated amounts to such reserve.

A minimum of 30.0% of our net income must be distributed as annual dividends and must be paid out within 60 days following the Annual Shareholders' Meeting. However, Brazilian Corporate Law permits us to suspend payment of the mandatory dividends if our Board of Directors reports, at the shareholders' meeting, that the distribution would be incompatible with our financial condition, and our shareholders approve the suspension by a simple majority vote. Under the Brazilian Corporate Law, the Board of Directors shall file a report with the CVM, justifying the suspension, within five days after the Annual Shareholders' Meeting. The income not distributed as dividends due to suspension must be allocated to a special reserve. If it is not absorbed by subsequent losses, the amount in the reserve shall be paid as dividends as soon as our financial situation allows us to.

Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders.

Our *Diretoria Executiva*, subject to approval by the Board of Directors, may distribute dividends based on the profits reported in interim financial statements. The amount of distributed interim dividends shall not exceed the amount of the additional paid-in capital. Our *Diretoria Executiva* bases the amount of the interim dividends to be distributed on previously accumulated profits or retained earnings.

Since 1970, we have been distributing interim dividends on a monthly basis. Today we maintain an automatic system for the monthly payment of interest on equity.

Consistent with Brazilian law, our Bylaws allow our *Diretoria Executiva*, upon approval by the Board of Directors, to make distributions in the form of interest on equity instead of dividends. Payments of interest on equity may be included as part of any mandatory dividends. Since July 1997, we have made monthly payments of interest on equity at an amount approved by our Board of Directors before the statement of dividends at the end of each fiscal year. The amounts paid as interest on equity, net of income tax, are discounted from the amount of dividends declared.

Pursuant to Brazilian law, a shareholder who does not receive a dividend payment may start a proceeding for the collection of these payments within three years following the dividends statement date. After this period, unclaimed dividends return to the company.

Our policy relating to dividend distributions and/or interest on equity is to maximize the amount of distributions, in accordance with our tax management strategy. For additional information, see "Item 5.A. Operating Results – Overview – Taxes."

8.B. Significant Changes

See "Item 4.A. History and Development of the Company – Recent Acquisitions."

ITEM 9. THE OFFER AND LISTING

9.A. Offer and Listing Details

Our ADSs are traded on the New York Stock Exchange (“NYSE”), under the symbols “BBD” (preferred share ADSs) and “BBDO” (common share ADSs).

Our preferred share ADSs were first listed on the NYSE in 2001. Each preferred share ADS corresponds to one preferred share.

An increase to our capital stock by R$8,000,000 thousand was decided at the Special Shareholders’ Meeting held on March 11, 2019 and was approved by the Central Bank on March 19, 2019, increasing the capital stock from R$67,100,000 thousand to R$75,100,000 thousand, with a bonus of 20% 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. 6,476/76, issuing 1,343,971,619 new nominative-book entry shares, with no nominal value, whereby 671,985,845 are common and 671,985,774 are preferred shares, which will be attributed free-of-charge to the shareholders as bonus, to the ratio of 2 new shares for every 10 shares of the same type, the shareholders registered with us on March 29, 2019.

Our shares are listed in Brazil’s main stock indexes, including the indexes that measure the total return of a theoretical portfolio composed of 50 and 100 shares, IBrX-50 and IBrX-100, respectively, selected from among the most traded shares on B3; the IBrA (Broad Brazil Index); the IFNC (Financial Index, composed of banks, insurance companies and financial institutions); the ISE (Corporate Sustainability Index); the IGCX (Special Corporate Governance Stock Index); the IGCT (Corporate Governance Trade Index); the ITAG (Special Tag-Along Stock Index), the index composed of shares of companies listed in the IBrX-50 index and that accepted taking part in this initiative by adopting transparent greenhouse gas emission practices (ICO2); and the Mid-Large Cap Index – MLCX (which measures the return of a portfolio composed of the highest capitalization companies listed). Abroad, our shares are listed on the Dow Jones

Sustainability World Index, in the Dow Jones Sustainability Emerging Markets portfolio of the NYSE, and on the FTSE Latibex Brazil Index of the Madrid Stock Exchange.

In January 2012, the Central Bank authorized our creation of an ADR program for our common shares in the USA market. As part of this authorization, and after government had affirmed it as being in its interest, the Central Bank increased the limit of foreign interest in our capital stock from 14.0% to 30.0%. The increase in the limit of foreign interest in our common shares did not alter our ownership or control structure. In March 2012, our common share ADSs became listed on the NYSE under the symbol "BBDO." Each common share ADS corresponds to one common share.

Our shares are registered in book-entry form and we perform all the services of safe-keeping and transfer of shares. Our shareholders may choose to hold their shares registered at the Stock Exchange of B3 (former Brazilian Clearing and Depository Corporation - *Companhia Brasileira de Liquidação e Custódia* – CBLC). Under Brazilian law, non-Brazilian holders of our shares may be subject to certain adverse tax consequences due to their ownership and any transfer of our shares. For further discussion of the restrictions on the transfer of preferred shares, see "Item 10.B. Memorandum and Articles of Association – Organization – Form and transfer" and "Item 10.D. Exchange Controls."

Our preferred share ADSs and common share ADSs are represented by preferred share ADRs and common share ADRs. Our preferred share ADSs and common share ADSs may be held in registered form with the depository – The Bank of New York Mellon – or in book entry form through financial institutions that are members of the "Depository Trust Company" or DTC. The depositary bank, as registrar, performs the services of transfer of the preferred share ADRs and common share ADRs. Title to a preferred share ADR or common share ADR (and to each preferred share ADS or common share ADS evidenced thereby), when properly endorsed or accompanied by proper instruments of transfer, is transferable by delivery with the same effect as in the case of a certificated security under the laws of the State of New York. Holders of the preferred share ADRs and common share ADRs who transfer their preferred share ADRs and common share ADRs may be required to:

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- reimburse the depositary bank for any taxes, governmental charges or fees the depositary bank has paid;

- pay any transfer fees as required by the deposit agreements;

- produce satisfactory proof of identity and genuineness of their signatures or any other documents required by the deposit agreements;

- comply with any United States, Brazilian or other applicable laws or governmental regulations; and

- comply with such reasonable regulations, if any, as we and the depositary bank may establish consistent with the deposit agreements.

All of our outstanding shares are fully paid and non-assessable.

The rights of holders of our preferred shares are limited in comparison with those of the holders of common shares in several material ways:

- each common share entitles the holder to one vote at shareholders' meetings, while holders of preferred shares are only entitled to a vote in the limited circumstances described in "Item 10.B. Memorandum and Articles of Association – Organization – Voting rights;" and

- the nature of preferred shareholders' preemptive rights to subscribe for shares or convertible securities depends on the proportion of capital that would be represented by preferred shares after the capital increase, as described under "Item 10.B. Memorandum and Articles of Association – Organization – Preemptive rights."

The holders of the preferred share ADSs and common share ADSs have the rights corresponding to the underlying shares, subject to the Deposit Agreements. Owners of the preferred share ADSs and common share ADSs are parties to the Deposit Agreements and therefore are bound to its terms and to the terms of the preferred share ADRs and common share ADRs that represent the preferred share ADSs and common share ADSs.

9.B. Plan of Distribution

Not applicable.

9.C. Markets

Trading on the B3

B3 is a publicly traded corporation. Beginning in April 2000, the Brazilian stock exchanges were reorganized through the execution of protocols of intention by the Brazilian stock exchanges. Until April 2004, all shares underlying securities were traded only on the B3, with the exception of privatization auctions, which occurred on the Rio de Janeiro Stock Exchange. In May 2004, the Rio de Janeiro Stock Exchange reopened for the trading of certain Brazilian government securities.

If you were to trade in our shares on the B3, your trade would settle in three business days after the trade date. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of the Central Depository of B3.

The B3 is less liquid than the NYSE or other major exchanges in the world. As of December 31, 2018, the aggregate market capitalization of the 336 companies listed on the B3, was equivalent to US$820.7 billion and the 10 largest companies listed on the B3 represented 60.4% of the total market capitalization. Although any of the outstanding shares of a listed company may trade on a Brazilian stock exchange, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by a small group of controlling persons, by governmental entities or by one principal shareholder. As of December 31, 2018, we accounted for 8.5% of the market capitalization of all listed companies on the B3.

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Trading on Brazilian stock exchanges by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes (a "non-Brazilian holder") is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on Brazilian stock exchanges in accordance with the CMN requirements. Investments made by foreigners on stock exchanges were traditionally regulated by Resolution No. 2,689/00, which required that securities held by non-Brazilian holders were maintained in the custody of or in deposit accounts with financial institutions duly authorized by the Central Bank and the CVM. In addition, Resolution No. 2,689/00 required non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, according to Resolution No. 2,689/00, non-Brazilian holders should not transfer to other non-Brazilian holders the ownership of investments.

In September 2014, the CMN issued Resolution No. 4,373/14, amending and improving the provisions for (i) foreign investments through a depositary receipt mechanism; and (ii) investments made by non-resident investors in the financial and capital markets in Brazil. The main changes were: (a) increasing the number of instruments that may be issued through depositary receipts; (b) making it possible for non-resident investors to invest in financial and capital markets without having previously entered into foreign exchange operations; (c) clarifying the criteria for simultaneous foreign exchange operations; and (d) increasing the responsibility of the non-resident investor’s representative. CMN Resolution No. 4,373/14 became effective in March 2015.

See "Item 10.D. Exchange Controls" for further information about CMN Resolution No. 4,373/14, and "Item 10.E. Taxation – Brazilian tax considerations – Taxation of gains" for a description of certain tax benefits extended to non-Brazilian holders who qualify under CMN Resolution No. 4,373/14.

Corporate governance practices of B3

In 2000, B3 introduced three special listing segments known as “Levels 1 and 2 of Differentiated Corporate Governance Practices and *Novo Mercado*" with the purpose of stimulating the secondary market of securities issued by Brazilian companies listed on B3, encouraging these companies to follow good corporate governance practices. B3 subsequently introduced two new segments called "*Bovespa Mais*” and “*Bovespa Mais Nível 2*,” specifically for small- and medium-scale companies. The listing segments were designed for the trading of shares issued by companies that voluntarily commit themselves to follow corporate governance practices and disclosure requirements beyond those required by Brazilian legislation. These rules generally increase shareholders' rights and increase the quality of the information made available to shareholders. Newly amended rules for “Levels 1 and 2 of Differentiated Corporate Governance Practices” came into effect in May 2011.

To become a "Level 1" company, the issuer must agree to the following requirements, in addition to those imposed by applicable law: (i) ensure that the shares that represent at least 25.0% of its total capital are actually available for trading; (ii) adopt offering procedures that favor the widespread ownership of the shares whenever a public offer is made; (iii) comply with minimum standards for quarterly disclosure; (iv) follow stricter disclosure policies for transactions done by its controlling shareholders, members of its Board of Directors and executives that involve securities issued by the issuer; (v) submit any existing shareholders' agreement and stock option plans to B3; and (vi) prepare a schedule of corporate events and make it available to the shareholders.

To become a "Level 2" company, the issuer must agree to the following requirements, in addition to those imposed by applicable law: (i) comply with all Level 1 listing requirements; (ii) grant tag-along rights to all shareholders in case the company's control is transferred, offering to common shareholders the same price paid per share for the controlling block of common and preferred shares; (iii) give holders of preferred shares voting rights for decisions on certain corporate restructurings and related-party transactions, such as: (a) conversions, acquisitions, mergers or splits; (b) approval of any transactions between the company and its controlling shareholder, if such decisions are within the competence of the general meeting; (c) valuation of assets to be used for payment of a share capital increase; (d) selecting an institution or specialized company to determine the economic value of the company; and (e) any alterations to these voting rights that will prevail as long as the agreement to adhere to the B3's “Level 2” segment is in force; (iv) the Board of Directors made up of at least five members of which at least a minimum of 20.0% shall be independent members with a term of office limited to two years, and re-election is permitted; (v) prepare financial statements in English, including the statement of cash flows, according to international accounting standards such as U.S. GAAP or IFRS; (vi) effect a tender offer by the company's controlling shareholder (the minimum price of the shares to be offered shall be determined by an assessment process), if the controlling shareholder decides on the delisting from the "Level 2" segment; and (vii) exclusively adopt the B3 "Arbitration Board" rules for resolving any conflicts between the company and its investors.

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To join B3's "*Novo Mercado*" segment, an issuer must meet the "*Novo Mercado*" rules related to the governance structure and the shareholders' rights: (i) the capital must be composed exclusively of common shares with voting rights; (ii) in the case of transfer of control, all shareholders have the right to sell their shares at the same price (tag along of 100%) attributed to the shares held by the controller; (iii) of the area of Internal Audit, role of Compliance and Audit Committee (statutory or non-statutory); (iv) in the event of the company leaving the *Novo Mercado*, conducting a public offer for acquisition of shares ("OPA") at fair value, in which, at least 1/3 of the holders of shares in circulation must accept the OPA or agree with the exit from the segment; (v) the board of directors has to include, at least, 2 or 20% of independent directors, whichever is higher, with a unified term of up to two years; (vi) the company undertakes to maintain at least 25% of the shares in circulation (free float), or 15%, in the event of ADTV (average daily trading volume) of more than R$25 million; (vii) structuring and dissemination of the evaluation process of the board of directors, of its committees and the board; (viii) drafting and dissemination of policies (a) compensation; (b) nomination of members to the board of directors, its advisory committees and board of executive officers; (c) risk management; (d) transactions with related parties; and (e) trading of securities with minimum content (except for the compensation policy); (ix) simultaneous disclosure, in English and Portuguese, of relevant facts, information about earnings and press releases of income statements; and (x) monthly release of negotiations with securities issued by the company and shareholders.

In June 2001, we executed an agreement with B3 to list our shares in the "Level 1" segment, effective immediately after the disclosure of the offer's opening date in Brazil. We agreed to comply with and continue to comply with all of the "Level 1" listing requirements.

9.D. Selling Shareholders
Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

For more information on our capital stock, see Note 44 to our consolidated financial statements in "Item 18. Financial Statements."

10.B. Memorandum and Articles of Association

We are a publicly traded company duly registered with the CVM under No. 00090-6. Article 5 of our Bylaws establishes our purpose as carrying out banking transactions in general, including foreign exchange activities.

Organization

Qualification of directors

Since the promulgation of Law No. 12,431/11, which amended Law No. 6,404/76, members of the Board of Directors are no longer required to be shareholders of the companies in which they occupy these positions. Neither do they have to meet residency requirements to be eligible for Board member positions.

Allocation of net income and distribution of dividends

Our Bylaws, in conformity with the Brazilian Corporate Law, require the Board of Directors to recommend, at each Annual Shareholders' Meeting, the allocation of net income for the fiscal year as follows:

- 5.0% of net income determined in accordance with BR GAAP to a legal reserve, during each fiscal year, not to exceed 20.0% in the aggregate of our paid-in capital. This requirement shall not be applicable in fiscal years when the legal reserve, added to our other additional paid-in capital, exceeds 30.0% of our paid-in capital;

- upon proposal by our Management, an amount to a contingency reserve against future losses, which amount is determined by our shareholders on the basis of what potential losses they consider probable. Historically, our shareholders never allocated profits to this reserve;

- at least 30.0% of net income according to BR GAAP (adjusted by the deductions under the preceding items) for mandatory distribution to our shareholders; and

- any balance to revenue reserves for the maintenance of an operational margin that is compatible with the conduct of our lending business, up to a limit of 95.0% of our paid-in capital.

Our Bylaws also authorize our shareholders to allocate an amount to a reserve for realizable revenue. Historically, our shareholders have not allocated amounts to such reserve.

The minimum of 30.0% of our adjusted net income according to BR GAAP must be distributed as annual dividends and paid out within 60 days of the General Shareholders' Meeting in which the distribution is approved. However, Brazilian Corporate Law permits us to suspend payment of the mandatory distribution if our Board of Directors reports to the shareholders' meeting that the distribution would be incompatible with our financial condition, in which case the suspension is subject to approval by the shareholders' meeting. Under Brazilian Corporate Law, the Fiscal Council shall prepare a report on this matter and the Board of Directors is obligated to present a justification for the suspension with the CVM within five days of the shareholders' meeting. The income not distributed due to the suspension must be allocated to a special reserve. If not absorbed by subsequent losses, the amounts in the reserve shall be paid as dividends as soon as our financial situation permits.

Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to the common shareholders.

Under Brazilian law, we must prepare financial statements according to BR GAAP on a quarterly and annual basis and according to IFRS on an annual basis. Our *Diretoria Executiva*, with approval of the Board of Directors, may distribute dividends based on the profits reported in interim financial statements. Our Bylaws provide for the payment of interim dividends, which cannot exceed the amount of our retained earnings or our profit reserves contained in our last, annual or bi-annual financial statements. Our *Diretoria Executiva* bases the amount of the interim dividends on previously accrued or retained earnings.

Between March and October 2013, the Central Bank issued several rules related to the implementation of the Basel III Accord requirements in Brazilian banks. Pursuant to Article 9 of Resolution No. 4,193/13, a financial institution in breach of the additional capital requirements will be subject to restrictions by the Central Bank, including the distribution of dividends and payment of extraordinary amounts to the institution's officers and executives. Such restriction can be applied proportionally to the difference between the required additional capital and the actual additional capital, as follows: (i) if the actual capital is less than 25.0% of the required capital, restriction of up to 100% on distributions; (ii) if the actual capital is 25.0% or higher and below 50.0% of the required capital, restriction of up to 80.0% on distributions; (iii) if the actual capital is 50.0% or higher and below 75.0% of the required capital, restriction of up to 60.0% on distributions; and (iv) if the actual capital is 75.0% or higher and below 100% of the required capital, restriction of up to 40.0% on distributions. We are currently in compliance with all capital requirements.

Shareholders' meetings

Our shareholders have the power to decide any matters related to our corporate purpose and to approve any resolutions they deem necessary for our protection and development, through voting at a general shareholders' meeting.

As from the Annual Shareholders' Meeting of 2013, shareholders resolved that our meetings shall be convened by the publication of call notices in the *Diário Oficial do Estado de São Paulo* (Official Gazette of the State of São Paulo) and the *Valor Econômico* newspaper, all in the State of São Paulo. The notice must be published three times, beginning at least 30 calendar days prior to the scheduled meeting date. The notice must contain the meeting's agenda and, in the case of a proposed amendment to our Bylaws, an indication of the subject matter.

The Board of Directors or, in some specific situations set forth in the Brazilian Corporate Law, the shareholders, may call our shareholders' meetings. A shareholder may be represented at a shareholders' meeting by an attorney-in-fact so long as the attorney-in-fact was appointed within less than a year of the meeting. The attorney-in-fact must be a shareholder, a member of our Management, a lawyer or a financial institution and for investment funds, the fund manager is responsible for representing quota holders. Shareholders that are legal entities may also be represented by their own legal representatives. The power of attorney given to the attorney-in-fact must comply with certain formalities set forth by Brazilian law.

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In order for a shareholders' meeting to validly take any action, shareholders representing at least one quarter of our issued and outstanding common shares must be present at the meeting. However, in the case of a shareholders' meeting to amend our Bylaws, shareholders representing at least two-thirds of our issued and outstanding common shares must be present. If no such quorum is verified, the Board of Directors may call a second meeting by notice given at least eight calendar days prior to the scheduled meeting and otherwise in accordance with the rules of publication described above. The quorum requirements will not apply to a second general meeting, subject to the quorum requirements applicable to the first one.

In March 2017, we adopted a remote voting system at our Shareholder's Meetings, in accordance with Article 21-A of CVM Instruction No. 481/09, as amended.

Voting rights

Each common share entitles its holder to the right of one vote at our shareholders' meetings. Except as otherwise provided by law, the decisions of a shareholders' meeting are passed by a vote by holders of a simple majority of our common shares, while abstentions are not taken into account.

In March 2002, the Brazilian Corporate Law was amended to, among other issues, grant more protection to minority shareholders and ensure them the right to appoint one member and an alternate to our Board of Directors. To qualify for the exercise of such right, the minority shareholder must have held, for at least the prior three months either: (i) preferred shares representing the minimum of 10.0% of our capital stock; or (ii) common shares representing at least 15.0% of our voting shares. If no shareholders meet the thresholds, shareholders representing at least 10.0% of our capital stock may be able to combine their holdings to appoint one member and an alternate member to our Board of Directors. We highlight that, in our case, we have no alternate members for the Board of Directors.

The Brazilian Corporate Law provides that non-voting preferred shares acquire voting rights when a company has failed for the term provided for in its bylaws (for more than three fiscal years) to pay any fixed or minimum dividend to which such shares are entitled. Such voting rights remain effective until payment of the cumulative dividends is made.

Shareholders

Pursuant to Brazilian law, the approval of the holders of a majority of the outstanding adversely affected preferred shares as well as shareholders representing at least one-half of the issued and outstanding common shares is required for the following actions:

- creating or increasing an existing class of preferred shares without preserving the proportions of any other class of the existing shares;

- changing a preference, privilege or condition of redemption or amortization of any class of preferred shares; and

- creating a new class of preferred shares that has preference, privilege or condition of redemption or amortization superior to the existing classes of preferred shares.

These actions are put to the vote of the holders of the adversely affected preferred shares at a special meeting, where each preferred share entitles the shareholder to one vote. Preferred shareholders have the right to vote on any change to our legal form and obtain the right to vote if we enter into a liquidation process.

The approval of holders of at least one-half of the issued common shares is required for the following actions:

- reducing the mandatory distribution of dividends;

- approving a takeover, merger or spin-off;

- approving our participation in a "*grupo de sociedades*" (a group of companies whose management is coordinated through contractual relationships and equity ownerships), as defined under the Brazilian Corporate Law;

- changing our corporate purpose;

- ceasing our state of liquidation; and

• approving our dissolution.

Pursuant to Brazilian Corporate Law, holders of common shares, voting at a Shareholders' Meeting, have the exclusive power to:

• amend our Bylaws, including changes to the rights of the holders of the common shares;

• elect or dismiss members of our Board of Directors;

• receive the yearly accounts prepared by our Management and accept or reject management's financial statements, including the allocation of net profits for payment of the mandatory dividend and allocation to the various reserve accounts;

• suspend the rights of a shareholder who has not fulfilled the obligations imposed by law or by our Bylaws;

• accept or reject the valuation of assets contributed by a shareholder in consideration for issuance of capital stock; and

• approve corporate restructurings, such as takeovers, mergers and spin-offs; dissolve or liquidate, elect or dismiss our liquidators or examine their accounts.

Preemptive rights

Each of our shareholders has a general preemptive right to subscribe for shares or convertible securities in any capital increase in proportion to its holding. Shareholders must be granted at least a 30 day period following the publication of notice of the issuance of shares or convertible securities to exercise their preemptive rights.

As described under "Regulations of and Restrictions on Foreign Investors," under the Brazilian Constitution the increase of foreign investors' participation in the voting capital (common shares) of financial institutions is subject to prior authorization by the government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts representing non-voting shares offered abroad. In January 2012, the Central Bank authorized us to create an ADR program for our common shares in the U.S. market. As part of this authorization, and after the government had affirmed it as being in its own interest, the Central Bank increased the limit of foreign interest in our capital stock from 14.0% to 30.0%.

In the event of a capital increase maintaining the existing proportion between common and preferred shares, each shareholder shall have the right to subscribe to newly issued shares of the same class it currently holds. If the capital increase changes the proportion between common and preferred shares, shareholders shall have the right to subscribe newly issued shares of the same class they currently hold, only extending to shares of a different class so as to maintain the same proportion in the capital stock as held prior to such increase. In any case, all new increases are subject to the foreign interest limit set forth by the Central Bank, which means that holders of common shares could be prevented from exercising their preemptive rights in relation to newly issued common shares if the 30.0% limit is reached. Under Brazilian Corporate Law, shareholders are permitted to transfer or sell their preemptive rights.

You may not be able to exercise the preemptive rights relating to the shares underlying your ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. The contractual arrangements governing the ADSs provide that the custodian of the shares underlying the ADSs may, if possible, transfer or dispose of the preemptive rights. Such contractual arrangements related to the ADSs, provide for the custodian to remit the consideration received to the depositary bank that holds the ADSs. Its distribution by the depositary bank to holders of preferred or common share ADSs is net of any fees due to the custodian and the depositary bank. For more details, see "Item 3.D. Risk Factors – Risks relating to our shares, preferred share ADSs and common share ADSs."

Right of withdrawal

Brazilian Law provides that under certain circumstances a shareholder has the right to withdraw his or her equity interest from a company and to receive a payment for the portion of equity attributable to his or her equity interest.

This right of withdrawal may be exercised:

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- by the dissenting or non-voting holders of the adversely affected class of shares (including any holder of preferred shares) in the event that a Shareholders' Meeting resolves to:

- create preferred shares or increase an existing class of preferred shares relative to the other class or classes of preferred shares;

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares;

- create a new class of preferred shares with greater privileges than the existing class of preferred shares; or

- by the dissenting or non-voting shareholders (including any holder of preferred shares) in the event that a general shareholders' meeting resolves to:

- reduce the mandatory distribution of dividends;

- change our corporate purpose;

- transfer all of our shares to another company, making us a wholly owned subsidiary of such company, known as an "*incorporação de ações*;" or

- by the dissenting or non-voting holder of common shares, in the event that a Shareholders' Meeting resolves to:

- acquire control of another company at a price exceeding certain limits set forth in Brazilian Law;

- merge or consolidate a company, *provided that* its shares do not have liquidity and are widely held by the market;

- participate in a "*grupo de sociedades*" as defined under the Brazilian Law, provided that its shares do not have liquidity and are widely held by the market; or

- spin off a company or companies resulting in, among other things, a reduction of the mandatory annual dividend, participation in a group of companies, or a change of corporate purpose.

Our dissenting or non-voting shareholders also have a right of withdrawal in the event that the entity resulting from our merger, merger of our shares or spin-off does not become a listed company within 120 days of the shareholders’ meeting at which the relevant decision was taken. The dissenting or non-voting shareholders only have a withdrawal right if they owned the shares, which have been adversely affected at the time of the first call for the shareholders’ meeting in which the relevant decision was made. If a public announcement of the action taken or to be taken was made prior to the call for the shareholders’ meeting, the shareholders' ownership of shares is based on the date of announcement.

The right of withdrawal lapses 30 days after publication of the minutes of the shareholders' meeting at which the action is taken, except when the resolution is subject to confirmation by the preferred shareholders (which must be made at a special meeting to be held within one year). In that case, the 30-day term is counted from the date the minutes of the special meeting are published. We would be entitled to reconsider any action giving rise to redemption rights within ten days following the maturity of such rights if the redemption of shares of dissenting shareholders would jeopardize our financial stability.

In all the situations described above, our shares would be redeemable at their book value, determined on the basis of the last balance sheet approved by our shareholders. If the shareholders' meeting giving rise to withdrawal rights occurs 60 days after the date of the last approved balance sheet, a shareholder may demand that its shares be valued on the basis of a new balance sheet of a date within 60 days preceding such shareholders' meeting.

Liquidation

In the event of our liquidation, our preferred shareholders would be entitled to priority over common shareholders in the return of capital. The amount to which they would be entitled is based on the portion of the Capital Stock represented by the preferred shares, adjusted from time to time to reflect any capital increases or reductions. After all our creditors had been paid, our residual assets would be used to return the amount of capital represented by the preferred shares to the preferred shareholders. Once the preferred shareholders had been fully reimbursed, the common shareholders would be reimbursed on the portion of the Capital Stock represented by the common shares. All our shareholders would participate equally and ratably in any remaining residual assets.

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Form 20-F

Redemption

Our Bylaws provide that our shares are not redeemable. However, Brazilian Law authorizes us to redeem minority shareholders' shares if, after a public tender offer for our delisting, our controlling shareholder increases to more than 95.0% its participation in our total capital stock.

Conversion rights

Our Bylaws provide that our common shares cannot be converted into preferred shares or our preferred shares into common shares.

Liability of our shareholders for further capital calls

Neither Brazilian law nor our Bylaws provide for capital calls. Our shareholders' liability is limited to the payment of the issue price of the shares subscribed or acquired.

Form and transfer

Our shares are registered in book-entry form and we perform all the services of safekeeping and transfer of shares. To make the transfer we make an entry in the register, debit the share account of the transferor and credit the share account of the transferee.

Transfers of shares by a foreign investor are made in the same way and executed by the investor's local agent on the investor's behalf. However, if the original investment was registered with the Central Bank pursuant to a foreign investment mechanism regulated by the CMN Resolution No. 4,373/14 as described under "Item 10.D. Exchange Controls," the foreign investor must declare the transfer in its electronic registration.

Our shareholders may opt to hold their shares through B3. Shares are added to the B3 system through Brazilian institutions, which have clearing accounts with B3. Our shareholder registry indicates which shares are listed on the B3 system. Each participating shareholder is in turn registered in a register of beneficial shareholders maintained by the B3 and is treated in the same manner as our registered shareholders.

Brazilian rules related to information disclosure

In January 2002, through CVM Instruction No. 358/02, as amended, the CVM issued regulations regarding the disclosure of information to the market. These regulations include provisions which:

- determine what information must be filed with the CVM in the form of a notice to the shareholders or a material fact ("*fato relevante*"). The "*fato relevante*" includes any controlling shareholder decisions that could influence the price of our securities and any controlling shareholder decision to trade, cease to trade, or exercise any rights under our securities;

- expand the list of events which may be considered material, including, among others:

- execution of an agreement for the transfer of the shareholding control of the company, even under a suspensive or resolutive condition;
- change in the control of the company, including through the signing, amendment or termination of the shareholders' agreement;
- the signature, amendment or termination of shareholders' agreements to which the company is a party, or which have been registered in our records;
- the entry or withdrawal of shareholders that have a financial, operational, technological or management collaboration agreement with us;
- any authorization to trade our securities in any market, national or abroad;
- a decision upon deregistration of a publicly-held company;
- the merger, consolidation or spin-off of a company or its affiliates;
- change or dissolution of the company
- the change in the composition of a company's capital stock;
- the change in accounting criteria;
- debt renegotiation;

- approval of a stock option plan to purchase shares;
- the change in rights and advantages attached to the securities of a company;
- split or reverse split of shares or attribution of bonus;
- the acquisition of a company's shares to keep in treasury or cancellation, and their sale;
- the company's profit or loss and the allocation of its cash dividends;
- the execution or termination of an agreement, or failure on its implementation, when the expectation of its accomplishment is public's knowledge;
- the approval, change or abandonment of a project or delay in its implementation;
- inception, resumption or stoppage of the manufacturing or commercialization of product or the provision of service;
- discovery, change or development of technology or resources of the company;
- change of projections disclosed by the company; and
- agreement with creditors, request or confession of bankruptcy or filing of a legal action that might affect the economic and financial situation of the company.

- extend, in the event our executive officer in charge of investor relations does not make required disclosure, the responsibility to make the required disclosure to our controlling shareholders, our Management, the members of our Fiscal Council and to any member of a technical or consulting body created by our Bylaws;
- extend confidentiality obligations related to undisclosed information to, in addition to our Management and controlling shareholders, the members of any technical or consulting bodies created by our Bylaws and our employees in charge of the issues considered relevant matters;
- forcing the Investor Relations Officer to provide clarifications on the disclosure of material act or fact by request of the CVM or the stock market, at any moment;
- disclose the information contained in material facts in all markets where our securities are traded;
- disclose any intention to delist the company within the period of one year if we acquire a controlling participation in a company that has its securities traded on a market;

- fulfill disclosure requirements related to the acquisition and sale of relevant shareholder participations, or the acquisition and sale of our securities by our managing shareholders, members of our Fiscal Council or any member of a technical or consulting body created by our Bylaws; and

- before a material fact is publicly disclosed, prohibit the trading of our securities by our direct and indirect controlling shareholders, officers, members of our Board of Directors, Fiscal Council and any technical or advisory committees or whomever by virtue of their position has knowledge of information related to the material fact.

In February 2014, the CVM provided publicly-held companies with the option of disclosing material facts by way of a news portal on the internet, in addition to the disclosure carried out through large circulation newspapers (as previously made).

Under CVM rules, we are also required to disclose a series of additional details to the market if a shareholders' meeting is called to decide on an absorption, merger, or split.

On April 27, 2017, the CMN issued the Resolution No. 4,567/17 requiring that that financial institutions and other entities authorized to operate by the Central Bank inform to the CMN any situation that may affect the reputation of its: (i) controlling shareholders; (ii) shareholders holding more than 15% of the capital of the entity; (iii) Directors; and (iv) Officers.

In accordance with the existing regulations, the Central Bank considers the following situations to compromise the reputation of such people: (i) criminal investigations or criminal proceedings against the person or any company controlled or managed by this person at the time of occurrence; (ii) administrative or judicial proceedings related to the SFN; and/or (iii) other similar situations that the Central Bank may consider relevant.

According to such rule, the Brazilian financial institution has 10 working days from the date it becomes aware of the situation to communicate the fact to the Central Bank.

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Form 20-F

Disclosure of periodic information

In December 2009, the CVM issued Instruction No. 480/09 that addresses, among other topics, the issuance of securities and periodic disclosure of information by companies that have their securities traded on the Brazilian market. As a result of this rule, Brazilian issuers must file a “Reference Form” with the CVM every year, a document similar to a “Form 20-F,” providing several detailed aspects of the company's operations and administration. Furthermore, the rules related to financial statements and information disclosure were improved and the management's responsibility for the information provided was increased. As a result, the quantity and quality of information provided to the Brazilian market and to CVM has increased considerably, reinforcing the transparency of our activities for the local investor. In addition, new issuances for companies already listed were made easier. Instruction No. 480/09 is periodically changed by CVM.

Disclosure of operating information to the public

CMN rules determine that financial institutions should establish a formal policy approved by its board of directors or, in its absence, by its board of executive officers, for disclosure of information referring to risk management, determination of amount of risk-weighted assets and adequacy of RC. In October 2013, pursuant to Circular No. 3,678/13, the Central Bank established the current standards on disclosure of this information to the public. In February 2019, Central Bank issued the Cirular No. 3,930/19, which will come into force on January 1st, 2020, revoking Circular No. 3,678/13. Central Bank Circular No. 3,930/19 establishing the current standards on disclosure of Pilar 3 report, which is available in our Investor Relations website.

Regulations and restrictions on non-Brazilian holders

The Brazilian Constitution bars any increase in foreign interest in the share capital of financial institutions headquartered in Brazil. However, because we are a publicly-traded financial institution, non-Brazilian holders of our preferred shares benefit from an exception to this provision. Accordingly, foreign holders face no legal restrictions on the ownership of our preferred shares or of preferred share ADSs, and are entitled to all the rights and preferences of such preferred shares. Furthermore, in accordance with the Central Bank authorization for the ADR program for common shares in the U.S. market, foreigners can hold up to 30.0% of our total common shares.

The ability to convert dividend payments and proceeds from the sale of our shares or preemptive rights into foreign currency and to remit such amounts abroad from Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank. Nonetheless, any non-Brazilian holder who registers with the CVM in accordance with CMN Resolution No. 4,373/14 may buy and sell securities on Brazilian stock exchanges without obtaining a separate certificate of registration for each transaction. These rules are applicable both to common and preferred shares.

Our ADR program is duly registered with the Central Bank.

Our Bylaws do not restrict the rights of Brazilian residents or non-residents to hold our shares and exercise related rights.

Rights of the holders of our ADSs

Holders of our ADSs are not treated as our shareholders and do not have the same rights that our shareholders have. The depositary bank will hold the preferred shares and common shares that underlie the preferred share ADSs and common share ADSs through a custodian in accordance with the provisions of the Deposit Agreements. The rights of our ADSs holders are governed by the Deposit Agreements, which are New York law governed contracts. In contrast, the rights of our shareholders are provided for by Brazilian law.

Holders of our ADSs will receive notifications and voting instructions in relation to any meetings only if we authorize and direct the depositary bank to distribute such information to the holders. If we do not provide that authorization and direction to the depositary bank, holders of ADSs will not be able to vote at our meetings, or otherwise, unless they surrender their preferred share ADSs or common share ADSs and receive the underlying preferred shares or common shares, as applicable, in accordance with the terms of the applicable Deposit Agreement. If we authorize and direct the depositary bank to distribute voting instructions to our ADS holders, such holders may guide the depositary bank to vote in accordance with the number of shares represented by their ADSs. See "Item 3.D – Risk Factors – Risks relating to our shares and ADSs – The Deposit Agreements governing the ADSs provide that holders of such ADSs will only receive voting instructions if we authorize the depositary bank to contact those holders to obtain voting instructions; there are also practical limitations on any ability to vote we may give such holders."

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Transfer of control

Our Bylaws do not contain any provision that would have the effect of delaying, deferring or preventing a change in our control or that would operate only with respect to a merger, acquisition or corporate restructuring involving ourselves or any of our subsidiaries. However, Brazilian banking regulations require that any transfer of control of a financial institution be previously approved by the Central Bank.

Additionally, Brazilian law stipulates that acquisition of control of a publicly held company is contingent on tender offers for all outstanding common shares at a price equivalent to at least 80.0% of the price per share paid for the controlling block. In December 2003, we amended our Bylaws to ensure that in the event of a change in our control, the acquirer will be required to pay our shareholders an amount equal to (a) for our non-controlling common shareholders, 100% of the price per share paid to our controlling shareholders and (b) for our preferred shareholders, 80.0% of the price per share paid for our controlling shareholders.

In the event of our liquidation, our preferred shareholders would have priority over our common shareholders when returning capital. See "Organization – Liquidation" for more information. In addition, in the event of a transfer of control, our shareholders have the right of withdrawal under certain circumstances. See "Organization – Right of withdrawal" for more information.

Brazilian law also obliges our controlling shareholder to make a tender offer for our shares if it increases its interest in our share capital to a level that materially and negatively affects the liquidity of our shares.

Disclosure of shareholder ownership

Brazilian regulations require that any person or group of persons representing the same interest that has directly or indirectly acquired an interest corresponding to 5.0% of any type or class of shares of a publicly traded company must disclose its share ownership to the CVM and to Brazilian stock exchanges. In addition, a statement containing the required information must be published in the newspapers. Any subsequent increase or decrease of 5.0% or more in ownership of any type or class of shares must be similarly disclosed.

B3's differentiated corporate governance practices

In 2001, we voluntarily adhered to B3's Level 1 Corporate Governance which establishes special requirements for the Company's listing and rules for its directors and shareholders, including its controlling shareholders. Companies listed on Level 1 must adopt practices favoring transparency and the disclosure, in addition to legal requirements, of more comprehensive financial reporting data, details of trading by directors, officers, executives and controlling shareholders and related party transactions, among others – in all cases focusing on providing access to information for shareholders, investors and other stakeholders. Note that companies listed in this segment must also maintain a minimum free float of 25.0%.

10.C. Material contracts

None.

10.D. Exchange controls

The Central Bank may place temporary restrictions on the remittance of foreign capital abroad, including payments of principal, interests or dividends, and on the repatriation of capital if there is a significant imbalance in Brazil's balance of payments, or one is expected. The last occurrence of restrictions on the remittance of foreign capital was in 1989, when for approximately six months in 1989 and early 1990, the government suspended all remittances abroad of dividends and invested capital. The Central Bank subsequently released these amounts for remittance abroad in accordance with specific guidelines. The government may take similar measures in the future.

Under Brazilian tax laws, non-Brazilian holders of securities enjoy favorable tax treatment if they are qualified in terms of CMN Resolution No. 4,373/14. To qualify under this Resolution, a non-Brazilian holder must:

- appoint a representative in Brazil with power to undertake acts relating to the investment;
- register as a foreign investor with the CVM; and
- register its investment with the Central Bank.

See "Item 10.E. Taxation – Brazilian tax considerations – Taxation of gains" for a description of tax benefits extended to non-Brazilian holders of securities who qualify under CMN Resolution No. 4,373/14.

Under CMN Resolution No. 4,373/14, securities held by non-Brazilian holders must be maintained under the custody of, or in deposit accounts held in, financial institutions duly authorized by the Central Bank and the CVM. In addition, securities trading is restricted under CMN Resolution No. 4,373/14 to transactions on Brazilian stock exchanges or qualified over-the-counter markets.

Registered non-Brazilian holders are allowed to invest in any type of investment available to Brazilian citizens in the financial and securities markets, with the exception that the Brazilian Constitution limits the ability of non-Brazilian holders to acquire capital of financial institutions, as mentioned above under "Regulation of and Restrictions on Non-Brazilian holders." Registration allows investors to remit foreign currency abroad when the funds are distributions on registered shares or proceeds from the disposition of such shares. The funds are converted into foreign currency at the forex market rate.

The registered capital for each share purchased in Brazil and deposited with the custodian is equal to its purchase price (informed in U.S. dollars). If ADS holder chooses to cancel ADSs in exchange for the underlying shares, the investment in the shares may be registered with the Central Bank. This registration is necessary for the holder to receive dividends or proceeds from the sale of the shares outside of Brazil.

When a holder of ADSs exchanges ADSs for the underlying shares, the holder is entitled to either:

- sell the shares on the stock exchange and remit the proceeds abroad within five business days; or

- freely convert the investment in the underlying shares to either an investment under CMN Resolution No. 4,373/14 (subject to satisfaction of the legal requirements described above) or a direct foreign investment in Brazil (in accordance with applicable rules).

Holders that do not comply with the rules previously described may still register their investment, but the registration process will be subject to detailed procedures established by the Central Bank. Holders that do not comply with these rules may also be subject to monetary penalties.

10.E. Taxation

The following summary contains a description of the principal Brazilian and U.S. federal income tax consequences of the acquisition, ownership and disposition of our shares and ADSs. However, it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase our shares and/or ADSs. Accordingly, prospective purchasers of our shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our shares and/or ADSs.

This summary is based upon the tax laws of Brazil and the United States in effect on the date hereof, which are subject to change.

Currently, there is no income tax treaty for double taxation between Brazil and the United States. However, due to the reciprocity of treatment in the United States, the Brazilian tax authority assures to residents in Brazil the right to deduct, from the income tax due, the amount of tax levied on income that has already been paid in the United States. Although the tax authorities of the two countries have had discussions that may culminate in such a treaty, no assurance can be provided regarding the possibility of a treaty of this kind or how it will affect the U.S. holders of our shares or ADSs. Accordingly, prospective holders of our shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of shares or ADSs in their particular circumstances.

Brazilian tax considerations

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of our shares or ADSs by a holder not residing in Brazil.

Taxation of dividends

Dividends paid to the holders of ADSs or to investor non-resident in Brazil related to our shares are not subject to Brazilian withholding income tax, provided that these dividends are paid from the profits generated as of January 1, 1996. Dividends paid from profits before January 1, 1996 may be withheld at the variable rates, according to the legislation applicable at the time.

In this context, Law No. 11,638/07 significantly changed the Brazilian Corporate Law, with the objective of more closely aligning BR GAAP with IFRS. The changes promoted by Law No. 11,638/07 produced effects from January 1, 2008, already predicting that the new accounting rules could conflict with the provisions of the tax law, Law No. 11,941/09, the Transition Tax System ("RTT") was instituted. In general, under the implementation of the RTT, the changes promoted by the IFRS to modify the criterion of recognition of revenues, costs and expenses, would have no tax effects.

In this sense, profits recorded in line with the rules laid down by Law No. 11,638/07 ("IFRS Profits") may be different for profits calculated following the accounting methods and criteria in force on December 31, 2007 ("2007 Profits").

Although market practice is for the distribution of dividends calculated using the IFRS Profits to be exempt from taxes, the Brazilian tax authorities, through Normative Instruction No. 1,397/13, understand that companies should consider the 2007 Profits as the basis for determining the amount of profit exempt from taxes that could be distributed to the beneficiaries.

Surplus paid on 2007 Profits ("Surplus Dividends") should, in the opinion of the tax authorities and in the specific case of non-resident beneficiaries in Brazil, be subject to taxation as follows: (i) Withholding Income Tax at Source ("IRRF") at a rate of 15.0% in the case of non-resident beneficiaries in Brazil, but which were not domiciled in a tax haven; or (ii) IRRF at a rate of 25.0% in the case of non-residents in Brazil, domiciled in the tax haven.

As way to mitigate that issue, Law No. 12,973/14, in addition to revoking the RTT, made significant changes to federal tax law, including with relation to Excess Dividends. Following the changes introduced by Law No. 12,973/14, it was confirmed that Excess Dividends would be exempt with respect to profits made between 2008 and 2013. After 2015, this discussion is no longer relevant, as the differences relating to the previous accounting treatment have become irrelevant. Potential discussions remain, however, with regard to dividends paid from profits ascertained in the calendar year 2014, unless the company has voluntarily opted for the application of the provisions laid down in Law No. 12,973/14, since January 1, 2014.

Taxation of gains

In accordance with Law No. 10,833/03, the gains earned as a result of the divestiture of assets located in Brazil with investor non-resident in Brazil are subject to taxation in Brazil, regardless of the fact that the divestiture is performed to another non-resident or to a resident in Brazil.

In this sense, in the case of divestiture of our shares, which are regarded as Brazilian assets, the investor non-resident in Brazil shall be subject to the income tax on the capital gain ascertained in accordance with the rules described in the following paragraphs, regardless of the operation being, or not, carried out in Brazil or abroad, or with a resident or non-resident in Brazil.

In relation to the ADSs, despite the theme not being pacified in Brazil, it is possible to argue that gains recorded by an investor non-resident in Brazil in the divestiture of these assets to another non-resident, should not be subject to taxation in Brazil. Such arguments would be based on the understanding that the ADSs do not represent Brazilian assets for purposes of the application of Law No. 10,833/03, because they represent securities issued and traded on stock exchanges abroad.

It is important to emphasize that, for purposes of the Brazilian legislation, the rules applicable to gains earned as a result of the divestiture of shares or ADSs may vary according to the domicile of the investor non-resident in Brazil, in accordance with the form through which he has recorded his investment before the Central Bank and/or in accordance with the way that the divestiture is structured and performed.

The deposit of our shares in exchange for ADSs may necessitate taxation by income tax at a rate of 15.0% or 25.0%, in the event of any capital gain ascertained by an investor non-resident in Brazil located in a tax haven, if the cost of acquisition of our shares is less than: (i) the average price per share, quoted on the Brazilian stock exchange in which the highest number of these shares has been sold on the day of deposit; or (ii) if no share is sold on that day, the average price quoted on the Brazilian stock exchange in which the highest number of shares has been sold in the last 15 trading sessions immediately prior to the deposit. In this case, the difference between the average price of our shares, as calculated above, and the corresponding acquisition cost, can be considered as capital gain. The withdrawal of ADSs in exchange for shares, should not, in principle, be understood as an operation liable to result in capital gain subject to income tax, provided that the regulatory rules in relation to the registration of the investment before the Central Bank are appropriately observed.

The gains earned in the divestiture of shares on the Brazilian stock exchange (that include the transactions carried out in the OTC market) are:

• exempt from income tax when earned by an investor non-resident in Brazil that: (i) is an Investor 4,373; and (ii) is not resident in a location considered as a tax haven; or

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- subject to income tax at a rate of 15.0% in the case of the gains earned by a foreign investor that: is not an Investor 4,373 and is not resident or domiciled in a location considered as a tax haven; or is an Investor 4,373 resident or domiciled in a location considered as a tax haven; or

- subject to a rate of 25% if the foreign investor is not an investor 4,373 resident or domiciled in a location considered as a tax haven.

In the case in which the non-resident investor is subject to the payment of the IR (Income Tax) on the capital gain earned with the sale on the stock exchange, the income tax withheld at source at the rate of 0.005%, on the value of the divestiture, will be applicable and may subsequently be compensated, with possible income tax on the capital gain.

Other gains earned in the divestiture of shares that are not carried out in Brazilian stock exchanges are subject to income tax at progressive rates that varies from 15.0% to 22.5% as detailed below, except for residents in locations considered as a tax haven, which, in this case, are subject to taxation by income tax at a rate of 25.0%. If the gains arising out of transactions carried out in the non-organized Brazilian over-the-counter market with mediation, the withholding of 0.005% on the value of the sale will be applicable and can be compensated with possible income tax due on the capital gain.

In September 2015, the government issued Provisional Measure No. 692/15, converted into Law No. 13,259/16, which introduced a regime based on the application of progressive tax rates for income tax on capital gains recognized by Brazilian individuals in the disposal of assets in general. In accordance with Law No. 13,259/16, in force as of January 1, 2017, the income tax rates on capital gains recognized by Brazilian individuals, which are also applicable to foreign investors, would be: (i) 15.0% for the part of the gain that does not exceed R$5 million, (ii) 17.5% for the part of the gain that exceeds R$5 million, but does not exceed R$10 million, (iii) 20.0% for the part of the gain that exceeds R$10 million but does not exceed R$30 million, and (iv) 22.5% for the part of the gain that exceeds R$30 million.

In the event of redemption of shares or reduction of capital by a Brazilian company, the positive difference between the amount actually received by an investor non-resident in Brazil and the acquisition cost of the shares redeemed will be considered as capital gain resulting from an operation not made on the stock exchange, therefore, it will be subject to taxation by income tax at progressive rates varying between 15.0% and 22.5%, except for residents of locations considered as JTF, which, in this case, are subject to taxation by income tax at a rate of 25.0%.

