TIMKEN CO
Form SC 13G
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934

The Timken Co.

(Name of Issuer)

Common

(Title of Class of Securities)

887389104

(CUSIP Number)

December 31, 2018

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)
Rule 13d-1(c)
Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange act of 1934

NAME OF ISSUER: The Timken Co.

TITLE OF CLASS OF SECURITIES: Common Stock

CUSIP NUMBER: 887389104

1. NAME OF REPORTING PERSON S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

SouthernSun Asset Management LLC

27-2990431

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP *

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

TN, U.S.A.

5. SOLE VOTING POWER

2,025,535

6. SHARED VOTING POWER

N/A

7. SOLE DISPOSITIVE POWER

2,346,328

8. SHARED DISPOSITIVE POWER

N/A

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,346,328

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

3.06%

12. TYPE OF REPORTING PERSON*

IA

1

Item 1.

a. Name of Issuer

The Timken Co.

b. Address of Issuer’s Principal Executive Offices:

4500 Mt. Pleasant Street NW

Canton, OH 44720

United States

Item 2.

a. Name of Person Filing

SouthernSun Asset Management LLC

b. Address of Principal Business Office

240 Madison Avenue, Suite 700
Memphis, TN 38103

c. Citizenship

TN, U.S. A.

d. Title of Class of Securities

Common Stock

e. CUSIP Number: 887389104

Item 3. If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b), check whether the person filing is a:

(e) Investment Adviser registered under section 203 of the Investment Advisers Act of 1940

Item 4. Ownership:

a. Amount Beneficially Owned 2,346,328

b. Percent of Class 3.06%

c. Number of shares as to which such person has:

i. sole power to vote or to direct the vote

2,025,535

ii. shared power to vote or to direct the vote

N/A

iii. sole power to dispose or to direct the disposition of

2,346,328

iv. shared power to dispose or to direct the disposition of

N/A

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Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following:

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

Item 7. Identification 2nd Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

If a parent holding company has filed this schedule, pursuant to Rule 13d- l(b)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company has filed this schedule pursuant to Rule 13d-l(c), attach an exhibit stating the identification of the relevant subsidiary. - N/A

Item 8. Identification 2nd Classification of Members of the Group

If a group has filed this schedule pursuant to Rule 13d-l(b)(ii)(H), so indicate under Item 3(h) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule I 3d- 1(c), attach an exhibit stating the identity of each member of the group. - N/A

Item 9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity See Item 5.- N/A

Item 10. Certification

The following certification shall be included if the statement is filed pursuant to Rule 13d-l(b):

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2019

/s/ W. Bradley Clayton
W. Bradley Clayton
Senior Compliance Officer

4

tyle="TEXT-ALIGN: right; MARGIN: 0in 0in 0pt" align=right>(3.7)%

-

-

-

Funding in the open market

197,363,060

167,698,196

17.7%

-

-

-

Borrowings and onlendings

47,408,499

	44,962,370
	5.4%
	-
	-
	-
Funds from securities issued	
	50,848,755
	28,260,014
	79.9%
	-
	-
	-
Subordinated debt	
	32,278,136
	25,335,543
	27.4%
	-
	-
	-
Insurance technical provisions and pension plans	
	-
	-
	-
	107,519,858
	89,762,154
	19.8%

Total

	508,954,564
	444,478,305
	14.5%
	107,519,858
	89,762,154
	19.8%

Average interest rate paid

	7.1%
	9.8%
	7.4%
	7.5%

For further information on average interest rates by type of liability, see "Item 4.B. Business Overview-Selected Statistical Information-Average balance sheet and interest rate data."

The following table shows, on a consolidated basis and by segment, how much of the increase in our interest and similar expenses was attributable to changes in the average volume of interest-bearing liabilities and how much was attributable to changes in average interest rates (including the effects of the fluctuations in the *real*/U.S. dollar rate), in each case, for 2012 as compared to 2011:

	R$ in thousands		
	Consolidated (Restated)	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
	2012/2011 Increase/(reduction)		
Due to changes in average volume of interest bearing liabilities	6,307,369	5,634,326	1,319,156
Due to changes in average interest rates	(13,425,013)	(13,099,356)	(38,616)

Net change	**(7,117,644)**	**(7,465,030)**	**1,280,540**

Banking

Our interest and similar expenses decreased 17.1%, from R$43,577 million in 2011 to R$36,112 million in 2012. Primarily, this is due to the decrease in the average interest rate paid, from 9.0% in 2011 to 7.1% in 2012, which had the effect of reducing expenses by R$13,099 million, mainly due to a reduction of 3.2 b.p. in the average interbank interest rate, which decreased from 11.6% in 2011 to 8.4% in 2012. This decrease was partially offset by an increase of 14.5% in the average volume of interest-bearing liabilities, from R$444,478 million in 2011 to R$508,955 million in 2012, impacting interest and similar expense by R$5,634 million, particularly due to the increase of: (a) 79.9% in the average balance of funds from securities issued, from R$28,260 million in 2011 to R$50,849 million in 2012, which was mainly related to the increased volume of securities issued in the international market and financial notes in 2012; (b) 17.7% in the average balance of funding in the open market, from R$167,698 million in 2011 to R$197,363 million in 2012; and (c) 27.4% in the average balance of subordinated debt, from R$25,336 million in 2011 to R$32,278 million in 2012, this increase due to a larger number of issuances of subordinated financial notes in Brazil and subordinated debt abroad. It is worth mentioning that in 2012 there was a 8.9% depreciation of the real against the U.S. dollar, impacting our funding abroad.