As a general rule, the regime of increased tax on capital gains should apply to transactions made outside the Brazilian stock exchange or organized over-the-counter market. Also, as a general rule, a foreign investor that is resident or domiciled in a location considered as a tax haven would be subject to income tax at a rate of 25.0%, as mentioned above. In addition, as a rule, gains recognized by a foreign investor in transactions made on the Brazilian stock exchange are not subject to increased taxation on capital gains, in accordance with Law No. 13,259/16.

As a general rule, the gains recorded as a result of the divestiture of shares or ADSs are equivalent to the positive difference between the sale value of the shares or ADSs and the respective costs.

The exercise of any preemptive right related to shares or ADSs will not be subject to taxation on income in accordance with the Brazilian legislation currently in force. Any gain on the sale or exercise of rights of preference related to shares or ADSs by an investor non-resident in Brazil will be subject to taxation in accordance with the same rules applied in the case of divestiture of those shares.

Interest on equity ("JCP")

The Brazilian legislation allows a Brazilian company, instead of distributing dividends, to perform a distribution of interest on equity to its own shareholders, treating such values as deductible in calculating the actual profit and in the calculation base of the Social Contribution. For taxation purposes, the interest on equity is limited to the daily variation pro rata of the Long-term Interest Rate ("TJLP"), as the subsequent determinations of the Central Bank and may not exceed the value equivalent to:

- 50% of the net income (after deduction of the Social Contribution, however before considering the provision related to the Corporate Income Tax and the amount attributable to the shareholders as JCP) established in the period in which the payment is carried out; and

- 50% of accumulated profits and profit reserves established on the date of commencement of the period in which the payment is made.

Specifically, in relation to the payment of JCP for non-resident shareholders, such consignments are subject to IRRF at a rate of 15.0%, or 25.0%, where the recipient of the income is domiciled in a tax haven.

The values paid as JCP are subject to deduction in the calculation of the IRPJ and CSLL, which taxes are due on the profit, observing the limits detailed above.

Tax haven ("JTF")

According to Law No. 9,430/96 and subsequent amendments, a tax haven is a country or location that (i) does not tax income; (ii) taxes income at an effective rate lower than 20.0% (or 17.0% in specific cases as detailed below); or (iii) imposes restrictions on the disclosure of the corporate structure of legal entities or their ownership.

The Brazilian tax authorities published NI No. 1,037/10, listing: (i) countries or jurisdictions considered as tax haven or whose internal legislation opposes confidentiality related to the corporate composition of legal entities or their ownership; and (ii) tax schemes considered as privileged, whose definition is brought by Law No.11,727/08.

In December 2014, the Brazilian Federal Revenue Office ("RFB") published the Decree No. 488/14, reducing the tax haven concept to localities that tax income at a maximum rate of less than 17.0% for countries or regimes in line with international fiscal transparency standards as established by Brazilian tax authorities. However, note that Decree No. 488/14 is not applicable to foreign investors whose investments in Brazil are in agreement with CMN Resolution No. 4,373/14.

Despite our understanding that a better interpretation of the legislation currently in force, leads to the conclusion that the concept of the privileged tax scheme, mentioned above, would be applicable only for purposes of Brazilian rules of transfer and undercapitalized pricing, we cannot ensure that further legislation, or even interpretations of the tax authorities determine the application of the concept of the privileged tax scheme, established in Law No. 11,727/08 will also apply to investor non-resident in Brazil in the payment of JCP.

This way, it is recommended that private tax advisors are consulted regarding the consequences of the rules laid down in Law No. 11,727/08, NI No. 1,037/10 and Decree No. 488/14, if the tax authorities determine the application of the concept of the privileged tax regime.

Tax on Foreign Exchange Transactions

In accordance with Decree No. 6,306/07, the conversion of foreign currency into Brazilian currency or *vice-versa*, shall be subject to tax on foreign exchange operations. The rate of the current tax on foreign exchange operations, applicable to most of the foreign exchange operations, is 0.38%. However, foreign exchange operations carried out for inflows of resources in Brazil by an Investor 4,373 are subject to tax on foreign exchange operations at a rate of 0%: (i) in the case of variable income operations carried out on the Brazilian stock exchange, as well as acquisitions of shares of publicly held Brazilian companies or subscription of shares related to capital contributions, provided that the issuing company has registered its shares to be traded on the stock exchange; and (ii) for the transfer of resources from Brazil, related to this type of investment, including payments of dividends and JCP and the repatriation of resources invested in the Brazilian market. Additionally, the tax on foreign exchange operations is currently charged at a rate of 0% on the cancellation of ADSs in the exchange for shares.

In any case, the tax rate on foreign exchange operations can be increased at any time by an act of the Federal Executive Branch, up to the percentage of 25.0%, in relation to the transactions that occurred after this possible amendment.

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Tax on the transaction with securities

In accordance with Decree No. 6,306/07, the tax on the transaction with securities may be charged on all transactions involving securities, even though the transactions are conducted on Brazilian stock exchanges. The tax rate on transactions with securities applicable to transactions involving our shares is currently 0%. In particular, the tax on the transaction with securities is also of 0% due on the deposit of shares traded on Brazilian stock exchanges with the purpose of issuing certificates of deposit to be marketed abroad. The government can increase the tax rate on transactions with securities at any moment by up to 1.5% per day, but only with respect to future transactions.

Other federal Brazilian taxes

There are no federal Brazilian taxes on inheritance, gift or succession applicable to the ownership, transfer or disposition of preferred shares or ADSs by an investor non-resident in Brazil. Gift and inheritance taxes, however, can be levied by some states in Brazil on inheritances bestowed or gifts made by investor non-resident in Brazil to individuals or entities residing or domiciled within such states in Brazil. There are no Brazilian taxes on stamps, issue, registration or similar by investors holding our shares or ADSs.

Registered capital

Amounts invested in securities by a holder not residing in Brazil who: (i) qualifies for benefits under CMN Resolution No. 4,373/14 and who registers with the CVM; or (ii) holds ADSs and is represented by the depositary bank's registration, are eligible for registration with the Central Bank. In the case of ADSs, since the shareholder of record is the depositary bank, the depositary bank is responsible for obtaining the registration. The registration allows the remittance outside Brazil of foreign currency, converted at the Exchange Market rate, acquired with the proceeds of distributions on, or dispositions of, underlying shares.

U.S. federal income tax considerations

The statements regarding U.S. tax law set forth below are based on U.S. law as in force on the date of this annual report and changes to such law subsequent to the date of this annual report may affect the tax consequences described herein. This summary describes the principal tax consequences of the ownership and disposition of the shares and ADSs, but it does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to hold or dispose of the shares and ADSs. This summary applies only to purchasers of the shares and ADSs who will hold the shares and ADSs as capital assets and does not apply to special classes of holders such as dealers in securities or currencies, holders whose functional currency is not the U.S. dollar, holders of 10.0% or more of our shares (taking into account shares held directly, through depositary arrangements or through attribution), tax-exempt organizations, financial institutions, holders liable for the alternative minimum tax, securities traders who elect to account for their investment in the shares or ADSs on a mark-to-market basis, and persons holding the shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction. Accordingly, each holder should consult such holder's own tax advisor concerning the overall tax consequences to it, including the consequences under laws other than U.S. federal income tax laws, of an investment in the shares or ADSs.

In this discussion, references to a "U.S. holder" are to a holder of a share or ADS that: (i) is a citizen or resident of the United States; (ii) is a corporation organized under the laws of the United States of America or any state thereof; or (iii) is otherwise subject to U.S. federal income taxation on a net basis with respect to the shares and ADSs.

The shares will be treated as equity for U.S. federal income tax purposes. For purposes of the U.S. Internal Revenue Code of 1986, as amended, or the "Code," holders of ADSs generally will be treated as owners of the shares represented by such ADSs.

Taxation of distributions

A U.S. holder will recognize dividend income for U.S. federal income tax purposes in an amount equal to the amount of any cash and the value of any property distributed by us as a dividend to the extent that such distribution is paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, when such distribution is received by the custodian (or by the U.S. holder in the case of a holder of preferred shares). The amount of any distribution will include the amount of Brazilian tax withheld on the amount distributed, and the amount of a distribution paid in *reais* will be measured by reference to the exchange rate for converting *reais* into U.S. dollars in effect on the date the distribution is received by the custodian (or by a U.S. holder in the case of a holder of preferred shares). If this custodian (or U.S. holder in the case of a holder of preferred shares) does not convert such *reais* into U.S. dollars on the date it receives them, it is possible that the U.S. holder will recognize foreign currency loss or gain, which would be ordinary loss or gain, when the *reais* are converted into U.S. dollars. Dividends paid by us will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if: (i) the ADSs are readily tradable on an established securities market in the United States; and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on existing guidance, it is not clear whether dividends received with respect to the shares will be treated as qualified dividends, because the shares themselves are not listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of the shares or ADSs, and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. Holders of ADSs and the shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

Based on our audited financial statements and relevant market data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2009 to 2016 taxable years. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for the 2017 taxable year. Our belief that we are not, and will not in the future be, a PFIC is based on certain Proposed Treasury Regulations dealing with non-U.S. banks. Such regulations are not final and are subject to modification, in which case our determination regarding PFIC status may be different.

Distributions out of earnings and profits with respect to the shares and ADSs generally will be treated as dividend income from sources outside of the United States and generally will be treated separately with other items of "passive" (or, in the case of certain U.S. holders, "financial services") income for the purposes of determining the credit for foreign income taxes allowed under the Code. Subject to certain limitations, Brazilian income tax withheld in connection with any distribution with respect to the shares or ADSs may be claimed as a credit against the U.S. federal income tax liability of a U.S. holder if such holder elects for that year to credit all foreign income taxes. Alternatively, such Brazilian withholding tax may be taken as a deduction against taxable income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is not substantial. U.S. holders should consult their own tax advisors concerning the implications of these rules in light of their particular circumstances.

Distributions of additional shares to holders with respect to their shares or ADSs that are made as part of a *pro rata* distribution to all our shareholders generally will not be subject to U.S. federal income tax.

Holders of shares or ADSs that are foreign corporations or non-resident alien individuals, or "non-U.S. holders," generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to shares or ADSs that are treated as dividend income for U.S. federal income tax purposes unless such dividends are effectively connected with the conduct by the holder of a trade or business in the United States.

Taxation of capital gains

Upon the sale or other disposition of a share or ADS, a U.S. holder generally will recognize gain or loss for U.S. federal income tax purposes. The amount of the gain or loss will be equal to the difference between the amount realized in consideration for the disposition of the shares or ADSs and the U.S. holder's tax basis in the shares or ADSs. Such gain or loss generally will be subject to U.S. federal income tax as capital gain or loss and will be long-term capital gain or loss if held for more than one year. Capital losses may be deducted from taxable income, subject to certain limitations. Gain realized by a U.S. holder on a sale or disposition of shares or ADSs generally will be treated as U.S. source income. Consequently, if Brazilian tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign source income of the appropriate type in respect of which the credit may be used.

A non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of a share or ADS unless: (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States; or (ii) such holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Backup withholding and information reporting

Dividends paid on income for the year, and proceeds from the sale or other disposition of the ADSs or the shares to a U.S. holder, generally may be subject to the information reporting requirements of the Code and to backup withholding unless the U.S. holder: (i) establishes, if required to do so, it is an exempt recipient; or (ii) in the case of backup withholding, provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is furnished to the U.S. Internal Revenue Service.

A non-U.S. holder generally will be exempt from these information reporting requirements and backup withholding tax, but may be required to comply with certain certification and identification procedures in order to establish its eligibility for such exemption.

Certain U.S. holders may be subject to additional reporting requirements. The penalty for failing to comply with these reporting requirements can be significant. U.S. holders should consult their own tax advisors concerning any U.S. reporting requirements that may arise out of the ownership or disposition of the shares or ADSs in light of their particular circumstances.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its Public Reference Room at 100F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect our reports and other information at the offices of the NYSE, 11 Wall Street, New York, New York 10005, on which our ADSs are listed. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov. For further information about obtaining copies of our public filings at the New York Stock Exchange, call (212) 656-5060.

We also file financial statements and other periodic reports with the CVM.

10.I. Subsidiary Information

For information on subsidiaries, see "Item 4.B. Business Overview – Main Subsidiaries" and Note 2(a) of our consolidated financial statements in "Item 18. Financial Statements."

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk

Market risk is represented by the possibility of financial losses due to the variation of prices and interest rates of our financial assets, since its active and liability portfolios may have mismatches of amounts, periods, currencies and indexes. We are exposed to market risk, both in our trading and banking portfolios. The main market risks of our portfolios are interest rate risk and foreign exchange risk.

We use stress methodologies such as sensitivity analysis Economic Value of Equity (EVE) and Value at Risk (VaR), among others, for evaluating our market risk.

Interest rate risk

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, unexpected changes in the slope and shape of yield curves, base risk and changes in correlation of interest rates between different financial instruments/indexes. We are exposed to the risk of interest rate movements when there is a mismatch between fixed rates and market interest rates. For a discussion of our management of interest rate sensitivity, see "Item 5.B. Liquidity and Capital Resource – Interest rate sensitivity."

Exchange risk

Exchange risk arises as a result of our having assets, liabilities and off-balance sheet items that are denominated in, or indexed to, currencies other than *reais*, either as a result of trading or in the normal course of banking activities. We control exposure to exchange rate movements by ensuring that mismatches are managed and monitored, and our policy is to avoid material exchange rate mismatches. For a discussion of our management of exchange rate sensitivity, see "Item 5.B. Liquidity and Capital Resource – Exchange rate sensitivity."

Market risk of trading activities

We enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. As a result, our exposure to the potential losses described below is generally reduced by these transactions. These derivatives do not qualify as hedges under IFRS. Accordingly, we classify derivatives as financial assets at fair value through profit or loss.

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Sensitivity analysis

Below, a sensitivity analysis for our financial exposure in trading and banking portfolios, based on three scenarios applied to market rates and prices. We considered 25.0% and 50.0% shocks in prices and rates that would adversely affect our positions, and a scenario reflecting an impact of 1 basis point on rates and 1.0% on market prices. These scenarios comply with CVM Instruction No. 475/08.

These figures represent the impact for each scenario in a static portfolio position. Due to the market and portfolios dynamism these positions change continuously and do not necessarily reflect the position shown here. In addition, the Bank has a process of ongoing management of the market risk, which seeks constantly, through the dynamism of the market, manners to mitigate the associated risks, according to the strategy defined by the Senior Management. Thus, in cases where there is evidence of deterioration of a certain position, proactive actions are taken to minimize the possible negative impacts, in order to maximize the risk/return ratio.

		Scenarios		
Risk Factor	**Market as of December 31, 2018**	**1 base point shock for interest rate and 1% variation for prices**	**25% shock for prices and rates**	**50% shock for prices and rates**
Foreign exchange rate R$/USD	3.87	3.91	4.84	5.81
1-year fixed rate in *reais*	6.55%	6.56%	8.18%	9.82%

Shocks were also applied to other risk factors and terms of the interest curves. It is important to note that, in the fourth quarter of 2018, the maximum deppreciation of the real against the U.S. dollar was 8.14% (from R$3.6368 as of October, 29, 2018 to R$3.9330 as of December, 27, 2018 per U.S. dollar), which is below the 25% and 50% shock scenarios.

The impacts of these scenarios on our positions would be as follows:

Trading and banking portfolios	**On December 31, 2018**	**R$ in thousands**		
		Scenarios (1)		
Risk Factors	**Definition**	**1**	**2**	**3**
Interest rate in *reais*	Exposure subject to the variation of fixed interest rates and interest rate coupon	(16,141)	(2,973,012)	(5,760,223)
Price Index	Exposure subject to the variation of price index coupon rates	(8,410)	(913,671)	(1,630,441)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(1,368)	(119,441)	(229,387)
Foreign currency	Exposure subject to foreign exchange variation	(407)	(10,119)	(20,238)

Exchange risk

Variable income	Exposure subject to the variation of share prices	(21,229)	(530,729)	(1,061,459)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(1,762)	(92,193)	(184,758)
Other	Exposure not eligible in the previous definitions	(412)	(10,298)	(20,596)
Total not correlated		**(49,729)**	**(4,649,463)**	**(8,907,102)**
Total correlated		**(37,535)**	**(3,905,602)**	**(7,499,908)**

(1) Amounts net of tax effects.

Banking portfolio	**On December 31, 2018**	**R$ in thousands**		
		Scenarios (1)		
Risk Factors	**Definition**	**1**	**2**	**3**
Interest rate in *reais*	Exposure subject to the variation of fixed interest rates and interest rate coupon	(16,100)	(2,966,518)	(5,747,654)
Price index	Exposure subject to the variation of price index coupon rates	(8,424)	(915,339)	(1,633,659)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(1,369)	(119,547)	(229,588)
Foreign currency	Exposure subject to foreign exchange variation	(646)	(16,073)	(32,147)
Variable income	Exposure subject to the variation share prices	(21,273)	(531,818)	(1,063,635)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(1,687)	(106,938)	(209,219)
Other	Exposure not eligible in the previous definitions	(412)	(10,293)	(20,586)
Total not correlated		**(49,911)**	**(4,666,526)**	**(8,936,488)**
Total correlated		**(37,648)**	**(3,903,101)**	**(7,487,305)**

(1) Amounts net of tax effects.

Trading Portfolio Risk Factors	On December 31, 2018 Definition	R$ in thousands Scenarios (1)		
		1	2	3
Interest rate in *reais*	Exposure subject to the variation of fixed interest rates and interest rate coupon	(67)	(11,474)	(22,374)
Price index	Exposure subject to the variation of price index coupon rates	(22)	(2,462)	(4,706)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(3)	(236)	(460)
Foreign currency	Exposure subject to foreign exchange variation	(331)	(8,265)	(16,529)
Variable income	Exposure subject to the variation share prices	(88)	(2,195)	(4,389)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(315)	(93,073)	(129,865)
Other		-	(37)	(73)
Total not correlated		**(826)**	**(117,742)**	**(178,396)**
Total correlated		**(429)**	**(93,092)**	**(130,432)**

(1) Amounts net of tax effects.

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Value at Risk ("VaR")

The Trading portfolio's risk is measured using the Delta-Normal VaR methodology with a 99.0% confidence level, and the time horizon applied includes the number of days required to undo the existing exposures. Additionally, for the measurement of all risk factors of the options portfolio, the historic simulation models and Delta-Gama-Vega are applied, whichever is the most conservative of the two, whereby this risk of options is added to the *VaR* of the portfolio.

For the calculation of volatilities, correlations, and historic returns, a minimum window of 252 business days is adopted. The methodology applied and the existing statistical models are assessed on a permanent basis using backtesting techniques, which compare the VaR with holding periods of one day and hypothetical results, obtained with the same positions used in the VaR calculation, and effectively considering also the transactions of the day for which the VaR was estimated.

The main purpose is to monitor, validate and evaluate the VaR model's adherence and the number of breaks occurred should be in line with the number of breaks accepted by the statistical tests carried out for the required level of confidence (99.0%). Another purpose is to improve the models used by us, by way of analyses carried out for different VaR observation periods and confidence levels, both for Total VaR and by risk factors.

In 2018 the daily results, both hypothetical and effective point of view, exceeded the respective VaR with a confidence level of 99.0% four times. In accordance with the paper published by the Basel Committee on Banking Supervision (Supervisory Framework for the use “Backtesting” in Conjunction with the Internal Models Approach to Market Risk Capital Requirements of January 1996), any deviations would be classified as “either bad luck or the markets moved in a fashion unanticipated by the model,” that is, the volatility was significantly higher than expected and/or the correlations differed from those forecast by the model.

In 2018, VaR of the trading portfolio, at one-day horizon and net of tax effects, presented maximum and minimum values of R$76.9 million in the 2Q18 and R$4.3 million in the 4Q18, respectively. The tables below show the value at risk, according to the methodology of the VaR.

	2018 - R$ in thousands			
	1st Quarter			
	Average	**Minimum**	**Maximum**	**At March 31**
Risk Factors				
Reais (fixed and floating rate)	12,840	4,982	20,709	6,753
Foreign exchange coupon	239	2	2,055	98
Foreign currency	2,841	1,180	4,881	4,881
Variable income	348	132	995	205
Sovereign risk	2,729	659	4,979	4,743
Other	2	1	5	2
Total VaR	**18,055**	**12,413**	**25,785**	**15,593**

	2018 - R$ in thousands			
	2nd Quarter			
	Average	**Minimum**	**Maximum**	**At June 30**
Risk Factors				
Reais (fixed and floating rate)	20,996	2,590	44,104	34,638
Foreign exchange coupon	210	42	1,037	104
Foreign currency	2,760	327	7,258	327
Variable income	344	123	845	312
Sovereign risk	4,095	2,441	5,798	3,119
Other	5	2	41	3
Total VaR	**31,392**	**10,195**	**76,935**	**44,662**

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	2018 - R$ in thousands			
		3rd Quarter		At September
	Average	Minimum	Maximum	30
Risk Factors				
Reais (fixed and floating rate)	18,244	11,887	32,847	11,887
Foreign exchange coupon	521	50	3,086	120
Foreign currency	977	147	3,134	499
Variable Income	627	221	1,075	896
Sovereign risk	2,984	2,210	3,753	2,567
Other	5	-	59	34
Total VaR	**23,246**	**13,556**	**41,959**	**13,556**

	2018 - R$ in thousands			
		4th Quarter		At
	Average	Minimum	Maximum	December 31
Risk Factors				
Reais (fixed and floating rate)	6,937	817	13,183	817
Foreign exchange coupon	402	92	1,133	142
Foreign currency	2,283	77	5,341	712
Variable Income	1,611	486	3,942	655
Sovereign risk	4,792	2,579	7,043	3,770
Other	6	2	12	2
Total VaR	**13,665**	**4,316**	**23,541**	**5,776**

The following table shows trading portfolio VaR concentration in frequency terms in the year ended December 31, 2018:

Value at Risk (R$ in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
Up to R$20	72.1%	28.6%	45.3%	76.2%	55.4%
Over R$20 up to R$30	27.9%	34.9%	40.6%	23.8%	31.9%
Over R$30 up to R$40	0.0%	11.1%	11.0%	0.0%	5.6%
Over R$40 up to R$50	0.0%	1.6%	3.1%	0.0%	1.2%
Over R$50	0.0%	23.8%	0.0%	0.0%	5.9%

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. Debt Securities

Not applicable.

12.B. Warrants and Rights

Not applicable.

12.C. Other Securities

Not applicable.

12.D. American Depositary Shares

The table below describes the services and the respective rates and fees that the direct or indirect holders of our ADRs (preferred and common) may be subject to pay to our depositary bank, The Bank of New York Mellon ("BNYM").

RATES AND FEES	SERVICE
US$0.05 (or less) for ADSs or common share ADSs.	· Issuance of ADSs or common share ADSs, including issuances from share distribution, rights or other assets. · ADS or common share ADS cancellation due to withdrawal, including in the event the deposit agreement is terminated.
US$0.02 (or less) per ADSs or common share ADSs.	· Any cash distribution to registered ADS or common share ADS holders.
A fee equivalent to the one that should be paid if the distributed bonds were equivalent to shares and shares were deposited for the issuance of ADSs or common share ADSs.	· Distribution of bonds to deposit holders, which are distributed by the depositary to registered ADS or common share ADS holders.
US$0.02 (or less) per ADSs or common share ADSs per year.	· Depositary services.
Registration or transfer fees.	· Transfer and registration of shares in custodian's books on behalf of the depositary or his/her agent, when shares are deposited or withdrawn.
Depositary's expenses.	· Expenses related to telegram, telephone and fax (when expressly indicated in the deposit agreement). · Converting foreign currency into U.S. dollars.
Taxes and other governmental fees the depositary or the custodian must pay on any ADS or common share ADSs, or share backed by any ADS or common share ADSs, for example: taxes for transfer of shares, stamp tax or withholding taxes.	· As necessary.
Any costs incurred by the depositary or the agent for services provided relating to deposited bonds.	· As necessary.

From January 1 to December 31, 2018, we received from our depositary bank the amount of US$20.2 million, as reimbursement or payment made in our favor.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Financial responsibility, disclosure controls and procedures, and report on internal control over financial reporting.

(a) ***Disclosure controls and procedures***

As of December 31, 2018, evaluations of the effectiveness of our disclosure controls and procedures (as defined in Articles 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 of the SEC) were carried out under the supervision of our Management, including our Chief Executive Officer and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, and it may not prevent or identify deficiencies. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded, subject to the limitations noted above, that for the period covered by this annual report, our disclosure controls and procedures were adequate and effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act of the SEC is recorded, processed, summarized and disclosed within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) ***Management's annual report on internal control over financial reporting***

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Articles 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 of the SEC. Our internal control was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting practices.

Our Management made an assessment of the effectiveness of our internal controls over consolidated financial reporting as of December 31, 2018 based upon the 2013 framework "Integrated Internal Control Structure" established by the Committee of Sponsoring Organizations of the Treadway Commission – COSO" and has concluded that our internal controls related to the financial statements do not present material weaknesses that could impact the integrity of the accounting records.

The effectiveness of our internal control over financial reporting, as of December 31, 2018, has been audited by KPMG Auditores Independentes, a PCAOB – registered independent accounting firm, as stated in their report beginning on page F-3 of "Item 18. Financial Statements."

(c) ***Attestation report of the independent registered public accounting firm***

For the report of KPMG Auditores Independentes, our PCAOB – registered independent accounting firm, dated April 30, 2019, on the effectiveness of the internal control over financial reporting as of December 31, 2018, see "Item 18. Financial Statements."

(d) ***Changes in internal control over financial reporting***

Except for those relating to the implementation of IFRS 9 in 2018, there have been no changes in our internal control over financial reporting (as such term is defined in Articles 13a-15(f) and 15d-15(f) under the "Securities Exchange Act of 1934" of the SEC), that occurred during the fiscal year ended December 31, 2018 that have materially affected, our internal control over financial reporting. We adopted IFRS 9 on 1 January 2018, we have updated certain controls over financial reporting, embedding them into the existing control environment.

ITEM 16. [RESERVED]

16.A. Audit Committee Financial Expert

Our Board of Directors has reviewed the qualifications and backgrounds of the members of the Audit Committee and designated Paulo Roberto Simões da Cunha as "Audit Committee financial expert," within the meaning of Item 16.A, and as independent member. For more information regarding our Audit Committee, see "Item 6.C. Board Practices – Board Advisory Committees – Audit Committee."

16.B. Code of Ethics

We have adopted a Code of Ethical Conduct and Sectorial Codes of Ethical Conduct under the Securities Exchange Act of 1934, as amended. Our Codes of Ethical Conduct apply to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions, to our directors, officers and other executives, employees, business partners, suppliers and service providers. Our Codes of Ethical Conduct are available on our investor relations website.

If we amend the provisions of our Codes of Ethical Conduct, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

16.C. Principal Accountant Fees and Services

Audit and non-audit fees

The following table sets forth the fees billed to us by our independent accounting firm during the fiscal years ended as of December 31, 2018 and 2017:

Year ended December 31,	**R$ in thousands**	
	2018	**2017**
Audit fees	39,695	40,604
Audit-related fees	737	775
Other fees	4,083	2,321
Total fees	**44,515**	**43,700**

The fees for the years 2018 and 2017 correspond to those paid to our auditor for those years (KPMG Auditores Independentes).

Our independent accounting firm audits our annual financial statements in accordance with IFRS and BR GAAP, the annual financial statements of our investee companies, as well as the quarterly review of our interim financial statements.

Audit-related fees in the above table are the aggregate fees billed by the independent auditors for accounting attestation reports requested by our Management and the issue of comfort letters for placement of bonds abroad.

Other fees in the above table are fees billed by the independent auditors related to procedures, reviews of information (prize drawings), assurances, agreed upon procedures, training of IFRS, tax-related services and due diligence.

Audit Committee pre-approval policies and procedures

The Audit Committee recommends to the Board of Directors for approval, the entity to be hired to provide us and our subsidiaries independent audit services, and their compensation, as well as its replacement. The engagement of an independent auditor for non-audit services is not subject to the Board of Directors. However, it must be previously reviewed by the Audit Committee in respect to compliance with independence rules. For more information regarding our Board of Directors and Audit Committee, see "Item 6.C. Board of Directors Practices."

16.D. Exemptions from the listing standards for Audit Committees

Under the NYSE and the SEC listed-company audit committee rules effective July 31, 2006, we must comply with Exchange Act Rule 10A-3, which requires us to either establish an Audit Committee composed of members of the Board of Directors that meets specified requirements or designate and empower a Fiscal Council or similar body to perform the role of an Audit Committee based on the exemption in Exchange Act Rule 10A-3(c)(3).

Pursuant to Central Bank regulations, we have established a body denominated Audit Committee, which performs nearly all of the functions of an Audit Committee of a U.S. company. Of the three members of our Audit Committee, one member is also a member of our Board of Directors. Under Brazilian law, the function of hiring independent auditors is a power reserved for the Board of Directors. As a result, our Board of Directors acts as our Audit Committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of approving the engagement of our independent auditors for audit. Except in these respects, our Audit Committee is comparable to and performs the functions of an audit committee of the Board of Directors of a U.S. company. Since our Audit Committee is not a committee of our Board of Directors, but a separate body, as required under Brazilian law, we believe that our Audit Committee satisfies the requirements of Exchange Act Rule 10(a)(3). However, based on the exemption set forth in Exchange Act Rule 10A-3(c)(3) the Audit Committee is a separate body from our Board of Directors and in accordance with Central Bank regulations, we believe that our Audit Committee is able to act independently in performing the responsibilities of an Audit Committee under the Sarbanes-Oxley Act and to satisfy the other requirements of Exchange Act Rule 10A-3.

16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The purpose of the program of acquisition of shares to be held in treasury and to be subsequently disposed of or canceled, without capital reduction, is the application of funds available for investments from the "Earnings Reserve – Statutory Reserve" account. This program authorizes the acquisition of up to 15,000,000 nominative book-keeping shares, with no par value, whereby 7,500,000 are common shares and 7,500,000 are preferred shares; and it is effective from June 27, 2018 until June 26, 2019.

In 2018, no class of shares were acquired to be held in treasury.

16.F. Change in Registrant's Certifying Accountant

Not applicable.

16.G. Corporate Governance

In May 2006, our Board of Directors approved our Corporate Governance Policy. This policy is available on our investor relations website.

Comparison of our corporate governance practices with NYSE rules applicable to North American companies

Under the NYSE's corporate governance rules approved by the SEC, foreign private issuers are subject to a more limited set of corporate governance requirements than U.S. domestic issuers. As a foreign private issuer, we must comply with three rules imposed by the NYSE:

- SEC requirements concerning audit committees;
- our CEO must promptly notify the SEC in writing as soon as an executive officer becomes aware of any non-compliance with any of the applicable NYSE corporate governance rules; and
- we must provide a brief description disclosing any significant ways in which our corporate governance practices differ from those followed by U.S. companies under NYSE listing standards.

The chart below provides a brief description of the significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards.

Article	NYSE corporate governance rules for US issuers	Our corporate governance practices

303A.01	Independent directors must comprise a majority of the members of the Board of Directors of a listed company on NYSE.	Brazilian law provides that only individuals may be appointed to a company's Board of Directors. Accordingly, there is no legal or statutory provision requiring us to have independent directors.
303A.04	Listed companies must have a nomination/ corporate governance committee composed entirely of independent directors, with a written charter that addresses specific minimum requirements.	We have an Executive Committee of Corporate Governance subordinate to the *Diretoria Executiva*, and the Succession Planning and Nomination Committee, which reports to the Board of Directors. Both committees are composed of members of our Management, and have a charter that addresses its minimum requirements.
303A.05	Listed companies must have a compensation committee composed entirely of independent directors, with a written charter that addresses specific minimum requirements.	We have a Compensation Committee of three to seven members chosen among the members of the Board of Directors, except for one who is not a senior manager, each with a two-year term of office. The Committee's primary responsibility is to assist the Board of Directors with conducting policies related to the compensation of our executive managers, according to legislation in force. None of the members of the Compensation Committee are independent directors. The Compensation Committee has a written charter that states the responsibilities of the committee.
303A.06 **303A.07**	Listed companies must have an Audit Committee, composed of a minimum of three members who satisfy the requirements of Rule 10A 3 under the Exchange Act, with a written charter that addresses specific minimum requirements.	Pursuant to our Bylaws and to Central Bank regulations since December 2003, we have appointed an Audit Committee. Our Audit Committee comprises three to five members, each of whom serves for a term of two years, and is appointed by, and may be replaced by, the Board of Directors. We currently have five members on our Audit Committee, one of them is also a Director. Under Brazilian law, the function of hiring independent auditors is reserved for the Board of Directors of a company. As a result, our Board of Directors acts as our Audit Committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of approving the engagement of our independent auditors for audit. In these respects, our Audit Committee is comparable to and performs the functions of audit committees of U.S. companies. Since our Audit Committee is a separate body from our Board of Directors, pursuant to Central Bank regulations, we have relied on the exemption set forth in Exchange Act Rule 10A-3(c)(3) in this regard. For more information on their main tasks, see "Item 6.C. Board Practices – Board Advisory Committees – Board Committees." We also have a Fiscal Council, which currently has five members and five alternates. The Fiscal Council is an independent corporate body. For more information about the rights and obligations of our Fiscal Council, see "Item 6.C. Board Practices – Fiscal Council."
303A.08	Shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto,	Under the Brazilian Corporate Law, shareholder approval is required for the adoption of any stock option compensation plans. We currently do not have any stock option based on compensation plan.

	with limited exemptions set forth in the NYSE rules.	
303A.09	Listed companies must adopt and disclose corporate governance guidelines addressing specific minimum requirements.	Our corporate governance guidelines and practices are available on our investor relations website, in the corporate governance section.
303A.10	Listed companies must adopt and disclose a Code of Ethical Conduct for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	We have adopted a Code of Ethical Conduct, which applies to our Senior Management, employees, business partners, suppliers and service providers, parent companies, subsidiaries and companies under common control, directly or indirectly and, when applicable, to non-profit entities managed by members of Senior Management or employees appointed or transferred by our member companies. We have an Integrity and Ethical Conduct Committee, appointed by the Board of Directors, which is responsible for dissemination and fulfillment of the Codes of Ethical Conduct, as well as ensuring its effectiveness. We will post any modifications or waivers to either Codes of Ethical Conduct on our website.
303A.12	The CEO of a listed company must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of Section 303A.	Our CEO shall promptly notify the NYSE in writing, should any executive officer become aware of any non-compliance with any applicable provision of the NYSE Corporate Governance rules.

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PART III

ITEM 17. FINANCIAL STATEMENTS
See "Item 18. Financial Statements"

ITEM 18. FINANCIAL STATEMENTS
See our financial statements on pages F-3 through F-148.

ITEM 19. EXHIBITS
Documents filed as exhibits to this annual report:

1.1 – Our Amended and Restated Bylaws.

2.1 – Deposit Agreement, amended and restated, dated as of December 11, 2015, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of preferred share ADSs evidenced by preferred share ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on December 1, 2015 (File No. 333-208281)).

2.2 – Common share Deposit Agreement, amended and restated, dated as of December 11, 2015, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (incorporated by reference to the Registration Statement on Form F-6 relating to the common share ADSs filed on December 1, 2015 (File No. 333-179623)).

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2.3 – The total amount of our long-term debt securities and our subsidiaries' long-term debt securities under any one instrument does not exceed 10.0% of our total assets and our subsidiaries' total assets on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.

8.1 – List of Subsidiaries .

12.1 – Certification of the Chief Executive Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 .

12.2 – Certification of the Chief Financial Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 .

13.1 – Certification of the Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .

13.2 – Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Banco Bradesco S.A.

/s/ Octavio de Lazari Junior
Octavio de Lazari Junior

Chief Executive Officer

/s/ André Rodrigues Cano
André Rodrigues Cano

Chief Financial Officer

Date: April 30, 2019.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Summary

IFRS – International Financial Reporting Standards – 2018

Consolidated Financial Statements in accordance with International Financial ReportingStandards (IFRS)

Independent Auditors' Report

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Banco Bradesco S.A.

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Banco Bradesco S.A. and subsidiaries ("Bradesco") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2018 and the related notes. We also have audited Bradesco's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – *Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bradesco as of December 31, 2018 and 2017, the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Also in our opinion, Bradesco maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, Bradesco has changed its method of accounting for financial instruments in 2018 due to the adoption of IFRS 9 "*Financial instruments*".

Basis for Opinions

Bradesco's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Bradesco's consolidated financial statements and an opinion on Bradesco's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Bradesco in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Consolidated Financial Statements in accordance with International Financial ReportingStandards (IFRS)

Independent Auditors' Report

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Independent Auditors' Report

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG Auditores Independentes

We have served as Bradesco's auditor since 2011.

Osasco, São Paulo - Brazil

April 30, 2019

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Income

				R$ thousand
	Note	**Years ended December 31**		
		2018	**2017**	**2016**
Interest and similar income		122,053,139	126,232,328	147,700,375
Interest and similar expenses		(55,244,669)	(75,589,415)	(91,037,386)
Net interest income	6	**66,808,470**	**50,642,913**	**56,662,989**
Net fee and commission income	7	**23,831,590**	**22,748,828**	**20,341,051**
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	8	(11,676,573)	-	-
Net gains/(losses) on financial instruments classified as held for trading	9	-	9,623,108	16,402,770
Net gains/(losses) on financial assets at fair value through other comprehensive income	10	1,073,563	-	-
Net gains/(losses) on financial instruments classified as available for sale	11	-	570,358	(1,341,400)
Losses on investments held-to-maturity	29	-	(54,520)	-
Net gains/(losses) on foreign currency transactions	12	1,096,826	1,422,957	150,757
Net income from insurance and pension plans	13	7,656,872	6,239,990	4,155,763
Other operating income		**(1,849,312)**	**17,801,893**	**19,367,890**
Impairment of loans and advances	27	-	(16,860,835)	(15,350,278)
Expected loss on loans and advances	27	(15,091,975)	-	-
Expected loss on other financial assets	24 and 28	(1,172,860)	-	-
Personnel expenses	14	(18,871,462)	(20,723,265)	(17,003,783)
Other administrative expenses	15	(16,873,962)	(16,882,461)	(16,149,563)
Depreciation and amortization	16	(4,808,255)	(4,568,568)	(3,658,413)
Other operating income/(expenses)	17	(14,210,594)	(10,133,357)	(14,004,162)
Other operating expense		**(71,029,108)**	**(69,168,486)**	**(66,166,199)**
Income before income taxes and share of profit of associates and joint ventures		**17,761,640**	**22,025,148**	**30,205,731**
Share of profit of associates and joint ventures	32	1,680,375	1,718,411	1,699,725
Income before income taxes		**19,442,015**	**23,743,559**	**31,905,456**
Income tax and social contribution	18	(2,693,576)	(6,428,956)	(13,912,730)
Net income for the year		**16,748,439**	**17,314,603**	**17,992,726**
Attributable to shareholders:				
Controlling shareholders		16,583,915	17,089,364	17,894,249
Non-controlling interest		164,524	225,239	98,477

Basic and diluted income per share based on the weighted average number of shares attributable to shareholders (expressed in R$ per share):				
– Earnings per common share	19	2.36	2.43	2.55
– Earnings per preferred share	19	2.60	2.67	2.80

The Notes are an integral part of the Consolidated Financial Statements.

IFRS – International Financial Reporting Standards – 2018

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Comprehensive Income

				R$ thousand
	Note	**Years ended December 31**		
		2018	**2017**	**2016**
Net income for the year		**16,748,439**	**17,314,603**	**17,992,726**
Items that are or may be reclassified to the Consolidated Statement of Income				
Financial assets available for sale				
Unrealized gains/(losses)		-	3,005,067	7,718,277
Gains/(losses) transferred to income		-	487,017	(1,459,372)
Tax effect		-	(1,260,609)	(2,571,397)
Financial assets at fair value through other comprehensive income				
Unrealized gains/(losses)		(473,594)	-	-
Gains/(losses) transferred to income	10	1,023,299	-	-
Tax effect		(209,359)	-	-
Unrealized gains/(losses) on hedge	23			
Cash flow hedge		(96,760)	(13,778)	39,198
Hedge of investment abroad		(209,300)	(59,739)	-
Tax effect		122,424	29,407	(15,679)
Exchange differences on translations of foreign operations				
Foreign exchange on translations of foreign operations		113,198	29,002	(107,011)
Items that can not be reclassified to the Consolidated Statement of Income				
Gains/(losses) on equity instruments at fair value through other comprehensive income		(756,042)	-	-
Tax effect		302,417	-	-
Other		(92,764)	-	-
Total adjustments not included in the net income		**(276,481)**	**2,216,367**	**3,604,016**
Total comprehensive income for the year		**16,471,958**	**19,530,970**	**21,596,742**
Attributable to shareholders:				
Controlling shareholders		16,307,434	19,305,731	21,498,265

Non-controlling interest	164,524	225,239	98,477

The Notes are an integral part of the Consolidated Financial Statements.

Bradesco

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Financial Position

	Note	On December 31 2018	2017
			R$ thousand
Assets			
Cash and balances with banks	20	107,209,743	81,742,951
Financial assets at fair value through profit or loss	21a	246,161,150	-
Financial assets held for trading	22a	-	241,710,041
Financial assets at fair value through other comprehensive income	24	178,050,536	-
Financial assets available for sale	25	-	159,412,722
Financial assets at amortized cost			
- Loans and advances to financial institutions, net of provision for losses	26	105,248,950	32,247,724
- Loans and advances to customers, net of provision for losses	27	380,387,076	346,758,099
- Securities, net of provision for losses	28	140,604,738	-
- Other financial assets	35	43,893,309	-
Investments held to maturity	29	-	39,006,118
Financial assets pledged as collateral	30	-	183,975,173
Non-current assets held for sale	31	1,353,330	1,520,973
Investments in associates and joint ventures	32	8,125,799	8,257,384
Premises and equipment	33	8,826,836	8,432,475
Intangible assets and goodwill, net of accumulated amortization	34	16,128,548	16,179,307
Taxes to be offset	18g	13,498,264	10,524,575
Deferred income tax assets	18c	48,682,569	43,731,911
Other assets	35	7,372,866	50,853,987
Total assets		**1,305,543,714**	**1,224,353,440**
Liabilities			
Liabilities at amortized cost			
- Deposits from banks	36	247,313,979	285,957,468
- Deposits from customers	37	340,748,196	262,008,445
- Funds from issuance of securities	38	148,029,018	135,174,090
- Subordinated debts	39	53,643,444	50,179,401
- Other financial liabilities	43	62,598,235	-
Financial liabilities at fair value through profit or loss	21b	16,152,087	-
Financial liabilities held for trading	22b	-	14,274,999
Provision for Expected Loss			
- Loan Commitments	27	2,551,676	-
- Financial guarantees	27	719,216	-

Insurance technical provisions and pension plans	40	251,578,287	239,089,590
Other reserves	42	19,802,171	18,490,727
Current income tax liabilities		2,373,261	2,416,345
Deferred income tax assets	18c	1,200,589	1,251,847
Other liabilities	43	34,157,435	97,816,824
Total liabilities		**1,180,867,594**	**1,106,659,736**
Shareholders' equity	44		
Capital		67,100,000	59,100,000
Treasury shares		(440,514)	(440,514)
Capital reserves		35,973	35,973
Profit reserves		53,267,584	49,481,227
Additional paid-in capital		70,496	70,496
Other comprehensive income		2,206,718	1,817,659
Retained earnings		2,035,198	7,338,990
Equity attributable to controlling shareholders		**124,275,455**	**117,403,831**
Non-controlling interest		**400,665**	**289,873**
Total equity		**124,676,120**	**117,693,704**
Total liabilities		**1,305,543,714**	**1,224,353,440**

The Notes are an integral part of the Consolidated Financial Statements.

IFRS – International Financial Reporting Standards – 2018

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Changes in Equity

				Profit reserves					
	Capital	**Treasury shares**	**Capital reserves**	**Legal**	**Statutory**	**Additional paid-in capital**	**Other comprehensive income (1)**	**Retained earnings**	**att co sha**
Balance on December 31, 2015	**43,100,000**	**(431,048)**	**35,973**	**6,052,949**	**43,867,071**	**70,496**	**(4,002,724)**	**2,096,710**	**9**
Net income	-	-	-	-	-	-	-	17,894,249	1
Financial assets available for sale	-	-	-	-	-	-	3,711,027	-	
Foreign currency translation adjustment	-	-	-	-	-	-	(107,011)	-	
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**3,604,016**	**17,894,249**	**2**
Increase of non-controlling shareholders' interest	-	-	-	-	-	-	-	-	
Purchase of treasury shares	-	(9,466)	-	-	-	-	-	-	
Capital increase of with reserves (2)	8,000,000	-	-	-	(8,000,000)	-	-		
Transfers to reserves	-	-	-	754,179	7,353,617	-	-	(8,107,796)	
Interest on equity and dividends	-	-	-	-	-	-	-	(6,975,782)	(
Balance on December 31, 2016	**51,100,000**	**(440,514)**	**35,973**	**6,807,128**	**43,220,688**	**70,496**	**(398,708)**	**4,907,381**	**10**

Net income	-	-	-	-	-	-	-	17,089,364	1
Financial assets available for sale	-	-	-	-	-	-	2,187,365	-	
Foreign currency translation adjustment	-	-	-	-	-	-	29,002	-	
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,216,367**	**17,089,364**	**1**
Increase of non-controlling shareholders' interest	-	-	-	-	-	-	-	-	
Capital increase of with reserves (3)	8,000,000	-	-	-	(8,000,000)	-	-	-	
Transfers to reserves	-	-	-	732,888	6,720,523	-	-	(7,453,411)	
Interest on equity and dividends	-	-	-	-	-	-	-	(7,204,344)	(
Balance on December 31, 2017	**59,100,000**	**(440,514)**	**35,973**	**7,540,016**	**41,941,211**	**70,496**	**1,817,659**	**7,338,990**	**11**

The Notes are an integral part of the Consolidated Financial Statements.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Changes in Equity (continued)

				Profit reserves				
	Capital	**Treasury shares**	**Capital reserves**	**Legal**	**Statutory**	**Additional paid-in capital**	**Other comprehensive income (1)**	**Retained earnings**
Balance on December 31, 2017	**59,100,000**	**(440,514)**	**35,973**	**7,540,016**	**41,941,211**	**70,496**	**1,817,659**	**7,338,990**
Adoption of IFRS 9 (Note 47)	**-**	**-**	**-**	**-**	**-**	**-**	**665,540**	**(2,802,754)**
Balance on January 1ST, 2018	**59,100,000**	**(440,514)**	**35,973**	**7,540,016**	**41,941,211**	**70,496**	**2,483,199**	**4,536,236**
Net income	-	-	-	-	-	-		16,583,915
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(296,915)	
Foreign currency translation adjustment	-	-	-	-	-	-	113,198	
Other	-	-	-	-	-	-	(92,764)	
Comprehensive income	-	-	-	-	-	-	(276,481)	16,583,915
Increase of non-controlling shareholders' interest	-	-	-	-	-	-	-	-
Capital increase with reserves (4)	8,000,000	-	-	-	(8,000,000)	-	-	-
Transfers to reserves	-	-	-	954,247	10,832,110	-	-	(11,786,357)
Interest on shareholders' equity	-	-	-	-		-	-	(7,298,596)
Balance on December 31, 2018	**67,100,000**	**(440,514)**	**35,973**	**8,494,263**	**44,773,321**	**70,496**	**2,206,718**	**2,035,198**

(1) Mainly composed of financial assets at fair value through other comprehensive income and gains and losses with cash flow hedge and foreign investment;

(2) At Special Shareholders' Meeting held on March 10, 2016, the shareholders approved the Board of Directors' proposal to increase the capital by R$8,000,000 thousand, from R$43,100,000 thousand to R$51,100,000 thousand, with bonus in shares, through capitalization of part of the balance of the caption "Profit reserves - Statutory Reserve", in conformity with Article 169 of Law No. 6,404/76, with issuance of 504,872,885 new registered shares, without par value, of which 252,436,456 are common and 252,436,429 are preferred shares, which will be granted to the shareholders, free of charge, as bonus, at the proportion of 1 new share to each 10 shares of the same type held by them on the base date;

(3) At Special Shareholders' Meeting held on March 10, 2017, the shareholders approved the Board of Directors' proposal to increase the capital by R$8,000,000 thousand, from R$51,100,000 thousand to R$59,100,000 thousand, with bonus in shares, through capitalization of part of the balance of the caption "Profit reserves - Statutory Reserve", in conformity with Article 169 of Law No. 6,404/76, with issuance of 555,360,173 new registered shares, without par value, of which 277,680,101 are common and 277,680,072 are preferred, which were granted to the shareholders, free of charge, as bonus, at the proportion of 1 new share to each 10 shares of the same type held by them on the base date; and

(4) At Special Shareholders' Meeting held on March 12, 2018, the shareholders approved the Board of Directors' proposal to increase the capital by R$8,000,000 thousand, from R$59,100,000 thousand to R$67,100,000 thousand, with bonus in shares, through capitalization of part of the balance of the caption "Profit reserves - Statutory Reserve", in conformity with Article 169 of Law No. 6,404/76, with issuance of 610,896.190 new registered shares, without par value, of which 305,448,111 common and 305,448,079 are preferred shares, granted to the shareholders, free of charge, as bonus, at the proportion of 1 new share to each 10 shares of the same type held by them.

The Notes are an integral part of the Consolidated Financial Statements.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Cash Flows

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Operating activities			
Income before income taxes	**19,442,015**	**23,743,559**	**31,905,456**
Adjustments to reconcile income before income tax to net cash flow from operating activities:			
Expected loss on loans and advances	15,091,975	-	-
Impairment of loans and advances	-	16,860,835	15,350,278
Changes in the insurance technical provisions and pension plans	29,409,222	34,805,771	32,781,918
Net (gains)/losses from disposals of assets available for sale	-	(2,299,397)	(764,707)
(Gains)/Net realized losses on financial assets at fair value through other comprehensive income	(1,073,563)	-	-
Expenses with provisions and contingent liabilities	4,306,043	2,471,288	2,518,761
Deferred acquisition cost (insurance)	144,224	680,136	194,994
Impairment of assets	1,757,981	1,925,304	2,388,580
Depreciation	1,460,013	1,237,328	1,140,369
Amortization of intangible assets	3,348,242	3,331,240	2,516,777
Share of profit of associates and joint ventures	(1,680,375)	(1,718,411)	(1,699,725)
Losses on disposal of non-current assets held for sale	516,713	577,212	442,251
Net losses from disposal of property and equipment	98,182	106,722	24,791
(Gains) on sale of investments in associates	-	(270,977)	-
Effect of Changes in Exchange Rates in Cash and Cash equivalents	(751,769)	(806,312)	5,617,747
Changes in assets and liabilities:			
(Increase)/Decrease in reserve requirement - Central Bank	(20,882,690)	(8,677,695)	11,651,121
(Increase)/decrease in loans and advances to banks	33,357	(2,493,535)	10,368,220
(Increase)/decrease in loans and advances to customers	(112,861,770)	(59,578,512)	(49,649,090)
(Increase)/decrease in financial assets held for trading	-	(23,089,236)	(40,248,319)
(Increase)/Reduction in financial assets at fair value through profit or loss	(3,625,822)	-	-
(Increase)/decrease in other assets	(30,301,912)	(23,384,107)	(8,296,942)
Increase/(decrease) in deposits from banks	(20,749,542)	3,955,797	33,269,744
Increase/(decrease) in deposits from customers	88,659,514	36,853,866	(6,707,994)
Increase/(decrease) in financial liabilities held for trading	-	839,321	(9,700,099)
Increase/(Decrease) in financial liabilities at fair value through profit or loss	1,877,088	-	-
	(16,920,525)	(11,556,181)	(2,042,897)

Increase/(decrease) in insurance technical provisions and pension plans			
Increase/(decrease) in other provisions	(2,994,599)	(2,272,970)	(3,019,960)
Increase/(decrease) in other liabilities	14,364,262	19,117,355	10,312,756
Interest received	61,660,260	61,743,368	70,917,068
Interest paid	(27,813,710)	(27,254,361)	(45,140,018)
Income tax and social contribution paid	(7,086,237)	(8,575,438)	(9,771,075)
Other changes in taxes	(1,923,895)	(720,182)	(400,787)
Net cash provided by/(used in) operating activities	**(6,497,318)**	**35,551,788**	**53,959,218**

Bradesco

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statements of Cash Flows (continued)

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Investing activities			
(Acquisitions) of subsidiaries, net of cash and cash equivalents paid	(442,122)	-	(7,188,659)
(Acquisitions) of financial assets available for sale	-	(114,186,612)	(108,296,179)
(Acquisition) of financial assets at fair value through other comprehensive income	(103,432,365)	-	-
Proceeds from sale of financial assets available for sale	-	82,760,146	115,724,092
Disposal of financial assets at fair value through other comprehensive income	103,897,609	-	-
Maturity of investments held to maturity	-	4,219,351	-
Maturity of financial assets at amortized cost	21,759,857	-	-
(Acquisitions) of investments held to maturity	-	(204,557)	-
(Acquisition) of financial assets at amortized cost	(70,719,797)	-	-
Disposal of non-current assets held for sale	688,885	796,869	629,768
(Acquisitions) of investments in associates	(52,844)	(83,172)	(376,434)
Dividends and interest on shareholders' equity received	1,463,448	845,134	510,285
(Acquisition) of property and equipment	(2,389,433)	(1,897,645)	(2,779,321)
Sale of premises and equipment	361,240	445,347	486,303
(Acquisition) of intangible assets	(3,053,156)	(3,743,704)	(2,343,497)
Dividends received	50,264	83,341	117,972
Interest received	17,383,392	12,735,539	12,668,011
Net cash provided by/(used in) investing activities	**(34,485,022)**	**(18,229,963)**	**9,152,341**
Financing activities			
Funds from securities issued	85,963,195	62,237,380	47,253,373
Payments on securities issued	(69,747,110)	(72,494,509)	(47,861,607)
Issuance of subordinated debts	10,890,606	6,594,610	3,787,207
Payments on subordinated debts	(9,181,501)	(8,666,038)	(581,713)
Acquisition of treasury shares	-	-	(9,466)
Increase/(decrease) of non-controlling interest	2,265	2,099	3,265
Interest paid	(16,986,503)	(24,465,562)	(20,504,528)
Interest on equity and dividends paid	(6,539,193)	(6,512,102)	(5,611,350)
Net cash provided by/(used in) financing activities	**(5,598,241)**	**(43,304,122)**	**(23,524,819)**
(Decrease)/Increase in cash and cash equivalents	**(46,580,581)**	**(25,982,297)**	**39,586,740**

Cash and cash equivalents			
At the beginning of the year	156,054,442	181,230,427	147,261,434
Effect of Changes in Exchange Rates in Cash and Cash equivalents	751,769	806,312	(5,617,747)
At the end of the year	110,225,630	156,054,442	181,230,427
(Decrease)/Increase in cash and cash equivalents	**(46,580,581)**	**(25,982,297)**	**39,586,740**
Non-cash transactions			
Credit operations transferred to non-current assets held for sale	1,947,924	1,953,996	2,122,871
Dividends and interest on equity declared but not yet paid	4,876,458	4,295,314	4,482,718
Unrealized (gains)/losses on securities available for sale	-	(2,187,365)	(3,711,027)
(Gains)/losses on financial assets at fair value through other comprehensive income	296,915	-	-

IFRS – International Financial Reporting Standards – 2018

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

1) General information

Banco Bradesco S.A. ("Bradesco", the "Bank", the "Company" or the "Organization") is a publicly-traded company established according to the laws of the Federative Republic of Brazil with headquarters in the city of Osasco, state of São Paulo, Brazil.

Bradesco is a bank that provides multiple services within two segments: banking and insurance. The Bank complies with Brazilian banking regulations and operates throughout all of Brazil. The banking segment includes a range of banking activities, serving individual and corporate customers in the following operations: investment banking, national and international banking operations, asset management operations and consortium administration. The insurance segment covers auto, health, life, accident and property insurance and pension plans, real estate ventures and capitalization bonds.

The retail banking products include demand deposits, savings deposits, time deposits, mutual funds, foreign exchange services and a range of loans and advances, including overdrafts, credit cards and loans with repayments in installments. The services provided to corporate entities include fund management and treasury services, foreign exchange operations, corporate finance and investment banking services, hedge and finance operations including working capital financing, lease and loans with repayments in installments. These services are provided, mainly, in domestic markets, but also include international services on a smaller scale.

The Organization was originally listed on the São Paulo Stock Exchange ("B3") and then subsequently on the New York Stock Exchange ("NYSE").

The consolidated financial statements, in accordance with the IFRS, were approved by the Board of Directors on March 06, 2019.

2) Significant accounting practices

These consolidated financial statements of the Organization were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements include the consolidated statements of financial position, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows as well as the notes to the consolidated financial statements.

These consolidated financial statements have been prepared based on historical cost, except for the following material items in the balance sheet: financial assets at fair value through other comprehensive income, assets and liabilities at fair value through profit or loss and financial instruments designated at fair value through profit or loss, and defined-benefit liabilities that are recognized at the present value of the defined benefit obligation.

The Organization has classified its expenses according to their nature.

The consolidated statement of cash flows shows the changes in cash and cash equivalents during the year arising from operating, investing and financing activities. Cash and cash equivalents include highly liquid investments. Note 20 details the accounts of the consolidated statement of financial position that comprise cash and cash equivalents. The consolidated statement of cash flows is prepared using the indirect method. Accordingly, the income before taxes was adjusted by non-cash items such as provisions, depreciation, amortization and Impairment losses on loans and advances. The interest and dividend received and paid are classified as operating, financing or investment cash flows according to the nature of the corresponding assets and liabilities.

The preparation of the consolidated financial statements requires the use of estimates and assumptions which affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the profit and loss amounts for the year. The consolidated financial statements also reflect various estimates and assumptions, including, but not limited to: adjustments to the provision for expected losses of assets and financial liabilities; estimates of the fair value of financial instruments; depreciation and amortization rates; impairment losses on assets; the useful life of intangible assets; evaluation of the realization of tax assets; assumptions for the calculation of technical provisions for insurance, supplemental pension plans and capitalization bonds; provisions for contingencies and provisions for potential losses arising from fiscal and tax uncertainties. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

In 2018, the Organization adopted IFRS 9 – Financial instruments, which replaced IAS 39. For more details on the transition process to the new standard, classification and measurement of financial assets, impairment and hedge accounting, see Note 47.

The accounting policies listed below were used in all the periods presented and by all the companies of the Organization.

a) Consolidation

The consolidated financial statements include the financial statements of Bradesco and those of its direct and indirect subsidiaries, including exclusive mutual funds and special purpose entities.

The main subsidiaries included in the consolidated financial statements are as follows:

	Activity	Shareholding interest On December, 31 2018	2017
Financial Sector – Brazil			
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%
Bradesco Administradora de Consórcios Ltda.	Consortium 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%
BRAM - Bradesco Asset Management S.A. DTVM	Asset management	100.00%	100.00%
Kirton Bank Brasil S.A.	Banking	100.00%	100.00%
Tempo Serviços Ltda.	Services	100.00%	100.00%
Financial Sector – Overseas			
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%
Insurance, Pension Plan and Capitalization Bond Sector - In Brazil			
Atlântica Companhia de Seguros	Insurance	100.00%	100.00%
Bradesco Auto/RE Companhia de Seguros	Insurance	100.00%	100.00%
Bradesco Capitalização S.A.	Capitalization 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%
Bradesco Vida e Previdência S.A.	Pension plan/Insurance	100.00%	100.00%
Kirton Capitalização S.A. (9)	Capitalization bonds	-	100.00%
Kirton Seguros S.A. (9)	Insurance	-	98.54%
Kirton Vida e Previdência S.A. (9)	Pension plan/Insurance	-	100.00%
Odontoprev S.A. (10)	Dental care	50.01%	50.01%
Insurance - Overseas			
Bradesco Argentina de Seguros S.A. (5) (10)	Insurance	99.98%	99.98%
Other Activities - Brazil			
Andorra Holdings S.A.	Holding	100.00%	100.00%
Bradseg Participações S.A.	Holding	100.00%	100.00%
Bradescor Corretora de Seguros Ltda.	Insurance Brokerage	100.00%	100.00%
Bradesplan Participações Ltda. (11)	Holding	-	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.	Holding	100.00%	100.00%
Nova Paiol Participações Ltda.	Holding	100.00%	100.00%
União Participações Ltda. (12)	Holding	-	100.00%
Other Activities - Overseas			
Bradesco North America LLC (5)	Services	100.00%	100.00%
Investment Funds (13)			

Bradesco F.I.R.F. Master II Previdência	Investment Fund	100.00%	100.00%
Bradesco F.I. Referenciado DI Performance	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F10	Investment Fund	100.00%	100.00%
Bradesco F.I.R.F. Master IV Previdência	Investment Fund	100.00%	100.00%
Bradesco F.I.R.F. Master Previdência	Investment Fund	100.00%	100.00%
Bradesco Private F.I.C.F.I. RF PGBL/VGBL Ativo	Investment Fund	100.00%	100.00%
Bradesco FI Referenciado DI União	Investment Fund	99.83%	99.92%
Bradesco Private F.I.C.F.I. R.F. PGBL/VGBL Ativo - F 08 C	Investment Fund	100.00%	100.00%
Bradesco F.I.C.R.F. VGBL FIX	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. Renda Fixa V-A	Investment Fund	100.00%	100.00%

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

(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 merged into their respective counterparts in June 2018 (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 merged in October 2018, by the company Nova Paiol Participações Ltda.;

(12) Company merged 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.

i. Subsidiaries

Subsidiaries are all of the companies over which the Organization, has control. The Organization has control over an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiaries are fully consolidated from the date at which the Organization obtains control over its activities until the date this control ceases.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the consideration, including assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration given over the fair value of the Organization’s share of the identifiable net assets and non-controlling interest acquired is recorded as goodwill. Any goodwill arising from business combinations is tested for impairment at least once a year and whenever events or changes in circumstances may indicate the need for an impairment write-down. If the cost of acquisition is less than the fair value of the Organization’s share of the net assets acquired, the difference is recognized directly in the consolidated statement of income.

Notes to the Consolidated Financial Statements

For acquisitions not meeting the definition of a business combination, the Organization allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) recognizing financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing assets and assuming liabilities to individual assets and liabilities, other than financial instruments, based on their relative fair values of these instruments at the acquisition date.

ii. Associates

Companies are classified as associates if the Organization has significant influence, but not control, over the operating and financial management policy decisions. Normally significant influence is presumed when the Organization holds in excess of 20%, but no more than 50%, of the voting rights. Even if less than 20% of the voting rights are held, the Organization could still have significant influence through its participation in the management of the investee or representations on its Board of Directors, providing it has executive power; i.e. voting power.

Investments in associates are recorded in the Organization's consolidated financial statements using the equity method and are initially recognized at cost. The investments in associates include goodwill (net of any impairment losses) identified at the time of acquisition.

iii. Joint ventures

The Organization has contractual agreements in which two or more parties undertake activities subject to joint control. Joint control is the contractual sharing of control over an activity and it exists only if strategic, financial and operating decisions are made on a unanimous basis by the parties. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are recorded in the consolidated financial statements of the Organization using the equity method.

iv. Structured entities

A structured entity is an entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Structured entities normally have some or all of the following features or characteristics:

- restricted activities;
- a narrow and well-defined objective, such as, to effect a specific structure like a tax efficient lease, to perform research and development activities, or to provide a source of capital or funding to an entity or to provide investment opportunities for investors by passing risks and rewards associated with the assets of the structured entity to investors;
- thin capitalization, that is, the proportion of 'real' equity is too small to support the structured entity's overall activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (tranches).

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v. Transactions with and interests of non-controlling shareholders

The Organization applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Bank. For purchases of equity from non-controlling interests, the difference between any consideration paid and the share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on sales to non-controlling shareholders are also recorded in equity.

Profits or losses attributable to non-controlling interests are presented in the consolidated statements of income under this title.

vi. Balances and transactions eliminated in the consolidation

Intra-group transactions and balances (except for foreign currency transaction gains and losses) are eliminated in the consolidation process, including any unrealized profits or losses resulting from operations between the companies except when unrealized losses indicate an impairment loss of the asset transferred which should be recognized in the consolidated financial statements. Consistent accounting policies as well as similar valuation methods for similar transactions, events and circumstances are used throughout the Organization for the purposes of consolidation.

b) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Organization’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Brazilian *Reais* (R$), which is the Organization's presentation currency. The domestic and foreign subsidiaries use the *Real* as their functional currency, with the exception of the subsidiary in Mexico, which uses the Mexican Peso as its functional currency.

ii. Transactions and balances

Foreign currency transactions, which are denominated or settled in a foreign currency, are translated into the functional currency using the exchange rates prevailing on the dates of the transactions.

Monetary items denominated in foreign currency are translated at the closing exchange rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate on the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates on the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at each period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as "Net gains/(losses) of foreign currency transactions".

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income, a distinction is made between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of income, and other changes in the carrying amount, except impairment, are recognized in equity.

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Notes to the Consolidated Financial Statements

iii. Foreign operations

The results and financial position of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the reporting date;

- Income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rates in effect on the dates of the transactions); and

- All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above process are reported in equity as "Foreign currency translation adjustment".

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to "Other comprehensive income". If the operation is a non-wholly owned subsidiary, then the relevant proportion of the transaction difference is allocated to the non-controlling interest. When a foreign operation is partially sold or disposed, such exchange differences, which were recognized in equity, are recognized in the consolidated statement of income as part of the gain or loss on sale.

c) Cash and cash equivalents

Cash and cash equivalents include: cash, bank deposits, unrestricted balances held with the Central Bank of Brazil and other highly liquid short-term investments, with original maturities of three months or less and which are subject to insignificant risk of changes in fair value, used by the Organization to manage its short-term commitments. See Note 20(b) – “Cash and cash equivalents”.

d) Financial assets and liabilities

Accounting Practices adopted as of January 1, 2018.

i. Financial assets

In 2018, we began to apply IFRS 9, which contains a new approach for classification and measurement of financial assets, where the entity is based on the business model for the management of financial assets, as well as the characteristics of contractual cash flow of the financial asset. This new approach replaced the financial assets categories foreseen in IAS 39: (i) measured at fair value through profit or loss; (ii) investments held to maturity; (iii) loans and receivables; and (iv) available for sale.

IFRS 9 classifies financial assets into three categories: (i) measured at amortized cost; (ii) measured at fair value through other comprehensive income (FVOCI – Shareholders’ Equity); and (iii) measured at fair value through profit or loss (FVTPL).

- Business model: it relates to the way in which the entity manages its financial assets to generate cash flows. The objective of the Management for a particular business model, is: (i) to maintain the assets to receive contractual cash flows; (ii) to maintain the assets to receive the contractual cash flows and sales; or (iii) any other model. When the financial assets conform to the business models (i) and (ii) the SPPI test (Solely Payment of Principal and Interest) should be applied.

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- SPPI Test: the purpose of this test is to assess the contractual terms of the financial instruments to determine if they give rise to cash flows at specific dates that conform only to the payment of the principal and interest on the principal amount.

In this sense, the principal refers to the fair value of the financial asset at the initial recognition and interest refers to the consideration for the time value of money, the credit risk associated with the principal amount outstanding for a specific period of time and other risks and borrowing costs. Financial instruments that do not fall under the aforementioned concept are measured at FVTPL, such as derivatives.

- **Measured at fair value through profit or loss**

All financial assets that do not meet the criteria of measurement at amortized cost or at FVOCI are classified as measured at FVTPL, in addition to those assets that in the initial recognition are irrevocably designated at FVTPL, if this eliminates or significantly reduces asset-liability mismatches.

Financial assets measured at FVTPL are initially recorded at fair value with subsequent changes to the fair value recognized immediately in profit or loss.

They are held for trading if it is acquired by Organization for the purpose of selling it in the short-term or if it is part of a portfolio of identified financial instruments that are managed together for short-term profit or position taking, or, eventually, assets that do not meet the SPPI test. Derivative financial instruments are also categorized as FVTPL.

Financial assets are initially recognized in the consolidated statement of financial position at fair value and the transaction costs are recorded directly in the consolidated statement of income.

Realized and unrealized gains and losses arising from changes in fair value of non-derivative assets are recognized directly in the consolidated statement of income under “Net gains/(losses) on financial assets and liabilities at fair value through profit or loss”. Interest income on financial assets measured at FVTPL is included in “Interest and similar income”. For the treatment of derivative assets see Note 2(d)(iii).

- **Measured at fair value through other comprehensive income**

They are financial assets that meet the criterion of the SPPI test, which are held in a business model whose objective is both to maintain the assets to receive the contractual cash flows as well as for sale.

Financial assets are initially recognized at fair value, plus any transaction costs that are directly attributable to their acquisition or their issuance and are, subsequently, measured at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on debt securities, until the financial asset is derecognized. The expected credit losses are recorded in the consolidated statement of income in contrast to "Other comprehensive income", having no impact on the gross carrying amount of the asset.

Interest income is recognized in the consolidated statement of income using the effective interest method. Dividends on equity instruments are recognized in the consolidated statement of income in ‘Dividend income’, within “Net Gains/(losses) on financial assets at fair value through other comprehensive income” when the Organization’s right to receive payment is established. Gains or losses arising out of exchange variation on investments in debt securities classified as FVOCI are recognized in the consolidated statement of income. See Note 2(d)(viii) for more details of the treatment of the expected credit losses.

- **Measured at amortized cost**

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Financial assets that meet the criterion of the SPPI test, which are held in a business model whose objective is to maintain the assets to receive the contractual cash flows.

Financial assets measured at amortized cost are recognized initially at fair value including direct and incremental costs, and are subsequently recorded at amortized cost, using the effective interest rate method.

Interest are recognized in the consolidated statement of income and reported as “Interest and similar income”. In the case of expected credit loss, it is reported a deduction from the carrying value of the financial asset and is recognized in the consolidated statement of income.

ii. Financial liabilities

The Organization classifies its financial liabilities as subsequently measured at amortized cost, using the effective interest rate method, except for the following financial instruments.

- **Measured at fair value through profit and loss**

These financial liabilities are recorded and measured at fair value and the respective changes in fair value are immediately recognized in the income statement. These liabilities can be subdivided into two different classifications upon initial recognition: financial liabilities designated at fair value through profit and loss and financial liabilities held for trading.

\- **Financial liabilities designated at FVTPL on initial recognition**

These are liabilities that on initial recognition are irrevocably designated at FVTPL, if this eliminates or significantly reduces asset-liability mismatches.

The Organization does not have any financial liability designated at fair value through profit and loss in income.

- **Financial liabilities held for trading**

Financial liabilities held for trading recognized by the Organization are derivative financial instruments. For the treatment of derivatives see Note 2(d)(iii).

- **Financial guarantee contracts and loan commitments**

Financial guarantees are contracts that require the Organization to make specific payments under the guarantee for a loss incurred when a specific debtor fails to make a payment when due in accordance with the terms of the debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Organization’s obligations under such guarantees are measured by the higher value between (i) the value of the provision for expected losses and (ii) the value initially recognized, minus, if appropriate, the accumulated value of the revenue from the service fee. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of income within “Other operating income/ (expenses)”.

Loan commitments are recognized as the amount of expected credit loss calculated as described in Note 3.1.

iii. Derivative financial instruments and hedge transactions

Derivatives are initially recognized at fair value on the date the derivative contract is signed and are, subsequently, re-measured at their fair values with the changes recognized in the income statement under “Net gains or losses on financial assets at fair value through profit or loss”.

IFRS – International Financial Reporting Standards – 2018

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Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for swaps and foreign currency transactions), such as discounted cash-flow models and options-pricing models, as appropriate. The calculation of fair value, the counterparty's and the entity's own credit risk are considered.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not recorded at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the consolidated statement of income.

The Organization has structures of cash flow hedges, whose objective is to protect the exposure to variability in cash flows attributable to a specific risk associated with all the assets or liabilities recognized, or a component of it. The details of these structures have been presented in Note 3.2 – Market risk.

iv. Recognition

Initially, the Organization recognizes deposits, securities issued and subordinated debts and other financial assets and liabilities on the trade date, in accordance with the contractual provisions of the instrument.

v. Derecognition

Financial assets are derecognized when there is no reasonable expectation of recovery, when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognized when they have been discharged, paid, redeemed, cancelled or expired. If a renegotiation or modification of terms of an existing financial asset is such that the cash flows of the modified asset are substantially different from those of the original unmodified asset, then the original financial asset is derecognized and the modified financial asset is recognized as a new financial asset and initially measured at fair value.

vi. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, the Organization has the intention and the legal enforceable right to offset the recognized amounts on a net basis or realize the asset and settle the liability simultaneously.

vii. Determination of fair value

The determination of the fair values for the majority of financial assets and liabilities is based on the market price or quotes of security dealers for financial instruments traded in an active market. The fair value for other instruments is determined using valuation techniques. The valuation techniques which include use of recent market transactions, discounted cash flow method, comparison with other instruments similar to those for which there are observable market prices and valuation models.

For more common other instruments the Organization uses widely accepted valuation models that consider observable market data in order to determine the fair value of financial instruments.

For more complex instruments, the Organization uses its own models that are usually developed from standard valuation models. Some of the information included in the models may not be observable in the market and is derived from market prices or rates or may be estimated on the basis of assumptions.

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The value produced by a model or by a valuation technique is adjusted to reflect various factors, since the valuation techniques do not necessarily reflect all of the factors that market participants take into account during a transaction.

The valuations are adjusted to consider the risks of the models, differences between the buy and sell price, credit and liquidity risks, as well as other factors. Management believes that such valuation adjustments are necessary and appropriate for the correct evaluation of the fair value of the financial instruments recorded in the consolidated statement of financial position.

More details on the calculation of the fair value of financial instruments are available in Note 3.4.

viii. Expected credit losses

The Organization calculates the expected losses in prospective bases for financial instruments measured at amortized cost, at FVOCI (with the exception of investments in equity instruments), financial guarantees and loan commitments.

Expected credit losses on financial instruments are measured as follows:

Financial assets: it is the present value of the difference between contractual cash flows and the cash flows that the Organization hopes to recover discounted at the effective interest rate of the operation;

Financial guarantees: it is the present value of the difference between the expected payments to reimburse the holder of the guarantee and the values that the Organization expects to recover discounted at a rate that reflects the market conditions; and

Loan commitments: is the present value of the difference between the contractual cash flows that would be due if the commitment was used and the cash flows that the Organization expects to recover discounted at a rate that reflects the market conditions.

Expected losses will be measured on one of the following basis:

– Credit losses expected for 12 months, i.e., credit losses as a result of possible events of delinquency within 12 months after the reporting date; and

– Credit Losses expected for the whole of lifecycle, i.e., credit losses that result from all possible events of delinquency throughout the expected lifecycle of a financial instrument.

The measurement of expected losses for the whole lifecycle is applied when the credit risk of a financial asset, on the date of the report, has increased significantly since its initial recognition and the measurement of credit loss of 12 months is applied when the credit risk has not increased significantly since its initial recognition. The Organization may determine that the credit risk of a financial asset has not increased significantly when the asset has a low credit risk on the date of the report.

With respect to Brazilian government bonds, the Organization has internally developed a study to assess the credit risk of these securities, which does not expect any loss for the next 12 months, that is, no provision is required for credit losses.

The Organization evaluates if the credit risk increased significantly for both individual assets and assets at collective level. For the purposes of a collective evaluation, financial assets are grouped on the basis of similar credit-risk characteristics (that is, on the basis of the Organization's rating process that considers product type, market segment, geographical location, collateral type, past-due status and other related factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced through provisions and the amount of the loss is recognized in the consolidated statement of income.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to mitigate any differences between loss estimates and actual loss experience.

Following the recognition of expected credit loss, interest income is recognized using the effective rate of interest which was used to discount the future cash flows, on the accounting value gross of provision, except for assets with problem of credit recovery, in which, the rate stated is applied at the net book value of the provision.

The whole or part of a financial asset is written off against the related credit loss expected when there is no reasonable expectation of recovery. Such loans are written off after all the relevant collection procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

The criteria used to calculate the expected credit loss are detailed in Note 3.1.

Accounting Practices adopted until December 31, 2017.

The Organization opted for the exemption provided by the Standard not to restate comparative information from prior periods arising from the changes arising from IFRS 9, therefore we present below the accounting policies applied to Financial Instruments up to December 31, 2017:

i. Sale and repurchase agreements

Securities sold subject to repurchase agreements are presented in the consolidated financial statements in “Financial assets pledged as collateral”. The counterparty liability is included in “Deposits from Banks”. Securities purchased under agreements to resell are recorded in “Loans and advances to banks” or “Loans and advances to customers”, as appropriate. The difference between sale and repurchase price is treated as interest in the consolidated statement of income and recognized over the life of the agreements using the effective interest rate method.

ii. Financial assets

The Organization classifies its financial assets into the following categories: measured at fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on initial recognition.

- **Measured at fair value through profit or loss**

Financial assets are recorded and initially measured at fair value, with subsequent subsequent changes in fair value recognized immediately in profit or loss. These assets can be subdivided into two distinct classifications: financial assets designated at fair value through profit or loss; and financial assets for trading (upon initial recognition).

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- Financial assets designated at fair value through profit or loss

The Organization does not have any financial assets designated at fair value through profit or loss.

- Financial assets for trading (except Derivatives)

Financial assets for trading are assets held by the Organization for the purpose of trading them in the short term or maintaining them as part of a managed portfolio in order to obtain short-term profit or to take positions. Derivative financial instruments are also classified as held for trading.

Financial assets held for trading are initially recognized and measured at fair value on the balance sheet, and transaction costs are recorded directly in the statement of income for the period.

Realized and unrealized gains and losses arising from changes in the fair value of non-derivative financial assets are recognized directly in the income statement under "Gains and losses net of financial assets for trading". Interest income on financial assets held for trading is recognized in "Net interest income".

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets, for which it is intended to be held for an indefinite period of time, and which may be sold in response to changes in interest rates, foreign exchange rates, prices of equity securities or liquidity needs or that are not classified as held-to-maturity, loans and receivables or at fair value through profit or loss.

They are initially recognized at fair value, which corresponds to the amount paid including transaction costs and is subsequently measured at fair value with gains and losses recognized in equity, other comprehensive income, except for impairment losses recoverable from exchange gains and losses until the financial asset is no longer recognized. If an available-for-sale financial asset presents a loss due to impairment, the accumulated loss recorded in other comprehensive income is recognized in the statement of income.

Interest income is recognized in the income statement using the effective interest rate method. Dividend income is recognized in the consolidated statement of income when the Organization becomes entitled to the dividend. Foreign exchange gains and losses on investments in debt securities classified as available for sale are recognized in the consolidated statement of income.

- **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Organization has the intention and ability to hold to maturity and which are not designated at the initial recognition as at fair value through profit or loss, or as available for sale and that do not meet the definition of loans and receivables.

They are initially recognized at fair value including direct and incremental costs and are subsequently accounted for at amortized cost using the effective interest rate method.

Interest on investments held to maturity is included in the consolidated statement of income as "Interest and similar income". In the event of impairment, the impairment loss is recognized as a deduction from the carrying amount of the investment and is recognized in the consolidated statement of income.

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- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that have not been designated as "available for sale" or "at fair value through profit or loss" and that the Organization does not intends to sell immediately or in the short term.

They are initially measured at fair value plus direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are recognized in the balance sheet as loans and advances to financial institutions or to customers. Interest on loans is included in the income statement as "Interest and similar income". In the event of impairment, the impairment loss is reported as a reduction in the book value of loans and advances and is recognized in the statement of income as "Impairment losses on loans and advances".

iii. Financial liabilities

The Organization classifies its financial liabilities in the following categories: measured at fair value through profit or loss and at amortized cost.

- **Measured at fair value through profit or loss**

They are recorded and valued at fair value, and the respective changes in fair value are recognized immediately in profit or loss. These liabilities can be subdivided into two distinct classifications: financial liabilities designated at fair value through profit or loss and financial liabilities for trading.

- Financial liabilities at fair value through profit or loss

The Organization does not have any financial liabilities designated at fair value through profit or loss.

- Financial liabilities for trading

The financial liabilities for trading recognized by the Organization are derivative financial instruments.

- **Financial liabilities at amortized cost**

These are financial liabilities that are not measured at fair value through profit or loss. They are initially recorded at fair value and subsequently measured at amortized cost. They include, among others, resources from financial and client institutions, debt securities issuance and subordinated debt securities.

iv. Deposits, securities issued and subordinated liabilities

Deposits, securities issued and subordinated liabilities are the main funding sources used by the Organization to finance its operations.

They are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method.

v. Derivative financial instruments and hedge operations

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair values with the changes being recognized in the statement of income under "Gains and losses on financial assets held for trading".

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Fair values are derived from quoted market prices in active markets (for example, exchange traded options), including recent market transactions and valuation techniques (eg, swaps and currency transactions), discounted cash and option pricing models, as appropriate. In determining the fair value, the credit risk of the counterparty and the entity itself is considered.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those in the main contract and the contract is not accounted for at fair value through profit or loss. These embedded derivatives are recorded separately at fair values, with changes in fair values being included in the consolidated income statement.

vi. Impairment of financial assets

a) Financial assets recognized at amortized cost

At each balance sheet date, the Organization assesses whether there is objective evidence that the carrying amount of the financial assets is impaired. Impairment losses are only recognized if there is objective evidence that a loss occurs after the initial recognition of the financial asset and that the loss has an impact on the future cash flows of the financial asset or group of financial assets , which can be estimated reliably.

The criteria that the Organization uses to determine whether there is objective evidence of a impairment loss include:

- Relevant financial difficulty of the issuer or borrower;

- A breach of contract, such as default or delays in the payment of interest or principal;

- Economic or legal reasons related to the financial difficulty of the borrower, guarantees to the borrower a concession that the creditor would not consider;

- When it becomes probable that the policyholder declares bankruptcy or other financial reorganization;

- The disappearance of an active market for that financial asset due to financial difficulties; or

- Observable data indicating that there is a measurable reduction in estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the loss event can not yet be identified at the level of the individual financial assets in the portfolio, including:

(i) adverse changes in the payment situation of the borrowers of the assessed group; and

(ii) national or local economic conditions that correlate with default on assets.

The Organization considers evidence of impairment for both individually significant assets and for assets at the collective level. All significant financial assets are valued for specific losses.

All significant assets that the evaluation indicates are not specifically impaired are evaluated collectively to detect any impairment losses incurred but not yet identified. Financial assets, accounted for at amortized cost, which are not individually significant, are evaluated collectively to detect impairment losses, grouping them according to similar risk characteristics. Financial assets, which are individually assessed for impairment and a loss is recognized, are not included in the collective assessment of impairment.

The amount of the loss is measured as the difference between the book value of the assets and the present value of the estimated future cash flows (excluding future credit losses that were not incurred) discounted at the original interest rate of the financial assets. The book value of the asset is reduced through provisions and the amount of the loss is recognized in the statement of income.

The calculation of the present value of the estimated future cash flows of a guaranteed financial asset reflects the cash flows, which may result from the asset's execution, less the costs of obtaining and selling the guarantee.

For the purposes of a collective assessment of impairment, financial assets are grouped based on similar credit risk characteristics (ie, based on the process, the Organization classifies the type of product, business segments, location geographical, type of guarantee, maturity and other related factors). These characteristics are relevant for estimating future cash flows for groups of such assets as they are indicative of the borrower's ability to pay all amounts owed in accordance with the contractual terms of the assets to be valued.

Future cash flows in a group of financial assets, tested together to determine if there is any impairment, are estimated based on the contracted cash flows of a group of assets and the history of losses for assets with risk characteristics similar to those of the group of assets. Loss history is adjusted according to current observable data to reflect the effects of current conditions that did not affect the period in which the loss history is based and to disregard the effects of the conditions existing in the historical period that do not currently exist.

The methodology and assumptions used to estimate future cash flows are reviewed regularly to reduce any differences between the loss estimates and the actual loss.

After the impairment loss, financial income is recognized using the effective interest rate, which was used to discount future cash flows in order to measure the impairment loss.

When it is not possible to receive a credit, it is written off against the respective provision for impairment. These credits are written off after the completion of all necessary recovery procedures for the determination of the loss amount. Subsequent recoveries of amounts previously written off are credited to the income statement.

b) Financial assets classified as available for sale

The Organization shall assess, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is deteriorating. For debt instruments, the Organization uses the criteria mentioned in item (a) above in order to identify a loss event.

In the case of equity instruments classified as available for sale, a material or prolonged decline in the fair value of the security below its cost is considered as evidence that impairment losses have been incurred.

If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value less any impairment loss on the previously recognized financial asset - is written off recognized in the statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized, the reduction is reversed from the income statement. Impairment losses on capital instruments recognized in the statement of income are not reversed. Increase in fair value of equity instruments after impairment is recognized directly in equity in other comprehensive income.

e) Non-current assets held for sale

Under certain circumstances, property is repossessed following foreclosure of loans that are in default. Repossessed properties are measured at the lower of their carrying amount and fair value less the costs to sell – whichever is the lowest – and are included within “Non-current assets held for sale”.

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Notes to the Consolidated Financial Statements

f) Property and equipment

i. **Recognition and valuation**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see Note 2(i) below), if any. The cost includes expenses directly attributable to the acquisition of an asset.

The cost of assets internally produced includes the cost of materials and direct labor, as well as any other costs that can be directly allocated and that are necessary for them to function. Software acquired for the operation of the related equipment is recorded as part of the equipment.

When parts of an item have different useful lives, and separate control is practical, they are recorded as separate items (main components) comprising the property and equipment.

Useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

Gains and losses from the sale of property and equipment are determined by comparing proceeds received with the carrying amount of the asset and are recorded in the consolidated income statement under the heading "Other operating income/(expenses)".

ii. **Subsequent costs**

Expenditure on maintenance and repairs of property and equipment items is recognized as an asset when it is probable that future economic benefits associated with the items will flow to the Organization for more than one year and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of income during the reporting period in which they are incurred.

iii. **Depreciation**

Depreciation is recognized in the consolidated statement of income using the straight-line basis and taking into consideration the estimated useful economic life of the assets. The depreciable amount is the gross-carrying amount, less the estimated residual value at the end of the useful economic life. Land is not depreciated. Useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

g) Intangible assets

Intangible assets comprise separately identifiable non-monetary items, without physical substance due to business combinations, such as goodwill and other purchased intangible assets, computer software and other such intangible assets. Intangible assets are recognized at cost. The cost of an intangible asset, acquired in a business combination, is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortized over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortized.

Generally, the identified intangible assets of the Organization have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits – see Note 2(i) below.

i. **Goodwill**

Goodwill (or bargain purchase gain) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill reflects the excess of the cost of acquisition in relation to the Organization's share of the fair value of net identifiable assets or liabilities of an acquired subsidiary, associate or joint venture on the date of acquisition. Goodwill originated from the acquisition of subsidiaries is recognized as "Intangible Assets", and the goodwill from acquisition of associates and joint ventures is included in the carrying amount of the investment. When the difference between the cost of acquisition and the Organization's share of the fair value of net identifiable assets or liabilities is negative (bargain purchase gain), it is immediately recognized in the consolidated statement of income as a gain on the acquisition date.

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Goodwill is tested annually, as well as whenever a trigger event has been observed, for impairment (see Note 2(i) below). Gains and losses realized in the sale of an entity include consideration of the carrying amount of goodwill relating to the entity sold.

ii. ***Software***

Software acquired by the Organization is recorded at cost, less accumulated amortization and accumulated impairment losses, if any.

Internal software-development expenses are recognized as assets when the Organization can demonstrate its intention and ability to complete the development, and use the software in order to generate future economic benefits. The capitalized costs of internally developed software include all costs directly attributable to development and are amortized over their useful lives. Internally developed software is recorded at its capitalized cost less amortization and impairment losses (see Note 2(i) below).

Subsequent software expenses are capitalized only when they increase the future economic benefits incorporated in the specific asset to which it relates. All other expenses are recorded as expenses as incurred.

Amortization is recognized in the consolidated statement of income using the straight-line method over the estimated useful life of the software, beginning on the date that it becomes available for use. The estimated useful life of software is from two to five years. Useful life and residual values are reviewed at each reporting date and adjusted, if necessary.

iii. **Other intangible assets**

Other intangible assets refer basically to the customer portfolio and acquisition of banking service rights. They are recorded at cost less amortization and impairment losses, if any, and are amortized for the period in which the asset is expected to contribute, directly or indirectly, to the future cash flows.

These intangible assets are reviewed annually, or whenever events or changes in circumstances occur which could indicate that the carrying amount of the assets cannot be recovered. If necessary, the write-off or impairment (see Note 2(i) below) is immediately recognized in the consolidated statement of income.

h) Leasing

The Organization has both operating and finance leases and operates as a lessee and a lessor.

Leases in which a significant part of the risks and benefits of the asset is borne by the lessor are classified as operating leases. For leases in which a significant part of the risks and benefits of the asset is borne by the lessee, the leases are classified as financial lease.

Leases under the terms of which the Organization assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

As a lessee, the Organization classifies its leasing operations mainly as operating leases, and the monthly payments are recognized in the financial statements using the straight-line method over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

When an operating lease is terminated before the contract expires, any payment that may be made to the lessor in the form of a penalty is recognized as an expense for the period.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As a lessor, the Organization has substantial finance lease contracts, in value and total number of contracts.

i. Finance Leases

Finance lease assets in the consolidated statement of financial position are initially recognized in the “loans and advances to customers” account at an amount equal to the net investment in the lease.

The initial direct costs generally incurred by the Organization are included in the initial measurement of the lease receivable and recognized as part of the effective interest rate of the contract, decreasing the amount of income recognized over the lease term. These initial costs include amounts for commissions, legal fees and internal costs. The costs incurred in relation to the negotiation, structuring and sales of leases are excluded from the definition of initial direct costs and therefore are recognized as expenses at the beginning of the lease term.

Recognition of financial revenue reflects a constant rate of return on the net investment made by the Organization.

The estimated non-guaranteed residual values used in the calculation of the gross investment of the lessor in the lease are reviewed at least annually. If there is a decrease in the estimated non-guaranteed residual value, the income allocated over the period of the lease is also reviewed periodically and any decrease in relation to the accumulated values is immediately recognized in the consolidated statement of income.

The lease receivables are subject to the requirements of Write-off and credit Losses expected, described in the topic above, financial assets and liabilities, items v and viii, respectively.

ii. Operating leases

The assets leased under operating leases, where the Organization acts as lessor, are recognized in the consolidated statement of financial position as property and equipment according to the nature of the item leased.

The initial direct costs incurred by the Organization are added to the carrying amount of the leased asset and are recognized as expenses over the period of the lease and on the same basis as the income recognition.

Revenue from lease is recognized using the straight-line method over the term of the lease, even if the payments are not made on the same basis. Costs, including depreciation and maintenance, incurred in the generation of income are recognized as expenses.

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The depreciation policy for leased assets is the same as the depreciation policy used by the Organization for similar assets.

i) Impairment losses on non-financial assets (except for deferred tax assets)

Assets that have an indefinite useful life such as goodwill are not subject to amortization and are tested, at least, annually at the same date to verify the existence of impairment.

Assets, which are subject to amortization or depreciation, are reviewed to verify impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized based on the excess the carrying amount of the asset or the cash generating unit (CGU) over its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value, less costs to sell, and its value in use.

For the purpose of impairment testing, the assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to a ceiling of the operating segments, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGU or groups of CGUs that are expected to benefit from the synergies of the combination.

When assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market conditions of the time value of money and the specific risks of the asset or CGU.

The Organization’s corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in the consolidated Statement of Income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment of goodwill cannot be reversed. With regard to other assets, an impairment loss recognized in previous periods is reassessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss will be reversed if there has been a change in the estimates used to determine the recoverable amount or to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment had been recognized.

j) Provisions, contingent assets and liabilities and legal obligations

A provision is recognized when, as a result of a past event, the Organization has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions were established by Management whenever it considers that there is a probable loss taking into account the opinion of their legal advisors; the nature of the actions; the similarity to previous suits; the complexity and the positioning of the Courts.

Contingent liabilities are not recognized, since their existence will only be confirmed by the occurrence or not of one or more future and uncertain events that are not totally under the control of the Management. Contingent liabilities do not meet the criteria for recognition, since they are considered as possible losses and should only be disclosed in explanatory notes, when relevant. Obligations classified as remote are neither provisioned nor disclosed.

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Contingent assets are recognized only when there are actual guarantees or definitive favorable court rulings, over which there are no more resources, characterizing the gain as practically certain. Contingent assets, whose expectation of success is probable, are only disclosed in the financial statements, when relevant.

Legal obligations arise from legal proceedings, the object of which is its legality or constitutionality, which, independently of the assessment of the likelihood of success, have their amounts fully recognized in the financial statements.

k) Classification of insurance contracts and investments

An insurance contract is a contract in which the Organization accepts a significant insurance risk from the policy holder by agreeing to compensate the policyholder if a specific, uncertain, future event adversely affects the policy holder. Reinsurance contracts are also treated as insurance contracts because they transfer significant insurance risk. Contracts in the Insurance segment classified as investment contracts are related to our capitalization bonds, which do not transfer significant insurance risk and are accounted for as financial liabilities in accordance with IFRS 9 – Financial Instruments.

l) Insurance and pension plan technical provisions

i. Property damage

The Provision for Unearned Premiums (PPNG) is calculated on a daily pro-rata basis using premiums net of coinsurance premiums, including amounts ceded through reinsurance operations, and the value registered in the consolidated statement of financial position corresponds to the unexpired risk period of the insurance contracts less initial contracting costs. The portion of these reserves corresponding to the estimate for risks in effect but not yet issued is designated PPNG-RVNE.

The Provision for Claims Incurred But Not Reported (IBNR) is constituted based on the claims incurred and not yet paid (IBNP), subtracting the balance of the Provision for Claims to be settled (PSL) at the base date of calculation. To calculate the IBNP, the final estimate of claims that have not yet been paid based on semiannual run-off triangles, which consider the historical development of the claims paid in the last 10 semesters for the branches of damages and the last 11 quarters for the extended guarantee business, in order to establish a future projection by period of occurrence and also considers the estimate of Claims Incurred But Not Enough Reported (IBNER), reflecting the expectation of alteration of the provisioned amount throughout the regulation process.

The Provision for Claims to be Settled (PSL) is determined based on the indemnity payment estimates, considering all administrative and judicial claims existing at the reporting date, restated monetarily, net of salvage and payments expected to be received.

The Provision for Related Expenses (PDR) is recorded on a monthly basis to cover expenses related to estimated claims and benefits. It covers both costs that can be individually allocated to each claim as well as claims costs not discriminated, meaning those incurred at the portfolio level.

The Complementary Provision for Coverage (PCC) shall be established when there is insufficiency of the technical provisions required under the legislation, as determined in the Liability Adequacy Test (see Note 2(l)(vi) below). At the reporting date management did not identify the need for PCC on property damage contracts.

Other Technical Provisions (OPT) correspond to the Provision for Administrative Expenses (PDA) arising on the Mandatory Insurance For Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations.

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ii. Life insurance, excluding life insurance with survival coverage (VGBL product)

The Provision for Unearned Premiums (PPNG) is calculated on a daily pro-rata basis using premiums net of coinsurance premiums, but including amounts ceded through reinsurance operations, and the value registered in the consolidated statement of financial position corresponds to the unexpired risk period of the insurance contracts. The portion of these reserves corresponding to the estimate for risks in effect but not yet issued is designated PPNG-RVNE.

The Mathematical Provision for Benefits to be Granted (PMBaC) is calculated by the difference between the present value of the future benefits and the present value of the future contributions to be received for these benefits.

The Provision for Redemptions and other Amounts to be Settled (PVR) comprises amounts related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer.

The Provision for Claims Incurred But Not Reported (IBNR) is calculated based on semiannual run-off triangles, which consider the historical development of claims paid and outstanding in the last 10 semesters, to establish a future projection per period of occurrence. A residual cauda study is carried out to forecast the claims reported after 10 semesters of the date of occurrence.

The Provision for Claims to be Settled (PSL) considers the expected amounts to be settled from all claim notifications received up to the end of the reporting period. The provision covers administrative and judicial claims indexed to inflation and with interest in the event of judicial claims.

The Complementary Provision for Coverage (PCC) refers to the amount necessary to complement technical reserves, as calculated through the liability adequacy test (TAP). TAP is prepared using statistical and actuarial methods based on realistic considerations, taking into account the biometric table BR-EMS of both genders, adjusted by longevity development criteria compatible with the latest published versions (improvement), claims, administrative and operating expenses and using a risk free forward interest rate structures (ETTJ) which was approved by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy.

The Technical Surplus Provision (PET) corresponds to the difference between the value of the expected cost and the actual cost of claims that occurred during the period for contracts of individual life insurance with rights to participate in technical surplus.

The Provision of Related Expenses (PDR) is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partially regimes, the reserve covers claims incurred. For products structured under a capitalization regime, the reserve covers the expected expenses related to incurred claims and also claims expected to be incurred in the future.

iii. Health and Dental Insurance

The Provision for Claims Incurred But Not Reported (IBNR) is calculated from the final estimate of claims already incurred and still not reported, based on monthly run-off triangles that consider the historical development of claims reported in the last 12 months for health insurance and 18 months for dental insurance, to establish a future projection per period of occurrence

The Provision for Claims to be Settled (PSL) is based on claims received up to the reporting date, including judicial claims and related costs adjusted for inflation.

The Mathematical Provision for Benefits to be Granted (PMBaC) whose calculation methodology considers, in addition to the discount rate of 4% per year (4.5% in 2017), the difference between the present value of the future benefits and the present value of the future contributions, corresponding to the assumed obligations.

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The mathematical reserve for vested benefits relates to the individual health care plan portfolio and accounts for the risk related to the cover of the holder's dependents for five years following the death of the holder. It is calculated using: a 4% annual discount rate (4.51% in 2017); the period over which holders are expected to remain in the plan up to their death; and the projected costs of the five-year-period cover in which no premiums will be received.

The Mathematical Provision for Benefits Granted (PMBC-GBS) is constituted by the obligations arising from the contractual clauses of remission of installments in cash, regarding the coverage of health assistance and by the premiums through payment of insured persons participating in the Bradesco Saúde insurance – "GBS Plan", and considering a discount rate of 4% *per annum* (4.5% in 2017).

The Unearned Premium or Contribution Provision (PPCNG) is calculated on the currently effective contracts on a daily pro-rata basis based on the portion of health insurance premiums corresponding to the remaining period of coverage.

The other technical provisions for the individual health portfolio are constituted to cover differences between the expected present value of claims and related future costs and the expected present value of future premiums, considering a discount rate of 4% per year (4.5% in 2017).

iv. Operations with DPVAT Insurance

Revenues from DPVAT premiums and the related technical reserves are recorded gross, based on reports received from Seguradora dos Consórcios do Seguro DPVAT S.A. (Seguradora Líder) in proportion to the percentage of Bradesco's stake in the consortium. It is the function of the Seguradora Líder to collect the premiums, coordinate policy issuance, settle claims and manage the administrative costs within the consortium, in accordance with the CNSP Resolution No. 332/15. As defined in the regulations of the consortium, 50% of the monthly net income is distributed to the consortium's members in the following month. The remaining 50% of the monthly income is retained by the lead insurer over the year and transferred to the members of the consortium at the start of the following year.

v. Open pension plans and life insurance with survival coverage (VGBL product)

The Provision for Unearned Premiums (PPNG) is calculated on a daily pro-rata basis, using net premiums and is comprised of the portion corresponding to the remaining period of coverage. The portion of these reserves corresponding to the estimate for risks in effect but not yet issued is designated PPNG-RVNE.

The Mathematical Provision for Benefits to be Granted (PMBaC) is constituted to the participants who have not yet received any benefit. In defined benefit pension plans, the provision represents the difference between the present value of future benefits and the present value of future contributions, corresponding to obligations assumed in the form of retirement, disability, pension and annuity plans. The provision is calculated using methodologies and assumptions set forth in the actuarial technical notes.

The Mathematical Provision for Benefits to be Granted (PMBaC) related to life insurance with survival coverage and unrestricted benefit pension plans (VGBL and PGBL), and defined contribution plans, includes the contributions, received from participants, net of costs and other contractual charges, plus the financial return generated through the investment of these amounts in units of specially constituted investment funds (FIE).

The Provision for Redemptions and other Amounts to be Settled (PVR) comprises amounts related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer.

The Mathematical Provision for Benefits Granted (PMBC) 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 Provision for Coverage (PCC) refers to the amount necessary to complement technical reserves, as calculated through the Liability Adequacy Test (see Note 2(l)(vi)). TAP is prepared using statistical and actuarial methods based on realistic considerations, taking into account the biometric table BR-EMS of both genders, adjusted by longevity development criteria compatible with the latest published versions (improvement), claims, administrative and operating expenses and using a risk free forward interest rate structures (ETTJ) which was approved by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy.

The Provision of Related Expenses (PDR) is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partially regimes, the provision covers claims incurred. For plans structured under a capitalization regime, the provision 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 passive adequacy test (TAP).

The Financial Surplus Provision (PEF) corresponds to the financial result, which exceeds the guaranteed minimum profitability of contracts with a financial surplus participation clause.

The Provision for IBNR is calculated based on semiannual run-off triangles, which consider the historical development of claims paid and outstanding in the last 16 semesters to establish a future projection by period of occurrence.

The Provision for Claims to be Settled (PSL) considers the expected amounts to be settled from all claim notifications received up to the end of the reporting period. The provision covers administrative and judicial claims indexed to inflation and with interest in the event of judicial claims.

The provision "Other technical provisions (OPT)" comprises the mathematical provisions of benefits to be granted and benefits granted to this accounting line, as required by SUSEP. This amount refers to the difference between the calculation of mathematical provisions, carried out with realistic premises at the time, approved by the autarchy in 2004, and the calculation with the technical bases defined in the technical notes of the product.

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 “Net income from insurance and pension plans”.

vi. Liability Adequacy Test (TAP)

The Organization conducted the liability adequacy test for all the contracts that meet the definition of an insurance contract according to IFRS 4 and which are in force on the date of execution of the test. This test is conducted every six months and the liability of insurance contracts, gross of reinsurance, is calculated as the sum of the carrying amount, deducting the deferred acquisition costs and the related intangibles. This is compared to the expected cash flows arising from the obligations under commercialized contracts and certificates.

The test considerers projections of claims and benefits that have occurred and are to occur, administrative expenses, allocable expenses related to the claims, intrinsic options and financial surpluses, salvage and recoveries and other income and expense directly related to the insurance contracts.

To calculate the present value of projected cash flows, the Organization used the risk free forward (ETTJ) rate which was approved by SUSEP.

The test was segmented between life insurance and pension products and property coverage, and liabilities related to DPVAT insurance were not included in the adequacy test.

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- **Life and pension products**

For private pension products and Life Insurance with Coverage for Survival, the contracts are grouped based on similar risks or when the insurance risk is managed jointly by the Management.

The projected average loss ratio was 44.6% for individual and collective individuals segments, obtained from analysis based on triangles for the development of Company claims generated with information from January 2007.

The result of the liability adequacy test for life insurance was fully recognized in the income statement.

- **Property Coverage**

The expected present value of cash flows relating to claims incurred – primarily claims costs and salvage recoveries – was compared to the technical provisions for claims incurred – PSL and IBNR.

The expected present value of cash flows relating to claims to be incurred on the policies in force, plus any administrative expenses and other expenses relating to products in run-off, was compared to the sum of the related technical provisions – PPNG and PPNG-RVNE.

The projected average loss ratio was 10.10% for the Extended Guarantee segment and 52.8% for the elementary lines, including in this calculation the estimate of the future premium of the housing insurance portfolio, which is characterized by low loss ratio and long terms, since it accompanies the period of financing of the property.

The average reinsurance projected in the study, calculated on the basis of reported claims was 5.66%.

The result of the liability adequacy test, for property coverage, did not present insufficiency and, consequently, no additional PCC provisions were recorded.

m) Reinsurance contracts

Reinsurance contracts are used in the normal course of operations with the purpose of limiting potential losses, by spreading risks. Liabilities relating to contracts that have been reinsured are presented gross of their respective recoveries, which are booked as assets since the existence of the reinsurance contract does not nullify the Organization's obligations with the insured parties.

As required by the regulators, reinsurance companies with headquarters abroad must have a minimum rating, assessed by a credit rating agency, to operate in the country, whereby all other reinsurance operations must be performed with local reinsurers. This is how Management understands that the impairment risks are reduced. If there are indications that the amounts recorded will not be realized by its carrying amount, these assets will be adjusted for impairment.

n) Deferred acquisition costs

These comprise deferred acquisition costs including commissions and brokers' fees related to the sale of insurance policies. Deferred commissions are recognized in the consolidated statement of income over the life of the respective policies and pension plan contracts or over an average period of 12 months. Expenses relating to insurance agency operations relating to the sale of health plans are amortized over a 24 month period and life assurance costs are appropriated within 12 months.

o) Employee benefits

Bradesco recognizes (in accordance with IAS 19), prospectively the surplus or deficit of its defined benefit plans and post-retirement plans as an asset or an obligation in its consolidated statement of financial position, and must recognize the changes in the financial condition during the year in which the changes occurred, in profit or loss.

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i. Defined contribution plan

Bradesco and its subsidiaries sponsor pension plans for their employees and Management. Contribution obligations for defined contribution pension plans are recognized as expenses in profit or loss as incurred. Once the contributions are paid, Bradesco, in the capacity of employer, has no obligation to make any additional payment.

ii. Defined benefit plans

The Organization's net obligation, in relation to the defined benefit plans, refers exclusively to institutions acquired and is calculated separately for each plan, estimating the future defined benefit that the employees will be entitled to after leaving the Organization or at the time of retirement.

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 at its current value and is presented net of the fair value of any plan assets.

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 accounting rule.

Remeasurement of the net obligation, which include: actuarial gains and losses, the return of the assets of the plan other than the expectation (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

Net interest and other expenses related to defined benefit plans are recognized in the income statement.

iii. Termination benefits

Severance benefits are required to be paid when the employment relationship is terminated by the Organization before the employee's normal date of retirement or whenever the employee accepts voluntary redundancy in return for such benefits.

Benefits which are payable 12 months or more after the reporting date are discounted to their present value.

iv. Short-term benefits

Benefits such as wages, salaries, social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within 12 months of the reporting date) and non-monetary benefits such as health care, etc. are recorded as expenses in the consolidated statement of income, without any discount to present value, if the Organization has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be reliably estimated.

p) Capitalization bonds

The liability for capitalization bonds is registered in the line "Other liabilities". Financial liabilities and revenues from capitalization bonds are recognized at the time bonds are issued.

Bonds are issued according to the types of payments, monthly or single payment. Each bond bears a nominal value and the deposit portion of each payment is remunerated at the referential rate (TR) plus 0.5% per month, which is used to determine the liability.

Capitalization bond beneficiaries are eligible for a prize draw. At the end of a certain period that is determined at the time the capitalization bond is issued, a beneficiary may redeem the nominal value paid plus the referential rate (TR), even if they have not won in the draw. These products are regulated by the insurance regulator in Brazil; however, they do not meet the definition of an insurance contract in accordance with IFRS 4 and, therefore, are classified as financial liabilities in accordance with IFRS 9.

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Unclaimed amounts from “capitalization plans” are derecognized when the obligation legally expires, in accordance with IFRS 9 as it relates to the derecognition of a financial liability.

Expenses for placement of “capitalization plans”, are recognized as they are incurred.

q) Interest

Income from financial assets measured at amortized cost and at FVOCI, except instruments of equity and interest costs from liabilities classified at amortized cost are recognized on an accrual basis in the consolidated statement of income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments and receipts throughout the expected life of the financial asset or liability (or, when appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective rate, the Organization estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all commissions, transaction costs, discounts or bonuses which are an integral part of such rate. Transaction costs are incremental costs directly attributable to the acquisition, issuance or disposal of a financial asset or liability.

r) Fees and commissions

Fees and commission income and expense which are part of and are directly allocable to the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate.

Other fee and commission income, substantially composed by account service fees, asset management fees, credit card annual charges, and collection and consortium fees are recognized, according to the requirements of IFRS 15, to the extent that the obligations of performance are fulfilled. The price is allocated to the provision of the monthly service, and the revenue is recognized in the result in the same manner. When a loan commitment is not expected to result in the drawdown of a loan, the related commitment fees are recognized on a straight-line basis over the commitment period. Other fees and commissions expense relate mainly to transaction as the services are received.

s) Net insurance income

Insurance and coinsurance premiums, net of premiums transferred through coinsurance and reinsurance and related commissions, are recognized as income upon issuance of the respective policies/ certificates/ endorsements and invoices, or at the beginning of the risk period for cases in which the cover begins before issue date, and accounted for on a straight-line basis, over the duration of the policies, through the upfront recognition and subsequent reversal of the provision for unearned premiums and the deferred acquisition costs. Income from premiums and the acquisition costs related to risks already assumed whose respective policies have not yet been issued are recognized in the consolidated statement of income at the start of the risk coverage period on an estimated basis.

The health insurance premiums are recorded in the premium account (result) or Unearned Premium or Contribution Provision (PPCNG), according to the coverage period of the contracts in effect at the balance sheet date.

Revenues and expenses related to “DPVAT” insurance operations are recorded on the basis of information received from the Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

Accepted co-insurance contracts and retrocession operations are recorded on the basis of information received from the lead co-insurer and IRB - Brasil Resseguros S.A. (IRB), respectively.

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Reinsurance operations are recorded based on the provision of accounts, which are subject to review by reinsurers. The deferral of these operations is carried out in a manner consistent with the related insurance premium and/or reinsurance contract.

The receipts from insurance agency operations are deferred and recognized in income linearly, for a period of 24 months in health insurance operations and by the term of 12 months in the other operations.

Contributions to pension plans and life insurance premiums with survivor coverage are recognized in income upon their effective receipt.

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

t) Income tax and social contribution

Income tax and social contribution deferred tax assets, calculated on income tax losses, social contribution losses and temporary differences, are recorded in “Assets - Deferred Taxes” and the deferred tax liabilities on tax differences in lease depreciation (applicable only for income tax),
mark-to-market adjustments on securities, restatement of judicial deposits, among others, are recorded in “Liabilities - Deferred Taxes”.

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 recorded 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, financial company equivalent and of 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 returned at the rate of 15% as from January 2019. For the other companies, the social contribution is calculated considering the rate of 9%.

Tax expense comprises current and deferred tax. Current and deferred tax are recorded in the consolidated statement of income except when the result of a transaction is recognized directly in equity, in which case the related tax effect is also recorded in equity or in other comprehensive income.

Current tax assets are amounts of taxes to be recovered through restitution or offset with taxes due from excess of taxes paid in relation to the current and/or previous period.

Current tax expenses are the expected amounts payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

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- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Organization takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Organization believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of various factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve judgments about future events. New information may become available that causes the Organization to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

u) Segment reporting

Information for operating segments is consistent with the internal reports provided to the Executive Officers (being the Chief Operating Decision Makers), which are comprised by the Chief Executive Officer, Executive Vice-Presidents, Managing Officers and Deputy Officers. The Organization operates mainly in the banking and insurance segments. The banking operations include operations in retail, middle market and corporate activities, lease, international bank operations, investment banking and private banking. The Organization's banking activities are performed through its own branches located throughout the country, in branches abroad and through subsidiaries, as well as by means of our shareholding interest in other companies. The insurance segment consists of insurance operations, supplementary pension plans and capitalization plans which are undertaken through a subsidiary, Bradesco Seguros S.A., and its subsidiaries.

v) Shareholders' Equity

Preferred shares have no voting rights, but have priority over common shares in reimbursement of capital, in the event of liquidation, up to the amount of the capital represented by such preferred shares, and the right to receive a minimum dividend per share that is ten percent (10%) higher than the dividend distributed per share to the holders of common shares.

i. Share issue costs

Incremental costs directly attributable to the issuance of shares are shown net of taxes in shareholders' equity, thus reducing the initial share value.

ii. Earnings per share

The Organization presents basic and diluted earnings per share data. Basic earnings per share is calculated by allocating the net income attributable to shareholders between that attributable to common shareholders and that attributable to preferred shareholders and dividing this by the weighted average number of common and preferred shares, respectively, outstanding during the year, excluding the average number of shares purchased by the Organization and held as treasury shares. Diluted earnings per share are the same as basic earnings per share, as there are no potentially dilutive instruments.

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iii. Dividends payable

Dividends on shares are paid and provisioned during the year. In the Shareholders' Meeting are destined at least the equivalent of 30% of the annual adjusted net income, in accordance with the Company's Bylaws. Dividends approved and declared after the reporting date of the financial statements, are disclosed in the notes as subsequent events.

iv. Capital transactions

Capital transactions are transactions between partners qualified as owners of investment. These transactions modify the equity held by the controlling shareholder in a subsidiary. Since there is no loss of control, the difference between the amount paid and the fair value of the transaction is recognized directly in the shareholders' equity.

3) Risk Management

Risk management structure

The risk and capital management structure is made up of committees, which assist the Board of Directors, the CEO and the Board of Executive Officers in their strategic decision-making process.

The Organization has a committee known as the Integrated Risk Management and Capital Allocation Committee (COGIRAC), whose duty is to assure the fulfillment of the Organization’s risk management processes and policies and advise the Board of Directors in performing its duties in risk management, capital and control.

This committee is assisted by the Capital Management Executive Committee, and Risk Management Executive Committees in managing a) Credit risk, b) Market and Liquidity risk, c) Operational and Social and Environmental risk and d) Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários. In addition, it also has the support of the Products and Services Executive Committee and the Executive Committees in business areas, which, among other duties, suggest exposure thresholds to their respective risks and prepare mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee and the Board of Directors.

To comply with Resolution No. 4,557/17 of February 23, 2017, of the National Monetary Council (CMN), the Risk Committee was implemented in order to represent an advisory forum to the Board of Directors for the performance of its assignments related to risk and capital management, and the position of Chief Risk Officer (CRO) was formalized, which, among other responsibilities, exercises the supervision of the development, implementation and performance of the risk management structure, including its improvement, on independent basis and reporting to the Risk Committee, CEO and Board of Directors.

The Integrated Risk Control Department (DCIR), whose mission is to promote and to implementing risk control and capital allocation through robust practices and certification of existence, execution and effectiveness of controls which assure acceptable risk levels in the Organization’s processes, independently, consistently, on a transparent and integrated manner. This Department is also responsible for complying with the Central Bank of Brazil rules for risk management activities.

Risk appetite

The risk appetite refers to the types and levels of risks that the Organization is willing to accept in the conduct of its business and purposes. The Risk Appetite Statement – RAS is an important instrument that summarizes the risk culture of the Organization, and guides the strategic and business plans, driving the budget planning and allowing Senior Management to optimize the allocation of capital at acceptable risk levels and types, considering the markets and the regulatory environment in which it operates.

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At the same time, RAS emphasizes the existence of an efficient process of assignments in the operational risk management and in the performance of control functions, as well as for mitigation and disciplinary actions and processes of scheduling and reporting to Senior Management upon breach of the risk limits or control processes established.

The Risk Appetite Statement is reviewed on annual basis, or whenever necessary, by the Board of Directors and permanently monitored by forums of the Senior Management and business and control areas.

RAS reinforces the dissemination of the risk culture by disclosing the main aspects of risk appetite of the Organization to all its members.

For the many types of risks, whether measurable or not, the Organization established control approaches, observing the main global dimensions:

- Capital: to maintain a proper capital level, even on prospective basis, to cover unexpected losses, situations of stress and business opportunities, in compliance with regulatory requirements, thus ensuring the soundness of the Organization;

- Profitability: to remunerate its capital on sustainable basis, seeking to cover the remuneration expectation of its shareholders in relation to the risks assumed in their business;

- Liquidity: to maintain diversified and low cost sources of funding through interconnected network and dynamic and proper segmentation to provide a cash structure compatible with the size of its obligations; thus, ensuring survival even in adverse scenarios;

- Loan: to focus on domestic clients, on diversified and dispersed manner, in terms of products and segments, aiming at the security and quality of the portfolio, with guarantees consistent with the risks assumed, considering the amounts, purposes and terms of loans granted and maintaining proper levels of provisions and low levels of concentrations;

- Market: to align the exposures to the strategic guidelines, with specific limits established on independent basis and with risks mapped, measured and classified as to the probability and magnitude; and

- Operational: to provide assurance with regard to appropriately carrying out the Organization's business in accordance with laws regulations and policies, ensuring that processes are covered by controls that mitigate operational risks.

Stress Test Program

The risk management structure has a stress test program defined as a coordinated set of processes and routines, containing own methodologies, documentation and governance, whose principal purpose is to identify potential vulnerabilities of the institution. Stress tests are exercises of prospective evaluation of the potential impacts of adverse events and circumstances on capital, on liquidity or on the value of a portfolio of the Organization.

In the Program of Stress Tests, the scenarios are designed by the Department of Research and Economic Studies – DEPEC and discussed with the Business areas, Integrated Risk Control Department – DCIR, Department of Planning, Budgeting and Control – DPOC, among other areas. Both scenarios and results are discussed and approved by a specific Collegiate Body. Subsequently, they are submitted to the Executive Committee and Board of Directors, that, in addition to the scenarios and results of stress tests are also responsible for the approval of the program and guidelines to be followed.

Stress tests are used as a tool for managing risks: in its identification, measurement, evaluation, monitoring, control and mitigation of risks of the institution. The results of stress tests are used for evaluation of capital and liquidity levels of the institution, for preparation of the respective contingency plans, for evaluation of the capital adequacy and for the recovery plan. Similarly, the results are considered in the decisions related to strategic guidelines, definition of the levels and limits of risk appetite applied to the management of risks and capital, as well as in the definition of governance actions aimed at mitigation of risks identified by aligning them to the risk appetite of the Organization.

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3.1. Credit risk

Credit risk refers to the possibility of losses associated with the borrower's or counterparty's failure to comply with their financial obligations under the terms agreed, as well as the fall in value of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, benefits granted to borrowers in renegotiations, recovery costs and other costs related to the counterparty's noncompliance with the financial obligations.

Credit risk management in the Organization is a continuous and evolving process of mapping, development, assessment and diagnosis through the use of models, instruments and procedures that require a high degree of discipline and control during the analysis of transactions in order to preserve the integrity and autonomy of the processes.

The Organization controls the exposure to credit risk which comprises mainly loans and advances, securities and derivatives. There is also the credit risk in financial obligations relating to commitments on loan or financial guarantees.

With the objective of not compromising the quality of the portfolio, all aspects inherent to credit concession, concentration, guarantee requirements and terms, among others, are observed.

The Organization continuously maps all the activities that could possibly generate exposure to credit risk, classifying them by their probability and magnitude, identifying their managers and mitigation plans.

Counterparty Credit Risk

The counterparty credit risk to which the Organization is exposed includes the possibility of losses due to the non-compliance by counterparties with their obligations relating to the settlement of financial asset trades, including the settlement of derivative financial instruments. Counterparty credit risk also includes the risk related to a downgrade in the counterparty's credit standing.

The Organization exercises complete control over its net position (the difference between purchase and sale agreements) and potential future exposures from operations where there is counterparty risk. Each counterparty's exposure to risk is treated in the same way and is part of general credit limits granted by the Organization's to its customers.

The Counterparty Credit Risk management covers the modeling and monitoring (i) of the consumption of the credit limit of the counterparties, (ii) of the portion of the adjustment at fair value of the portfolio of credit derivatives (CTF – Credit Value Adjustment) and (iii) of the respective regulatory and economic capital. The methodology adopted by the Organization establishes that the credit exposure of the portfolio to certain counterparty can be calculated based on the Replacement Cost (RC) of its operations in different scenarios of the financial market, which is possible through the Monte Carlo simulation process.

Regarding the forms of mitigating the Counterparty credit risk that the Organization is exposed to, the most usual is the composition of guarantees as margin deposits and disposal of public securities, which are made by the counterparty with the Organization or with other trustees, whose counterparty's risks are also appropriately evaluated.

Credit Concession

Under the responsibility of the Credit Department, lending procedures are based on the Organization's credit policy emphasizing the security, quality and liquidity of the lending. The process is guided by the risk management governance and complies with the rules of the Central Bank of Brazil.

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The methodologies adopted value business agility and profitability, with targeted and appropriate procedures oriented to the granting of credit transactions and establishment of operating limits.

In the evaluation and classification of customers or economic groups, the quantitative (economic and financial indicators) and qualitative (personal data and behaviors) aspects associated with the customers capacity to honor their obligations are considered.

All business proposals are subject to operational limits, which are included in the Loan Guidelines and Procedures. At branches, the delegation of power to grant a loan depends on its size, the total exposure to the Organization, the guarantees offered, the level of restriction and their credit risk score/rating. Business proposals with risks beyond these limits are subject to technical analysis and approval of by the Credit Department.

In its turn, the Executive Credit Committee was created to decide, within its authority, on queries about the granting of limits or loans proposed by business areas, previously analyzed and with opinion from the Credit Department. According to the size of the operations/limits proposed, this Committee, may then submit the proposal for approval by the Board of Directors.

Loan proposals pass through an automated system with parameters set to provide important information for the analysis, granting and subsequent monitoring of loans, minimizing the risks inherent in the operations.

There are exclusive Credit and Behavior Scoring systems for the assignment of high volume, low principal loans in the Retail segment, meant to provide speed and reliability, while standardizing the procedures for loan analysis and approval.

Business is diversified wide-spread and aimed at individuals and companies with a proven payment capacity and solvency, seeking to support them with guarantees that are adequate to the risk assumed, considering the amounts, objectives and the maturities of loan granted.

Credit Risk Rating

The credit risk assessment methodology, in addition to providing data to establish the minimum parameters for lending and risk management, also enables the definition of Special Credit Rules and Procedures according to customer characteristics and size. Thus, the methodology provides the basis not only for the correct pricing of operations, but also for defining the appropriate guarantees.

The methodology used also follows the requirements established by CMN Resolution No. 4,327/14 and includes analysis of social and environmental risk in projects, aimed at evaluating customers' compliance with related laws and the Equator Principles, a set of rules that establish the minimum social and environmental criteria which must be met for lending.

In accordance with its commitment to the continuous improvement of methodologies, the credit risk rating of the Organization's economic groups/customers uses an eighteen-level scale, in which fourteen levels represent performing loan operations.

Risk ratings for economic groups (legal entities) are based on standardized statistical and judgmental procedures, and on quantitative and qualitative information. Classifications are carried out in a corporate manner and periodically monitored in order to preserve the quality of the credit portfolio.

For individuals, in general, credit ratings are based on personal data variables, such as income, assets, restrictions and indebtedness, in addition to the history of their relationship with the Organization, and statistical credit evaluation models.

The criteria regulated by Resolution No. 2,682 of the National Monetary Council are maintained for the constitution of the applicable provisions, according to the equivalence of the *ratings* shown in the table above.

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The risk classification adopted on the basis of the customers' capacity of honoring their commitments is shown below:

	Internal Rating	**Organization classification**
1	AA1	
2	AA2	
3	AA3	
4	A1	
5	A2	Low risk
6	A3	
7	B1	
8	B2	
9	B3	
10	C1	
11	C2	
12	C3	
13	C4	Medium risk
14	D	
15	E	
16	F	High risk
17	G	
18	H	

Credit-Risk Management Process

The credit risk management process is conducted in a corporation-wide manner. This process involves several areas with specific duties, ensuring an efficient structure. Credit risk measurement and control are conducted in a centralized and independent manner.

The credit risk monitoring area actively participates in improving the customer risk rating models, following up large risks by periodically monitoring major delinquencies and the provisioning levels for expected and unexpected losses.

This area continuously reviews the internal processes, including the roles and responsibilities and it training and requirements, as well as conducts periodical reviews of risk evaluation processes to incorporate new practices and methodologies.

Control and Monitoring

The credit risk of the Organization has its control and corporate follow-up performed in the credit risk area of the Integrated Risk Control Department ĐCIR. The Department advises the Executive Committee on Credit Risk Management, where methodologies for measuring credit risk are discussed and formalized. Significant issues discussed in this committee are reported to the COGIRAC, which is subordinate to the Board of Directors.

In addition to committee meetings, the area holds monthly meetings with all product and segment executives and officers, with a view to inform them about the evolution of the loan portfolio, delinquency, credit recoveries, gross and net losses, limits and concentrations of portfolios, allocation of economic and regulatory capital, among others. This information is also reported to the Audit Committee on a monthly basis.

The area also monitors any internal or external event that may cause a significant impact on the Organization's credit risk, such as spin-offs, bankruptcies and crop failures, in addition to monitoring economic activity in the sectors to which the company has significant risk exposures.

Both the governance process and existing limits are sanctioned by the Integrated Risk Management and Capital Allocation Committee, which are submitted for the approval of the Board of Directors, being reviewed at least once a year.

Internal Report

Credit risk is monitored on a daily basis in order to maintain the risk levels within the limits established by the Organization. Managerial reports on risk control are provided to all levels of business, from branches to Senior Management.

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With the objective of highlighting the risk situations that could result in the customers' inability to honor its obligations as contracted, the credit risk monitoring area provides daily reports, to the branches, business segments, as well as the lending and loan recovery areas. This system provides timely information about the loan portfolios and credit bureau information of customers, in addition to enabling comparison of past and current information, highlighting points requiring a more in-depth analysis by managers.

The Organization also has an electronic corporate system of credit risk indicators to provide the lending and loan recovery areas, business areas, regional managers and branches with information on assets by segment, product, region, risk classification, delinquency and expected and unexpected losses, among others. This electronic system provides both a macro-level and detailed view of the information, and also enables a specific loan operation to be viewed.

The information is viewed and delivered via dashboards, allowing queries at several levels such as business segment, divisions, managers, regions, products, employees and customers, and under several aspects (asset, delinquency, provision, write-off, restriction levels, guarantees, portfolio quality by rating, among others).

Measurement of credit risk

Periodically, the Organization evaluates the expected losses of the exposures subject to credit risk by means of statistical models and internal processes, considering the historical loss experience, which comprises approximately 8 years, as well as the current quality and characteristics of clients and operations, including their guarantees. Macroeconomic Information is also used in the measurement by means of econometric models that incorporate the current and prospective effects of economic variables in the estimates of expected loss. The main macroeconomic variables used in this process are tied to interest rates, inflation rates and internal and external economic activity indexes.

The Organization uses different indicators for classification in stages, according to the profile of the client and the operation. Below we present the breakdown of segments, according with stages and indictors.

Retail Segment:

- Stage 1: up-to-date exposure or 30 days in arrears;
- Stage 2: exposure between 31 and 90 days in arrears, except for residential real estate financing that is between 31 and 180 days, or classification to internal ratings framed as medium or high risk;
- Stage 3 (Default or "impaired"): exposure due over 90 days, except for residential real estate financing that is above180 days.

Wholesale Segment:

- Stage 1: up-to-date exposure or 30 days in arrears;
- Stage 2: exposure due between 31 and 90 days, except for residential real estate financing that is between 31 and 180 days, or classification to internal ratings framed as medium or high risk;
- Stage 3 (Default or "impaired"): material exposure due beyond 90 days, except for financing residential real estate, which is due over 180 days and/or that showed signs that they would not be honored in the agreed conditions without the execution of guarantees, such as: bankruptcy events, judicial recovery and restructuring of debts.

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The expected losses are based on the multiplication of credit risk parameters: Probability of default (PD), Loss due to default (LGD) and Exposure to noncompliance (EAD).

The PD parameter refers to the probability of noncompliance perceived by the Organization regarding the client, according to the internal models of evaluation, which, in retail, use statistical methodologies based on the characteristics of the client, such as the internal rating and segment, and the operation, such as product and guarantee and, in the case of wholesale, they use specialist models based on financial information and qualitative analyses.

The LGD refers to the percentage of loss in relation to exposure in case of noncompliance, considering all the efforts of recovery, according to the internal model of evaluation that uses statistical methodologies based on the characteristics of the operation, such as product and guarantee. Clients with significant exposure have estimates based on individual analyses, which are based on the structure of the operation and expert knowledge, aiming to capture the complexity and the particularities of each operation.

EAD refers to the exposure (book value) of the client in relation to the Organization at the time of estimation of the expected loss. In the case of commitments or financial guarantees provided, the EAD will have the addition of the expected value of the commitments or financial guarantees provided that they will be converted into credit in case of noncompliance of the client.

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Credit Risk Exposure

We present below the credit risk exposure of the financial instruments:

			R$ thousand
	On December 31, 2018		
	Gross value	**Expected loss**	**Book value**
Financial assets			
Cash and balances with banks (Note 20)	107,209,743	-	107,209,743
Financial assets at fair value through profit or loss (Note 21)	246,161,150	-	246,161,150
Financial assets at fair value through other comprehensive income (Note 24)	178,050,536	(337,506)	178,050,536
Loans and advances to banks (Note 26)	105,250,928	(1,978)	105,248,950
Loans and advances to customers (Note 27)	411,492,655	(31,105,579)	380,387,076
Securities at amortized cost (Note 28)	143,626,776	(3,022,038)	140,604,738
Other financial assets (Note 35)	43,893,309	-	43,893,309
Provision for Expected Loss			
Loan Commitments (Note 27)	-	(2,551,676)	(2,551,676)
Financial guarantees (Note 27)	-	(719,216)	(719,216)
Items not recorded in the balance sheet (Note 46)	301,345,624	-	301,345,625
Total risk exposure	**1,537,030,721**	**(37,737,993)**	**1,499,630,235**

The Organization's maximum credit risk exposure was R$1,499,630,235 thousand in 2018, which was an increase of 8.4% compared to 2017.

Of this exposure, R$107,209,743 thousand, or 7.1% is related to cash and bank deposits composed mainly of funds deposited with the Central Bank of Brazil that are assessed to have low credit risk.

Financial assets at fair value through profit or loss (16.4% of total exposure) are mostly low credit risk, composed mainly of Brazilian government securities at fair value and also include derivative financial instruments.

Financial assets at fair value through other comprehensive income amounted to R$178,050,536 thousand (11.9% of total exposure), are recorded at fair value with changes in ECL recognized in profit or loss and are represented mostly by Brazilian government securities, for details of these assets , see note 24.

Loans and advances to financial institutions, which are 7.0% of the total, consist basically of repurchase agreements which have a low credit risk.

Loans and advances to customers represent 25.4% of the total exposure, for details of these assets and the expected loss, see note 27 for details.

Financial assets at amortized cost represent 9.4% of the total, for details of these assets, see note 28.

Operations classified as "Other financial assets" represent 2.9% of the total and are basically comprised of foreign exchange operations and escrow deposits.

In 2018, items not recorded in the consolidated balance sheet (recorded in clearing accounts) totaled R$301,345,625 thousand, representing 20.1% of total exposure.

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Loans and advances to customers

Concentration of credit risk

	On December 31	
	2018	**2017**
Largest borrower	2.2%	2.5%
10 largest borrowers	9.1%	8.2%
20 largest borrowers	12.9%	12.2%
50 largest borrowers	18.6%	17.8%
100 largest borrowers	22.9%	22.2%

By Economic Activity Sector

The credit-risk concentration analysis presented below is based on the economic activity sector in which the counterpart operates.

	On December 31 - R$ thousand			
	2018	**%**	**2017**	**%**
Public sector	**9,259,368**	**2.3**	**9,676,927**	**2.6**
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
Private sector	**402,233,287**	**97.7**	**364,136,738**	**97.4**
Companies	**209,365,567**	**50.9**	**190,148,345**	**50.9**
Real estate and construction activities	25,267,761	6.1	29,383,442	7.9
Retail	32,472,286	7.9	23,935,638	6.4
Services	19,086,508	4.6	17,996,533	4.8
Transportation and concession	17,261,369	4.2	14,190,284	3.8
Automotive	11,284,972	2.7	10,014,454	2.7

Food products	12,040,631	2.9	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
Siderurgy and metallurgy	7,698,444	1.9	7,001,290	1.9
Sugar and alcohol	6,907,858	1.7	7,042,811	1.9
Other industries	61,094,555	14.8	55,311,145	14.8
Individuals	**192,867,720**	**46.9**	**173,988,393**	**46.5**
Total portfolio	**411,492,655**	**100.0**	**373,813,665**	**100.0**
Impairment of loans and advances	(31,105,579)		(27,055,566)	
Total of net loans and advances to customers	**380,387,076**		**346,758,099**	

Credit Risk Mitigation

Potential credit losses are mitigated by the use of a variety of types of collateral formally stipulated through legal instruments, such as conditional sales, liens and mortgages, by guarantees such as third-party sureties or guarantees, and also by financial instruments such as credit derivatives. The efficiency of these instruments is evaluated considering the time to recover and realize an asset given as collateral, its market value, the guarantors' counterparty risk and the legal safety of the agreements. The main types of collaterals include: term deposits; financial investments and securities; residential and commercial properties; movable properties such as vehicles, aircraft. Additionally, collateral may include commercial bonds such as invoices, checks and credit card bills. Sureties and guarantees may also include bank guarantees.

The table below shows the financial effect of the guarantee on credit and financial lease transactions.

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R$ thousand

	2018	
	Book value (1)	**Fair Value Guarantees**
Individuals	**192,867,720**	**121,318,093**
Stage 1	165,031,788	109,456,403
Stage 2	15,354,577	8,925,277
Stage 3	12,481,355	2,936,413
Companies	**218,624,935**	**77,161,470**
Stage 1	177,191,748	61,244,814
Stage 2	21,750,673	7,374,186
Stage 3	19,682,514	8,542,470
Total	**411,492,655**	**198,479,563**

(1) Of the total balance of credit operations, R$284,373,526 thousand refers to operations without guarantees.

3.2. Market risk

Market risk is represented by the possibility of financial loss due to fluctuating prices and interest rates of the Organization’s financial instruments, such as its asset and liability transactions that may have mismatched maturities, currencies and indexes.

Market risk is identified, measured, mitigated, controlled and reported. The Organization’s exposure to market risk profile is in line with the guidelines established by the governance process, with limits monitored on a timely basis independently of the business areas.

All transactions that expose the Organization to market risk are mapped, measured and classified according to probability and magnitude, and the whole process is approved by the governance structure.

The risk management process relies on the participation of all levels of the Organization, from the business areas to the Board of Directors.

In compliance with the best Corporate Governance practices, to preserve and strengthen the management of market risk in the Organization, as well as to meet the requirements of Resolution No. 4,557/17, of CMN, the Board of Directors approved the Market and Liquidity Risk Management Policy, which is reviewed at least annually by the relevant Committees and by the Board of Directors itself, and provides the main guidelines for acceptance, control and management of market risk.

In addition to the policy, the Organization has specific rules to regulate the market risk management process, as follows:

- Classification of Operations;
- Reclassification of Operations;
- Trading of Public or Private Securities;
- Use of Derivatives; and
- Hedging.

Market Risk Management Process

The market risk management process is a corporation wide process, comprising from business areas to the Board of Directors; it involves various areas, each with specific duties in the process, thereby ensuring an efficient structure. The measurement and control of market risk is conducted in a centralized and independent manner. This process permits that the Organization be the first financial institution in the country authorized by the Central Bank of Brazil to use its internal market risk models to calculate regulatory capital requirements since January 2013. This process, is also revised at least once a year by the Committees and approved the Board itself.

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Determination of Limits

Proposed market-risk limits are validated by specific Committees and submitted for approval by the Integrated Risk Management and Capital Allocation Committee, and then for approval by the Board of Directors. Based on the business' characteristics, they are segregated into the following Portfolios:

Trading Portfolio: it comprises all operations involving financial instruments, held-for-trading, including derivatives, or used to hedge other instruments in the Trading Portfolio, which have no trading restrictions. Held-for-trading operations are those intended for resale, to obtain benefits from actual or expected price variations, or for arbitrage.

The Trading Portfolio is monitored with the following limits:

- Value at Risk (VaR);
- Stress;
- Income;
- Financial Exposure / Concentration.

Banking Portfolio: it comprises operations not classified in the Trading Portfolio, arising from Organization's other businesses and their respective hedges.

The Banking Portfolio is monitored with the following limits:

- Interest rate risk limit.

Market-Risk Measurement Models

Market risk is measured and controlled using Stress, Value at Risk (VaR), Economic Value Equity (EVE) and Sensitivity Analysis methodologies, as well as limits for the Management of Results and Financial Exposure. Using several methodologies to measure and evaluate risks is of great importance, because they can complement each other and their combination allows for analysis of different scenarios and situations.

Trading and Regulatory Portfolio

Trading Portfolio risks are controlled by the Stress and VaR methodologies. The Stress methodology quantifies the negative impact of economic shocks and events that are financially unfavorable to the Organization's positions. The analysis uses stress scenarios prepared by the Market Risk area and the Organization's economists based on historical and prospective data for the risk factors in which the Organization portfolio.

The methodology adopted to calculate VaR is the Delta-Normal, with a confidence level of 99% and considering the number of days necessary to unwind the existing exposures. The methodology is applied to the Trading and Regulatory Portfolio (Trading Portfolio positions plus Banking Portfolio foreign currency and commodities exposures). It should be noted that for the measurement of all the risk factors of the portfolio of options are applied the historical simulation models and Delta-Gama-Vega, prevailing the most conservative between the two. A minimum 252-business-day period is adopted to calculate volatilities, correlations and historical returns.

For regulatory purposes, the capital requirements relating to shares held in the Banking Portfolio of Prudential Conglomerate (includes, in its consolidation basis, entities located in the country and abroad, financial institutions, similar to financial institutions over which the institution has direct or indirect control, in addition to investment funds pursuant to CMN Resolution No. 4,280/13) are determined on a credit risk basis, as per Central Bank of Brazil resolution, i.e., are not included in the market risk calculation.

Risk of Interest Rate in the Banking Portfolio

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The measurement and control of the interest-rate risk in the Banking Portfolio area is based on the Economic Value of Equity (EVE) methodology, which measures the economic impact on the positions, according to scenarios prepared by the Organization's economists. These scenarios determine the positive and negative movements of interest rate curves that may affect Organization's investments and capital-raising.

The EVE methodology consists of repricing the portfolio exposed to interest rate risk, taking into account the scenarios of increases or decreases of rates, by calculating the impact on present value and total term of assets and liabilities. The economic value of the portfolio is estimated on the basis of market interest rates on the analysis date and of scenarios projected. The difference between the values obtained for the portfolio will be EVE, that is, the interest-rate risk applicable to the Banking Portfolio.

To measure the Banking Portfolio interest rate risk, the premise of prepayment of loans is not used. For demand and savings deposits with undetermined maturity, their historical behaviors and the possibility of maintaining them are studied. After all the deductions related to demand and savings deposits, for example, the required compulsory deposits held at Central Bank of Brazil, the remaining balance (free funds) is allocated in accordance with the maturity flows of fixed-rate lending operations, and in the case of savings, the risk factor considered for its mapping is the TR coupon.

Financial Instrument Pricing

To adopt the best market prices related to the assessment of financial instruments' market value, the Market and Liquidity Risk Management Executive Committee (CEGRIMEL) established the Mark-to-Market Commission (CMM), which is responsible for approving or submitting mark-to-market models to GEGRIMEL. CMM is composed of business, back-office and risk representatives. The risk area is responsible for the coordination of the Commission and for the submission the matters to the CEGRIMEL for reporting or approval, whichever is the case.

Whenever possible, the Bank uses prices and quotes from by the securities, commodities and futures exchange and the secondary markets. Failing to find such market references, prices made available by other sources (such as Bloomberg, Reuters and Brokerage Firms) are used. As a last resort, proprietary models are used to price the instruments, which also follow the same CMM approval procedure and are submitted to the Organization's validation and assessment processes.

Mark-to-market criteria are periodically reviewed, according to the governance process, and may vary due to changes in market conditions, creation of new classes of instruments, establishment of new sources of data or development of models considered more appropriate.

The financial instruments to be included in the Trading Portfolio must be approved by the Treasury Executive Committee or the Product and Service Executive Committee and their pricing criteria must be defined by the CMM.

The following principles for the mark-to-market process are adopted by the Organization:

- Commitment: the Organization is committed to ensuring that the prices used reflect the market value of the operations. Should information not be found, the Organization uses its best efforts to estimate the market value of the financial instruments;
- Frequency: the formalized mark-to-market criteria are applied on a daily basis;
- Formality: the CMM is responsible for ensuring the methodological quality and the formalization of the mark-to-market criteria;
- Consistency: the process to gather and apply prices should be carried out consistently, to guarantee equal prices for the same instrument within the Organization; and
- Transparency: the methodology must be accessible by the Internal and External Audit, Independent Model Validation Areas - AVIM and by Regulatory Agencies.

In December 2014, the National Monetary Council published Resolution No. 4,389/14, which amended Resolution No. 4,277. These resolutions set forth the basic procedures that entities must follow in pricing financial instruments valued at market value and guidelines for the application of prudential adjustments for such instruments. The Organization aligned with these resolutions' guidelines, including applying due prudential adjustments required by the regulation.

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Control and Follow-Up

Market risk is controlled and monitored by an independent area, the DCIR, which, on a daily basis, measures the risk of outstanding positions, consolidates results and prepares reports required by the existing governance process.

In addition to daily reports, Trading Portfolio positions are discussed once every fifteen days by the Treasury Executive Committee, while Banking Portfolio positions and liquidity reports are examined by the Asset and Liability Management Treasury Executive Committee.

At both meetings, results and risks are assessed and strategies are discussed. Both the governance process and the existing thresholds are ratified by the Integrated Risk Management and Capital Allocation Committee and submitted to approval of the Board of Directors, and they are revised at least once a year.

Should any threshold controlled by the Integrated Risk Control Department –DCIR be exceeded, the head of the business area responsible for the position is informed that threshold was reached, and the Integrated Risk Management and Capital Allocation Committee is called in timely fashion to make a decision. If the Committee decides to raise the threshold and/or maintain the positions, the Board of Directors is called to approve the new threshold or revise the position strategy.

Internal Communication

The market risk department provides daily managerial control reports on the positions to the business areas and Senior Management, in addition to weekly reports and periodic presentations to the Board of Directors.

Reporting is conducted through an alert system, which determines the addressees of risk reports as previously determined risk threshold percentage is reached; therefore, the higher the risk threshold consumption, more Senior Management members receive the reports.

Hedging and Use of Derivatives

In order to standardize the use of financial instruments as hedges of transactions and the use of derivatives by the Treasury Department, the Organization created specific rules that were approved by the competent Committees.

The hedge transactions executed by Bradesco's Treasury Department must necessarily cancel or mitigate risks related to unmatched quantities, terms, currencies or indexes of the positions in the Treasury books, and must use assets and derivatives authorized to be traded in each of their books to:

- control and classify the transactions, respecting the exposure and risk limits in effect;

- alter, modify or revert positions due to changes in the market and to operational strategies; and

- reduce or mitigate exposures to transactions in inactive markets, in conditions of stress or of low liquidity.

For derivatives classified in the "hedge accounting" category, there is a monitoring of their effectiveness, as well as their accounting implications.

Cash flow Hedge

On December 31, 2018, Bradesco maintained cash flow hedges. See more details in Note 23.

Standardized and "Continuous Use" Derivatives

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Organization's Treasury Department may use standardized (traded on an exchange) and "continuous use" (traded over-the-counter) derivatives for the purpose of obtaining income or as hedges. The derivatives classified as "continuous use" are those habitually traded over-the-counter, such as vanilla swaps (interest rates, currencies, CDS – Credit Default Swap, among others), forward operations (currencies, for example) and vanilla options (currency, Bovespa Index), among others. Non-standardized derivatives that are not classified as "continuous use" or structured operations cannot be traded without the authorization of the applicable Committee.

Evolution of Exposures

In this section are presented the evolution of financial exposure, the VaR calculated using the internal model and its backtesting and the Stress Analysis.

Financial Exposure – Trading Portfolio (Fair value)

R$ thousand

Risk factors	On December 31			
	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Fixed rates	8,131,939	6,081,794	11,614,849	6,184,099
IGP-M (General Index of market pricing) / IPCA (Consumer price index)	249,922	191,486	1,053,893	532,957
Exchange coupon	1,090,277	785,578	1,808,598	1,658,084
Foreign Currency	1,471,956	1,611,049	1,808,598	2,103,715
Equities	776,376	776,735	461,957	468,911
Sovereign/Eurobonds and Treasuries	3,805,259	1,099,612	560,619	360,252
Other	685,724	31,729	257,537	98,517
Total	**16,211,453**	**10,577,983**	**17,566,051**	**11,406,535**

VaR Internal Model – Trading Portfolio

The 1-day VaR of Trading Portfolio net of tax effects in end of 2018 was R$5,776 thousand, with the interest rate risk Sovereign/Eurobonds and Treasuries as the largest participation of the portfolio.

R$ thousand

Risk factors	On December 31 2018	On December 31 2017
Fixed rates	850	8,956
IGPM/IPCA	264	2,751
Exchange coupon	142	48
Foreign Currency	712	2,925
Sovereign/Eurobonds and Treasuries	3,770	826
Equities	655	289
Other	1,597	1
Correlation/diversification effect	(2,214)	(1,379)
VaR at the end of the year	**5,776**	**14,417**
Average VaR in the year	21,624	24,024
Minimum VaR in the year	4,316	5,499
Maximum VaR in the year	76,935	100,640

VaR Internal Model – Regulatory Portfolio

The capital is calculated by the normal delta VaR model based in Regulatory Portfolio, composed by Trading Portfolio and the Foreign Exchange Exposures and the Commodities Exposure of the Banking Portfolio. In addition, the historical simulation and the Delta–Gama–Vega models of risk are applied to measure all risk factors to an options portfolio, whichever is the most conservative, whereby this risk of options is added to the VaR of the portfolio. In this model, risk value is extrapolated to the regulatory horizon[1] (the highest between 10 days and the horizon of the portfolio) by the 'square root of time' method. VaR and Stressed VaR shown below refer to a ten-day horizon and are net of tax effects.

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R$ thousand

Risk factors	On December 31			
	2018		2017	
	VaR	Stressed	VaR	Stressed
Interest rate	8,131	47,851	37,659	48,400
Exchange rate	5,666	20,959	7,715	17,300
Commodity price (Commodities)	8,194	14,704	1,110	200
Equities	3,355	4,844	2,065	7,400
Correlation/diversification effect	(7,569)	33,180	36,429	240
VaR at the end of the year	**17,777**	**121,538**	**84,978**	**73,540**
Average VaR in the year	69,852	117,946	87,358	107,059
Minimum VaR in the year	17,777	57,523	24,945	26,803
Maximum VaR in the year	252,797	231,080	369,342	236,895

Note: Ten-day horizon VaR net of tax effects.

To calculate regulatory capital requirement according to the internal model, it is necessary to take into consideration the rules described by Central Bank Circular Letters No. 3,646/13 and No. 3,674/13, such as the use of VaR and Stressed VaR net of tax effects, the average in the last 60 days and its multiplier.

VaR Internal Model – Backtesting

The risk methodology applied is continuously assessed using backtesting techniques, which compare the one-day period VaR with the hypothetic P&L, obtained from the same positions used in the VaR calculation, and with the effective P&L, also considering the intraday operations for which VaR was estimated.

The main purpose of backtesting is to monitor, validate and assess the adherence of the VaR model, and the number of exceptions that occurred must be compatible with the number of exception accepted by the statistical tests conducted and the confidence level established. Another objective is to improve the models used by the Organization, through analyses carried out with different observation periods and confidence levels, both for Total VaR and for each risk factor.

Daily hypothetical and effective P&L over the last 250 business days surpassed their respective VaR four times, with a confidence level of 99%.

According to the document published by the Basel Committee on Banking Supervision[(2)], exceptions are classified as being due to “either bad luck or the markets did not behave as expected by the model”, i.e. volatility was significantly higher than expected and, in certain situations, the correlations differed from those forecast by the model.

Stress Analysis – Trading Portfolio

The Organization also assesses on a daily basis, the possible impacts on positions in stress scenarios for the next 20 business days, with limits established in the governance process. Thus, considering the effect of diversification between the risk factors and the tax effects, the average of the possible loss estimates in a stress situation would be R$185,192 thousand in 2018 (2017 – R$168,751 thousand), and the maximum estimated loss in the year of 2018 would be R$419,677 thousand (2017 – R$387,884 thousand).

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

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		R$ thousand
	On December 31	
	2018	2017
At the end of the year	59,489	103,949
Average in the year	185,192	168,751
Minimum in the year	52,716	53,426
Maximum in the year	419,677	387,884

Note: Values net of tax effects.

Sensitivity Analysis

The Trading Portfolio is also monitored daily by sensitivity analyses that measure the effect of movements of market and price curves on our positions. Furthermore, a sensitivity analysis of the Organization's financial exposures (Trading and Banking Portfolios) is performed on a quarterly basis, in compliance with CVM Rule No. 475/08.

The sensitivity analyses were carried out based on the scenarios prepared for the respective dates, always taking into consideration market inputs available at the time and scenarios that would adversely impact our positions, in accordance with the scenarios 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 scenario of 6.56% 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% 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 quote 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 show the impact for each scenario on a static portfolio position. 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 Management. Therefore, in cases of deterioration indicators in a certain position, proactive measures are taken to minimize any potential negative impact, aimed at maximizing the risk/return ratio for the Organization.

([2]) Supervisory Framework for the use “Backtesting” in Conjunction with the Internal Models Approach to Market Risk Capital Requirements (January 1996).

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Notes to the Consolidated Financial Statements

Sensitivity Analysis – Trading Portfolio

R$ thousand

		Trading Portfolio (1) On December 31					
		2018 Scenarios			**2017 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)	-	-	-
Total excluding correlation of risk factors		**(826)**	**(117,742)**	**(178,396)**	**(5,828)**	**(212,337)**	**(420,213)**
Total including correlation of risk factors		**(429)**	**(93,092)**	**(130,432)**	**(3,448)**	**(131,662)**	**(259,684)**

(1) Values net of taxes.

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Notes to the Consolidated Financial Statements

Presented below, the Sensitivity Analysis – Trading and Banking Portfolios.

Sensitivity Analysis – Trading and Banking Portfolios

R$ thousand

		Trading and Banking Portfolios (1) On December 31					
		2018 Scenarios			**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 classified in other	(412)	(10,298)	(20,596)	(12)	(307)	(613)

definitions						
Total excluding correlation of risk factors	**(49,729)**	**(4,649,463)**	**(8,907,102)**	**(36,545)**	**(3,104,491)**	**(6,077,595)**
Total including correlation of risk factors	**(37,535)**	**(3,905,602)**	**(7,499,908)**	**(26,956)**	**(2,678,101)**	**(5,232,466)**

(1) Values net of taxes.

IFRS – International Financial Reporting Standards – 2018

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Notes to the Consolidated Financial Statements

3.3. Liquidity risk

The Liquidity Risk is represented by the possibility of the institution not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the institution to fail to trade a position at market price, due to its larger size as compared to the volume usually traded or in view of any market interruption.

The understanding and monitoring of this risk are crucial to enable the Organization to settle operations in a timely manner.

Management Process for Liquidity Risk

The management of liquidity risk is a group-wide process. This process involves several areas with specific responsibilities. The measurement and control of liquidity risk are conducted in a centralized and independent manner, including the daily monitoring of available funds, the compliance with the liquidity level according to the risk appetite defined by the board, as well as the contingency plan and recovery for possible stress situations.

The Organization has a Liquidity Risk Management Policy approved by the Board of Directors, which has as one of its objectives to ensure the existence of norms, criteria and procedures for the correct monitoring of this type of risk, as well as the existence of a strategy and of action plans for liquidity crisis situations. The policy and controls established fully comply with the provisions of CMN Resolution No. 4,557/17.

Control and Monitoring

Liquidity risk management is carried out by the Treasury Department, based on the positions available, by independent area. The DCIR is responsible for the measurement methodology, control of the limits established by type of currency and company (including non-financial), review of policies, standards, criteria and procedures and studies for new recommendations.

Liquidity risk is monitored daily by the business and control areas and at the meetings of the Asset and Liability Management Treasury Executive Committee, which manages liquidity reserves, with term and currency mismatches. Monitoring is also handled by the Risk Committee and the Integrated Risk Management and Capital Allocation Committee and the Board of Directors.

Since October 2017, the Organization adopted as metric also for internal management, Short-Term Liquidity indicator (liquidity coverage ratio), as provided by CMN Resolution No. 4,401/15 of Central Bank Circular Letter No. 3,749/15.

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LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is designed to ensure that the Organization maintains a sufficient level of liquid assets to cover liquidity needs in an eventual stress scenario. The LCR is the ratio between the stock of High Quality Liquid Assets (HQLA) and total net cash outflow, calculated based on a generic stress scenario. The formula shows the main components of the indicator as follows:

In accordance with the LCR implantation schedule, the level of the ratio between HQLA and total net cash outflows must comply with the following schedule:

Year	**2016**	**2017**	**2018**	**As of 2019**
% Required	70%	80%	90%	100%

The stress scenarios parameterization was conducted by the Regulator to capture idiosyncratic and market shocks, considering the period of 30 days. The items below show some of the shocks included in the methodology:

- the partial loss of retail and uncollateralized wholesale funding, as well as short-term funding capacity;
- the additional outflow of funds, contractually foreseen, due to the downgrading of the institution’s credit rating by up to three levels, including eventual additional collateral requirements;
- an increase in the volatility of factors that impact collateral quality or the potential future exposure of derivative positions, resulting in the application of larger collateral discounts or a call for additional collateral or in other liquidity requirements;
- withdrawals of higher than expected amounts from credit/liquidity lines granted; and

- the potential need to repurchase debt or honor non-contractual obligations in order to mitigate reputational risk.

High Quality Liquid Assets (HQLA)

HQLA are assets that maintain their market liquidity in periods of stress and that meet the minimum requirements established by the Central Bank of Brazil, such as, among others, being free of any legal impediment or restriction; suffering little or no loss in market value when converted into cash; having a low credit risk; easy and accurate pricing; and being traded in an active and important market, with little difference between the purchase and sale price, high traded volume and a large number of participants. These assets are subject to weighting factors which may reduce their value, for example, in accordance with the risk rating of their issuer or the historic variation in their market price, among other requirements.

Cash Outflows and Inflows

Cash outflows are the result of a reduction in deposits and funding; the maturity of securities issued; scheduled contractual obligations for the next 30 days; margin adjustments and calls in derivative operations; the utilization/withdrawal of credit and liquidity lines granted by the Bank; and contingent cash outflows.

Cash inflows for the next 30 days correspond to the expected receipt of loans and financings; deposits; securities; and margin adjustments and easing in derivative operations.

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Notes to the Consolidated Financial Statements

The table below shows the average LCR Prudential Conglomerate:

R$ thousand

	Information on the Liquidity Coverage Ratio (LCR)				
		On December 31 (1) 2018		On December 31 (2) 2017	
		Average Amount (3)	Weighted Average Amount (4)	Average Amount (3)	Weighted Average Amount (4)
Number of Line	**High Quality Liquid Assets (HQLA)**				
1	**Total High Quality Liquid Assets (HQLA)**		**140,377,669**		**125,596,242**
Number of Line	**Cash Outlows**				
2	**Ratail funding:**	**235,539,799**	**21,919,302**	**210,005,411**	**17,749,477**
3	Stable funding	119,809,242	5,990,462	135,661,528	6,783,076
4	Less stable funding	115,730,557	15,928,840	74,343,883	10,966,401
5	**Non-collateralized wholesale funding:**	**125,136,835**	**50,927,871**	**112,474,083**	**50,716,519**
6	Operating deposits (all counterparties) and affiliated cooperative deposits	8,648,728	432,436	8,152,936	407,647
7	Non-operating deposits (all counterparties)	115,864,088	49,871,416	103,275,838	49,263,563
8	Other non-collateralized wholesale funding	624,019	624,019	1,045,309	1,045,309
9	**Collateralized wholesale funding**	**-**	**5,361,781**	**-**	**6,656,909**
10	**Additional requirements:**	**104,341,246**	**14,181,343**	**97,751,894**	**13,746,422**
11	Related to exposure to derivatives and other collateral requirements	14,419,270	6,741,269	15,192,265	7,089,564
12	Related to funding losses through the issue of debt instruments	554,811	554,811	345,574	345,574
13	Related to lines of credit and liquidity	89,367,165	6,885,263	82,214,055	6,311,284
14	**Other contractual obligations**	**33,875,647**	**31,857,396**	**30,492,461**	**28,811,462**
15	**Other contingent obligations**	**122,319,336**	**4,915,397**	**131,133,680**	**5,160,312**
16	**Total cash outflows**	**-**	**129,163,090**	**-**	**122,841,101**

Number of Line	Cash Inflows				
17	Collateralized loans	95,238,798	-	161,500,640	-
18	Outstanding loans whose payments are fully up-to-date	30,039,902	16,950,831	32,424,050	21,009,387
19	Other cash inflows	37,235,944	30,511,989	24,624,328	21,429,233
20	**Total cash inflows**	**162,514,644**	**47,462,820**	**218,549,018**	**42,438,620**
			Total Adjusted Amount (5)		Total Adjusted Amount (5)
21	Total HQLA		140,377,669		125,596,242
22	Total net cash outflow		81,700,271		80,402,480
23	**LCR (%) (5)**		**171.8%**		**156.2%**

(1) Calculated based on the simple daily average of the months that compose the quarter (61 observations);

(2) Calculated based on the simple average of the closing of the months that compose the quarter (3 observations);

(3) Corresponds to the total balance related to the item of cash inflows or outflows;

(4) Corresponds to the value after application of the weighting factors; and

(5) Corresponds to the calculated value after the application of weighting factors and limits.

The amount of net assets (HQLA) consists, in addition to the compulsory returns and reserves at the Central Bank of Brazil, mainly of federal government securities. These net assets resulted in R$140,377,668 thousand, the average of the fourth quarter of 2018.

Related to the cash outflows, based on the regulatory stress scenario (line 16), about 56.0% are redemptions and non-renewals retail and wholesale funding without collateral (unsecured), as shown on the lines 2 and 5 of the table.

Another relevant group refers to the item "Other contractual obligations" (line 14), which mainly includes the output streams of onlending operations, credit cards and trade finance.

Regarding cash inflows, corresponding to R$47,462,820 thousand in the average of the fourth quarter of 2018, stand out the receipts of loans operations (partial renewal), the inflows of Trade Finance operations, cash and cash equivalents and redemptions of securities in addition to the inflow of transfer and credit card operations.

Net Stable Funding

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

The Net Stable Funding (NSFR) aims to asses if the Organization is financing its activities (assets) from more stable sources of funding (liabilities). The NSFR corresponds to the ratio between the Available Stable Funding (ASF) and the Required Stable Funding (RSF), which are defined according to the structures of assets and liabilities of the institution that are weighted according to the definitions of the Regulator.

The following figure shows the main components of the indicator:

Available Stable Funding (ASF)

The available stable funding is represented by the Liabilities and Shareholders' Equity, which are weighted according to their stability, in which the resources considered as more stable are determined mainly by behavioral aspects of the clients, also considering their relationship with the institution, legal aspects and other variables implied.

Required Stable Funding (RSF)

The required stable funding shall be determined according to the assets in the balance sheet and other financial instruments, for example, credit limits provided and guarantees given, which are weighted by aspects related to the type of operation, maturity, and counterparty, among others.

The following table shows the NSFR of December of the Prudential Conglomerate:

R$ thousand

Information on the Long-term Indicator (NSFR)
On December 31, 2018 (1)

Number of Line	Available stable funding (ASF)	Amount per effective term of residual maturity: Without expiration	Less than 6 months	Greater than or equal to 6 months and less than one year	Greater than or equal to one year	Weighted Average (2)
1	**Capital**	121,289,750	-	-	47,181,305	168,471,055
2	Reference Equity, gross of regulatory deductions	121,289,750	-	-	-	121,289,750
3	Other instruments not included in line 2	-	-	-	47,181,305	47,181,305
4	**Ratail funding:**	125,747,484	121,158,207	928,202	3,531,590	232,929,002
5	Stable funding	80,033,425	46,858,729	46,015	467	120,591,728
6	Less stable funding	45,714,059	74,299,478	882,187	3,531,123	112,337,274
7	**Wholesale Funding, of which:**	22,215,270	360,387,800	37,722,267	113,139,255	203,870,597
8	Operating deposits and deposits of affiliated cooperatives	9,164,749	-	-	-	4,157,051
9	Other wholesale fundings	13,050,521	360,387,800	37,722,267	113,139,255	199,713,546
10	**Operations in which the institution acts exclusively as an intermediary, assuming no rights or obligations, even if contingent**	-	26,014,027	20,575	203,130	-
11	**Other liabilities, of which:**	67,588,097	16,123,614	-	-	2,394,664
12	Derivatives whose replacement value is less than zero	-	16,123,614	-	-	-
13	Other liabilities or shareholders' equity not included in the previous items	67,588,097	-	-	-	2,394,664
14	**Total of Available Stable Funding (ASF)**	**-**	**-**	**-**	**-**	**607,665,318**
15	**Total High Quality Liquid Assets (HQLA)**	**-**	**-**	**-**	**-**	**10,978,040**
16	**Operating deposits held in other financial institutions**	**-**	**-**	**-**	**-**	**-**

17	**Securities, securities and transactions with financial institutions, non-financial institutions and central banks, of which:**	**4,981,329**	**208,163,497**	**51,172,541**	**237,826,970**	**281,492,138**
18	Transactions with financial institutions collateralized by Level 1 HQLA	-	5,583,766	-	-	558,377
19	Transactions with financial institutions collateralized by HQLA Level 2A, Level 2B or without collateral	-	100,234,344	2,463,757	2,351,303	5,077,176
20	Loans and financing granted to wholesale, retail, central government and central bank operations, of which:	-	96,715,762	46,251,306	142,375,233	195,963,868
21	Operations with a Risk Weighting Factor (FPR) of less than or equal to 35%, pursuant to Circular No. 3644, of 2013	-	-	-	-	-
22	Residential real estate financing, of which:	-	904,499	892,290	30,708,792	20,859,110
23	Operations that comply with the provisions of Circular No. 3644, of 2013, art. 22	-	904,499	892,290	30,708,792	20,859,110
24	Securities not eligible for HQLA, including shares traded on the stock exchange	4,981,329	4,725,126	1,565,188	62,391,642	59,033,607
25	**Operations in which the institution acts exclusively as an intermediary, assuming no rights or obligations, even if contingent**	**-**	**28,233,429**	**4,997,705**	**231,882**	**-**
26	**Other assets, of which:**	**190,860,571**	**14,761,798**	**1,377,311**	**26,863,862**	**178,448,719**
27	Operations with gold and commodities, including those with a forecast of physical settlement	-	-	-	-	-
28	Assets provided as a result of the deposit of	-	-	-	9,091,888	7,728,175

	initial guarantee margin in operation with derivatives and participation in mutualized guarantee funds of clearing houses and clearing and settlement service providers that are interposed as central counterparty					
29	Derivatives whose replacement value is greater than or equal to zero	-	-	-	14,140,931	-
30	Derivatives whose replacement value is less than zero, gross of the deduction of any guarantee provided as a result of the margin deposit	-	-	-	-	806,181
31	Other assets not included in the previous lines	190,860,571	14,761,798	1,377,311	3,631,043	169,914,433
32	**Transactions not recorded in the balance sheet**	**-**	**305,134,878**	**-**	**-**	**11,028,648**
33	**Total Required Stable Funding (RSF)**	**-**	**-**	**-**	**-**	**481,947,544**
34	**NSFR (%)**					**126.1%**

IFRS – International Financial Reporting Standards – 2018

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Notes to the Consolidated Financial Statements

The NSFR long term indicator presented a volume weighted for available stable funding resources much higher to that of required stable funding resources, with a surplus weighted balance of approximately R$126 billion, resulting in an indicator of 126.1%.

The amount of available stable funding (ASF) is formed largely by the funding of clients considering the level of stability as the main factor for the contribution of the ASF. The calculation of December 2018 for the ASF presented a participation of 38% from the funding of Retail and 34% from the funding of Wholesale.

The values of required stable funding (RSF) are constituted by the Asset items and by items not recognized on the balance sheet. These balance sheet items are weighted according to their respective liquidity profile, therefore, the items related to loans and other assets, with low or no liquidity, feature prominently in the RSF (high weighting factors), while highly liquid assets, such as, for example unpledged federal public securities, receive low weighting factors. For the month of December 2018 the loan operations (item 20) accounted for 41% of the total RSF, while other assets (item 31) participated in 35% of the RSF.

Internal Communication

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Notes to the Consolidated Financial Statements

In the process of liquidity risk management, reports are distributed daily to the areas involved in management and control, as well as to Management. This process includes the use of several analysis instruments to monitor liquidity, such as:

- Daily distribution of liquidity control instruments;
- Automatic intra-day update of the liquidity reports for appropriate management by the Treasury Department;
- Preparation of reports with past behavior and future simulations based on scenarios;
- Daily verification of compliance with minimum liquidity levels;
- Elaboration of complementary reports where the concentrations of funding by type of product, term and counterparty are presented; and
- Weekly reports to the Senior Management, showing the behavior and expectations related to the liquidity situation.

The liquidity risk management process also has an alert system that selects the appropriate reporting level according to the percentage of the established limit utilized. Thus, the lower the liquidity ratios, the higher the number and echelon of Senior Management members who receive the reports.

Undiscounted cash flows of financial liabilities

The table below presents the cash flows payable for non-derivative financial liabilities, covering the remaining contractual period to maturity as from the date of the consolidated statement of financial position. The values disclosed in this table represent the undiscounted contractual cash flows.

R$ thousand

On December 31, 2018

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Deposits from banks	187,971,161	11,043,189	31,568,186	18,339,106	6,278,070	255,199,712
Deposits from customers	154,751,012	8,321,457	51,709,653	142,724,058	86,171	357,592,351
Funds from issuance of securities	2,715,463	7,704,113	57,416,558	110,993,400	2,819,759	181,649,293
Subordinated debt	303,419	83,095	6,290,777	25,122,764	43,080,703	74,880,758
Other financial liabilities (1)	38,764,438	11,790,526	4,717,811	3,672,499	3,652,961	62,598,235
Total liabilities	**384,505,493**	**38,942,380**	**151,702,985**	**300,851,827**	**55,917,664**	**931,920,349**

IFRS – International Financial Reporting Standards – 2018

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Notes to the Consolidated Financial Statements

R$ thousand

	On December 31, 2017					
	Up to 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Deposits from banks	197,275,471	17,199,209	47,240,285	25,251,295	6,593,477	293,559,737
Deposits from customers	141,846,015	7,519,939	16,476,264	106,861,185	117,268	272,820,671
Funds from issuance of securities	3,346,915	13,222,173	69,548,689	77,143,455	1,503,901	164,765,133
Subordinated debt	896,349	3,705,136	6,942,643	27,064,409	33,166,577	71,775,114
Other financial liabilities (1)	43,606,124	8,785,744	2,290,146	3,711,492	4,046,006	62,439,512
Total liabilities	**386,970,874**	**50,432,201**	**142,498,027**	**240,031,836**	**45,427,229**	**865,360,167**

(1) Include, mainly, credit card transactions, foreign exchange transactions, negotiation and intermediation of securities, finance lease and capitalization bonds.

The assets available to meet all the obligations and cover the outstanding commitments include cash and cash equivalents, financial assets, loans and advances. Management may also cover unexpected cash outflows by selling securities and by having access to sources of additional funds, such as asset-backed-markets.

The previous table shows the undiscounted contractual cash flows of the financial liabilities of the Organization. The cash flows that the Organization estimates for these instruments may vary significantly from those presented. For example, it is expected that demand deposits of customers will maintain a stable or increasing balance, and it is not expected that these deposits will be withdrawn immediately.

The gross cash outflows presented in the previous table refer to the undiscounted contractual cash flow related to the financial liability.

In the Organization, liquidity-risk management involves a series of controls, mainly related to the establishment of technical limits, with the ongoing evaluation of the positions assumed and the financial instruments used.

Undiscounted cash flows for derivatives

All the derivatives of the Organization are settled at net value, and include:

- Foreign currency derivatives – over-the-counter currency options, currency futures, and currency options traded on an exchange; and

- Interest rate derivatives – interest rate swaps, forward rate contracts, interest rate options, other interest rate contracts, interest rate futures traded on an exchange and interest rate options traded on an exchange.

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Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

The table below analyzes the derivative financial liabilities that will be settled at net value, grouped based on the period remaining from the reporting date to the respective maturity date. The values disclosed in the table are undiscounted cash flows.

R$ thousand

	On December 31, 2018					
	Up to 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Differential of swaps payable	1,302,578	464,191	6,428,914	6,266,955	350,374	14,813,012
Non-deliverable forwards	96,680	141,438	250,176	25,676	637	514,607
• Purchased	14,062	17,695	101,869	18,090	637	152,353
• Sold	82,618	123,743	148,307	7,586	-	362,254
Premiums of options	1,001,464	20,355	127,983	123,491	372,057	1,645,350
Adjustment payables - future	21,283	-	-	-	-	21,283
Total of derivative liabilities	**2,422,005**	**625,984**	**6,807,073**	**6,416,122**	**723,068**	**16,994,252**

R$ thousand

	On December 31, 2017					
	Up to 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Differential of swaps payable	279,134	125,468	536,406	12,169,717	166,038	13,276,763
Non-deliverable forwards	201,115	95,761	147,710	66,682	737	512,005
• Purchased	73,599	53,513	90,914	65,640	737	284,403
• Sold	127,516	42,248	56,796	1,042	-	227,602
Premiums of options	551,220	13,510	34,443	63,052	303,200	965,425
Adjustment payables - future	155,305	-	-	-	-	155,305
Total of derivative liabilities	**1,186,774**	**234,739**	**718,559**	**12,299,451**	**469,975**	**14,909,498**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

Statement of financial position by maturities

The tables below show the financial assets and liabilities of the Organization segregated by maturities used for the management of liquidity risks, in accordance with the remaining contractual maturities on the reporting date:

R$ thousand

	On December 31, 2018						
	Current			Non-current			Total
	1 to 30 days	31 to 180 days	181 to 360 days	1 to 5 years	More than 5 years	No stated maturity	
Assets							
Cash and balances with banks	107,209,743	-	-	-	-	-	107,209,743
Financial assets at fair value through profit or loss	3,129,166	3,917,446	5,425,013	164,553,949	61,990,603	7,144,973	246,161,150
Financial assets at fair value through other comprehensive income	17,262,976	44,288,649	14,212,201	67,290,177	24,067,050	10,929,483	178,050,536
Loans and advances to customers, net of impairment	62,060,766	92,247,120	52,642,217	124,423,414	49,013,559	-	380,387,076
Loans and advances to banks, net of impairment	32,770,492	68,354,830	1,831,146	2,292,482	-	-	105,248,950
Securities, net of provision for losses	1,040,454	2,361,956	855,476	91,922,854	44,423,998	-	140,604,738
Other financial assets (1)	29,524,094	134,393	131,233	11,910,297	2,193,292	-	43,893,309

Total financial assets	**252,997,691**	**211,304,394**	**75,097,286**	**462,393,173**	**181,688,502**	**18,074,456**	**1,201,555,502**
Liabilities							
Financial liabilities at amortized cost							
- Deposits from banks	193,135,637	20,377,472	13,489,852	15,646,679	4,664,339	-	247,313,979
- Deposits from customers (2)	154,046,665	15,639,175	42,076,109	128,959,777	26,470	-	340,748,196
- Funds from issuance of securities	2,598,083	29,410,415	34,192,057	81,108,678	719,785	-	148,029,018
- Subordinated debt	7,059	149,894	6,305,187	22,492,556	15,434,005	9,254,743	53,643,444
- Other financial liabilities (3)	38,764,438	11,790,526	4,717,811	3,672,499	3,652,961	-	62,598,235
Financial liabilities at fair value through profit or loss	15,066,551	373,896	162,153	177,029	372,458	-	16,152,087
Provision for Expected Loss							
- Loan Commitments	-	-	-	2,551,676	-	-	2,551,676
- Financial guarantees	-	-	-	719,216	-	-	719,216
Insurance technical provisions and pension plans (2)	216,282,259	2,347,327	939,034	32,009,667	-	-	251,578,287
Total financial liabilities	**619,900,692**	**80,088,705**	**101,882,203**	**287,337,777**	**24,870,018**	**9,254,743**	**1,123,334,138**

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Notes to the Consolidated Financial Statements

R$ thousand

	On December 31, 2017						
	Current			Non-current			Total
	1 to 30 days	31 to 180 days	181 to 360 days	1 to 5 years	More than 5 years	No stated maturity	
Assets							
Cash and balances with banks	81,742,951	-	-	-	-	-	81,742,951
Financial assets held for trading	15,181,714	10,934,575	5,501,249	146,527,365	56,173,284	7,391,854	241,710,041
Financial assets available for sale	2,422,266	9,392,915	19,351,886	83,816,085	33,391,763	11,037,807	159,412,722
Investments held to maturity	7,753	2,454	19,205	10,284,940	28,691,766	-	39,006,118
Financial assets pledged as collateral	25,977,537	111,922,357	2,543,922	40,965,417	2,565,940	-	183,975,173
Loans and advances to banks	23,136,673	3,544,426	3,387,187	1,754,483	424,955	-	32,247,724
Loans and advances to customers	55,830,036	80,715,548	51,526,092	114,151,120	44,535,303	-	346,758,099
Other financial assets (1)	25,375,820	1,340,567	1,807,856	11,322,882	1,872,358	-	41,719,483
Total financial assets	**229,674,750**	**217,852,842**	**84,137,397**	**408,822,292**	**167,655,369**	**18,429,661**	**1,126,572,311**
Liabilities							
Deposits from banks	197,177,061	29,640,587	31,589,994	22,221,075	5,328,751	-	285,957,468
Deposits from customers (2)	142,525,722	11,400,607	10,531,633	97,523,112	27,371	-	262,008,445
Financial liabilities held for trading	13,552,386	201,643	81,073	134,649	305,248	-	14,274,999
Funds from issuance of securities	3,422,727	31,299,770	48,540,240	51,142,979	768,374	-	135,174,090
Subordinated debt	738,929	9,428,997	640,536	20,767,242	18,603,697	-	50,179,401
	207,499,559	2,411,996	939,034	28,239,001	-	-	239,089,590

Insurance technical provisions and pension plans (2)							
Other financial liabilities (3)	43,606,124	8,785,744	2,290,146	3,711,492	4,046,006	-	62,439,512
Total financial liabilities	**608,522,508**	**93,169,344**	**94,612,656**	**223,739,550**	**29,079,447**	**-**	**1,049,123,505**

(1) Includes mainly foreign exchange transactions, debtors for guarantee deposits and negotiation and intermediation of securities;

(2) Demand and savings deposits and technical provisions for insurance and pension plans comprising VGBL and PGBL products are classified as up to 30 days, without considering average historical turnover; and

(3) Includes mainly credit card transactions, foreign exchange transactions, negotiation and intermediation of securities, finance lease and capitalization bonds.

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Notes to the Consolidated Financial Statements

The tables below show the assets and liabilities of the Organization segregated by current and non-current, in accordance with the remaining contractual maturities on the reporting date:

			R$ thousand
	On December 31, 2018		
	Current	**Non-current**	**Total**
Assets			
Total financial assets	**539,399,371**	**662,156,131**	**1,201,555,502**
Non-current assets held for sale	1,353,330	-	1,353,330
Investments in associated companies	-	8,125,799	8,125,799
Premises and equipment	-	8,826,836	8,826,836
Intangible assets and goodwill, net of accumulated amortization	-	16,128,548	16,128,548
Taxes to be offset	3,683,210	9,815,054	13,498,264
Deferred income tax assets	-	48,682,569	48,682,569
Other assets	5,443,840	1,929,026	7,372,866
Total non-financial assets	**10,480,380**	**93,507,832**	**103,988,212**
Total assets	**549,879,751**	**755,663,963**	**1,305,543,714**
Liabilities			
Total financial liabilities	**801,871,600**	**321,462,538**	**1,123,334,138**
Other reserves	1,846,682	17,955,489	19,802,171
Current income tax liabilities	2,373,261	-	2,373,261
Deferred income tax assets	48,925	1,151,664	1,200,589
Other liabilities	32,630,277	1,527,158	34,157,435
Total non-financial liabilities	**36,899,145**	**20,634,311**	**57,533,456**
Total equity	**-**	**124,676,120**	**124,676,120**
Total liabilities	**838,770,745**	**466,772,969**	**1,305,543,714**

			R$ thousand
	On December 31, 2017		
	Current	**Non-current**	**Total**
Assets			
Total financial assets	**531,664,989**	**594,907,322**	**1,126,572,311**
Non-current assets held for sale	1,520,973	-	1,520,973
Investments in associated companies	-	8,257,384	8,257,384
Premises and equipment	-	8,432,475	8,432,475
	-	16,179,307	16,179,307

Intangible assets and goodwill, net of accumulated amortization			
Taxes to be offset	4,589,981	5,934,594	10,524,575
Deferred income tax assets	-	43,731,911	43,731,911
Other assets	6,602,669	2,531,835	9,134,504
Total non-financial assets	**12,713,623**	**85,067,506**	**97,781,129**
Total assets	**544,378,612**	**679,974,828**	**1,224,353,440**
Liabilities			
Total financial liabilities	**796,304,508**	**252,818,997**	**1,049,123,505**
Other reserves	1,349,366	17,141,361	18,490,727
Current income tax liabilities	2,416,345	-	2,416,345
Deferred income tax assets	36,344	1,215,503	1,251,847
Other liabilities	33,460,225	1,917,087	35,377,312
Total non-financial liabilities	**37,262,280**	**20,273,951**	**57,536,231**
Total equity	**-**	**117,693,704**	**117,693,704**
Total liabilities	**833,566,788**	**390,786,652**	**1,224,353,440**

Notes to the Consolidated Financial Statements

3.4. Fair value of financial assets and liabilities

The Organization applies IFRS 13 for financial instruments measured in the consolidated statement of financial position at fair value, which requires disclosure of fair-value measurements according to the following fair-value hierarchy of fair value measurement:

- Level 1

Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active market, as well as Brazilian government securities that are highly liquid and are actively traded in over-the-counter markets.

- Level 2

Valuation uses observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data, including but not limited to yield curves, interest rates, volatilities, equity or debt prices and foreign exchange rates.

- Level 3

Valuation uses unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities normally include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant Management judgment or estimation. This category generally includes certain corporate and bank debt securities and certain derivative contracts.

To fair value securities which have no consistent, regulatory updated, public price source, Bradesco uses models defined by the mark-to-market Commission and documented in the mark-to-mark manual for each security type. Through the use of methods and both mathematical and financial models which capture the effects and variations in the prices of marked-to-market assets, or similar instruments, Bradesco is able to ascertain in a clear and consistent manner the determination of fair value of its Level 3 assets and liabilities.

IFRS – International Financial Reporting Standards – 2018

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Notes to the Consolidated Financial Statements

The tables below present the composition of the financial assets and liabilities measured at fair value, classified using the hierarchical levels:

				R$ thousand
	On December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Brazilian government securities	202,199,216	4,556,831	3	206,756,050
Corporate debt and marketable equity securities	3,678,532	5,206,852	418,558	9,303,942
Bank debt securities	1,554,257	8,610,197	-	10,164,454
Mutual funds	3,657,393	-	-	3,657,393
Foreign governments securities	849,114	-	-	849,114
Brazilian sovereign bonds	659,603	-	-	659,603
Financial assets at fair value through profit or loss	**212,598,115**	**18,373,880**	**418,561**	**231,390,556**
Derivative financial instruments (assets)	34,752	14,699,247	36,595	14,770,594
Derivative financial instruments (liabilities)	(32,434)	(16,095,752)	(23,901)	(16,152,087)
Derivatives	**2,318**	**(1,396,505)**	**12,694**	**(1,381,493)**
Brazilian government securities	150,778,773	-	39,982	150,818,755
Corporate debt securities	3,761,191	1,664,892	549,111	5,975,194
Bank debt securities	5,715,372	205,704	-	5,921,076
Brazilian sovereign bonds	1,564,667	-	-	1,564,667
Mutual funds	2,841,361	-	-	2,841,361
Marketable equity securities and other stocks	5,266,028	2,649,350	3,014,105	10,929,483
Financial assets at fair value through other comprehensive income	**169,927,392**	**4,519,946**	**3,603,198**	**178,050,536**
Total	**382,527,825**	**21,497,321**	**4,034,453**	**408,059,599**

				R$ thousand
	On December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Brazilian government securities	198,273,452	3,975,816	4	202,249,272
Corporate debt and marketable equity securities	3,716,053	8,271,295	352,442	12,339,790
Bank debt securities	1,952,015	6,396,254	-	8,348,269
Mutual funds	4,377,508	-	-	4,377,508
Foreign governments securities	528,010	-	-	528,010
Brazilian sovereign bonds	307	-	-	307
Trading securities	**208,847,345**	**18,643,365**	**352,446**	**227,843,156**
Derivative financial instruments (assets)	46,601	13,814,312	5,972	13,866,885

Derivative financial instruments (liabilities)	-	(14,264,124)	(10,875)	(14,274,999)
Derivatives	**46,601**	**(449,812)**	**(4,903)**	**(408,114)**
Brazilian government securities	103,237,635	-	44,123	103,281,758
Corporate debt securities	4,786,078	31,740,856	3,451,696	39,978,630
Bank debt securities	1,086,454	97,399	-	1,183,853
Brazilian sovereign bonds	728,127	-	-	728,127
Foreign governments securities	3,202,547	-	-	3,202,547
Marketable equity securities and other stocks	4,380,606	3,261,732	3,395,469	11,037,807
Available-for-sale securities	**117,421,447**	**35,099,987**	**6,891,288**	**159,412,722**
Brazilian government securities	53,841,066	-	-	53,841,066
Corporate debt securities	825,287	-	-	825,287
Bank debt securities	4,904,070	-	-	4,904,070
Brazilian sovereign bonds	713,555	-	-	713,555
Financial assets pledged as collateral	**60,283,978**	**-**	**-**	**60,283,978**
Total	**386,599,371**	**53,293,540**	**7,238,831**	**447,131,742**

Derivative Assets and Liabilities

The Organization’s derivative positions are determined using quantitative models that require the use of multiple inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are observable and can be obtained, from B3 (principal source) and the secondary market. Exchange traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; those are classified as Level 2 or Level 3.

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The yield curves are used to determine the fair value by the method of discounted cash flow, for currency swaps and swaps based on other risk factors. The fair value of futures and forward contracts is also determined based on quoted markets prices on the exchanges for exchanges-traded derivatives or using similar methodologies to those described for swaps. The fair value of options is determined using external quoted prices or mathematical models, such as Black-Scholes, using yield curves, implied volatilities and the fair value of the underlying asset. Current market prices are used to determine the implied volatilities. The majority of these models do not contain a high level of subjectivity as the methodologies used in the models do not require significant judgment and inputs to the model are readily observable from active quoted markets. Such instruments are generally classified within Level 2 of the valuation hierarchy. The fair values of derivative assets and liabilities also include adjustments for market liquidity, counterparty credit quality and other specific factors, where appropriate.

Derivatives that are valued based on mainly unobservable market parameters and that are not actively traded are classified within Level 3 of the valuation hierarchy. Level 3 derivatives include credit default swaps which have corporate debt securities as underlyings.

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years 2018 and 2017:

R$ thousand

	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Derivatives**	**Total**
Balance on December 31, 2016	**287,224**	**5,013,353**	**(8,617)**	**5,291,960**
Included in the statement of income and other comprehensive income	15,868	(735,002)	-	(719,134)
Acquisitions	74,908	4,019,844	3,714	4,098,466
Write-offs	(25,554)	(1,406,907)	-	(1,432,461)
Balance on December 31, 2017	**352,446**	**6,891,288**	**(4,903)**	**7,238,831**
Included in the statement of income and other comprehensive income	24,142	(374,664)	-	(350,522)
Acquisitions	150,950	91,668	17,597	260,215

Write-offs	(22,262)	(939)	-	(23,201)
Transfer with categories (1)	-	(3,419,149)	-	(3,419,149)
Transfer levels	(86,715)	320,342	-	233,627
Balance on December 31, 2018	**418,561**	**3,508,546**	**12,694**	**3,939,801**

(1) With the adoption of IFRS 9, a significant portion of the debentures that were in the category of available for sale are now measured at amortized cost.

The tables below show the gains/(losses) due to changes in fair value, including the realized and unrealized gains and losses, recorded in the consolidated statement of income for Level 3 assets and liabilities during the years 2018, 2017 and 2016:

R$ thousand

	Year ended December 31, 2018		
	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Total**
Interest and similar income	8,415	79,579	87,994
Net trading gains/(losses) realized and unrealized	15,727	(454,243)	(438,516)
Total	**24,142**	**(374,664)**	**(350,522)**

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R$ thousand

	Year ended December 31, 2017		
	Financial assets held for trading	**Financial assets available for sale**	**Total**
Interest and similar income	25,967	182,269	208,236
Net trading gains/(losses) realized and unrealized	(10,099)	(917,271)	(927,370)
Total	**15,868**	**(735,002)**	**(719,134)**

R$ thousand

	Year ended December 31, 2016		
	Financial assets held for trading	**Financial assets available for sale**	**Total**
Interest and similar income	16,518	207,164	223,682
Net trading gains/(losses) realized and unrealized	(3,363)	(1,381,389)	(1,384,752)
Total	**13,155**	**(1,174,225)**	**(1,161,070)**

Sensitivity analysis for financial assets classified as Level 3

R$ thousand

	On December 31, 2018					
	Impact on income (1)			**Impact on shareholders' equity (1)**		
	1	**2**	**3**	**1**	**2**	**3**
Interest rate in Reais	(7)	(1,491)	(2,669)	(102)	(20,473)	(36,901)
Price indexes	-	-	-	(16)	(1,750)	(3,296)
Equities	(1,748)	(43,705)	(87,410)	(15,987)	(399,669)	(799,338)

R$ thousand

	On December 31, 2017					
	Impact on income (1)			**Impact on shareholders' equity (1)**		
	1	**2**	**3**	**1**	**2**	**3**

Interest rate in Reais	(8)	(1,931)	(3,482)	(63)	(14,873)	(26,345)
Price indexes	-	-	-	(10)	(1,269)	(2,394)
Equities	(1,351)	(33,783)	(67,567)	(17,825)	(445,615)	(891,231)

(1) Values net of taxes.

The sensitivity analyses were carried out based on the scenarios prepared for the dates shown, always taking into consideration market inputs available at the time and scenarios that would adversely impact our positions, in accordance with the scenarios 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 had 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 quote 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 had 50.0% stresses in the respective curves or prices.

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3.4. Fair value of financial assets and liabilities

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Financial instruments not measured at fair value

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities that were not presented in the consolidated statements of financial position at their fair value, classified using the hierarchical levels:

R$ thousand

	On December 31, 2018				
	Fair Value				
	Level 1	**Level 2**	**Level 3**	**Total**	**Book value**
Financial assets (1)					
Loans and receivables					
· Banks	-	105,248,950	-	105,248,950	105,248,950
· Customers	-	-	381,797,390	381,797,390	380,387,076
Securities at amortized cost	90,337,827	50,758,010	5,827,822	146,923,659	140,604,738
Financial liabilities					
Deposits from banks	-	-	248,216,967	248,216,967	247,313,979
Deposits from customers	-	-	340,512,921	340,512,921	340,748,196
Funds from issuance of securities	-	-	147,572,438	147,572,438	148,029,018
Subordinated debt	-	-	54,081,544	54,081,544	53,643,444

R$ thousand

	On December 31, 2017				
	Fair Value				
	Level 1	**Level 2**	**Level 3**	**Total**	**Book value**
Financial assets					
Financial assets pledged as collateral					
· securities purchased under agreements to resell	-	123,691,195	-	123,691,195	123,691,195
Held to maturity	29,182,489	11,963,782	-	41,146,271	39,006,118
Loans and receivables					
· Banks (1)	-	32,247,724	-	32,247,724	32,247,724
· Customers (1)	-	-	346,633,592	346,633,592	346,758,099
Financial liabilities					

Deposits from banks	-	-	285,716,505	285,716,505	285,957,468
Deposits from customers	-	-	261,760,442	261,760,442	262,008,445
Funds from issuance of securities	-	-	134,890,631	134,890,631	135,174,090
Subordinated debt	-	-	51,012,436	51,012,436	50,179,401

(1) Amounts of loans and receivables are presented net of the provision for impairment losses.

Below we list the methodologies used to determine the fair values presented above:

Loans and receivables

Fair values were estimated for groups of similar loans based upon type of loan, credit quality and maturity. Fair value for fixed-rate transactions was determined by discounted cash flow estimates using interest rates approximately equivalent to our rates for new transactions based on similar contracts. Where credit deterioration has occurred, estimated cash flows for fixed and floating-rate loans have been reduced to reflect estimated losses.

The fair values for performing loans are calculated by discounting scheduled principal and interest cash flows through maturity using market discount rates and yield curves that reflect the credit and interest rate risk inherent to the loan type at each reporting date.

The fair values for impaired loans are based on discounting cash flows or the value of underlying collateral.

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The non-performing loans were allocated into each loan category for purposes of calculating the fair-value disclosure. Assumptions regarding cash flows and discount rates are based on available market information and specific borrower information.

Bonds and securities at amortized cost

Financial assets are carried at amortized cost. Fair values are estimated according to the assumptions described in Note 2(d). See Note 28 and 29 for further details regarding the amortized cost and fair values of held-to-maturity securities.

Deposits from banks and customers

The fair value of fixed-rate deposits with stated maturities was calculated using the contractual cash flows discounted with current market rates for instruments with similar maturities and terms. For floating-rate deposits, the carrying amount was considered to approximate fair value.

Funds from securities issued

The carrying values of funds from securities issued approximate the fair values of these instruments.

Subordinated debt

Fair values for subordinated debts were estimated using a discounted cash flow calculation that applies interest rates available in the market for similar maturities and terms.

3.5. Independent Model Validation

The main purpose of the Independent Model Validation Area – AVIM is to verify if the models operate according to the objectives envisaged, as well as if its results are suitable for the uses for which they are intended.

The Independent Model Validation adopts a methodology that includes quantitative and qualitative dimensions, assessing the adequacy of processes of governance, construction of models and their assumptions, and use and monitoring of the models, which are:

Qualitatives

- Scope of the Model: scope or coverage of the model, which encompasses the purpose for which it is intended, the type of risk involved, the companies exposed to this risk, the portfolios, products, segments, channels, etc.;
- Application of the Model: aspects relating to the use of the model, which includes the definition of the model, the reasonableness in the use of the factors of the model, and the flow and timeliness of information for decision making; and
- Technological Environment and Consistency of Data: structure of systems and controls involved in the calculations performed by the model and the process in which the model is inserted. It also encompasses the consistency of data, considering the features of version control and access, backup, traceability, changes of parameters, quality of data, contingency of systems and automated controls.

Quantitatives

- Measuring System: challenge to the procedures for measurement of risk, both basis and stress, encompassing the definition, implementation and validation of the method, consisting of the methodology, assumptions, parameters, calculation routine, input data and results; and
- Backtesting: statistical procedure used to assess the adherence of the model by comparing the values estimated by the model and the values observed over a period of time, previously defined. It includes methodological aspects of formalization and use for the improvement of the model.

For the implementation of its activities, the AVIM may use structures already deployed and ingrained in the Organization with the aim of avoiding the overlap of functions. Its results are reported to the managers and to the Integrated Risk Management and Capital Allocation Committee.

3.6. Capital management

Capital Management Corporate Process

The Capital Management provides the conditions required to meet the Organization's strategic goals to support the risks inherent to its activities. It includes the preparation of the capital plan, identifying the contingency actions to be considered in stress scenarios.

In line with the strategic guidelines, the Organization manages capital, involving the control and business areas, in accordance with the guidelines of the Board of Executive Officers and Board of Directors.

The governance structure for the capital management and the Internal Capital Adequacy Assessment Process (ICAAP) is composed by Committees and its highest level body is the Board of Directors. The most important is the Planning, Budget and Control Department – DPOC, whose mission is to provide the efficient and effective management of the business through strategic management and planning. The DPOC supports the Senior Management by providing analyses and projections of capital requirements and availability, identifying threats and opportunities that help plan the sufficiency and optimization of capital levels. The Department is responsible for complying with the provisions of Central Bank of Brazil regarding capital management activities.

Capital Adequacy

The RC adequacy is verified daily to ensure that the Organization maintains a solid capital base in normal situations or in extreme market conditions and complying with regulatory requirements.

The determination of the Central Bank of Brazil is that the financial institutions permanently maintain capital and additional Common Equity Tier I (Conservation, Countercyclical and Systemic) compatible with the risks from their activities. The risks are represented by Risk-Weighted Asset (RWA), which is calculated based on, at least, the sum of Credit, market and operational risk components.

Additionally, the Organization must maintain enough capital to meet the interest rate risk from operations not included in the trading portfolio (Banking Portfolio's interest rate risk), calculated using the EVE (Economic Value Equity) method.

Analysis of Reference Equity (PR)

Following is the detailed information on the Organization's Capital, in compliance with the Prudential Conglomerate:

R$ thousand

Calculation basis - Basel Ratio	Basel III On December 31	
	2018	2017
	Prudential	
Tier I capital	**90,322,147**	**80,084,744**
Common equity	81,090,060	75,079,777
Shareholders' equity	121,120,869	110,457,476
Minority / Other	169,606	68,072
Prudential adjustments (1)	(40,200,415)	(35,445,771)
Additional Capital (3)	9,232,087	5,004,967
Tier II capital	**27,618,026**	**24,588,090**
Subordinated debts (Resolution No. 4.192/13)	22,416,933	16,947,024
Subordinated debts (prior to Resolution No. 4.192/13)	5,201,093	7,641,066
Reference Equity (a)	**117,940,173**	**104,672,834**
- Credit risk	598,057,619	554,928,771
- Market risk	10,407,258	8,908,205
- Operational risk	53,150,786	47,605,162
Risk-weighted assets – RWA (b)	**661,615,663**	**611,442,138**
Banking Book's Interest Rate Risk	5,180,343	3,527,467
Margin (Capital Buffer) (2)	34,911,835	34,226,583
Basel ratio (a/b)	**17.8%**	**17.1%**
Tier I capital	**13.7%**	**13.1%**
- Principal capital	12.3%	12.3%
- Additional capital	1.4%	0.8%
Tier II capital	**4.2%**	**4.0%**

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(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;
(2) Margin: Minimum (PR - PRE; PR Level I - RWA*6%; PR - RWA*4.5%) - Additional Common Equity; and
(3) Authorization of subordinated debts to compose Tier I in the amount of R$4,179 thousand (R$1,737 thousand in December 2018 and R$2,442 thousand in January 2019).

Breakdown of Risk-Weighted Assets (RWA)

Below is the detailed comparison of the risk-weighted assets (RWA) of the Prudential Conglomerate, regulatory approach:

		R$ thousand
RWA	**On December 31**	
	2018	**2017**
	Prudential	
Credit risk	**598,057,619**	**554,928,771**
Risk Weight of 0%	-	-
Risk Weight of 2%	83,052	314,012
Risk Weight of 20%	3,229,634	2,224,147
Risk Weight of 35%	11,393,716	10,208,602
Risk Weight of 50%	32,072,200	25,635,506
Risk Weight of 75%	130,208,551	114,553,059
Risk Weight of 85%	115,191,858	105,938,759
Risk Weight of 100%	265,578,016	261,909,360
Risk Weight of 250%	30,408,772	28,139,531
Risk Weight of 300%	6,634,117	2,920,531
FORMULA (1)	3,250,205	-
Risk Weight up to 1,250%	7,498	3,085,264
Market Risk (2)	**10,407,258**	**8,908,205**
Fixed-rate in Reais	3,621,542	5,696,584
Foreign Currency Coupon	6,949,809	838,259
Price Index Coupon	1,399,478	1,756,973
Equities	1,087,814	637,924

Commodities	757,438	449,546
Exposure to Gold, Foreign Currencies and Exchange	4,424,487	3,657,957
Operational Risk	**53,150,786**	**47,605,162**
Corporate Finance	1,655,552	1,369,491
Trading and Sales	2,443,551	1,667,449
Retail	10,032,258	9,308,681
Commercial	23,508,471	21,518,843
Payment and Settlement	6,834,660	6,132,749
Financial Agent Services	4,055,903	3,628,257
Asset Management	4,465,702	3,827,848
Retail Brokerage	154,689	151,844
Total Risk Weighted Assets	**661,615,663**	**611,442,138**
Total Capital Requirement	**(57,064,351)**	**(56,558,398)**
Banking Book's Interest Rate Risk	**(5,180,343)**	**(3,527,467)**
Additional Common equity (ACPS) (3)	**15,713,372**	**9,171,632**
ACP Conservation	12,405,294	7,643,027
ACP Systemic	3,308,078	1,528,605

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(1) For purposes of calculation of the market risk, Circular Letters No. 3,848 (DLO accounts 535,01 and 530,22) and No. 3,849 (DLO accounts 530,22) of Central Bank of Brazil were used;

(2) For purposes of calculation of the market risk, the capital requirement will be the maximum between the internal model and 80% of the standard model, pursuant to Circular Letters No. 3,646 and 3,674 of the Central Bank of Brazil; and

(3) In 2018, the value of the conservation ACP represents 1.875% of the amount of RWA. The systemic ACP represents 0.50% of the amount of RWA Systemic Relevance Factor determined according to Circular Letter No. 3,768 of the Central Bank of Brazil - Total Exposure and GDP of the year before last in relation to the base date: R$1.1 trillion and R$6.3 trillion, respectively. The contracyclical ACP remained at 0% of the amount of RWA, pursuant to Communication No. 32,139 of Central Bank of Brazil, where the RWA of the loan risk to the non-banking private sector (RWACPrNB) is R$528.3 billion in Brazil.

Capital Sufficiency

The capital management process is aligned with the strategic planning and is forward looking, anticipating any changes in the economic and commercial environment conditions in which we operate.

The Organization's capital management aims at permanently ensuring a sound capital composition to support the development of its activities and to ensure adequate coverage of risks incurred. The Organization maintains a managerial capital margin (buffer), which is added to the minimum regulatory requirements.

The management buffer is defined according to the leading practices and regulatory requirements, observing aspects such as additional impacts generated by stress scenarios, qualitative risks and risks not captured by the regulatory model.

The Organization considers it comfortable to maintain a Tier I Capital margin of at least 25% in relation to the minimum capital requirements in the medium and long term, pursuant to the schedule established by the Central Bank of Brazil for the full adoption of Basel III guidelines.

The Organization's regulatory capital sufficiency can be seen by calculating the capital adequacy ratio which in this period was 17.8%, of which 13.7% and 12.3% was Tier I Capital and Common Equity respectively. In terms of margin, the amount totaled R$34,911,835 thousand, which would allow for an increase of up to R$557,737,318 thousand in loan operations (considering the current composition of the portfolio).

It is important to highlight that since January 2015, according to the CMN Resolution No. 4,192/13 which deals with the methodology for calculating the ratios of Common Equity, Tier 1 and Reference Equity, the regulatory scope became the Prudential Conglomerate.

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Capital Forecast

The capital management area is responsible for making simulations and projections of the Organization's capital, in accordance with the strategic guidelines, the impacts arising from variations and trends of the economic and business environment as well as regulatory changes. The results from the projections are submitted to the Senior Management, pursuant to the governance established.

The projections for the next three years present adequate levels of Capital indices, considering the incorporation of net profits and increase of regulatory requirements according to the timeline defined by CMN Resolution 4,193 for subsequent periods, also contemplating the additional common equity.

3.7. Insurance risk/subscription risk

Insurance risk is the risk related to a possible loss event that may occur in the future and for which there is uncertainty over the amount of damages that result from it. A component of insurance risk is underwriting risk, which arises from an adverse economic situation not matching the Organization's expectations at the time of drafting its underwriting policy and calculating insurance premiums. In short, it refers to the risk of the frequency or severity of loss events or benefits exceeding the Organization's estimates.

Underwriting risk is managed by the Technical Department. Underwriting and risk acceptance policies are periodically evaluated by working groups. In addition, one of the main tasks of the Board of Risk Management, Internal Controls and Compliance, an integral part of the structure of risk management, is the calculation of regulatory capital for these businesses and certifies studies on the pricing of new products.

The management process seeks to diversify insurance operations, aiming to excel at balancing the portfolio, and is based on the grouping of risks with similar characteristics in order to reduce the impact of individual risks.

Uncertainties over estimated future claim payments

Claims are due as they occur. The Organization must indemnify all covered events that occurred during the policy period, even if a loss is discovered after coverage ends. As a result, claims are reported over a period and a significant portion are accounted for in the Provisions for Claims Incurred but Not Reported (IBNR). The estimated cost of claims includes direct expenses to be incurred when settling them.

Giving the uncertainties inherent to the process for estimating claims provisions, the final settlement may be different than the original provision.

Asset and liability management (ALM)

The Organization periodically analyzes future cash flows on assets and liabilities held in portfolio (ALM - Asset Liability Management). The method used for ALM analysis is to observe the sufficiency or insufficiency of the present value of the stream of assets in relation to the present value of the stream of liabilities, and the duration of assets in relation to that of liabilities. The aim is to verify that the situation of the portfolio of assets and liabilities is balanced in order to honor the Organization's future commitments to its participants and insured persons.

The actuarial assumptions used to generate the flow of liabilities are in line with actuarial practices and also with the characteristics of the Organization's product portfolio.

Risk management by product

Monitoring the insurance contract portfolio enables us to track and adjust premiums practiced, as well as assess the need for alterations. Other monitoring tools in use include: (i) sensitivity analysis, and (ii) algorithmic checks and corporate system notifications (underwriting, issuance and claims).

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The main risks associated with property insurance

- Oscillations in the incidence, frequency and severity of the claims and the indemnifications of claims in relation to the expectations;
- Unpredictable claims arising from an isolated risk;
- Inaccurate pricing or inadequate underwriting of risks;
- Inadequate reinsurance policies or risk transfer techniques; and
- Insufficient or excessive technical provisions.

Generally the property insurance underwritten is of short duration.

The underwriting strategies and goals are adjusted by management and informed through internal guidelines and practice and procedure manuals.

The risks inherent to the main property insurance business lines are summarized as follows:

- Auto insurance includes, among other things, physical damage to the vehicle, loss of the insured vehicle, third-party liability insurance for vehicles and personal accident for passengers; and
- Business, home and miscellaneous insurance includes, among other things, fire risks (e.g. fire, explosion and business interruption), natural disasters (earthquakes, storms and floods), engineering lines (explosion of boilers, breakdown of machinery and construction) and marine (cargo and hull) as well as liability insurance.

Property insurance risk management

The Organization monitors and evaluates risk exposure and undertakes the development, implementation and revision of guidelines related to underwriting, treatment of claims, reinsurance and constitution of technical provisions. The implementation of these guidelines and the management of these risks are supported by the technical departments of each risk area.

The Technical Department has developed mechanisms, e.g. risk grouping by CPF, CNPJ (Individual and Corporate Taxpayer's ID) and risky addresses, that identify, quantify and manage accumulated exposures in order to keep them within the limits defined in the internal guidelines.

The main risks associated with life insurance and private pension plans

Life insurance and private pension plans are long-term in nature and, accordingly, various actuarial assumptions are used to manage and estimate the risks involved, such as: assumptions about returns on investments, longevity, mortality and persistence rates in relation to each business unit. Estimates are based on historical experience and on actuarial expectations.

The risks associated with life insurance and private pension plans include:

- Biometric risks, which includes mortality experience, adverse morbidity, longevity and disability. The mortality risk may refer to policyholders living longer than expected (longevity) or passing away before expected. This is because some products pay a lump sum if the person dies, and others pay regular amounts while the policyholder is alive;
- Policyholder's behavior risks, which includes persistence rate experience. Low persistence rates for certain products may result in less policies/private pension plan agreements remaining contracted to help cover fixed expenses and may reduce future positive cash flows of the underwritten business. A low persistence rate may affect liquidity of products which carry a redemption benefit;
- Group life-insurance risk results from exposure to mortality and morbidity rates and to operational experience worse than expected on factors such as persistence levels and administrative expenses; and

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• Some Life and Pension Plan products have pre-defined yield guarantees, and thereby face risk from changes in financial markets, returns on investments and interest rates that are managed as a part of market risk.

Life insurance and private pension plan risk management

• The Organization monitors and assesses risk exposure and is responsible for developing, implementing and reviewing policies relating to underwriting, processing claims, and technical reserves for insurance purposes. Implementation of these policies and management of these risks are supported by the Technical Department;

• The Technical Department has developed mechanisms, such as statistical reports and performance by type that identify, quantify and manage accumulated exposures to keep them within limits defined by internal policies;

• Longevity risks are carefully monitored in relation to the most recent data and to the trends in the environments in which the Organization operates. Management monitors exposure to this risk and the capital implications of it in order to manage the possible impacts, as well as to ensure that business has the capital that it may require. The Management adopts improvement assumptions in its calculation of technical provisions in order to predict and thus be covered for possible impacts generated by the improvement in life expectancy of the insured/assisted population;

• Mortality and morbidity risks are partially mitigated through reinsurance contracts for catastrophes;

• Persistency risk is managed through frequent monitoring of the Organization's experience. Management has also defined rules on the management and monitoring of persistence and the implementation of specific initiatives to improve the renewal of policies that expire; and

• The risk of a high level of expenses is primarily monitored through the evaluation of the profitability of the business units and the frequent monitoring of expense levels.

The main risks associated with health insurance

- Variations in cause, frequency and severity of indemnities of claims compared to expectations;
- Unforeseen claims resulting from isolated risk;
- Incorrect pricing or inadequate subscription of risks; and
- Insufficient or overvalued technical provisions.

For individual health insurance, for which certain provisions are calculated based on expected future cash flows (difference between expected future claims and expected future premiums), there are a number of risks, in addition to those cited above, such as biometric risk, including mortality and longevity experience and the insured's behavioral risk, which covers persistency experience, as well as interest-rate risk that is managed as a part of market risk.

Management of health insurance risk

- The Organization monitors and evaluates risk exposure and is responsible for the development, implementation and review of policies that cover subscription, treatment of claims and technical insurance provisions. The implementation of these policies and management of risks are supported by the Superintendent of Actuary and Statistics;
- The Superintendent of Actuary and Statistics has developed mechanisms, such as statistical reports and performance by type that identify, quantify and manage accumulated exposure in order to keep it within the limits defined by internal policies;
- Longevity risk is carefully monitored using the most recent data and tendencies of the environment in which the Organization operates. Management monitors exposure to this risk and its capital implications in order to manage possible impacts, as well as the funding that the future business needs;
- Persistency risk is managed through the frequent management of the Organization’s experience. Management has also established guidelines for the management of persistency in order to monitor and implement specific initiatives, when necessary, to improve retention of policies; and

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- The risk of elevated expenses is primarily monitored through the evaluation of the profitability of business units and the frequent monitoring of expense levels.

Results of sensitivity analysis - Property, Life and Health Insurance and Life with Survival and Welfare Coverage and Individual Life Insurance

Some test results are shown below. For each sensibility scenario the impact is shown in the income and shareholders' equity after taxes and contributions, in a reasonable and possible change in just a single factor. We emphasize that the insurance operations are not exposed to significant currency risk.

Sensitivity factor	Description of sensitivity factor applied
Interest rate	Effect of lowering the risk free forward yield curve rate
Loss events	Impact on the business of increased loss events and claims
Longevity (improvement)	Impact of an improved survival estimates on annuity contracts
Conversion to income	Impact on annuity contracts of a higher rate of conversion to income

The sensitivity test for Life Insurance with Survival, Welfare Coverage and Individual Life Insurance was made considering the same bases and groupings of the TAP test with variation in the assumptions listed below:

			R$ thousand
	On December 31, 2018		
	Interest rate	**Longevity**	**Conversion to income**
Percentage adjustment to each assumption:	**Variation of -5%**	**0.2%**	**+ 5 b.p.**
Traditional plans (contributing period)	(2,306)	(263)	(4,882)
PGBL and VGBL (contributing period)	(7,502)	(1,166)	(27,316)
All plans(retirement benefit period)	(125,864)	(46,742)	-
Total	**(135,672)**	**(48,171)**	**(32,198)**

For property, life and health insurance, except individual life, the table below shows increase in the events/claims were to rise 1 percentage point over the 12 months from the calculation base date.

R$ thousand

	Gross of reinsurance On December 31		Net of reinsurance On December 31	
	2018	**2017**	**2018**	**2017**
Auto	(21,721)	(22,347)	(21,721)	(22,347)
RE (Elementary branch)	(8,366)	(9,940)	(7,980)	(8,893)
Life	(29,633)	(28,146)	(29,541)	(28,050)
Dental	(3,941)	(3,495)	(3,941)	(3,495)
Health	(104,574)	(97,923)	(104,574)	(97,923)

Limitations of sensitivity analysis

Sensitivity analyses show the effect of a change in an important premise while other premises remain unchanged. In real situations, premises and other factors may be correlated. It should also be noted that these sensitivities are not linear and therefore greater or lesser impacts should not be interpolated or extrapolated from these results.

Sensitivity analyses do not take account of the fact that assets and liabilities are managed and controlled. Additionally, the Organization’s financial position may vary with any movement occurring in the market. For example, the risk management strategy aims to manage exposure to fluctuations in the market. As investment markets move through various levels, management initiatives may include sales of investments, altered portfolio allocations, and other protective measures.

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Other limitations of the sensitivity analyses include the use of hypothetical market movements to show the potential risk, which only represents Management's view of possible market changes in the near future, which cannot be foreseen with certainty, and they also assume that all interest rates move in the same manner.

Risk concentration

Potential exposures are monitored, analyzing certain concentrations in some type of insurance. The table below shows risk concentration by type of insurance (except health and dental), based on net premiums, net of reinsurance:

		R$ thousand
Premium issued by branch, net of cancellation	**On December 31**	
	2018	**2017**
Auto	3,987,645	4,086,705
RE (Elementary branch)	1,485,537	1,525,848
Traditional plans	1,892,855	1,788,420
Life insurance	7,041,906	6,904,576
VGBL	23,492,119	28,650,153
PGBL	2,461,808	3,301,623

Credit risk of insurance

Credit risk consists of the possible incurrence of losses associated with non-performance, by the borrower or counterparty, of its financial obligations according to agreed terms, as well as the fall in value of any credit agreement as a result of deterioration in the risk classification of the borrower, and other losses related to any non-performance of financial obligations by the counterparty.

Reinsurance policy

No matter how conservative and selective insurers are in the choice of their partners, the purchase of reinsurance presents, naturally embedded in its operation, a credit risk. However, in Brazil this risk has relatively decreased due to current legal laws and regulations, once insurers should operate with reinsurers registered with SUSEP, that are classified as local, admitted or occasional. Reinsurers classified as admitted and occasional, headquartered abroad, must meet specific minimum requirements set forth in current legislation.

The Bradesco Organization's policy for purchasing reinsurance and approval of reinsurers are the responsibility of the Board of Executive Officers, observing to the minimum legal requirements and regulations, some of them aimed at minimizing the credit risk intrinsic to the operation, and considering the shareholders' equity consistent with amounts transferred.

Another important aspect of managing reinsurance operations is the fact that the Organization aims to work within its contractual capacity, thereby avoiding the frequent purchases of coverages in optional agreements and higher exposures to the credit risk.

Practically, all property damage portfolios, except automotive, are hedged by reinsurance which, in most cases, is a combination of proportional and non-proportional plans by risk and/or by event.

Currently, part of the reinsurance contracts (proportional and non-proportional) are transferred to IRB Brasil Resseguros S.A. Some admitted reinsurers participate with lower individual percentages, but all have minimum capital and rating higher than the minimum established by the Brazilian legislation, which, in Management's judgment, reduces the credit risk.

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Credit risk management

Credit risk management in the Organization is a continuous and evolving process including the mapping, development, evaluation and diagnosis of existing models, instruments and procedures that requires a high level of discipline and control in the analysis of operations to preserve the integrity and independence of processes.

As noted above, credit risk is managed at the corporate level using structured, independent internal procedures based on proprietary documentation and reports, duly assessed by the risk management structures of Organization, and based on the gradual deployment of internal models for the determination, measurement and calculation of capital.

Exposure to insurance credit risk

Management believes that maximum exposure to credit risk arising from premiums to be paid by insured parties is low, since, in some cases, coverage of claims may be canceled (under Brazilian regulations), if premiums are not paid by the due date. Exposure to credit risk for premium receivables differs between risks yet to be incurred and risks incurred, since there is higher exposure on incurred-risk lines for which coverage is provided in advance of payment of the insurance premium.

The Organization is exposed to concentrations of risk with individual reinsurance companies, due to the nature of the reinsurance market and strict layer of reinsurance companies with acceptable loan ratings. The Organization manages the exposures of its reinsurance counterparties, limiting the reinsurance companies that may be used, and regularly assessing the default impact of the reinsurance companies.

3.7. Insurance risk/subscription risk

4) Estimates and judgments

The Organization makes estimates and judgments that can affect the reported amount of assets and liabilities within the next financial year. All estimates and judgments required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Such estimates and judgments are continually evaluated and based in our historical experience and a number of other factors including future event expectations, regarded as reasonable, under the current circumstances.

The estimates and judgments that have a significant risk and might have a relevant impact on the amounts of assets and liabilities within the next financial year are disclosed below. The actual results may be different from those established by these estimates and premises.

Fair value of financial instruments

Financial instruments recognized at fair value in our consolidated financial statements consist primarily of financial assets measured at fair value through profit or loss, including derivatives and financial assets classified as measured at fair value through other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the management date.

These financial instruments are categorized within a hierarchy based on the lowest level of input that is significant to the fair value measurement. For instruments classified as level 3, we have to apply a significant amount of our own judgment in arriving at the fair value measurement. We base our judgment decisions on our knowledge and observations of the markets relevant to the individual assets and liabilities, and those judgments may vary based on market conditions. In applying our judgment, we look at a range of third-party prices and transaction volumes to understand and assess the extent of market benchmarks available and the judgments or modeling required in third-party processes. Based on these factors, we determine whether the fair values are observable in active markets or whether the markets are inactive.

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Imprecision in estimating unobservable market inputs can impact the amount of revenue or loss recorded for a particular position. Furthermore, while we believe our valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value on the reporting date. For a detailed discussion of the determination of fair value of financial instruments, see Note 3.4.

Expected credit loss

The measurement of the provision for losses on loans expected for financial assets measured at amortized cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and loan behavior.

The explanation of assumptions and estimation techniques used in the measurement of expected loan loss is further detailed in Note 3.1.

Several significant judgments are also required to apply the accounting requirements for the measurement of the credit loss expected, such as:

- Determine the criteria for the significant increase of credit risk;
- Choice of models and assumptions suitable for the measurement of expected credit loss;
- Establish the number and weighting factors on the prospective scenarios, for each type of product and market, related to the credit loss expected; and
- Establish a group of similar financial assets for purposes of measuring the expected credit loss.

The process to determine the level of provision for expected credit loss requires estimates and the use of judgment; it is possible that actual losses presented in subsequent periods will differ from those calculated according to current estimates and assumptions.

Impairment of goodwill

The Organization analyzes, at least annually, whether the current carrying value of goodwill is impaired. The first step of the process requires the identification of independent Cash-Generating Units and the allocation of goodwill to these units. The carrying amount of the CGU, including the allocated goodwill, is compared to its recoverable amount to determine whether any impairment exists. If the value in use of a cash-generating unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competitive activity, regulatory change). The value in use is based upon discounting expected pre-tax cash flows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both requires one to exercise one's judgment. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect the Organization's view of future performance.

Income tax

The determination of the amount of our income tax liability is complex, and our assessment is related to our analysis of our deferred tax assets and liabilities and income tax payable. In general, our evaluation requires that we estimate future amounts of current and deferred taxes. Our assessment of the possibility that deferred tax assets are realized is subjective and involves assessments and assumptions that are inherently uncertain in nature. The realization of deferred tax assets is subject to changes in future tax rates and developments in our strategies. The underlying support for our assessments and assumptions could change over time as a result of unforeseen events or circumstances, affecting our determination of the amount of our tax liability.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, even after the outcome of any related administrative or judicial proceedings based on technical merits. Further judgment is then required to determine the amount of benefit eligible for recognition in our consolidated financial statements.

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In addition, we have monitored the interpretation of tax laws by, and decisions of, the tax authorities and Courts so that we can adjust any prior judgment of accrued income taxes. These adjustments may also result from our own income tax planning or resolution of income tax controversies, and may be material to our operating results for any given period. For additional information about income tax, see Note 18.

Technical insurance provisions

Insurance technical provisions (reserves) are liabilities representing estimates of the amounts that will become due at a future date, to or on behalf of our policyholders – see Note 2(l). Expectations of loss ratio, mortality, longevity, length of stay and interest rate are used. These assumptions are based on our experience and are periodically reviewed against industry standards to ensure actuarial credibility.

Contingent liabilities

The Provisions are regularly reviewed and constituted, where the loss is deemed probable, based on the opinion of the legal counsel, the nature of the lawsuit, similarity to previous lawsuits, complexity and the courts standing. Contingencies classified as Probable Loss are recorded in the Consolidated Statements of Financial Position under "Other Provisions".

5) Operating segments

The Organization operates mainly in the banking and insurance segments. Our banking operations include operations in the retail, middle-market and corporate sectors, lease, international bank operations, investment bank operations and as a private bank. The Organization also conducts banking segment operations through its branches located throughout the country, in branches abroad and through subsidiaries as well as by means of shareholding interests in other companies. Additionally we are engaged in insurance, supplemental pension plans and capitalization bonds through our subsidiary, Bradesco Seguros S.A. and its subsidiaries.

The following segment information was prepared based on reports made available to Management to evaluate performance and make decisions regarding the allocation of resources for investments and other purposes. Our Management uses a variety of accounting information, which includes the proportional consolidation of associates and joint ventures. Accordingly, the information of the segments shown in the following tables was prepared in accordance with the specific procedures and other provisions of the Financial Institutions Accounting Plan and the total amounts, which correspond to the consolidated information, were prepared in accordance with IFRS, issued by the IASB .

The main assumptions for the segmentation of income and expenses include (i) surplus cash invested by the entities operating in insurance, supplemental pension and capitalization bonds are included in this segment, resulting in an increase in net interest income; (ii) salaries and benefits and administrative costs included in the insurance, supplemental pension and capitalization bonds segment consist only of cost directly related to these operations, and (iii) costs incurred in the banking operations segment related to the infrastructure of the branch network and other general indirect expenses have not been allocated between segments.

Information by operating segment, reviewed by the Organization and corresponding to the years 2018, 2017 and 2016, is shown below:

R$ thousand

	Year ended December 31, 2018			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations (1), adjustments and eliminations**	**Total**
Net interest income	**53,582,872**	**12,291,357**	**934,241**	**66,808,470**
Net fee and commission income	**25,496,171**	**600,510**	**(2,265,091)**	**23,831,590**
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	(11,676,573)	(11,676,573)
Net gains/(losses) on financial instruments classified as held for trading	(6,217,370)	(5,459,203)	11,676,573	-
Net gains/(losses) on financial assets at fair value through other comprehensive income	-	-	1,073,563	1,073,563
Net gains/(losses) on financial instruments classified as available for sale	625,159	738,063	(1,363,222)	-
	1,096,826	-	-	1,096,826

Net gains/(losses) on foreign currency transactions				
Net income from insurance and pension plans	-	7,656,872	-	7,656,872
Other operating income/(loss)	**(4,495,385)**	**2,935,732**	**(289,659)**	**(1,849,312)**
Expected loss on loans and advances	-	-	(15,091,975)	(15,091,975)
Impairment of loans and advances	(11,078,383)	-	11,078,383	-
Expected loss on other financial assets	-	-	(1,172,860)	(1,172,860)
Personnel expenses	(17,369,813)	(1,643,734)	142,085	(18,871,462)
Other administrative expenses	(16,290,073)	(1,609,750)	1,025,861	(16,873,962)
Depreciation and amortization	(5,575,203)	(411,875)	1,178,823	(4,808,255)
Other operating income/(expenses)	(11,439,378)	(1,596,743)	(1,174,473)	(14,210,594)
Other operating expense	**(61,752,850)**	**(5,262,102)**	**(4,014,156)**	**(71,029,108)**
Income before income taxes and share of profit of associates and joint ventures	**12,830,808**	**10,565,497**	**(5,634,665)**	**17,761,640**
Share of profit of associates and joint ventures	1,410,004	206,272	64,099	1,680,375
Income before income taxes	**14,240,812**	**10,771,769**	**(5,570,566)**	**19,442,015**
Income tax and social contribution	(206,385)	(4,382,847)	1,895,656	(2,693,576)
Net income for the year	**14,034,427**	**6,388,922**	**(3,674,910)**	**16,748,439**
Attributable to controlling shareholders	14,034,093	6,224,398	(3,674,576)	16,583,915
Attributable to non-controlling interest	334	164,524	(334)	164,524
Total assets	**1,057,484,986**	**305,112,189**	**(57,053,461)**	**1,305,543,714**
Investments in associates and joint ventures	**6,235,329**	**1,837,899**	**52,571**	**8,125,799**
Total liabilities	**934,863,960**	**271,320,375**	**(25,316,741)**	**1,180,867,594**

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R$ thousand

	Year ended December 31, 2017			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations (1), adjustments and eliminations**	**Total**
Net interest income	**46,997,327**	**1,857,926**	**1,787,660**	**50,642,913**
Net fee and commission income	**24,143,561**	**787,014**	**(2,181,747)**	**22,748,828**
Net gains/(losses) on financial instruments classified as held for trading	6,011,351	3,641,626	(29,869)	9,623,108
Net gains/(losses) on financial instruments classified as available for sale	(685,560)	713,425	542,493	570,358
Net gain / (loss) on held-to-maturity investments	(54,520)	-	-	(54,520)
Net gains/(losses) on foreign currency transactions	1,422,957	-	-	1,422,957
Net income from insurance and pension plans	-	6,239,990	-	6,239,990
Other operating income/(loss)	**6,694,228**	**10,595,041**	**512,624**	**17,801,893**
Impairment of loans and advances	(17,895,929)	-	1,035,094	(16,860,835)
Personnel expenses	(19,261,590)	(1,589,077)	127,402	(20,723,265)
Other administrative expenses	(17,175,352)	(1,391,439)	1,684,330	(16,882,461)
Depreciation and amortization	(5,555,033)	(393,618)	1,380,083	(4,568,568)
Other operating income/(expenses)	(9,282,411)	(889,065)	38,119	(10,133,357)
Other operating expense	**(69,170,315)**	**(4,263,199)**	**4,265,028**	**(69,168,486)**
Income before income taxes and share of profit of associates and joint ventures	**8,664,801**	**8,976,782**	**4,383,565**	**22,025,148**
Share of profit of associates and joint ventures	1,497,268	217,035	4,108	1,718,411
Income before income taxes	**10,162,069**	**9,193,817**	**4,387,673**	**23,743,559**
Income tax and social contribution	(887,289)	(4,156,153)	(1,385,514)	(6,428,956)
Net income for the year	**9,274,780**	**5,037,664**	**3,002,159**	**17,314,603**
Attributable to controlling shareholders	9,272,962	4,812,425	3,003,977	17,089,364
Attributable to non-controlling interest	1,818	225,239	(1,818)	225,239
Total assets	**988,063,541**	**295,699,951**	**(59,410,052)**	**1,224,353,440**
Investments in associates and joint ventures	**6,364,246**	**1,847,099**	**46,039**	**8,257,384**
Total liabilities	**875,887,257**	**257,329,282**	**(26,556,803)**	**1,106,659,736**

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R$ thousand

	Year ended December 31, 2016			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations (1), adjustments and eliminations**	**Total**
Net interest income	**49,156,109**	**5,374,229**	**2,132,651**	**56,662,989**
Net fee and commission income	**20,696,785**	**651,482**	**(1,007,216)**	**20,341,051**
Net gains/(losses) on financial instruments classified as held for trading	14,918,934	1,250,639	233,197	16,402,770
Net gains/(losses) on financial instruments classified as available for sale	(1,417,647)	805,051	(728,804)	(1,341,400)
Net gains/(losses) on foreign currency transactions	150,757	-	-	150,757
Net income from insurance and pension plans	-	4,155,763	-	4,155,763
Other operating income/(loss)	**13,652,044**	**6,211,453**	**(495,607)**	**19,367,890**
Impairment of loans and advances	(18,829,460)	-	3,479,182	(15,350,278)
Personnel expenses	(15,733,611)	(1,387,935)	117,763	(17,003,783)
Other administrative expenses	(14,979,689)	(1,331,349)	161,475	(16,149,563)
Depreciation and amortization	(3,786,599)	(365,656)	493,842	(3,658,413)
Other operating income/(expenses)	(14,421,152)	243,631	173,359	(14,004,162)
Other operating expense	**(67,750,511)**	**(2,841,309)**	**4,425,621**	**(66,166,199)**
Income before income taxes and share of profit of associates and joint ventures	**15,754,427**	**9,395,855**	**5,055,449**	**30,205,731**
Share of profit of associates and joint ventures	1,538,058	168,691	(7,024)	1,699,725
Income before income taxes	**17,292,485**	**9,564,546**	**5,048,425**	**31,905,456**
Income tax and social contribution	(7,995,420)	(3,915,822)	(2,001,488)	(13,912,730)
Net income for the year	**9,297,065**	**5,648,724**	**3,046,937**	**17,992,726**
Attributable to controlling shareholders	9,293,766	5,550,662	3,049,821	17,894,249
Attributable to non-controlling interest	3,299	98,062	(2,884)	98,477
Total assets	**921,916,290**	**266,642,197**	**3,471,169**	**1,192,029,656**
Investments in associates and joint ventures	**5,512,372**	**1,416,617**	**73,789**	**7,002,778**
Total liabilities	**821,182,152**	**266,143,979**	**(775,682)**	**1,086,550,449**

(1) Other operation represents less than 1% of total assets/liabilities and the net income for the year. The main adjustments from the information disclosed in segments columns are related to the difference between the IFRS and the Segment Report Information as impairment for loans and advance, effective interest rate and proportional consolidation.

Our operations are substantially conducted in Brazil. Additionally, as of December 31, 2018, we have one branch in New York, one branch in Grand Cayman, and one branch in London, mainly to complement our banking services and assist in import and export operations for Brazilian customers. Moreover we also have subsidiaries abroad, namely: Banco Bradesco Argentina S.A.U. (Buenos Aires), Banco Bradesco Europe S.A. (Luxembourg), Bradesco North America LLC (New York), Bradesco Securities, Inc. (New York), Bradesco Securities UK Limited (London), Cidade Capital Markets Ltd. (Grand Cayman), Bradesco Securities Hong Kong Limited (Hong Kong), Bradesco Trade Services Limited (Hong Kong) and Bradescard Mexico, Sociedad de Responsabilidad Limitada (Mexico).

No income from transactions with a single customer or counterparty abroad represented 10% of the Organization's income in the period of 2018, 2017 and 2016.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in "Other operations, adjustments and eliminations". Income and expenses directly associated with each segment are included in determining business-segment performance.

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6) Net interest income

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Interest and similar income			
Loans and advances to banks	9,546,878	5,073,435	8,689,348
Loans and advances to customers:			
- Loans	61,949,949	64,767,081	69,530,396
- Leases	250,791	254,009	343,626
Financial assets:			
- At fair value through profit or loss	17,538,227	-	-
- Fair value through other comprehensive income	16,666,298	-	-
- At amortized cost	12,120,868	-	-
- For trading	-	13,684,574	23,576,526
- Available for sale	-	11,351,320	11,572,618
- Held to maturity	-	4,883,103	6,514,933
Pledged as collateral	-	21,268,934	21,739,202
Compulsory deposits with the Central Bank	3,916,299	4,881,319	5,667,516
Other financial interest income	63,829	68,553	66,210
Total	**122,053,139**	**126,232,328**	**147,700,375**
Interest and similar expenses			
Deposits from banks:			
- Interbank deposits	(137,154)	(152,550)	(127,617)
- Funding in the open market	(15,094,786)	(22,564,515)	(26,767,039)
- Borrowings and onlending	(3,176,469)	(3,068,552)	(3,865,411)
Deposits from customers:			
- Savings accounts	(4,646,528)	(5,730,457)	(6,712,509)
- Time deposits	(6,252,440)	(7,536,161)	(8,746,203)
Funds from issuance of securities	(9,054,699)	(13,262,613)	(17,124,502)
Subordinated debt	(3,517,067)	(5,100,017)	(6,298,555)
Insurance technical provisions and pension plans	(13,365,526)	(18,174,550)	(21,395,550)
Total	**(55,244,669)**	**(75,589,415)**	**(91,037,386)**
Net interest income	**66,808,470**	**50,642,913**	**56,662,989**

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Notes to the Consolidated Financial Statements

7) Net fee and commission income

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Fee and commission income			
Credit cards	6,951,609	6,848,855	6,251,963
Current accounts	7,165,667	6,652,711	6,030,640
Collections	1,982,037	1,965,601	1,777,515
Guarantees	1,463,423	1,570,522	1,438,409
Asset management	1,525,280	1,463,469	1,079,653
Consortium management	1,683,942	1,526,660	1,278,753
Custody and brokerage services	916,083	754,966	618,750
Underwriting/ Financial Advisory Services	815,242	801,219	733,530
Payments	448,416	409,267	373,639
Other	879,891	755,558	758,199
Total	**23,831,590**	**22,748,828**	**20,341,051**

8) Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

	R$ thousand
	Year ended December 31
	2018
Fixed income securities	(1,360,349)
Derivative financial instruments	(10,543,169)
Equity securities	226,945
Total	**(11,676,573)**

9) Net gains/(losses) on financial instruments classified as held for trading

	R$ thousand	
	Years ended December 31	
	2017	**2016**
Fixed income securities	9,862,617	4,654,959
Derivative financial instruments	(1,426,160)	10,887,800
Equity securities	1,186,651	860,011
Total	**9,623,108**	**16,402,770**

10) Net gains/(losses) on financial assets at fair value through other comprehensive income

	R$ thousand
	Year ended December 31
	2018
Fixed income securities	345,987
Equity securities	677,312
Dividends received	50,264
Total	**1,073,563**

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11) Net gains/(losses) on financial instruments classified as available for sale

	R$ thousand	
	Years ended December 31	
	2017	**2016**
Fixed income securities (1)	49,963	(1,918,595)
Equity securities (1)	437,054	459,223
Dividends received	83,341	117,972
Total	**570,358**	**(1,341,400)**

(1) In 2017, includes impairment losses of R$1,729,039 thousand and, in 2016, R$2,106,107 thousand.

12) Net gains/(losses) on foreign currency transactions

Net gains and losses on foreign currency transactions primarily consists of gains or losses from currency trading and translation of monetary items from a foreign currency into the functional currency.

13) Net income from insurance and pension plans

		R$ thousand	
	Years ended December 31		
	2018	**2017**	**2016**
Written premiums	62,736,288	65,864,591	62,470,571
Supplemental pension plan contributions	4,441,813	5,090,043	3,679,922

Granted coinsurance premiums	(47,232)	(49,715)	(70,862)
Refunded premiums	(769,311)	(667,196)	(746,244)
Net written premiums earned	**66,361,558**	**70,237,723**	**65,333,387**
Reinsurance premiums paid	(91,463)	(191,088)	(306,265)
Premiums retained from insurance and pension plans	**66,270,095**	**70,046,635**	**65,027,122**
Changes in the provision for insurance	(25,837,488)	(30,435,868)	(29,729,884)
Changes in the provision for private pension plans	(3,571,734)	(4,369,903)	(3,052,034)
Changes in the insurance technical provisions and pension plans	**(29,409,222)**	**(34,805,771)**	**(32,781,918)**
Reported indemnities	(26,463,800)	(25,924,687)	(24,877,804)
Claims expenses	(67,298)	(36,068)	(119,201)
Recovery of ceded coinsurance	117,703	35,332	65,285
Recovery of reinsurance	18,786	116,913	141,711
Salvage recoveries	491,559	488,057	451,930
Changes in the IBNR provision	(121,320)	(274,509)	(204,354)
Retained claims	**(26,024,370)**	**(25,594,962)**	**(24,542,433)**
Commissions on premiums	(2,655,101)	(2,700,131)	(2,696,002)
Recovery of commissions	12,411	19,334	29,927
Fees	(353,139)	(403,835)	(489,279)
Brokerage expenses - private pension plans	(125,770)	(153,552)	(167,654)
Changes in deferred commissions	(58,032)	(167,728)	(224,000)
Selling expenses for insurance and pension plans	**(3,179,631)**	**(3,405,912)**	**(3,547,008)**
Net income from insurance and pension plans	**7,656,872**	**6,239,990**	**4,155,763**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

14) Personnel expenses

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Salaries	(8,350,461)	(9,170,556)	(8,236,617)
Benefits	(4,383,644)	(5,385,133)	(3,625,796)
Social security charges	(2,997,889)	(3,505,290)	(2,862,067)
Employee profit sharing	(1,682,868)	(1,572,472)	(1,451,310)
Provision for labor claims	(1,289,664)	(927,136)	(663,124)
Training	(166,936)	(162,678)	(164,869)
Total (1)	**(18,871,462)**	**(20,723,265)**	**(17,003,783)**

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

15) Other administrative expenses

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Outsourced services	(4,598,748)	(4,748,308)	(4,871,194)
Communication	(1,541,742)	(1,684,153)	(1,653,055)
Data processing	(2,398,676)	(2,117,085)	(1,612,454)
Advertising and marketing	(1,136,062)	(942,851)	(1,124,659)
Asset maintenance	(1,112,508)	(1,158,840)	(1,060,856)
Financial system	(1,009,209)	(1,033,017)	(1,047,618)
Rental	(1,142,408)	(1,142,166)	(1,027,561)
Security and surveillance	(748,577)	(818,221)	(736,547)
Transport	(749,685)	(782,444)	(719,842)
Water, electricity and gas	(412,789)	(405,515)	(384,069)
Advances to FGC (Deposit Guarantee Association)	(408,335)	(418,670)	(355,540)
Supplies	(216,768)	(263,527)	(321,509)

Travel	(286,731)	(261,911)	(174,772)
Other	(1,111,724)	(1,105,753)	(1,059,887)
Total	**(16,873,962)**	**(16,882,461)**	**(16,149,563)**

16) Depreciation and amortization

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Amortization expenses	(3,348,242)	(3,331,240)	(2,516,777)
Depreciation expenses	(1,460,013)	(1,237,328)	(1,141,636)
Total	**(4,808,255)**	**(4,568,568)**	**(3,658,413)**

17) Other operating income/(expenses)

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Tax expenses	(6,096,899)	(5,960,618)	(6,331,651)
Legal provision	(1,836,429)	(1,238,057)	(2,927,734)
Variation in monetary liabilities	(147,642)	31,710	(699,719)
Income from sales of non-current assets, investments, and property and equipment, net	(614,895)	(412,957)	(467,042)
Other (1)	(5,514,729)	(2,553,435)	(3,578,016)
Total	**(14,210,594)**	**(10,133,357)**	**(14,004,162)**

(1) Includes: (i) the effect of the (additions)/reversal of provision for tax contingency in 2018 – R$(21,188) thousand (2017 – R$(487,269) thousand; 2016 - R$(484,227) thousand); (ii) impairment losses in the amount of 2018 – R$571,321 thousand (2017 – R$185,188 thousand; 2016 – R$31,256 thousand); and (iii) operating expense related of insurance operation in 2018 – R$1,976,347 thousand (2017 – R$1,354,719 thousand and 2016 - R$1,388,645 thousand).

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Notes to the Consolidated Financial Statements

18) Income tax and social contribution

a) Calculation of income tax and social contribution charges

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Income before income tax and social contribution	**19,442,015**	**23,743,559**	**31,905,456**
Total burden of income tax and social contribution at the current rates (1)	**(8,748,907)**	**(10,684,602)**	**(14,357,455)**
Effect of additions and exclusions in the tax calculation:			
Earnings (losses) of associates and joint ventures	756,169	773,285	764,876
Interest on shareholders’ equity (paid and payable)	3,284,368	3,241,955	3,139,102
Other amounts (2)	2,014,794	240,406	(3,459,253)
Income tax and social contribution for the period	**(2,693,576)**	**(6,428,956)**	**(13,912,730)**
Effective rate	13.9%	27.1%	43.6%

(1) Current rates: (i) 25% for income tax; (ii) 20% for the social contribution to financial and equated companies, and the insurance industry, and 9% for the other companies (Note 2t); 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 of 45%, shown; and (iii) the deduction incentives.

b) Composition of income tax and social contribution in the consolidated statement of income

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Current taxes:			
Income tax and social contribution payable	**(5,657,841)**	**(8,788,060)**	**(8,852,947)**
Deferred taxes:			

Net Addition/(realization) of temporary differences	1,288,642	2,950,961	(4,106,008)
Use of opening balances of:			
Social contribution loss	(313,223)	(430,584)	(647,282)
Income tax loss	(343,791)	(331,512)	(879,276)
Addition on:			
Social contribution loss	870,717	150,371	234,730
Income tax loss	1,461,920	19,868	338,053
Total deferred tax expense	**2,964,265**	**2,359,104**	**(5,059,783)**
Income tax and social contribution	**(2,693,576)**	**(6,428,956)**	**(13,912,730)**

c) Deferred income tax and social contribution presented in the consolidated statement of financial position

R$ thousand

	Balance on December 31, 2017	**Amount recorded**	**Realized / Decrease**	**Balance on December 31, 2018**
Provisions of impairment of loans and advances	26,503,863	11,554,370	(6,415,433)	31,642,800
Provision for contingencies	7,226,483	1,835,387	(1,527,145)	7,534,725
Adjustment to market value of securities	3,943,875	960,026	(2,599,972)	2,303,929
Other	5,809,566	2,881,845	(3,571,427)	5,119,984
Total tax assets on temporary differences (2)	**43,483,787**	**17,231,628**	**(14,113,977)**	**46,601,438**
Income tax and social contribution losses in Brazil and abroad (2)	5,003,872	2,332,637	(657,014)	6,679,495
Total deferred tax assets (1)	**48,487,659**	**19,564,265**	**(14,770,991)**	**53,280,933**
Deferred tax liabilities (1)	6,007,595	2,231,551	(2,440,193)	5,798,953
Net deferred taxes (1)	**42,480,064**	**17,332,714**	**(12,330,798)**	**47,481,980**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

R$ thousand

	Balance on December 31, 2016	Amount recorded	Realized / Decrease (3)	Balance on December 31, 2017
Provisions of impairment of loans and advances	23,011,653	12,264,028	(8,771,818)	26,503,863
Provision for contingencies	7,351,234	1,782,500	(1,907,251)	7,226,483
Adjustment to market value of securities	5,488,482	1,724,016	(3,268,623)	3,943,875
Other	4,681,457	4,773,082	(3,644,973)	5,809,566
Total tax assets on temporary differences (2)	**40,532,826**	**20,543,626**	**(17,592,665)**	**43,483,787**
Income tax and social contribution losses in Brazil and abroad (2)	5,595,729	170,239	(762,096)	5,003,872
Adjustment to market value of available for sale (2)	493,168	576,732	(1,069,900)	-
Total deferred tax assets (1)	**46,621,723**	**21,290,597**	**(19,424,661)**	**48,487,659**
Deferred tax liabilities (1)	3,267,808	3,557,618	(817,831)	6,007,595
Net deferred taxes (1)	**43,353,915**	**17,732,979**	**(18,606,830)**	**42,480,064**

(1) Deferred income and social contribution tax assets and liabilities are offset in the balance sheet by taxable entity, and were R$4,598,364 thousand in 2018 and R$4,755,748 thousand in 2017;

(2) Deferred tax assets of financial and insurance companies were established considering the increase of the social contribution rate, determined by Law No. 11,727/08(Note 2t); and

(3) Includes a write-off of tax credits, in 2017, in the amount of R$150,040 thousand.

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	8,608,743	5,151,718	173,339	116,422	14,050,222
2020	7,446,071	4,453,270	209,055	125,180	12,233,576
2021	6,271,093	3,750,046	373,951	222,054	10,617,144
2022	4,666,854	2,793,181	693,635	412,132	8,565,802
2023	1,865,064	1,078,151	1,958,633	1,198,738	6,100,586

After 2023	323,314	193,933	327,524	868,832	1,713,603
Total	**29,181,139**	**17,420,299**	**3,736,137**	**2,943,358**	**53,280,933**

e) Deferred tax liabilities

R$ thousand

	On December 31	
	2018	**2017**
Timing differences of depreciation – finance leasing	242,571	283,231
Adjustment to market value of securities	1,200,453	1,215,588
Judicial deposit and others	4,355,929	4,508,776
Total	**5,798,953**	**6,007,595**

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 2t).

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Notes to the Consolidated Financial Statements

f) Income tax and social contribution on adjustments recognized directly in equity

R$ thousand

	On December 31, 2018			On December 31, 2017			On December 31, 2016		
	Before tax	**Tax (expense)/ benefit**	**Net of tax**	**Before tax**	**Tax (expense)/ benefit**	**Net of tax**	**Before tax**	**Tax (expense)/ benefit**	**Net of tax**
Financial assets at fair value through other comprehensive income	(512,397)	215,482	(296,915)	-	-	-	-	-	-
Financial assets recorded as available for sale	-	-	-	3,418,567	(1,231,202)	2,187,365	6,298,103	(2,587,076)	3,711,027
Exchange differences on translations of foreign operations	113,198	-	113,198	23,010	5,992	29,002	(194,566)	87,555	(107,011)
Other	(154,607)	61,843	(92,764)	-	-	-	-	-	-
Total	**(553,806)**	**277,325**	**(276,481)**	**3,441,577**	**(1,225,210)**	**2,216,367**	**6,103,537**	**(2,499,521)**	**3,604,016**

g) Taxes to be offset

Refers basically to amount of income tax and social contribution to be offset.

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Notes to the Consolidated Financial Statements

19) Earnings per share

a) Basic earnings per share

The basic earnings per share was calculated based on the weighted average number of common and preferred shares outstanding, as shown in the calculations below:

	Years ended December 31		
	2018	**2017 (1)**	**2016 (1)**
Net earnings attributable to the Organization's common shareholders (R$ thousand)	**7,916,635**	**8,157,920**	**8,542,147**
Net earnings attributable to the Organization's preferred shareholders (R$ thousand)	**8,667,280**	**8,931,444**	**9,352,102**
Weighted average number of common shares outstanding (thousands)	3,354,990	3,354,990	3,354,990
Weighted average number of preferred shares outstanding (thousands)	3,339,188	3,339,188	3,339,188
Basic earnings per share attributable to common shareholders of the Organization (in Reais)	2.36	2.43	2.55
Basic earnings per share attributable to preferred shareholders of the Organization (in Reais)	2.60	2.67	2.80

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Special Shareholders' Meeting held on March 12, 2018, in the proportion of one new share for every 10 shares held.

b) Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share since there are no potentially dilutive instruments.

20) Cash, balances with banks and cash equivalents

a) Cash and balances with banks

R$ thousand

	On December 31	
	2018	**2017**
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
Compulsory deposits with the Central Bank (1)	87,596,916	66,714,226
Investments in gold	823	375
Total	**107,209,743**	**81,742,951**

(1) Compulsory deposits with the Central Bank of Brazil refer to a minimum balance that financial institutions must maintain at the Central Bank of Brazil based on a percentage of deposits received from third parties.

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b) Cash and cash equivalents

	R$ thousand	
	On December 31	
	2018	**2017**
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
Interbank investments (1)	90,612,803	141,025,717
Investments in gold	823	375
Total	**110,225,630**	**156,054,442**

(1) Refers to operations with maturity date on the effective date of investment equal to or less than 90 days and insignificant risk of change in the fair value. Of this amount, R$60,443,537 thousand (2017 – R$123,691,195 thousand) refers to Financial assets pledged as collateral.

21) Financial assets and liabilities at fair value through profit or loss

a) Financial assets at fair value through profit or loss

	R$ thousand
	On December 31
	2018
Financial assets (1)	
Brazilian government securities	206,756,050
Bank debt securities	10,164,454
Corporate debt and marketable equity securities	9,303,942
Mutual funds	3,657,393
Brazilian sovereign bonds	659,603
Foreign governments securities	849,114
Derivative financial instruments	14,770,594

Total	**246,161,150**

(1) In 2018, no reclassifications were made of Financial Assets at fair value through profit or loss for other categories of financial assets.

b) Maturity

	R$ thousand
	On December 31 2018
Maturity of up to one year	12,471,625
Maturity of one to five years	164,553,949
Maturity of five to 10 years	56,868,688
Maturity of over 10 years	5,121,915
Maturity not stated	7,144,973
Total	**246,161,150**

The financial instruments pledged as collateral classified as “Financial assets at fair value through profit or loss”, totalled R$6,481,098 thousand as at December 31, 2018,being composed primarily of Brazilian government bonds.

The Organization maintained a total of R$6,220,609 thousand pledged as collateral for liabilities in 2018.

Unrealized net gains/ (losses) included in securities and trading securities totaled R$(1,066,594) thousand as at December 31, 2018. Net variation in unrealized gains/ (losses) from securities and trading securities totaled R$3,679,294 in 2018.

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Notes to the Consolidated Financial Statements

c) Liabilities at fair value through profit or loss

	R$ thousand On December 31 2018
Derivative financial instruments	16,152,087
Total	**16,152,087**

22) Financial assets and liabilities held for trading

a) Financial assets held for trading

	R$ thousand On December 31 2017
Financial assets	
Brazilian government securities	202,249,272
Bank debt securities	8,348,269
Corporate debt and marketable equity securities	12,339,790
Mutual funds	4,377,508
Brazilian sovereign bonds	307
Foreign governments securities	528,010
Derivative financial instruments	13,866,885
Total	**241,710,041**

b) Maturity

R$ thousand

	On December 31 2017
Maturity of up to one year	31,617,538
Maturity of one to five years	146,527,365
Maturity of five to 10 years	53,763,561
Maturity of over 10 years	2,409,723
Maturity not stated	7,391,854
Total	**241,710,041**

Financial instruments provided as collateral classified as "Financial assets held for trading", totaled R$801,182 thousand in 2017, as disclosed in Note 30 "Financial assets pledged as collateral".

The total assets held for trading pledged as collateral for liabilities was R$5,874,620 thousand in 2017.

Unrealized gains/(losses) on securities and trading securities totaled R$(4,745,888) thousand in 2017 (2016 – R$(9,404,052) thousand). Net variation in unrealized gains/(losses) from securities and trading securities totaled R$(4,658,164) thousand in 2017 (2016 – R$(1,978,490) thousand).

c) Financial liabilities held for trading

	R$ thousand On December 31 2017
Derivative financial instruments	14,274,999
Total	**14,274,999**

23) Derivative financial instruments

The Organization enters into transactions involving derivative financial instruments with a number of customers for the purpose of mitigating their overall risk exposure as well as managing risk exposure. The derivative financial instruments most often used are highly-liquid instruments traded on the futures market (B3).

(i) Swap contracts

Foreign currency and interest rate swaps are agreements to exchange one set of cash flows for another and result in an economic exchange of foreign currencies or interest rates (for example fixed or variable) or in combinations (i.e. foreign currency and interest rate swaps). There is no exchange of the principal except in certain foreign currency swaps. The Organization's foreign currency risk reflects the potential cost of replacing swap contracts and whether the counterparties fail to comply with their obligations. This risk is continually monitored in relation to the current fair value, the proportion of the notional value of the contracts and the market liquidity. The Organization, to control the level of credit risk assumed, evaluates the counterparties of the contracts using the same techniques used in its loan operations.

(ii) Foreign exchange options

Foreign exchange options are contracts according to which the seller (option issuer) gives to the buyer (option holder) the right, but not the obligation, to buy (call option) or sell (put option) on a certain date or during a certain period, a specific value in foreign currency. The seller receives from the buyer a premium for assuming the exchange or interest-rate risk. The options can be arranged between the Organization and a customer. The Organization is exposed to credit risk only on purchased options and only for the carrying amount, which is the fair market value.

(iii) Foreign currency and interest rate futures

Foreign currency and interest rate futures are contractual obligations for the payment or receipt of a net amount based on changes in foreign exchange and interest rates or the purchase or sale of a financial instrument on a future date at a specific price, established by an organized financial market. The credit risk is minimal, since the future contracts are guaranteed in cash or securities and changes in the value of the contracts are settled on a daily basis. Contracts with a forward rate are interest-rate futures operations traded individually which require settlement of the difference between the contracted rate and the current market rate over the value of the principal to be paid in cash at a future date.

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(iv) Forward transactions

A forward operation is a contract of purchase or sale, at a fixed price, for settlement on a certain date. Because it is a futures market, in which the purchase of the share will only be made on the date of maturity, a margin deposit is necessary to guarantee the contract. This margin can be in cash or in securities. The value of the margin varies during the contract according to the variation of the share involved in the operation, to the changes of volatility and liquidity, besides the possible additional margins that the broker could request.

The breakdown of the notional and/or contractual values and the fair value of derivatives held for trading by the Organization is as follows:

R$ thousand

	Notional amounts On December 31		**Asset/(liability) On December 31**	
	2018	**2017**	**2018**	**2017**
Futures contracts				
• Interest rate futures				
Purchases	183,952,954	96,081,180	8,902	3,586
Sales	129,207,143	132,837,699	(19,133)	(154,188)
• In foreign currency				
Purchases	53,491,092	48,376,597	3,174	1,243
Sales	65,531,388	67,238,635	(1,911)	(1,003)
• Other				
Purchases	300,160	163,224	257	162
Sales	288,801	113,772	(239)	(114)
Options				
• Interest rates				
Purchases	37,543,735	10,663,668	560,812	101,214
Sales	37,032,836	9,616,129	(1,031,343)	(535,748)
• In foreign currency				
Purchases	15,102,480	7,335,027	898,751	605,028
Sales	11,637,761	10,274,094	(571,867)	(409,587)
• Other				

Purchases	830,352	443,443	51,704	34,013
Sales	723,729	228,141	(42,140)	(20,188)
Forward operations				
• Interest rates				
Purchases	213,196	-	15,577	-
• In foreign currency				
Purchases	12,488,149	10,372,477	135,002	218,019
Sales	18,609,950	14,947,271	(188,372)	(358,995)
• Other				
Purchases	896,288	114,020	580,566	497,987
Sales	603,890	635,522	23,990	(147,138)
Swap contracts				
• Asset position				
Interest rate swaps	57,751,559	56,636,856	10,413,068	11,065,095
Currency swaps	15,551,428	6,161,641	1,758,178	1,340,538
• Liability position				
Interest rate swaps	32,737,145	31,454,647	(10,250,643)	(11,030,003)
Currency swaps	23,368,049	14,288,568	(3,725,826)	(1,618,035)

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Swaps are contracts of interest rates, foreign currency and cross currency and interest rates in which payments of interest or the principal or in one or two different currencies are exchanged for a contractual period. The risks of swap contracts refer to the potential inability or unwillingness of the counterparties to comply with the contractual terms and the risk associated with changes in market conditions due to changes in the interest rates and the currency exchange rates.

The interest rate and currency futures and the forward contracts of interest rates call for subsequent delivery of an instrument at a specific price or specific profitability. The reference values constitute a nominal value of the respective instrument whose variations in price are settled daily. The credit risk associated with futures contracts is minimized due to these daily settlements. Futures contracts are also subject to risk of changes in interest rates or in the value of the respective instruments.

Credit Default Swap – CDS

In general, these represent a bilateral contract in which one of the counterparties buys protection against a credit risk of a particular financial instrument (its risk is transferred). The counterparty that sells the protection receives a remuneration that is usually paid linearly over the life of the operation.

In the event of a default, the counterparty who purchased the protection will receive a payment, the purpose of which is to compensate for the loss of value in the financial instrument. In this case, the counterparty that sells the protection normally will receive the underlying asset in exchange for said payment.

	On December 31 - R$ thousand	
	2018	**2017**
Risk received in credit Swaps:	**3,330,639**	**584,987**
- 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	-
Risk transferred in credit Swaps:	**(271,236)**	**-**
- Brazilian public debt derivatives	(96,870)	-

- Foreign public debt derivatives	(174,366)	-
Total net credit risk value	**3,059,403**	**584,987**
Effect on Shareholders' Equity	**61,551**	**49,162**
Remuneration on the counterparty receiving the risk	**(7,372)**	**195**

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.

The Organization has the following economic hedging transactions:

Fair-value hedge of interest rate risk

The Organization uses interest rate swaps to protect its exposure to changes in the fair value of its fixed income issuances and certain loans and advances. The interest rate swaps are matched with specific issuances or fixed income loans.

Cash Flow Hedge

The financial instruments classified in this category, aims to reduce exposure to future changes in interest rates, which impact the operating results 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.

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On December 31 - R$ thousand

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

(1) Referring to the DI interest rate risk, using DI Futures contracts in B3, with the maturity in 2019, making the cash flow fixed; and

(2) Referring to the DI interest rate risk, using DI Futures contracts in B3, with maturity dates in 2020, making the cash flow fixed.

The effectiveness of the hedge portfolio is in accordance with accounting standards.

For the next 12 months, the gains/(losses) 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).

Market risk hedge

The gains and losses, realized or not, of the financial instruments classified in this category, are recorded in the Statement of Income.

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.

On December 31 - R$ thousand

Strategy	Hedge instrument nominal value	Hedge object accounting value	Fair Value Accumulated Adjustments in shareholders' equity (gross of tax effects)	Fair Value Accumulated Adjustments in shareholders' equity (net of tax effects)
Hedge of exchange variation on future cash flows (1)	1,375,232	755,611	(269,039)	(161,423)
Total in 2018	**1,375,232**	**755,611**	**(269,039)**	**(161,423)**
Hedge of exchange variation on future cash flows (1)	1,110,888	582,567	(59,739)	(35,843)
Total in 2017	**1,110,888**	**582,567**	**(59,739)**	**(35,843)**

(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 accounting standards .

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).

Other derivatives designated as hedges

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The Organization uses this category of instruments to manage its exposure to currency, interest rate, equity market and credit risks. Instruments used include interest-rate swaps, interest-rate swaps in foreign currency, forward contracts, futures, options, credit swaps and stock swaps.

Unobservable gains on initial recognition

When the valuation depends on unobservable data any initial gain or loss on financial instruments is deferred over the life of the contract or until the instrument is redeemed, transferred, sold or the fair value becomes observable. All derivatives which are part of the hedge relationships are valued on the basis of observable market data.

The nominal values do not reflect the actual risk assumed by the Organization, since the net position of these financial instruments arises from compensation and/or combination thereof. The net position is used by the Organization especially to protect interest rates, the price of the underlying assets or exchange risk. The result of these financial instruments are recognized in “Net gains and losses of financial assets held for trading”, in the consolidated statement of income.

Offsetting of financial assets and liabilities

In accordance with IFRS 7, Bradesco must present the amounts related to financial instruments subject to master clearing agreements or similar agreements. In accordance with IAS 32, a financial asset and a financial liability are offset and their net value presented in the Consolidated Balance Sheet when, and only when, there is a legally enforceable right to offset the amounts recognized and the Bank intends to settle them in a liquid basis, or to realize the asset and settle the liability simultaneously.

The table below presents financial assets and liabilities subject to compensation:

R$ thousand

	On December 31, 2018		
	Amount of financial assets, gross	Related amount offset in the Balance Sheet	Net amount
Interbank investments	60,443,537	-	60,443,537
Derivative financial instruments	14,770,594	-	14,770,594

R$ thousand

	On December 31, 2018		
	Amount of financial liabilities, gross	Related amount offset in the Balance Sheet	Net amount
Securities sold under agreements to repurchase	190,911,877	-	190,911,877
Derivative financial instruments	16,152,087	-	16,152,087

R$ thousand

	On December 31, 2017		
	Amount of financial assets, gross	Related amount offset in the Balance Sheet	Net amount
Interbank investments	123,691,195	-	123,691,195
Derivative financial instruments	13,866,885	-	13,866,885

R$ thousand

	On December 31, 2017		
	Amount of financial liabilities, gross	Related amount offset in the Balance Sheet	Net amount
Securities sold under agreements to repurchase	233,467,544	-	233,467,544
Derivative financial instruments	14,274,999	-	14,274,999

23) Derivative financial instruments

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

On December 31, 2018 and 2017, Bradesco does not have financial instruments in its balance sheet as a result of failing to meet the IAS 32 compensation criteria, or because it has no intention to liquidate them on a net basis, or to realize the assets and settle the liabilities simultaneously.

24) Financial assets at fair value through other comprehensive income

a) Financial assets at fair value through other comprehensive income

R$ thousand

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Brazilian government securities	146,656,888	4,251,206	(89,339)	150,818,755
Corporate debt securities	5,932,857	187,874	(145,537)	5,975,194
Bank debt securities	6,371,576	117,435	(567,935)	5,921,076
Brazilian sovereign bonds	1,573,965	28,832	(38,130)	1,564,667
Mutual funds	2,856,590	1,742	(16,971)	2,841,361
Marketable equity securities and other stocks	11,685,525	682,783	(1,438,825)	10,929,483
Balance on December 31, 2018 (1)	**175,077,401**	**5,269,872**	**(2,296,737)**	**178,050,536**

(1) In June 2018, the Management decided to reclassify the Securities measured at fair value through other comprehensive income to be measured at amortized cost, in the amount of R$17,022,922 thousand. This reclassification was the result of the alignment of risk and capital management. Without considering this reclassification of the securities it would have been recognized in other comprehensive income fair value changes, a gain in the amount of R$581,991 thousand.

b) Maturity

R$ thousand

	On December 31, 2018	
	Amortized cost	**Fair value**
Due within one year	75,814,113	75,763,826
From 1 to 5 years	65,896,910	67,290,177
From 5 to 10 years	6,189,446	6,441,750
Over 10 years	15,491,407	17,625,300
No stated maturity	11,685,525	10,929,483
Total	**175,077,401**	**178,050,536**

The financial instruments pledged as collateral, classified as Financial assets at fair value through other comprehensive income, totalled R$88,969,378 thousand in 2018, being composed mostly of Brazilian government bonds.

The Organization maintained a total of R$2,099,991 thousand in financial assets at fair value through other comprehensive income pledged as collateral for liabilities in 2018.

c) Investments in equity instruments designated at fair value through other comprehensive income

R$ thousand

	Cost	**Adjustments to Fair Value**	**Fair Value**
Marketable equity securities and other stocks	11,685,525	(756,042)	10,929,483
Total	**11,685,525**	**(756,042)**	**10,929,483**

The Organization adopted the option of designating equity instruments at fair value through other comprehensive income due to the particularities of a given market.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

d) Reconciliation of expected losses of financial assets at FVOCI:

R$ thousand

	Stage 1	Stage 2	Stage 3	Total (1)
Expected loss of financial assets at FVOCI on January 1, 2018	**21,370**	**44,482**	**55,714**	**121,566**
Transferred to Stage 3	(748)	-	-	(748)
Out of Stage 1	-	-	748	748
Assets constituted/reversed	(5,910)	117,579	104,271	215,940
Expected loss of financial assets at FVOCI as of December 31, 2018	**14,712**	**162,061**	**160,733**	**337,506**

(1) The expected loss is recorded as "Expected Loss on Other Financial Assets" in the Consolidated Statement of Income.

25) Financial assets available for sale

a) Available for sale

R$ thousand

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Brazilian government securities	101,822,760	1,881,077	(422,079)	103,281,758
Corporate debt securities	40,875,928	836,715	(1,734,013)	39,978,630
Bank debt securities	1,251,066	169,142	(236,355)	1,183,853
Brazilian sovereign bonds	719,494	27,326	(18,693)	728,127
Foreign governments securities	3,210,554	175	(8,182)	3,202,547
Marketable equity securities and other stocks	11,302,834	620,896	(885,923)	11,037,807
Balance on December 31, 2017	**159,182,636**	**3,535,331**	**(3,305,245)**	**159,412,722**

b) Maturity

R$ thousand

	On December 31, 2017	
	Amortized cost	**Fair value**
Due within one year	31,635,369	31,167,067
From 1 to 5 years	83,579,399	83,816,085
From 5 to 10 years	16,004,079	16,363,350
Over 10 years	16,660,955	17,028,413
No stated maturity	11,302,834	11,037,807
Total	**159,182,636**	**159,412,722**

Financial instruments pledged as collateral and classified as available for sale, totaled R$59,482,796 thousand in 2017, as disclosed in Note 30 "Financial Assets Pledged as Collateral".

In 2017, the Organization maintained a total of R$4,391,259 thousand financial assets available for sale pledged as collateral for liabilities.

In 2017 there was impairment in financial assets available for sale in the amount of R$1,729,039 thousand.

26) Loans and advances to financial institutions

R$ thousand

	On December 31	
	2018	**2017**
Repurchase agreements (1)	96,304,582	21,045,591
Loans to financial institutions	8,946,346	11,207,614
Impairment of loans and advances	(1,978)	(5,481)
Total	**105,248,950**	**32,247,724**

(1) In 2018, it included investments in repo operations given in guarantee.

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Notes to the Consolidated Financial Statements

27) Loans and advances to customers

	R$ thousand	
	On December 31	
	2018	**2017**
Working capital	55,922,505	52,700,584
Personal credit (1)	68,142,457	60,570,146
Housing loans	60,594,386	59,963,375
Financing and export	47,718,443	38,272,982
Onlending BNDES/Finame	25,170,115	30,655,666
Credit card	39,553,374	37,568,984
Vehicle loans	31,075,027	24,741,298
Rural loans	13,353,943	13,642,478
Import	6,886,356	5,318,042
Overdraft for corporates	7,058,014	6,587,239
Receivable insurance premiums	4,427,560	4,301,472
Overdraft for individuals	4,764,293	3,582,020
Leases	2,089,862	2,249,859
Other	44,736,320	33,659,520
Total portfolio	**411,492,655**	**373,813,665**
Impairment of loans and advances	(31,105,579)	(27,055,566)
Total of net loans and advances to customers	**380,387,076**	**346,758,099**

(1) It included, in 2018, R$51,284,334 thousand related to consigned credit (2017 – R$43,968,511 thousand).

Financial Leases Receivables

Loans and advances to customers include the following financial lease receivables.

R$ thousand

	On December 31 2018	2017
Gross investments in financial leases receivable:		
Up to one year	929,858	1,118,286
From one to five years	1,128,477	1,082,149
Over five years	31,527	49,424
Impairment loss on finance leases	(128,564)	(146,812)
Net investment	**1,961,298**	**2,103,047**
Net investments in finance leases:		
Up to one year	884,853	1,034,188
From one to five years	1,045,773	1,021,089
Over five years	30,672	47,770
Total	**1,961,298**	**2,103,047**

Loans and advances to customers with expected loss

The total balance of "Loans and advances to customers with expected loss" includes renegotiated loans and advances to customers. Such loans contemplate extension of loan payment terms, grace periods, reductions in interest rates, and/or, in some cases, the forgiveness (write-off) of part of the loan principal amount.

Renegotiations may occur after debts are past due or when the Company has information about a significant deterioration in the client's creditworthiness. The purpose of such renegotiations is to adapt the loan to reflect the client's actual payment capacity.

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The following table shows changes made and our analysis of our portfolio of renegotiated loans and advances to customers:

	R$ thousand	
	On December 31	
	2018	**2017**
Opening balance	**17,183,869**	**17,501,423**
Additional renegotiated amounts, including interest	15,193,567	16,185,863
Payments received	(9,472,888)	(10,108,040)
Write-offs	(5,761,336)	(6,395,377)
Closing balance	**17,143,212**	**17,183,869**
Expected loss on loans and advances	**(7,015,820)**	**-**
Impairment of loans and advances	-	(10,853,777)
Total renegotiated loans and advances to customers, net of impairment at the end of the year	**10,127,392**	**6,330,092**
Impairment on renegotiated loans and advances as a percentage of the renegotiated portfolio	40.9%	63.2%
Total renegotiated loans and advances as a percentage of the total loan portfolio	4.2%	4.6%
Total renegotiated loans and advances as a percentage of the total loan portfolio, net of impairment	2.7%	1.8%

At the time a loan is modified, Management considers the new loan's conditions and renegotiated maturity and it is no longer considered past due. From the date of modification, renegotiated interest begins to accrue, using the effective interest rate method, taking into consideration the customer's capacity to pay the loan based on the analysis made by Management. If the customer fails to maintain the new negotiated terms, management considers ceasing accrual from that point.

Additionally, any balances related to renegotiated loans and advances to customers that have already been written off and recorded in off-balance sheet accounts, as well as any gains from renegotiations, are recognized only when received.

Reconciliation of the gross book value of loans and advances to clients

				R$ thousand
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers on January 1, 2018	**301,561,502**	**42,535,223**	**29,716,940**	**373,813,665**
Transferred to Stage 1	-	(3,099,627)	(153,138)	(3,252,765)
Transferred to Stage 2	(8,547,801)	-	(169,851)	(8,717,652)
Transferred to Stage 3	(4,206,794)	(6,078,158)	-	(10,284,952)
Out of Stage 1	-	8,547,801	4,206,794	12,754,595
Out of Stage 2	3,099,627	-	6,078,158	9,177,785
Out of Stage 3	153,138	169,851	-	322,989
Assets originated/Assets settled or amortized	47,475,424	(4,969,841)	13,921,048	56,426,631
Write-offs	-	-	(18,747,641)	(18,747,641)
Loans and advances to customers in December 31, 2018	**339,535,096**	**37,105,249**	**34,852,310**	**411,492,655**

Reconciliation of expected losses from loans and advances to clients

				R$ thousand
	Stage 1	**Stage 2**	**Stage 3**	**Total (1)**
Expected loss on January 1, 2018	**6,221,935**	**6,898,383**	**17,764,723**	**30,885,041**
Transferred to Stage 1	-	(462,869)	(119,825)	(582,694)
Transferred to Stage 2	(275,265)	-	(100,420)	(375,685)
Transferred to Stage 3	(301,168)	(1,211,992)	-	(1,513,160)
Out of Stage 1	-	275,265	301,168	576,433
Out of Stage 2	462,869	-	1,211,993	1,674,862
Out of Stage 3	119,825	100,420	-	220,245
Constitution/(Reversion)	1,799,929	(1,219,485)	21,658,626	22,239,070
Write-offs	-	-	(18,747,641)	(18,747,641)
Expected loss on December 31, 2018	**8,028,125**	**4,379,722**	**21,968,624**	**34,376,471**

(1) Consider expected losses on loans, commitments to be released and financial guarantees provided.

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Notes to the Consolidated Financial Statements

	R$ thousand
	2017
Balance on December 31, 2016	**24,780,839**
Impairment of loans and advances	16,860,835
Recovery of credits charged-off as losses	7,034,857
Write-offs	(21,620,965)
Balance on December 31, 2017 (1)	**27,055,566**

(1) Does not include the effects of the initial adoption of IFRS 9, in the amount of R$3,829,475 thousand.

ALL expense with expected net loss of recoveries

	Years ended December 31 - R$ thousand	
	2018	**2017**
Amount recorded	22,239,070	23,895,692
Amount recovered	(7,147,095)	(7,034,857)
Allowance for Loan Losses expense net of amounts recovered	**15,091,975**	**16,860,835**

28) Bonds and securities at amortized cost

				R$ thousand
	Amortized cost	**Gross unrealized gains (2)**	**Gross unrealized losses (2)**	**Fair value**
Securities:				
Brazilian government securities	82,661,682	7,677,826	(1,681)	90,337,827
Corporate debt securities	57,943,056	598,676	(1,955,900)	56,585,832
Balance on December 31, 2018 (1)	**140,604,738**	**8,276,502**	**(1,957,581)**	**146,923,659**

(1) In 2018, no reclassifications were made of Financial Assets at amortized cost – Bonds and securities for other categories of financial assets; and

(2) The balance in question is not accounted.

Maturity

		R$ thousand
	On December 31, 2018	
	Amortized cost	**Fair value**
Due within one year	4,257,886	4,213,891
From 1 to 5 years	91,922,854	94,608,001
From 5 to 10 years	16,437,110	16,307,290
Over 10 years	27,986,888	31,794,477
Total	**140,604,738**	**146,923,659**

The financial instruments pledged as collateral, classified as financial assets at amortized cost, totalled R$22,475,483 thousand in 2018, being composed mostly of Brazilian government bonds.

The Organization maintained a total of R$2,134 thousand in financial assets at amortized cost pledged as collateral for liabilities in 2018.

Reconciliation of expected losses of financial assets at amortized cost

				R$ thousand
	Stage 1	**Stage 2**	**Stage 3**	**Total (1)**
Expected loss of financial assets at amortized cost on January 1, 2018	**91,223**	**505,955**	**1,467,942**	**2,065,120**
Transferred to Stage 1	-	(1,372)	(49,146)	(50,518)
Transferred to Stage 2	(39,578)	-	(114,523)	(154,101)
Transferred to Stage 3	-	(30,374)	-	(30,374)
Out of Stage 1	-	39,578	-	39,578
Out of Stage 2	1,372	-	30,374	31,746
Out of Stage 3	49,146	114,523	-	163,669
Assets constitued/reversed	76,044	160,711	720,164	956,919
Expected loss of financial assets at amortized cost on December 31, 2018	**178,207**	**789,021**	**2,054,811**	**3,022,039**

(1) The expected loss balance is recorded as "Expected Loss on Other Financial Assets" in the Consolidated Statement of Income.

29) Investments held to maturity

				R$ thousand
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Securities:				
Brazilian government securities	26,738,940	2,442,844	(6,489)	29,175,295
Corporate debt securities	12,259,564	126,092	(421,874)	11,963,782
Brazilian sovereign bonds	7,614	-	(420)	7,194
Balance on December 31, 2017	**39,006,118**	**2,568,936**	**(428,783)**	**41,146,271**

Maturity

		R$ thousand
	On December 31, 2017	
	Amortized cost	**Fair value**
Due within one year	29,412	28,998
From 1 to 5 years	10,284,940	11,070,179
From 5 to 10 years	1,933,866	1,840,428
Over 10 years	26,757,900	28,206,666
Total	**39,006,118**	**41,146,271**

The Organization maintained a total of R$2,005 thousand in assets held to maturity pledged as collateral for liabilities in 2017.

In 2017 there was impairment in investments held to maturity to the amount of R$54,520 thousand.

30) Financial assets granted as collateral

	R$ thousand
	On December 31
	2017
Held for trading	**801,182**
Brazilian government securities	801,182
Available for sale (1)	**59,482,796**
Brazilian government securities	53,039,884
Corporate debt securities	825,287
Bank debt securities	4,904,070
Brazilian sovereign bonds	713,555
Loans and advances to banks	**123,691,195**
Interbank investments (2)	123,691,195
Total	**183,975,173**

(1) In 2017, it included unrealized gains in the amount of R$3,246,351 thousand and unrealized losses in the amount of R$557,974 thousand; and

(2) Refers to reverse repurchase agreements in which the underlying security has subsequently been sold in a separate repurchase agreement.

Collateral are conditional commitments to ensure that the contractual clauses of a funding in the open market are complied with. In these collateral, the amount of R$178,964,158 thousand may be repledged and R$5,011,015 thousand sold or repledged.

31) Non-current assets held for sale

R$ thousand

	On December 31	
	2018	**2017**
Assets not for own use		
Real estate	1,120,434	1,250,380
Vehicles and similar	231,105	262,774
Machinery and equipment	585	2,037
Other	1,206	5,782
Total	**1,353,330**	**1,520,973**

The properties or other non-current assets received in total or partial settlement of the payment obligations of debtors are considered as non-operating assets held for sale in auctions, which normally occur in up to one year. Therefore, non-current assets held for sale include the book value of the items the Organization intends to sell, which in their current condition is highly probable and expected to occur within a year.

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Notes to the Consolidated Financial Statements

32) Investments in associates and joint ventures

a) Breakdown of investments in associates and joint ventures

Companies	Equity interest	Shareholding interest with voting rights	Investment book value	Equity in net income (loss)	Associates and joint ventures current assets	Associates and joint ventures non - current assets	Associates and joint ventures current liabilities	Associates and joint ventures non - current liabilities	Reve (1
Cielo S.A. (2)	30.06%	30.06%	4,679,589	1,011,125	65,967,300	16,595,791	56,802,838	10,890,157	1,88
IRB - Brasil Resseguros S.A. (3) (4)	15.23%	15.23%	606,161	174,277	10,265,219	5,417,377	10,845,420	873,938	7,03
Fleury S.A. (3) (5)	16.28%	16.28%	699,927	38,805	1,510,304	2,482,580	640,899	1,570,942	2,64
Aquarius Participações S.A. (6)	49.00%	49.00%	43,030	130,769	19,096	86,626	17,907	-	
Haitong Banco de Investimento do Brasil S.A.	20.00%	20.00%	100,597	602	2,587,712	1,503,374	2,210,690	1,880,396	6,36
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	127,677	8,895	230,503	100,052	22,207	3,258	17
NCR Brasil Indústria de Equipamentos para Automação S.A. (3)	49.00%	49.00%	52,571	6,689	305,278	30,249	207,894	-	
Tecnologia Bancária S.A. (3)	24.32%	24.32%	115,433	(8,492)	471,119	1,488,542	511,883	1,035,574	2,22

Swiss Re Corporate Solutions Brasil (3) (8)	40.00%	40.00%	345,036	(10,998)	2,110,050	1,479,827	2,509,280	246,060	97
Gestora de Inteligência de Crédito S.A. (3)	20.00%	20.00%	59,098	(6,466)	165,299	173,083	42,894	-	1
Other (3)	-	-	35,083	33,788	-	-	-	-	
Total investments in associates			**6,864,202**	**1,378,994**	**83,631,880**	**29,357,501**	**73,811,912**	**16,500,325**	**21,32**
Elo Participações S.A. (9)	50.01%	50.01%	1,191,343	288,938	718,623	1,981,596	170,683	8,220	2
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	70,254	12,473	330,042	66,980	161,458	-	13
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	-	(30)	2,284	1,696	4,112	-	
Total investments in joint ventures			**1,261,597**	**301,381**	**1,050,949**	**2,050,272**	**336,253**	**8,220**	**16**
Total on December 31, 2018			**8,125,799**	**1,680,375**	**84,682,829**	**31,407,773**	**74,148,165**	**16,508,545**	**21,48**

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Notes to the Consolidated Financial Statements

Companies	**Equity interest**	**Shareholding interest with voting rights**	**Investment book value**	**Equity in net income (loss)**	**Associates and joint ventures current assets**	**Associates and joint ventures non - current assets**	**Associates and joint ventures current liabilities**	**Associates and joint ventures non - current liabilities**	**Reve (1**
Cielo S.A. (2)	30.06%	30.06%	4,832,660	1,219,202	76,403,596	13,151,540	71,020,292	6,833,491	2,56
IRB - Brasil Resseguros S.A. (3) (4)	15.23%	15.23%	543,025	182,432	8,512,491	6,124,173	10,138,711	947,514	3,55
Fleury S.A. (3) (5)	16.28%	16.28%	692,380	46,791	1,389,026	2,224,500	615,510	1,263,331	2,60
Aquarius Participações S.A.	49.00%	49.00%	263,630	116,070	242,617	532,707	237,305	-	
Haitong Banco de Investimento do Brasil S.A.	20.00%	20.00%	105,649	(22,637)	3,588,848	1,283,453	3,565,394	726,468	5,43
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	118,781	16,530	285,871	118,394	33,305	8,320	6
NCR Brasil Indústria de Equipamentos para Automação S.A. (3) (8)	49.00%	49.00%	46,039	4,108	221,809	28,788	141,520	-	
Tecnologia Bancária S.A. (3)	24.32%	24.32%	108,752	10,209	242,480	75,702	590,872	496,090	2,53
Swiss Re Corporate Solutions Brasil (3)	40.00%	40.00%	463,400	(26,437)	2,178,209	1,511,924	2,411,600	437,278	49
Gestora de Inteligência de Crédito S.A. (3)	20.00%	20.00%	29,513	(4,642)	118,961	43,253	18,594	-	

Other (3)	-	-	7,129	2,361	-	-	-	-	
Total investments in associates			**7,210,958**	**1,543,987**	**93,183,908**	**25,094,434**	**88,773,103**	**10,712,492**	**17,24**
Elo Participações S.A.	50.01%	50.01%	978,195	162,070	420,804	1,776,837	96,763	3,967	1
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	68,231	12,393	339,236	119,406	324,764	-	16
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	-	(39)	2,198	1,612	2	3,881	
Total investments in joint ventures			**1,046,426**	**174,424**	**762,238**	**1,897,855**	**421,529**	**7,848**	**18**
Total on December 31, 2017			**8,257,384**	**1,718,411**	**93,946,146**	**26,992,289**	**89,194,631**	**10,720,340**	**17,42**

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Notes to the Consolidated Financial Statements

Companies	**Equity interest**	**Shareholding interest with voting rights**	**Investment book value**	**Equity in net income (loss)**	**Associates and joint ventures current assets**	**Associates and joint ventures non - current assets**	**Associates and joint ventures current liabilities**	**Associates and joint ventures non - current liabilities**	**Reve (1**
Cielo S.A. (2)	30.06%	30.06%	4,108,743	1,204,520	13,699,378	10,654,621	15,004,712	-	392
IRB - Brasil Resseguros S.A. (3) (4)	20.51%	20.51%	662,460	132,668	8,484,793	5,828,133	10,238,221	844,876	3
Fleury S.A. (3) (5)	16.39%	16.39%	651,906	17,506	1,343,162	2,021,981	429,411	1,166,607	2,045
Aquarius Participações S.A. (6)	49.00%	49.00%	263,632	73,640	150,233	538,267	150,474	-	
Haitong Banco de Investimento do Brasil S.A.	20.00%	20.00%	127,922	1,596	8,187,596	493,325	8,041,309	-	4,243
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	102,251	18,517	247,475	109,390	44,890	-	22
Tecnologia Bancária S.A. (3)	24.32%	24.32%	98,543	71,232	193,546	1,117,398	499,341	406,459	686
NCR Brasil Indústria de Equipamentos para Automação S.A. (3)	49.00%	49.00%	73,789	(7,024)	171,823	27,780	111,755	-	330
Empresa Brasileira de Solda Elétrica S.A. (3) (8)	0.00%	0.00%	-	3,168	-	-	-	-	
Total investments in associates			**6,089,246**	**1,515,823**	**32,478,006**	**20,790,895**	**34,520,113**	**2,417,942**	**7,725**

Elo Participações S.A.	50.01%	50.01%	849,355	198,457	352,179	1,596,527	107,627	-	18
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	64,174	8,721	443,978	3,883	317,298	-	164
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	3	(49)	3,538	-	3,532	-	
Leader S.A. Adm. de Cartões de Crédito (3) (7)	0.00%	0.00%	-	(23,227)	-	-		-	
Total investments in joint ventures			**913,532**	**183,902**	**799,695**	**1,600,410**	**428,457**	**-**	**183**
Total on December 31, 2016			**7,002,778**	**1,699,725**	**33,277,701**	**22,391,305**	**34,948,570**	**2,417,942**	**7,908**

(1) Revenues from financial intermediation or services;

(2) Brazilian company, services provider related to credit and debit cards and other means of payment. In 2018, the Organization received R$1,204,069 thousand of dividends and interest on capital of this investment. In its financial statements, Cielo S.A. presented R$6,948 thousand of other comprehensive income;

(3) Companies for which the equity accounting adjustments are calculated using statements of financial position and statements of income with lag in relation to the reporting date of these consolidated financial statements;

(4) Bradesco has a board member at IRB-Brasil with voting rights, which results in significant influence;

(5) Participation in Fleury S.A. (i) company considered using equity method as Bradesco has significant influence due its participation on the Board of the Directors and other Committees;

(6) In 2018, occurred the partial spin-off and consolidation of Fidelity Processadora S.A., controlled by Aquarius Participações S.A.;

(7) In April 2016, it was consolidated after acquisition of 50% of the company;

(8) In 2018, impairment losses were recorded in "associates and jointly controlled entities" in the amount of R$107,000 thousand. In 2017, it was recorded, in the amount of R$31,868 thousand, on the investment in NCR Brasil S.A. (In 2016, R$37,122 thousand on the investment in EBSE – Empresa Brasileira de Solda Elétrica S.A.); and

(9) Brazilian company, holding company that consolidates joint business related to electronic means of payment. In 2018, the Organization received R$38,278 thousand of dividends from this investment. In its financial statements, Elo Participações S.A. presented R$44 thousand of other comprehensive income.

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In 2018, with the exception of Cielo S.A., IRB – Brasil Resseguros S.A. (IRB) and Fleury S.A., the other investments mentioned in the table above were not traded regularly on any stock exchange. The market value of these investments totaled R$12,240,547 thousand (2017 – R$22,340,660 thousand). The Organization does not have any contingent liability for investments in Associates, in which it is responsible for, in part or in full.

b) Changes in associates

		R$ thousand
	2018	**2017**
Initial balances	**8,257,384**	**7,002,778**
Acquisitions (1)	54,019	524,155
Spin-off of associates (2)	(1,175)	(170,006)
Transfer (3)	(338,315)	5,953
Equity in net income of associates	1,680,375	1,718,411
Dividends/Interest on capital	(1,385,537)	(802,662)
Impairment (4)	(107,000)	(31,868)
Other	(33,952)	10,623
At the end of the year	**8,125,799**	**8,257,384**

(1) In 2017, it includes the acquisition of interest in (i) Swiss Re Corporate Solutions Brasil; and in (ii) GIC - Gestora de Inteligência de Crédito;

(2) In 2017, there was partial sale of the IRB;

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

(4) In 2018, there were losses on impairment in associates, in the amount of R$107,000 thousand (2017 – R$31,868 thousand).

33) Property and equipment

a) Composition of property and equipment by class

R$ thousand

	Annual depreciation rate	Cost	Accumulated depreciation	Net
Buildings	4%	2,611,299	(480,093)	2,131,206
Land	-	976,869	-	976,869
Installations, properties and equipment for use	10%	6,324,483	(3,161,651)	3,162,832
Security and communication systems	10%	379,099	(236,293)	142,806
Data processing systems	20%	4,231,789	(2,677,882)	1,553,907
Transportation systems	20%	92,403	(60,760)	31,643
Financial leases of data processing systems	20%	3,474,958	(2,647,385)	827,573
Balance on December 31, 2018		**18,090,900**	**(9,264,064)**	**8,826,836**
Buildings	4%	2,153,407	(483,266)	1,670,141
Land	-	982,720	-	982,720
Installations, properties and equipment for use	10%	5,450,939	(2,667,455)	2,783,484
Security and communication systems	10%	349,228	(213,879)	135,349
Data processing systems	20%	3,950,625	(2,329,028)	1,621,597
Transportation systems	20%	86,705	(48,246)	38,459
Financial leases of data processing systems	20%	3,431,868	(2,231,143)	1,200,725
Balance on December 31, 2017		**16,405,492**	**(7,973,017)**	**8,432,475**

Depreciation charges in 2018 amounted to R$1,460,013 thousand (2017 – R$1,237,328 thousand).

We enter into finance lease agreements as a lessee for data processing equipment, which are recorded as leased equipment in property and equipment. According to this accounting method, both the asset and the obligation are recognized in the consolidated financial statements and the depreciation of the asset is calculated based on the same depreciation policy as for similar assets. See Note 43 for disclosure of the obligation.

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Notes to the Consolidated Financial Statements

b) Change in property and equipment by class

R$ thousand

	Buildings	Land	Installations, properties and equipment for use	Security and communications systems	Data processing systems (1)	Transportation systems	Total
Balance on December 31, 2017	**1,670,141**	**982,720**	**2,783,484**	**135,349**	**2,822,322**	**38,459**	**8,432,475**
Additions	766,074	143,103	1,045,155	39,005	390,398	5,698	2,389,433
Write-offs	(12,168)	(278,602)	(160,587)	(6,141)	(1,924)	-	(459,422)
Impairment	(60,371)	-	-	(653)	(30,670)	-	(91,694)
Depreciation	(111,274)	-	(512,825)	(24,754)	(798,646)	(12,514)	(1,460,013)
Transfer	(121,196)	129,648	-	-	-	-	8,452
Balance from an acquired institution	-	-	7,605	-	-	-	7,605
Balance on December 31, 2018	**2,131,206**	**976,869**	**3,162,832**	**142,806**	**2,381,480**	**31,643**	**8,826,836**
Balance on December 31, 2016	**1,698,925**	**1,027,535**	**2,872,445**	**132,861**	**2,618,745**	**46,605**	**8,397,116**
Additions	117,888	41,777	754,606	31,134	947,314	4,926	1,897,645
Write-offs	(53,151)	(86,592)	(323,217)	(2,540)	(86,469)	(100)	(552,069)
Impairment	(73,568)	-	(502)	(1,836)	(3,288)	-	(79,194)
Depreciation	(28,840)	-	(521,663)	(24,270)	(649,583)	(12,972)	(1,237,328)
Transfer	8,887	-	1,815	-	(4,397)	-	6,305
Balance on December 31, 2017	**1,670,141**	**982,720**	**2,783,484**	**135,349**	**2,822,322**	**38,459**	**8,432,475**

(1) Includes financial lease of data processing systems.

34) Intangible assets and goodwill

a) Change in intangible assets and goodwill by class

R$ thousand

		Intangible Assets				
	Goodwill	Acquisition of financial service rights (1)	Software (1)	Customer portfolio (1)	Other (1)	Total
Balance on December 31, 2017	**4,945,313**	**4,051,898**	**3,790,418**	**3,358,689**	**32,989**	**16,179,307**
Additions/(reductions)	630,755	1,859,905	1,198,396	-	(5,146)	**3,683,910**
Impairment (2)	-	(162)	(386,265)	-	-	**(386,427)**
Amortization	-	(1,116,505)	(1,361,269)	(864,686)	(5,782)	**(3,348,242)**
Balance on December 31, 2018	**5,576,068**	**4,795,136**	**3,241,280**	**2,494,003**	**22,061**	**16,128,548**
Balance on December 31, 2016	**4,945,313**	**2,503,457**	**3,945,244**	**4,358,923**	**44,589**	**15,797,526**
Additions/(reductions)	-	2,549,335	1,203,313	-	(8,944)	**3,743,704**
Impairment (2)	-	-	(30,683)	-	-	**(30,683)**
Amortization	-	(1,000,894)	(1,327,456)	(1,000,234)	(2,656)	**(3,331,240)**
Balance on December 31, 2017	**4,945,313**	**4,051,898**	**3,790,418**	**3,358,689**	**32,989**	**16,179,307**

(1) Rate of amortization: acquisition of banking rights – in accordance with contract agreement; software – 20%; Customer portfolio – up to 20%; and others – 20%; and

(2) Impairment losses were recognized in the consolidated statement of income, within “Other operating income/(expenses)”.

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b) Composition of goodwill by segment

	R$ thousand	
	On December 31	
	2018	**2017**
Banking	5,083,686	4,651,347
Insurance	492,382	293,966
Total	**5,576,068**	**4,945,313**

The Cash Generation Units allocated to the banking segment and the insurance, pension and capitalization bonds segment are tested annually for impairment of goodwill. We did not incur any goodwill impairment losses in 2018, 2017 and 2016.

The recoverable amount from the Banking Segment has been determined based on a value-in-use calculation. The calculation uses cash-flow predictions based on financial budgets approved by Management, with a terminal growth rate of 6.9% p.a. (7.1% p.a. in 2017). The forecast cash flows have been discounted at a rate of 12.0% p.a. (13.6% p.a. in 2017).

The key assumptions described above may change as economic and market conditions change. The Organization estimates that reasonably possible changes in these assumptions within the current economic environment are not expected to cause the recoverable amount of either unit to decline below the carrying amount.

35) Other assets

	R$ thousand	
	On December 31	
	2018	**2017**
Financial assets (4) (5)	**43,893,309**	**41,719,483**

Foreign exchange transactions (1)	20,179,828	17,279,327
Debtors for guarantee deposits (2)	18,729,321	17,840,698
Securities trading	2,582,663	1,741,524
Trade and credit receivables	664,274	3,016,225
Receivables	1,737,223	1,841,709
Other assets	**7,372,866**	**9,134,504**
Deferred acquisition cost (insurance) – Note 40f	925,884	1,070,108
Other debtors	2,728,746	3,736,743
Prepaid expenses	741,087	1,244,602
Interbank and interdepartmental accounts	1,427,359	1,480,291
Other (3)	1,549,790	1,602,760
Total	**51,266,175**	**50,853,987**

(1) Mainly refers to purchases in foreign currency made by the institution on behalf of customers and rights in the institution's domestic currency, resulting from exchange sale operations;

(2) Refers to deposits resulting from legal or contractual requirements, including guarantees provided in cash, such as those made for the filing of appeals in departments or courts and those made to guarantee services of any nature;

(3) Includes basically trade and credit receivables, material supplies, other advances and payments to be reimbursed;

(4) Financial assets are recorded at amortized cost; and

(5) In 2018, there were no losses for impairment of other financial assets.

36) Deposits from banks

Financial liabilities called "Deposits from banks" are initially measured at fair value and, subsequently, at amortized cost, using the effective interest rate method.

Composition by nature

		R$ thousand
	On December 31	
	2018	**2017**
Demand deposits	1,139,729	1,030,292
Interbank deposits	410,975	2,168,625
Securities sold under agreements to repurchase	190,911,877	233,467,544
Borrowings	29,681,340	18,521,713
Onlending	25,170,058	30,769,294
Total	**247,313,979**	**285,957,468**

37) Deposits from customers

Financial liabilities called "Deposits from customers" are initially measured at fair value and subsequently at amortized cost, using the effective interest rate method.

Composition by nature

R$ thousand

On December 31

	2018	2017
Demand deposits	34,178,563	33,058,324
Savings deposits	111,170,912	103,332,697
Time deposits	195,398,721	125,617,424
Total	**340,748,196**	**262,008,445**

38) Funds from securities issued

a) Composition by type of security issued and location

		R$ thousand
	On December 31	
	2018	**2017**
Instruments Issued – Brazil:		
Real estate credit notes	25,381,719	27,020,911
Agribusiness notes	13,108,595	10,973,682
Financial bills	104,005,236	93,570,141
Letters of credit property guaranteed (1)	476,332	-
Subtotal	**142,971,882**	**131,564,734**
Securities – Overseas:		
Euronotes (2)	1,270,409	634,549
Securities issued through securitization – (item (b))	3,130,111	2,606,322
Subtotal	**4,400,520**	**3,240,871**
Structured Operations Certificates	**656,616**	**368,485**
Total	**148,029,018**	**135,174,090**

(1) 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, are located at the following address https://banco.bradesco/html/prime/produtos-servicos/investimentos/letra-imobiliaria-garantida.shtm; and

(2) Issuance of securities in the foreign market to fund customers' foreign exchange operations, export pre-financing, import financing and working capital financing, substantially in the medium and long terms.

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Notes to the Consolidated Financial Statements

b) Securities issued through securitization

Since 2003, the Organization uses certain arrangements to optimize its activities of funding and liquidity management by means of an Specific Purpose Entity (SPE). This SPE, which is called International Diversified Payment Rights Company, is financed with long-term bonds which are settled with the future cash flow of the corresponding assets, basically comprising current and future flow of payment orders sent by individuals and legal entities abroad to beneficiaries in Brazil for whom Bradesco acts as payer.

The long-term instruments issued by the SPE and sold to investors will be settled with funds from the payment orders flows. The Organization is required to redeem the instruments in specific cases of default or upon closing of the operations of the SPE.

The funds deriving from the sale of current and future payment orders flows, received by the SPE, must be maintained in a specific bank account until they reach a given minimum level.

We show below the amounts of the securities issued by the SPE, which appear in the “Funding from issuance of securities” line item:

R$ thousand

	Date of Issue	Nominal amount	Maturity	On December 31 2018	2017
Securitization of the future flow of payment orders received from abroad	19.12.2008	1,168,500	20.02.2019	84	348,524
	17.12.2009	89,115	20.02.2020	29,635	49,594
	16.11.2011	88,860	20.11.2018	-	26,068
	16.11.2011	133,290	22.11.2021	124,949	139,678
	23.12.2015	390,480	21.11.2022	318,115	330,311
	23.12.2015	390,480	20.11.2020	246,995	318,934
	02.02.2016	889,725	22.02.2021	713,740	871,260
	30.03.2016	533,835	22.02.2021	423,304	521,953

	12.05.2018	1,121,100	22.02.2021	1,273,289	-
Total		**4,805,385**		**3,130,111**	**2,606,322**

c) Net financial activity in the issuance of securities

		R$ thousand
	2018	**2017**
Opening balance on December 31	**135,174,090**	**151,101,938**
Issuance	85,963,195	62,237,380
Interest	9,054,699	13,262,613
Settlement and interest payments	(82,973,990)	(91,324,496)
Exchange variation and others	811,024	(103,345)
Closing balance on December 31	**148,029,018**	**135,174,090**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

39) Subordinated debt

a) Composition of subordinated debt

On December 31 - R$ thousand

Maturity	Original term in years	Nominal amount	2018	2017
In Brazil:				
Subordinated CDB:				
2019	10	20,000	69,851	62,303
Financial bills:				
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
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
Subtotal in Brazil			**40,002,257**	**38,541,679**
Overseas:				
2019	10	1,333,575	2,953,103	2,520,963
2021	11	2,766,650	6,355,614	3,697,115
2022	11	1,886,720	4,332,470	5,419,644
Subtotal overseas			**13,641,187**	**11,637,722**
Total			**53,643,444**	**50,179,401**

(1) Subordinated debt transactions that matured in 2018; and

(2) Issuance of subordinated financial letters, under the heading “Subordinated debt”.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

b) Net movement of subordinated debt

		R$ thousand
	2018	**2017**
Opening balance on December 31	**50,179,401**	**52,611,064**
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	175,323
Closing balance on December 31	**53,643,444**	**50,179,401**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

40) Insurance technical provisions and pension plans

a) Technical provisions by account

R$ thousand

	Insurance (1)		Life and Pension (2)(3)		Total	
	On December 31		On December 31		On December 31	
	2018	2017	2018	2017	2018	2017
Current and long-term liabilities						
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**
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	4,283,281	4,068,716	647,709	567,369	**4,930,990**	**4,636,085**
Reserve for unsettled claims	4,472,929	4,291,432	1,345,596	1,588,489	**5,818,525**	**5,879,921**
Reserve for financial surplus	-	-	549,135	514,199	**549,135**	**514,199**
Other technical provisions	2,186,799	1,996,206	5,823,088	3,369,300	**8,009,887**	**5,365,506**
Total reserves	**15,907,502**	**14,833,555**	**235,670,785**	**224,256,035**	**251,578,287**	**239,089,590**

(1) “Other technical provisions” - 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) The "Other technical provisions" line of Life and Pension Plan includes "Provision for redemptions and other amounts to be settled" in the amount of R$2,248,238 thousand, "Provision for related expenses" in the amount of R$520,613 thousand, “Complementary Reserve for Coverage (PCC)” in the amount of R$1,010,035 thousand and" Other technical provisions", which includes the transfer of R$2,007,136 thousand of the mathematical provisions of benefits to be granted and benefits granted, subject to authorization by SUSEP; and

(3) Includes the unearned Premium Reserve of risks covered not yet issued (PPNG-RVNE) in the amount of R$ 158,535 thousand.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

b) Technical provisions by product

R$ thousand

	Insurance		Life and pension plans (1)		Total	
	On December 31		On December 31		On December 31	
	2018	2017	2018	2017	2018	2017
Health	10,391,680	9,754,024	-	-	**10,391,680**	**9,754,024**
Auto / Liability Insurance	3,209,143	3,156,847	-	-	**3,209,143**	**3,156,847**
DPVAT (Personal Injury Caused by Automotive Vehicles)	601,114	506,161	2,756	3,100	**603,870**	**509,261**
Life	310,829	-	10,964,900	10,018,884	**11,275,729**	**10,018,884**
RE (Elementary branch)	1,394,736	1,416,523	-	-	**1,394,736**	**1,416,523**
Free Benefits Generating Plan - PGBL	-	-	36,188,888	35,087,618	**36,188,888**	**35,087,618**
Free Benefits Generating Life - VGBL	-	-	166,104,340	158,746,205	**166,104,340**	**158,746,205**
Traditional plans	-	-	22,409,901	20,400,228	**22,409,901**	**20,400,228**
Total technical provisions	**15,907,502**	**14,833,555**	**235,670,785**	**224,256,035**	**251,578,287**	**239,089,590**

(1) Includes personal and pension insurance operations.

c) Technical provisions by aggregated products

R$ thousand

	On December 31	
	2018	2017
Insurance – Vehicle, Elementary Lines, Life and Health	26,875,158	24,855,539
Insurance and Pensions – Life with Survival Coverage (VGBL)	166,104,340	158,746,205
Pensions – PGBL and Traditional Plans	49,527,947	47,623,322
Pensions – Risk Traditional Plans	9,070,842	7,864,524
Total	**251,578,287**	**239,089,590**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

d) Changes in the insurance and pension technical provisions

(i) Insurance – Vehicle, General, Life, Health and Pension

	R$ thousand	
	Years ended December 31	
	2018	**2017**
At the beginning of the year	**32,720,063**	**31,611,733**
(-) DPVAT insurance	(508,098)	(473,579)
Subtotal at beginning of the year	**32,211,965**	**31,138,154**
Additions, net of reversals	30,230,289	28,542,623
Payment of claims, benefits and redemptions	(28,735,539)	(27,156,197)
Adjustment for inflation and interest	1,636,443	648,898
Partial spin-off of large risk portfolio	-	(961,513)
Subtotal at end of the period	**35,343,158**	**32,211,965**
(+) DPVAT insurance	602,842	508,098
At the end of the year	**35,946,000**	**32,720,063**

(ii) Insurance – Life with Survival Coverage (VGBL)

	R$ thousand	
	Years ended December 31	
	2018	**2017**
At the beginning of the year	**158,746,205**	**138,670,739**
Receipt of premiums net of fees	23,715,609	28,577,437
Payment of benefits	(30,563)	(28,758)
Payment of redemptions	(21,008,985)	(18,985,242)
Adjustment for inflation and interest	8,017,088	13,468,401
Others	(3,335,014)	(2,956,372)
At the end of the year	**166,104,340**	**158,746,205**

(iii) Pensions – PGBL and Traditional Plans

	R$ thousand	
	Years ended December 31	
	2018	**2017**
At the beginning of the year	**47,623,322**	**45,557,528**
Receipt of premiums net of fees	2,683,007	3,446,148
Payment of benefits	(858,454)	(759,949)
Payment of redemptions	(2,615,186)	(2,962,505)
Adjustment for inflation and interest	3,232,938	3,656,452
Others	(537,680)	(1,314,352)
At the end of the year	**49,527,947**	**47,623,322**

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Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

e) Guarantees for the technical provisions

R$ thousand

	Insurance		Life and pension plans		Total	
	On December 31		On December 31		On December 31	
	2018	2017	2018	2017	2018	2017
Total technical provisions	**15,907,502**	**14,833,555**	**235,670,785**	**224,256,035**	**251,578,287**	**239,089,590**
(-) Commercialization surcharge – extended warranty	(54,183)	(138,780)	-	-	**(54,183)**	**(138,780)**
(-) Portion corresponding to contracted reinsurance	(125,032)	(153,137)	(9,859)	(14,123)	**(134,891)**	**(167,260)**
(-) Receivables	(1,043,400)	(925,999)	-	-	**(1,043,400)**	**(925,999)**
(-) Unearned premium reserve – Health and dental insurance (1)	(1,381,574)	(1,268,243)	-	-	**(1,381,574)**	**(1,268,243)**
(-) Reserves from DPVAT agreements	(597,398)	(502,491)	-	-	**(597,398)**	**(502,491)**
To be insured	**12,705,915**	**11,844,905**	**235,660,926**	**224,241,912**	**248,366,841**	**236,086,817**
Investment fund quotas (VGBL and PGBL) (2)	-	-	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	**28,385,450**	**26,715,093**
Government securities	10,164,283	9,011,657	19,534,894	18,608,194	**29,699,177**	**27,619,851**
Private securities	15,378	18,203	151,681	164,338	**167,059**	**182,541**
Shares	2,935	3,227	1,238,716	1,716,401	**1,241,651**	**1,719,628**
Total technical provision guarantees	**15,338,042**	**14,109,093**	**242,903,334**	**232,767,818**	**258,241,376**	**246,876,911**

(1) Deduction provided for in Article 4 of ANS Normative Resolution No. 392/15; and

(2) The investment funds "VGBL" and "PGBL" were consolidated in the financial statements.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

f) Changes in deferred acquisition cost (insurance assets)

	R$ thousand	
	Years ended December 31	
	2018	**2017**
At the beginning of the year	**1,070,108**	**1,750,244**
Additions	1,324,815	1,586,888
Reversals	(1,469,039)	(2,250,844)
Sale of large risk portfolio	-	(16,180)
At the end of the year	**925,884**	**1,070,108**

g) Changes in reinsurance assets

	R$ thousand	
	Years ended December 31	
	2018	**2017**
At the beginning of the year	**219,214**	**1,186,194**
Additions	245,957	186,867
Reversals	(239,049)	(139,641)
Recovered insurance losses	(37,369)	(259,433)
Reversal/Monetary update	(4,892)	(411)
Other (1)	(7,537)	(754,362)
At the end of the year	**176,324**	**219,214**

(1) In 2017, includes sale of the large risk portfolio.

h) Claim information

The purpose of the table below is to show the inherent insurance risk, comparing the insurance claims paid with their provisions. Starting from the year in which the claim was reported, the upper part of the table shows the changes in the provision over the years. The provision varies as more precise information concerning the frequency and severity of the claims is obtained. The lower part of the table shows the reconciliation of the amounts with the amounts presented in the financial statements.

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Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

Insurance, Vehicle/RCF and Elementary Lines – Claims, gross reinsurance[1]

						Year claims were notified			
	Up to 2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**201**
Amount estimated for the claims:									
· In the year after notification	1,288,259	2,219,991	2,592,573	2,859,480	3,348,274	3,224,788	3,937,126	4,428,926	4,109
· One year after notification	1,247,008	2,193,645	2,562,789	2,824,610	3,240,688	3,041,662	3,663,951	4,277,245	3,912
· Two years after notification	1,230,236	2,179,949	2,561,264	2,809,879	3,233,150	3,009,371	3,671,822	4,232,474	3,923
· Three years after notification	1,238,534	2,179,419	2,577,663	2,812,812	3,256,062	3,044,232	3,655,382	4,260,118	
· Four years after notification	1,247,341	2,210,909	2,595,369	2,811,587	3,292,376	3,034,096	3,669,868	-	
· Five years after notification	1,248,036	2,209,826	2,607,212	2,840,368	3,113,580	3,049,171	-	-	
· Six years after notification	1,274,168	2,222,800	2,611,105	2,837,693	3,128,386	-	-	-	
· Seven years after notification	1,290,615	2,240,171	2,599,521	2,850,912	-	-	-	-	
· Eight years after notification	1,307,505	2,228,954	2,608,176	-	-	-	-	-	
· Nine years after notification	1,299,124	2,234,024	-	-	-	-	-	-	
	1,296,266	-	-	-	-	-	-	-	

· Ten years after notification									
Estimate of claims on the reporting date (2018)	**1,296,266**	**2,234,024**	**2,608,176**	**2,850,912**	**3,128,386**	**3,049,171**	**3,669,868**	**4,260,118**	**3,923**
Payments of claims	(1,180,848)	(2,216,199)	(2,580,422)	(2,812,101)	(3,076,245)	(2,992,353)	(3,593,585)	(4,155,367)	(3,806,
Outstanding Claims	**115,418**	**17,825**	**27,754**	**38,811**	**52,141**	**56,818**	**76,283**	**104,751**	**116**

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

Insurance, Vehicle/RCF and Elementary Lines – Claims, net reinsurance[1]

						Year claims were notified			
	Up to 2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**201**
Amount estimated for net claims for reinsurance:									
· In the year after notification	994,132	1,954,928	2,439,011	2,653,641	3,022,457	3,021,084	3,761,029	4,074,519	3,960
· One year after notification	986,525	1,933,104	2,404,646	2,617,957	2,908,173	2,849,909	3,527,585	3,954,939	3,796
· Two years after notification	979,044	1,931,327	2,406,805	2,609,034	2,915,173	2,832,016	3,539,989	3,900,981	3,803
· Three years after notification	990,037	1,936,905	2,426,310	2,629,288	2,927,529	2,874,862	3,526,769	3,921,156	
· Four years after notification	996,755	1,960,500	2,445,507	2,639,629	2,957,403	2,868,888	3,539,721	-	
· Five years after notification	1,004,225	1,966,313	2,460,692	2,670,472	2,963,901	2,884,539	-	-	
· Six years after notification	1,017,179	1,980,991	2,472,476	2,673,132	2,978,029	-	-	-	
· Seven years after notification	1,025,547	1,994,592	2,471,407	2,686,379	-	-	-	-	
· Eight years after notification	1,035,528	1,990,902	2,479,351	-	-	-	-	-	
· Nine years after notification	1,038,489	1,994,494	-	-	-	-	-	-	

· Ten years after notification	1,090,755	-	-	-	-	-	-	-	
Estimate of claims on the reporting date (2018)	**1,090,755**	**1,994,494**	**2,479,351**	**2,686,379**	**2,978,029**	**2,884,539**	**3,539,721**	**3,921,156**	**3,803**
Payments of claims	(1,037,194)	(1,978,504)	(2,454,468)	(2,647,785)	(2,926,963)	(2,828,093)	(3,465,828)	(3,820,923)	(3,691,
Liquid outstanding claims for reinsurance	**53,561**	**15,990**	**24,883**	**38,594**	**51,066**	**56,446**	**73,893**	**100,233**	**111**

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Notes to the Consolidated Financial Statements

Life – Insurance claims, net reinsurance[1]

						Year claims were notified			
	Up to 2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Amount estimated for net claims for reinsurance:									
· In the year after notification	852,110	901,321	1,007,851	1,191,045	1,235,104	1,305,822	1,330,460	1,415,524	1,493,336
· One year after notification	861,992	926,499	1,015,094	1,188,264	1,226,271	1,298,610	1,373,160	1,425,789	1,491,439
· Two years after notification	878,363	943,781	1,021,283	1,188,774	1,236,289	1,326,512	1,368,575	1,403,515	1,468,731
· Three years after notification	874,269	937,472	1,011,228	1,197,624	1,236,075	1,309,876	1,277,276	1,323,435	-
· Four years after notification	872,339	944,170	1,022,136	1,195,079	1,234,363	1,296,147	1,242,937	-	-
· Five years after notification	870,461	954,487	1,019,647	1,201,083	1,233,898	1,304,644	-	-	-
· Six years after notification	871,248	951,993	1,017,766	1,200,703	1,239,976	-	-	-	-
· Seven years after notification	872,001	944,581	1,009,936	1,209,690	-	-	-	-	-
· Eight years after notification	875,280	944,664	1,017,016	-	-	-	-	-	-
· Nine years after	870,736	950,290	-	-	-	-	-	-	-

notification									
· Ten years after notification	940,357	-	-	-	-	-	-	-	-
Estimate of claims on the reporting date (2018)	**940,357**	**950,290**	**1,017,016**	**1,209,690**	**1,239,976**	**1,304,644**	**1,242,937**	**1,323,435**	**1,468,731**
Payments of claims	(874,391)	(933,233)	(983,539)	(1,159,655)	(1,194,341)	(1,237,017)	(1,124,959)	(1,143,581)	(1,296,273)
Liquid outstanding claims for reinsurance	**65,966**	**17,057**	**33,477**	**50,035**	**45,635**	**67,627**	**117,978**	**179,854**	**172,458**

(1) The “DPVAT” insurances were not considered in the claims development in the amount of R$71,212 thousand, "Retrocession" R$19,089 thousand, "Health and Dental" R$2,927,151 thousand, estimate of salvages and redresses in the amount of R$(155,016) thousand and incurred but not enough reported (IBNER) claims in the amount of R$136,529 thousand.

41) Supplemental pension plans

Bradesco and its subsidiaries sponsor a private defined contribution pension for employees and directors, 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 Management of Bradesco and its subsidiaries equivalent to at least 4% of their salary and, from the company, 5% of the salary, plus the percentage allocated to covers of risk benefits (invalidity and death). 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, in run-off, the present value of the actuarial obligations of the plan is completely covered by collateral assets.

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

Bradesco sponsors both defined benefit and variable 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 former 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 to employees originating from Banco Bamerindus do Brasil S.A., and Kirton Administração de Serviços para Fundos de Pensão Ltda. sponsors to 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 took on the obligations of Kirton Bank S.A. – Banco Múltiplo with regard to Life Insurance, Health Insurance Plans, and Retirement Compensation for employees coming from Banco Bamerindus do Brasil S.A.

Risk factors	On December 31	
	2018	**2017**
Nominal discount rate	8.8% - 9.31% a.a.	8.5% - 10% p.a.
Nominal rate of minimum expected return on assets	9.6% - 25.01% a.a.	7.01% - 25.16% 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.	4.3% p.a.
Initial rate of growth of medical costs	8.16% - 9.72% 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-SEM	AT 2000 and BR-SEM
Biometric table of entering disability	Per plan	Per plan
Expected turnover rate	-	-
Probability of entering retirement	100% in the 1st eligibility to a benefit by the plan	100% in the 1st eligibility to a benefit by the plan

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Considering the above assumptions, in accordance with IAS 19, 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			
	Retirement Benefits		**Other post-employment benefits**	
	2018	**2017**	**2018**	**2017**
(i) Projected benefit obligations:				
At the beginning of the year	**2,323,338**	**2,141,393**	**563,079**	**498,591**
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)
At the end of the year	**2,530,590**	**2,323,338**	**669,093**	**563,079**
(ii) Plan assets at fair value:				
At the beginning of the year	**2,375,529**	**2,127,872**	**-**	**-**
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)	-	-
At the end of the year	**2,363,009**	**2,375,529**	**-**	**-**
(iii) Changes in the unrecoverable surplus				
At the beginning of the year	**206,752**	**123,416**	**-**	**-**
Interest on the irrecoverable surplus	20,327	13,730	-	-
Change in the unrecoverable surplus	(173,054)	69,606	-	-
At the end of the year	**54,025**	**206,752**	**-**	**-**
(iv) Financed position:				
Plans in deficit	**221,606**	**154,561**	**669,093**	**563,079**
Net balance	**221,606**	**154,561**	**669,093**	**563,079**

41) Supplemental pension plans

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

	R$ thousand		
	Years ended December 31		
	2018	**2017**	**2016**
Projected benefit obligations:			
Cost of service	151	401	(906)
Cost of interest on actuarial obligations	273,893	282,210	204,712
Expected earnings from the assets of the plan	(225,060)	(227,360)	(174,937)
Net cost/(benefit) of the pension plans	**48,984**	**55,251**	**28,869**

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

	On December 31, 2018 - R$ thousand	
	Retirement Benefits	**Other post-employment benefits**
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

41) Supplemental pension plans

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In 2019, contributions to defined-benefit plans are expected to total R$18,282 thousand.

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, with short to long-term maturities which represent a significant portion of the investment portfolios of our subsidiaries, the return on which is higher than inflation plus interest.

The assets of pension plans are invested in compliance with the applicable legislation (government securities and private securities, listed company shares and real estate properties) and the weighted-average allocation of the pension plan's assets by category is as follows:

								On December 31
	Assets of the Alvorada Plan		**Assets of the Bradesco Plan**		**Assets of the Kirton Plan**		**Assets of the Losango Plan**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Asset categories								
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%				
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Below is the sensitivity analysis of the benefits plan obligations, showing the impact on the actuarial exposure (8.5% - 10.0% p.a.) assuming a 1 b.p. change in the discount rate:

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 b.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 b.p.	increase	74,081
Medical Inflation	7.16% - 8.72%	Decrease of 1 b.p.	reduction	(62,077)

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

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

42) Provisions, Contingents 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.

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

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

Liability related to litigation is held until the conclusion to 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 recorded 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.

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 proceedings

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 pleading alleged differences in adjustment for inflation on savings account balances 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, although Bradesco complied with the law and regulation in force at the time, has provisioned these lawsuits, taking into consideration the claims where Bradesco is the defendant 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 may to accede the agreement. This agreement was approved by the Federal Supreme Court (STF) on March 1, 2018, the period of adhesion was approved by the Federal Supreme Court (STF) on March 1, 2018, the period of adhesion for interested parties is for two (02) years from this date. As this is a voluntary agreement, Bradesco is unable to predict how many savings account holders will choose to accept the settlement offer. It is important to note that Bradesco understands that the provisioning was made to cover the eligible proceedings to the related agreement. The proceedings that are not in the context of the agreement, including those related to incorporated banks are evaluated individually based on the procedural stage they are in.

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Note that, regarding disputes relating to economic plans, the Federal Supreme Court (STF) suspended the prosecution of all lawsuits on 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 recorded in full, although there is good chance of a favorable outcome, based on the opinion of the legal counsel. The processing of these legal obligations and the provisions for cases for which the risk of loss is deemed as probable is regularly monitored. 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 (2017 – R$2,489,247 thousand): 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;

- Pension Contributions – R$1,729,211 thousand (2017 – R$1,466,469 thousand): official notifications related to the pension contributions on financial contributions in private pension plans, considered by the authorities to be compensatory sums subject to the incidence of pension contributions and to an isolated fine for not withholding IRRF on the financial contributions;

- IRPJ/CSLL on losses of credits – R$1,461,621 thousand (2017 – R$1,614,663 thousand): 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 from marking Securities at fair value in 2007;

- INSS of Autonomous – R$470,237 thousand (2017 – R$643,655 thousand): 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 of 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 (2017 – R$401,018 thousand): in an ordinary lawsuit filed by the Brazilian Federation of Banks – Febraban, since April 2007, on behalf of its members, is questioning 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 long-term, 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 closed.

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IV - Changes in other provision

R$ thousand

	Labor	Civil	Tax (1)
Balance on December 31, 2017	**5,554,796**	**5,346,563**	**7,589,368**
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)
Balance on December 31, 2018	**5,983,603**	**5,614,362**	**8,204,206**
Balance on December 31, 2016	**5,101,732**	**5,003,440**	**8,187,237**
Adjustment for inflation	637,263	484,447	500,719
Provisions, net of reversals and write-offs	1,002,559	830,642	(984,342)
Payments	(1,186,758)	(971,966)	(114,246)
Balance on December 31, 2017	**5,554,796**	**5,346,563**	**7,589,368**

(1) In 2017, there were reversals of provisions related to: (i) the PIS process, related to the remuneration of amounts unduly paid, in the amount of R$268,729 thousand; (ii) IRPJ/CSLL on credit losses, in the amount of R$408,730 thousand; and (iii) favorable decision in the process of social security contribution on the remuneration paid to accredited dentists (INSS of Autonomous), in the amount of R$348,820 thousand.

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

- IRPJ and CSLL – 2006 to 2013 – R$6,863,623 thousand (2017 – R$6,264,741 thousand), relating to goodwill amortization being disallowed on the acquisition of investments;

- COFINS – R$5,070,337 thousand (2017 – R$4,902,151 thousand): 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 (2017 – R$2,394,087 thousand) 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 (2017 – R$2,431,844 thousand): 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 (2017 – R$1,399,506 thousand): 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;

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- IRPJ and CSLL deficiency note – R$859,049 thousand (2017 – R$969,713 thousand): relating to disallowance of exclusions with losses in collections; and

- IRPJ and CSLL deficiency note – 2008 and 2009 – R$508,180 thousand (2017 – R$489,687 thousand): relating to profit of subsidiaries based overseas.

43) Other liabilities

		R$ thousand
	On December 31	
	2018	**2017**
Financial liabilities	**62,598,235**	**62,439,512**
Credit card transactions (1)	22,887,885	26,163,066
Foreign exchange transactions (2)	19,801,468	17,085,029
Loan assignment obligations	8,058,619	8,454,076
Capitalization bonds	8,186,955	7,562,974
Securities trading	3,321,219	2,317,155
Liabilities for acquisition of assets – financial leases (Note 43a)	342,089	857,212
Other liabilities	**34,157,435**	**35,377,312**
Third party funds in transit (3)	7,135,635	7,211,038
Provision for payments	8,266,532	8,743,428
Sundry creditors	3,137,923	3,205,800
Social and statutory	4,966,975	4,524,457
Other taxes payable	1,757,283	1,466,306
Liabilities for acquisition of assets and rights	1,206,376	1,480,777
Other	7,686,711	8,745,506
Total	**96,755,670**	**97,816,824**

(1) Refers to amounts payable to merchants;

(2) Mainly refers to the institution's sales in foreign currency to customers and its right's in domestic currency, resulting from exchange sale operations; and

(3) Mainly refers to payment orders issued domestically and the amount of payment orders in foreign currency coming from overseas.

a) Composition by maturity of financial leases and details of operating leases

		R$ thousand
	On December 31	
	2018	**2017**
Due within one year	296,691	564,337
From 1 to 2 years	45,398	256,327
From 2 to 3 years	-	36,548
Total	**342,089**	**857,212**

Total non-cancellable minimum future payments due on operating leases in 2018 is R$11,340,768 thousand, of which R$853,882 thousand are due within 1 year, R$3,250,392 thousand between 1-5 years and R$7,236,494 thousand with more than 5 years.

43) Other liabilities

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44) Equity

a) Capital and shareholders' rights

i. Composition of share capital in number of shares

The share capital, which is fully subscribed and paid, is divided into registered shares with no par value.

	On December 31	
	2018	**2017 (1)**
Common	3,359,929,223	3,359,929,223
Preferred	3,359,928,872	3,359,928,872
Subtotal	**6,719,858,095**	**6,719,858,095**
Treasury (common shares)	(5,535,803)	(5,535,803)
Treasury (preferred shares)	(20,741,320)	(20,741,320)
Total outstanding shares	**6,693,580,972**	**6,693,580,972**

ii. Changes in capital stock, in number of shares

	Common	**Preferred**	**Total**
Number of shares outstanding on December 31, 2016 (1)	**3,354,393,420**	**3,339,187,552**	**6,693,580,972**
Number of shares outstanding on December 31, 2017 (1)	**3,354,393,420**	**3,339,187,552**	**6,693,580,972**
Number of shares outstanding on December 31, 2018	**3,354,393,420**	**3,339,187,552**	**6,693,580,972**

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Special Shareholders' Meeting held on March 12, 2018 in proportion of one new share for every 10 shares held.

In the Special Shareholders' Meeting held on March 10, 2017, the approval was proposed by the Board of Directors to increase the capital stock by R$8,000,000 thousand, increasing it from R$51,100,000 thousand to R$59,100,000 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 555,360,173 new nominative-book entry shares, with no nominal value, whereby 277,680,101 are common shares and 277,680,072 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.

In the Special Shareholders' Meeting held on 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 shares 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.

All of the shareholders are entitled to receive, in total, a mandatory dividend of at least 30% of Bradesco's annual net income, as shown in the statutory accounting records, adjusted by transfers to reserves. The Organization has no obligation that is exchangeable for or convertible into shares of capital. As a result, its diluted earnings per share is the same as the basic earnings per share.

In occurring any operation that changes the number of shares, simultaneously with the transaction in the Brazilian Market, and with the same timeframes, an identical procedure is adopted in the International Market, for the ADRs/GDRs traded in New York, USA, and Madrid, Spain.

Treasury shares are recorded at cost, which is approximately equivalent to the market prices on the date they are acquired. Cancellation of treasury shares is recorded as a reduction of unappropriated retained earnings. Treasury shares are acquired for subsequent sale or cancellation.

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b) Reserves

Capital reserves

The capital reserve consists mainly of premiums paid by the shareholders upon subscription of shares. The capital reserve is used for (i) absorption of any losses in excess of accumulated losses and revenue reserves, (ii) redemption, reimbursement of purchase of shares, (iii) redemption of founders' shares, (iv) transfer to share capital, and (v) payment of dividends to preferred shares, when this privilege is granted to them.

Revenue reserves

In accordance with Corporate Legislation, Bradesco and its Brazilian subsidiaries must allocate 5% of their annual statutory net income, after absorption of accumulated losses, to a legal reserve, the distribution of which is subject to certain limitations. The reserve can be used to increase capital or to absorb losses, but cannot be distributed in the form of dividends.

The Statutory Reserve aims to maintain an operating margin that is compatible with the development of the Organization's active operations and may be formed by up to 100% of net income remaining after statutory allocations if proposed by the Board of Executive Officers, approved by the Board of Directors and ratified at the Shareholders' Meeting, with the accumulated value limited to 95% of the Organization's paid-in capital share amount.

c) Interest on own equity / Dividends

Interest on own equity are calculated on the net income as determined in the financial statements prepared in accordance with Brazilian generally accepted accounting principles (BR GAAP) applicable to financial institutions authorized to operate by the Central Bank of Brazil. The dividends are paid in *Reais* and can be converted into US dollars and remitted to shareholders abroad, provided that the equity participation of the non-resident shareholder is registered with the Central Bank of Brazil. Brazilian companies may pay interest on equity to shareholders based on the shareholders' equity and treat these payments as deductible expenses in the Brazilian income tax and social contribution calculations. The interest cost is treated for accounting purposes as a deduction from shareholders' equity in a manner similar to dividends. Withholding income tax is levied and paid at the time that the interest on own equity is paid to the shareholders.

In 2018, the Organization distributed interest on own equity of R$7,298,596 thousand, being attributed to the shareholders, the gross amount per share of R$1.04 for common shares and R$1.14 for preferred shares (2017 – R$7,204,344 thousand, R$1.03 for common shares and R$1.13 for preferred shares).

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45) Transactions with related parties

Related-party transactions (direct and indirect) are presented out according to IAS 24, the Organization has a Transaction Policy with related parties 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:

R$ thousand

	Controllers (1)		Associates and Jointly controlled companies (2)		Key Management Personnel (3)		Total	
	On December 31							
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Loans and advances to banks	-	-	585,191	724,369	-	-	585,191	724,369
Securities and derivative financial instruments	16,015	-	19,267	-	-	-	35,282	-
Other assets	9	-	326,762	3,572	49,244	-	376,015	3,572
Liabilities								
Customer and financial institution resources	2,899,619	903,590	1,098,865	347,816	120,586	97,309	4,119,070	1,348,715
Securities and subordinated debt securities	8,569,271	6,632,932	-	-	797,182	1,395,107	9,366,453	8,028,039
Other liabilities (4)	1,541,011	2,302,970	10,101,886	8,827,877	5,484	-	11,648,381	11,130,847

	Controllers (1)			Associates and Jointly controlled companies (2)			Key Management Personnel (3)			
	Years ended December 31									
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018

Revenues and expenses											
Net interest income	(778,829)	(887,059)	(1,129,931)	(11,814)	40,671	(41,814)	(55,045)	(84,818)	(108,333)	(845,688)	(9
Other revenues	334	-	-	315,832	441,381	360,286	247	-	-	316,413	[illegible]
Other expenses	(50,745)	(2,652)	(2,391)	(2,635,494)	(289,100)	(224,444)	323,130	-	-	(2,363,109)	(2

(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 32;

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

(4) Includes interest on shareholders' equity and dividends payable.

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a) Remuneration of key management personnel

The following is established each year at the Annual Shareholders' Meeting:

- The annual grand total amount of management compensation, set forth at the Board of Directors' Meeting, 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 PNB shares issued by BBD Participações S.A. and/or PN 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-term benefits for Management

			R$ thousand
	Years ended December 31		
	2018	**2017**	**2016**
Salaries	485,949	456,262	441,592
Total	**485,949**	**456,262**	**441,592**

Post-employment benefits

R$ thousand

	Years ended December 31		
	2018	**2017**	**2016**
Defined contribution supplementary pension plans	474,378	473,663	251,250
Total	**474,378**	**473,663**	**251,250**

The Organization has no long-term benefits or for the termination of employment contracts or for remuneration based on shares for its key Management personnel.

Other information

a) Under current law, financial institutions are not allowed to grant loans or advances to:

(i) Officers and members of the advisory, administrative, fiscal or similar councils, as well as to their respective spouses and family members up to the second degree;

(ii) Individuals or corporations that own more than 10% of their capital; and

(iii) Corporations in which the financial institution itself, any officers or Management of the institution, as well as their spouses and respective family members up to the second degree own more than 10% of equity.

Therefore, no loans or advances are granted by the financial institutions to any subsidiary, members of the Board of Directors or the Board of Executive Officers and their relatives.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

b) Equity participation

Together directly, members of the Board of Directors and the Board of the Executive Officers had the following shareholding in Bradesco:

	On December 31	
	2018	**2017**
Common shares	0.5%	0.5%
Preferred shares	1.1%	1.0%
Total shares (1)	0.8%	0.8%

(1) On December 31, 2018, direct and indirect shareholding of the members of the Board of Directors and the Board of Executive Officers in Bradesco totaled 2.6% of common shares, 1.1% of preferred shares and 1.9% of all shares (2017 – 2.3% of common shares, 1.1% of preferred shares and 1.7% of all shares).

46) Off-balance sheet commitments

The table below summarizes the total risk represented by off-balance sheet commitments:

R$ thousand

	On December 31	
	2018	**2017**
Commitments to extend credit (1)	228,113,067	203,927,816
Financial guarantees (2)	72,870,964	78,867,348
Letters of credit for imports	361,593	294,229
Total	301,345,624	283,089,393

(1) Includes available lines of credit, limits for credit cards, personal loans, housing loans and overdrafts; and

(2) Refers to guarantees mostly provided for Corporate customers.

Financial guarantees are conditional commitments for loans issued to ensure the performance of a customer in an obligation to a third party. There is usually the right of recourse against the customer to recover any amount paid under these guarantees. Moreover, we can retain cash or other highly-liquid funds to counter-guarantee these commitments.

The contracts are subject to the same credit evaluations as other loans and advances . Standby letters of credit are issued mainly to endorse public and private debt issue agreements including commercial paper, securities financing and similar transactions. The standby letters of credit are subject to customer credit evaluation by the Management.

We issue letters of credit in connection with foreign trade transactions to guarantee the performance of a customer with a third party. These instruments are short-term commitments to pay the third-party beneficiary under certain contractual terms for the shipment of products. The contracts are subject to the same credit evaluation as other loans and advances.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

47) New standards and amendments and interpretations of existing standards

Standards, amendments and interpretations of existing standards for the year ended December 31, 2018

Transition to IFRS 9

• IFRS 9 replaced the guidance in IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 is applied for financial instruments and was adopted on the effective date of the standard on January 1, 2018. IFRS 9 includes: (i) new models for the classification and measurement of financial instruments; (ii) measurement of expected credit losses for financial assets; and (iii) new requirements on hedge accounting. The new standard maintains the principal existing guidance on the recognition and derecognition of financial instruments in IAS 39.

(i) Classification and Measurement – Financial assets

IFRS 9 contains a new approach for classification and measurement of financial assets, where the Organization is based on the business model for the management of financial assets, in order to generate cash flow, as well as the SPPI Test, which will assess the characteristic of the cash flow and guide the classification of financial assets.

Financial assets are classified into three categories, as shown below:

- Amortized cost: Financial assets that are held for collection of contractual cash flows, which represent only the payment of the principal and interest. These assets are adjusted by any expectation of credit loss.

- FVOCI: Financial assets that are held for collection of contractual cash flows, which represent only the payment of the principal and interest, and also for sale. Changes in the fair value of these assets are recorded in other comprehensive income, except for the recognition of impairment, interest income, dividends and exchange rate variations that are recognized directly in the income statement for the fiscal year.

- FVTPL: Financial assets that do not meet the criteria to be measured at amortize cost or at FVOCI.

On December 31, 2017, the Organization had equity investments classified as available for sale with fair value of R$11,038 million which are held for long-term strategic purposes. Pursuant to IFRS 9, the Organization, on current best estimates, designated these instruments as FVOCI. Thus, all fair value gains and losses should be recorded in other comprehensive income, with no impairment losses recognized in the income (loss) and no gain or loss is recycled to the income (loss) upon realization.

(ii) Impairment – Financial Assets

IFRS 9 replaced the model of “incurred losses” of IAS 39 with a prospective model of “expected losses”. This requires relevant judgment as to how changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities.

The new model of expected losses applies to the financial instruments measured at amortized cost or FVOCI (except for investments in equity instruments).

Expected loan losses were calculated based on experience of actual loan losses in the past years. The Organization calculated the rates of expected loan losses based on the features of each portfolio, that is, it used quantitative models for loans assessed in a group and a combination of quantitative and qualitative models for large companies.

The experience of actual loan losses was adjusted to reflect the differences between economic conditions during the period in which the historical data were collected, current conditions and the Organization’s view of future economic conditions.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

In the prospective model of expected losses, financial assets are divided into three stages:

Stage 1: Financial instruments that do not present significant deterioration in credit quality;

Stage 2: Financial instruments that present significant deterioration in credit quality; and

Stage 3: Financial instruments that indicate that the obligation will not be fully honored.

The new model of calculation of credit losses expected based on the prospective parameter for loans and advances, commitments to loans, financial guarantees given and Private Debt Securities resulted in an increase in the provision for credit losses.

(iii) Classification – Financial liabilities

IFRS 9 maintains most part of the requirements of IAS 39 regarding the classification of financial liabilities.

But, pursuant to IAS 39, the fair value variations of liabilities designated as FVTPL are recognized in the income (loss), whereas pursuant to IFRS 9, these changes of fair value should be presented as follows:

- the fair value variation that is attributable to changes in the loan risk of financial liabilities should be presented in Other Comprehensive Income (OCI); and
- the remaining value of the fair value variation should be presented in the income (loss).

(iv) Hedge Accounting

Upon the first adoption, the Organization opted to continue to apply the requirements of IAS 39 for hedge accounting, as permitted by IFRS 9 until the conclusion by the IASB of the macro-hedge project and the finalization of the hedge accounting section.

IFRS 9 requires that the Organization ensures that the hedge accounting relations are aligned with its risk management purposes and strategies and that the Organization adopt a more qualitative and prospective approach to assess hedge effectiveness. IFRS 9 also introduces new requirements for re-balance of hedge relations and prohibits the voluntary discontinuance of the hedge accounting if inconsistent with the risk management strategies of the entity.

(v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 were applied retrospectively on the date of initial application.

– The Organization opted for the exemption under the Standard of not restating comparative information from prior periods derived from changes in the classification and measurement of financial instruments (including expected loan). The differences in the accounting balances of financial assets and liabilities resulting from the adoption of IFRS 9 were recognized in Retained Earnings on January 1, 2018.

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

Reconciliation of the shareholders' equity in the transition from IAS 39 to IFRS 9:

	R$ mil
Shareholders' equity in accordance with IAS 39 as of December 31, 2017	**117,693,704**
IFRS 9 adjustments	
Expected credit loss for credit operations (1)	(3,829,475)
Expected credit loss for other financial assets	(743,048)
Remesuration of assets by virtue of the new classification of IFRS 9 (2)	644,398
Other (3)	366,102
Deferred income tax	1,424,809
Shareholders' equity in accordance with IFRS 9 as of January 1, 2018	**115,556,490**

(1) Includes financial guarantees given and loan commitments;

(2) Change of the measurement of financial assets in accordance with the new classification of IFRS 9; and

(3) Accounting adequacy as required by IFRS 9 in the reclassification of securities measured at fair value through other comprehensive income.

The table below presents the new reclassifications and measurements according to the IFRS 9.

R$ mil

	IAS 39		Reclassifications	Remeasurement	IFRS 9	
	Category	**31/12/2017**	**(1)**		**Category**	**01/01/2018**
Ativo						
Cash and cash equivalents		81,742,951	-	-		81,742,951
Financial assets at fair value through profit or loss		-	242,511,223	-	At fair value through profit or loss	242,511,223
Financial assets held for trading	Held for trading	241,710,041	(241,710,041)	-		-

Financial assets at fair value through other comprehensive income		-	182,799,142	-	Fair value through other comprehensive income	218,860,066
Financial assets available for sale	Available for sale	159,412,722	(159,412,722)	-		-
Financial assets at amortized cost		-	-	-		-
- Loans and advances to banks, net of impairment	Loans and receivables	32,247,724	123,473,446	-	At amortized cost	155,721,170
- Loans and advances to customers, net of impairment	Loans and receivables	346,758,099	-	(1,173,870)	At amortized cost	345,584,229
- Securities net of provision for losses		-	75,320,243	267,452	At amortized cost	39,526,771
- Other financial assets		-	39,877,774	-	At amortized cost	39,877,774
Investments held to maturity	Held to maturity	39,006,118	(39,006,118)	-		-
Financial assets pledged as collateral	Other (2)	183,975,173	(183,975,173)	-		-
Non-current assets held for sale		1,520,973	-	-		1,520,973
Investments in associates and joint ventures		8,257,384	-	-		8,257,384
Premises and equipment		8,432,475	-	-		8,432,475
Intangible assets and goodwill		16,179,307	-	-		16,179,307
Taxes to be offset		10,524,575	-	-		10,524,575
Deferred taxes		43,731,911	-	1,424,809		45,156,720
Other assets		50,853,987	(39,877,774)	-		10,976,213
Total assets		**1,224,353,440**	**-**	**518,391**		**1,224,871,831**

47) New standards and amendments and interpretations of existing standards

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

Liabilities				
Liabilities at amortized cost				
- Deposits from banks	285,957,468	-	-	285,957,468
- Deposits from customers	262,008,445	-	-	262,008,445
- Funds from issuance of securities	135,174,090	-	-	135,174,090
- Subordinated debts	50,179,401	-	-	50,179,401
- Other financial liabilities	-	62,439,512	-	62,439,512
Financial liabilities at fair value through profit or loss	-	14,274,999	-	14,274,999
Financial liabilities held for trading	14,274,999	(14,274,999)	-	-
Provision for Expected Loss				-
- Loan Commitments	-	-	1,840,205	1,840,205
- Financial guarantees	-	-	815,400	815,400
Insurance technical provisions and pension plans	239,089,590	-	-	239,089,590
Other reserves	18,490,727	-	-	18,490,727
Current taxes	2,416,345	-	-	2,416,345
Deferred taxes	1,251,847	-	-	1,251,847
Other liabilities	97,816,824	(62,439,512)	-	35,377,312
Total liabilities	**1,106,659,736**	**-**	**2,655,605**	**1,109,315,341**
Shareholders' equity				
Capital	59,100,000			59,100,000

Treasury shares	(440,514)			(440,514)
Capital reserves	35,973			35,973
Profit reserves	49,481,227			49,481,227
Additional paid-in capital	70,496			70,496
Other comprehensive income	1,817,659		59,240	1,876,899
Retained earnings	7,338,990		(2,196,454)	5,142,536
Equity attributable to controlling shareholders	**117,403,831**	**-**	**(2,137,214)**	**115,266,617**
Non-controlling interest	**289,873**			**289,873**
Total equity	**117,693,704**	**-**	**(2,137,214)**	**115,556,490**
Total liabilities	**1,224,353,440**	**-**	**518,391**	**1,224,871,831**

(1) The main reclassifications are due to debentures, in the amount of R$35,600,087 thousand and promissory notes, in the amount of R$486,289 thousand that in accordance with IAS 39 were classified as available for sale and in accordance with IFRS 9 are measured at amortized cost; and

(2) The balances under the heading "Financial assets pledged as collateral" began to be submitted in accordance with the categories of IFRS 9, which are: R$123,691,195 thousand for "Loans and advances to financial institutions, net of provision for losses"; R$801,182 thousand for "Financial assets at fair value through profit or loss" and R$59,482,796 thousand for "Financial assets at fair value through other comprehensive income".

Bradesco

47) New standards and amendments and interpretations of existing standards

Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)

Notes to the Consolidated Financial Statements

- IFRS 15 – Revenue from Contracts with Customers – requires that revenue is recognized so as to reflect the transfer of goods or services to the client for an amount that represents the company's expectation of having rights to these goods or services by way of consideration. IFRS 15 replaced IAS 18, IAS 11, and related interpretations (IFRICs 13, 15 and 18), and was be applicable from January 2018. A study on the recognition of revenue from customer contracts was conducted and the conclusion was that there was no significant impact on the Organization.

Standards, amendments and interpretations of standards applicable to future periods

- IFRS 16 – Leases. IFRS 16, issued in January 2016 in replacement to the standards IAS 17 Leasing Operations, IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Leasing Operations, establishes that the lessees account for all the leases according to a single model, similar to the accounting entry for finance leases according to IAS 17. IFRS 16 is mandatory for the fiscal years as per January 1, 2019.

At the beginning of a lease, the lessee should recognize a liability to make payments (a lease liability) and an asset representing the right to use object asset during the term of the lease (a right of use asset). The expenses with interest on the lease liability and expenses of depreciation of the right of use asset should be recognized separately.

The potential impact that the initial application of the new standard will have on the Consolidated Financial Statements of the Organization was evaluated, as described below. The actual impacts regarding the adoption may change due to certain assumptions still subject to refinement, which are:

- Use of the real or nominal discount rate; and
- Exclusion of certain taxes of the payment flows of the lease contracts.

1. Leases in which Banco Bradesco is a lessee

The Organization will recognize new assets and liabilities for its operating leases, mainly related to real estate and infrastructures in general. The nature of the expenditure related to such leases will change because the Organization will recognize a cost of depreciation of right of use assets and expense of interest on lease obligations, which were previously recognized as a linear expense of operating lease during the term of the lease.

Based on the information currently available, the Organization estimates that the impacts on the balance sheet opening on January 1, 2019 would lead to the recognition of right of use assets and lease liabilities between R$3,984,117 and R$4,518,042.

2. Leases in which Banco Bradesco is a lessor

There is no substantial change in the accounting for lessors based on IFRS 16 in relation to the current accounting in accordance with IAS 17. Thus, no significant impact is expected for leases in which the Organization is a lessor.

3. Transition

Banco Bradesco will adopt IFRS 16 on January 1, 2019, using the simplified and modified retrospective approach, which does not require the disclosure of comparative information.

The new standard will be adopted for contracts that were previously identified as leases that use IAS 17 and IFRIC 4 – Complementary Aspects of Leasing Operations. Therefore, the Organization does not apply the standard to contracts that have not previously been identified as contracts containing a lease under the terms of IAS 17 and IFRIC 4.

• IFRS 17 - Insurance Contracts. Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The purpose of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The general model of IFRS 17 requires insurers and reinsurers to measure their insurance contracts at the initial time by the estimated total cash flow, adjusted for the time value of money and the explicit risk related to non-financial risk, in addition to of the contractual margin of the service. This estimated value is then remeasured at each base date. The unrealized profit (corresponding to "the contractual margin of the service) is recognized over the term of the contracted coverage. Apart from this general model, IFRS 17 provides, as a way of simplifying the process, the award allocation approach. This simplified model is applicable to certain insurance contracts, including those with coverage of up to one year. "This information provides a basis for accounting firm users to evaluate the effect that insurance contracts have on the financial position, financial performance and the Company's cash flows. IFRS 17 is effective for annual periods beginning on or after January 1, 2022. The Company is in the process of evaluating the new standard in the diagnostic phase.

- IFRIC 23 - Applies to any situation where there is uncertainty as to whether an income tax treatment is acceptable under tax law. The scope of the Interpretation includes all taxes covered by IAS 12, that is, both current and deferred tax. However, it does not apply to uncertainty regarding taxes covered by other standards. IFRIC 23 becomes operative for financial periods beginning on or after January 1, 2019. A study was carried out on the effects of this standard and it was concluded that there were no impacts on the Organization.

48) Other information

1. On October 2, 2018, Bradesco formalized a strategic partnership with RCB Investimentos S.A. ("RCB"), one of the main credit management and recovery companies in Brazil, after the acquisition of 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.

2. Unconsolidated structured entities are unconsolidated entities that the Organization does not control, but which have a contractual and non-contractual involvement, and provide variability of returns arising from the performance. The Organization has an involvement with structured entities through management of investment funds and portfolios making management fees and consortium management.

The main unconsolidated structured entities are: (i) the investment funds managed by Organization, whose nature and involvement, generating management fees and investment in units for funds, the assets of managed funds and non-consolidated in 2018 were R$369,063,713 thousand (2017 – R$338,846,142 thousand) and revenues earned in 2018 were R$1,525,280 thousand (2017 – R$1,463,469 thousand) and (ii) the consortium which nature and involvement is related to generation management fees of consortium quotas, represented by groups of quotaholders formed to acquire specific goods, whose assets in 2018 were R$76,893,786 thousand (2017 – R$74,323,031 thousand) and the revenues were in 2018 R$1,683,942 thousand (2017 – R$1,526,660 thousand).

3. On May 31, 2016, a lawsuit was filed against three members of its Bradesco's Executive Board of Directors by the Federal Police, in the scope of the so-called "Operation Zealots", which investigates the alleged improper performance of members of the CARF – Federal Administrative Tax Court. On July 28, 2016, the Federal Public Prosecution filed an accusation against all three members of the Board of Executive Officers and a former member of its Board of Directors, which was received by the Judge of the 10th Federal Court of Judicial Section of the Federal District. At present, two of the three members of our Organization remain defendants in the proceeding. The executives of Bradesco have already submitted their respective answers to the prosecution, pointing out the facts and evidence demonstrating their innocence.

The Company's Management conducted a thorough internal evaluation of the records and documents related to the indictment and found no evidence of any unlawful conduct committed by its representatives. Bradesco provided all the information requested to the competent regulatory bodies, in Brazil and abroad.

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The process has already had its investigation phase closed, now await the final allegations and sentence of the first degree trial.

Following news reports of the "Operation Zealots", a class action was filed against Bradesco and three members of its Board of Executive Officers in the District Court of New York, on June 3, 2016, asserting claims under Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934. The lawsuit alleges that investors who purchased preferred American Depositary Shares (“ADS”) of Bradesco between April 30, 2012 and July 27, 2016 suffered losses due to a supposed violation regarding the American law of capital markets. On September 29, 2017, the Court limited the proposed class to investors who purchased ADS preferred shares of 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 set the exposure of Bradesco’s business and there are insufficient elements to carry out a risk assessment.

Bradesco also was summoned by the General’s Office of the Ministry of Finance on the filing of an Administrative Proceeding ("PAR"). This process may entail the possibility of application of a fine and/or mention on public lists, which may eventually lead to restrictions on business with public agencies.

4. 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 of 2018 and 2019. This transaction was approved, with no restrictions, by the Agência Nacional de Saúde Suplementar – ANS (National Supplementary Health Agency), the Central Bank of Brazil – BACEN and the Administrative Council for Economic Defense – CADE. The transaction was approved by the shareholders of the Company, in the Shareholders’ Meeting held on August 6, 2018.

5. 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.

For further information, please contact:

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