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Insurance, pension plans and capitalization bonds

Our interest and similar expenses increased by 19.1% from R$6,705 million in 2011 to R$7,986 million in 2012, due to an increase in the average balance of technical provisions, from R$89,762 million in 2011 to R$107,520 million in 2012, representing an increase of R$1,319 million in our expenses. This increase was partially offset by a decrease in the average interest rate paid, from 7.5% in 2011 to 7.4% in 2012, thus reducing our expenses by R$39 million.

Net impairment losses on loans and advances to customers – consolidated

In view of conceptual differences between net impairment losses on loans and advances to customers under BR GAAP, as described in "Item 4.B. Business Overview – Regulation and Supervision – Banking Regulations - Treatment of loans and advances", and IFRS, and also for a better understanding of information presented, we present below a reconciliation of those accounting practice differences, as well as the related analysis of the net impairment losses on loans and advances to customers under IFRS.

	R$ in thousands, except %		
	2012	**2011**	**% Change**
Net Impairment losses on loans and advances			
Banking - BR GAAP	(10,925,404)	(9,275,421)	17.8%
Accounting Practices Diference	**(525,979)**	**1,036,063**	**-**
Consolidated - IFRS (2012/2011 - Restated)	(11,451,383)	(8,239,358)	39.0%

The following table shows changes in our impairment of loans and advances, net impairment losses on loans and advances, loans recovered and loan charge-offs for the years ended 2012 and 2011 as well as our ratio of net impairment losses on loans and advances to loans and advances to customers (shown as a percentage of the average balance of our loans and advances to customers) in all cases based on consolidated financial information prepared in accordance with IFRS:

	R$ in thousands, except %		
As of December 31,	**2012 (Restated)**	**2011 (Restated)**	**% Change**
Impairment of loans and advances at the beginning of the year	**17,551,042**	**15,245,205**	**15.1%**
Net impairment losses on loans and advances	11,451,383	8,239,358	39.0%
Loan recoveries	2,986,639	2,799,169	6.7%

Loan charge offs	(12,074,770)	(8,732,690)	38.3%
Impairment of loans and advances at the end of the year	**19,914,294**	**17,551,042**	**13.5%**
Ratio of net impairment losses on loans and advances to average loans and advances outstanding	4.4%	3.5%	

The balance of our impairment of loans and advances to customers increased by 13.5% from R$17,551 million in 2011 to R$19,914 million in 2012. This increase was mainly due to an increase of 9.4% in impaired loans and advances to customers, from R$26,299 million in 2011 to R$28,770 million in 2012, particularly in the following sectors (i) vehicles, whose allocated impairment went from R$2,459 million in 2011 to R$3,231 million in 2012, representing 1.2% of our interest-earning loans and advances to customers, whereas in 2011 it represented 1.0%; (ii) personal credit, whose allocated impairment increased from R$1,262 million in 2011 to R$3,410 million in 2012, representing 1.2% of our interest-earning loans and advances to customers, whereas in 2011 it represented 0.5%; and (iii) working capital, whose allocated impairment increased R$616 million, reaching a 0.8% share of interest-earning loans and advances to customers.

Loans and advances to customers neither due nor impaired increased by 9.7% from R$230,870 million in 2011 to R$253,317 million in 2012, of which 97.4% were rated "low risk."

Calculations of impairment of loans and advances include: (i) an individual analysis of impaired loans and advances to customers; and (ii) an analysis of losses on loans and advances to customers collectively assessed for impairment, as follows:

	R$ in thousands		
As of December 31,	**2012 (Restated)**	**2011 (Restated)**	**% Change**
Impaired loans and advances to customers	1,122,674	554,291	102.5%
Losses on loans and advances to customers collectively assessed for impairment	18,791,620	16,996,751	10.6%
Total	**19,914,294**	**17,551,042**	**13.5%**

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The increase of 39.0% in net impairment losses on loans and advances is related to: (i) the increase of 9.4% in impaired loans and advances to customers, mainly due to the slow recovery of the global economy; and (ii) the increased default level.

Loan recoveries and charge-offs were up by 6.7% and 38.3% respectively, against 2011. Rescheduled loans and advances increased by 11.4%, from R$8,658 million in 2011 to R$9,644 million in 2012.

Our level of loan losses, defined as the amount of net charge-offs compared to the average balance of loans and advances to customers, including overdue loans, increased from 2.5% in 2011 to 3.3% in 2012. Impairment of loans and advances as a percentage of loans and advances to customers remained at 6.9% in 2012, which shows that we have a comfortable margin in light of our history of effective net losses.

We believe that our current impairment of loans and advances is sufficient to cover probable losses associated with our portfolio.

Loans to individuals increased by 12.8% from R$100,190 million in 2011 to R$112,989 million in 2012, mainly due to the following products: (i) housing finance; (ii) credit card; and (iii) personal credit.

Loans and advances to corporate customers, increased by 8.2% from R$162,613 million in 2011 to R$175,946 million in 2012, mainly due to the following products: (i) housing finance – company plan; (ii) working capital; and (iii) import/export financing.

Non-interest income

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest income for 2012 and 2011.

Consolidated	**R$ in thousands, except % For the year ended December 31,**		
	2012 (Restated)	**2011 (Restated)**	**% Chang**
Net fee and commission income	12,720,740	10,898,259	16.7
Net gains/(losses) on financial assets and liabilities classified as held for trading	2,110,112	(608,271)	
Net gains/(losses) on financial assets classified as available for sale	1,895,974	365,302	419.0
Premiums retained from insurance and pension plans	40,176,745	34,315,543	17.1
Equity in the earnings of associates	980,212	803,820	21.9
Other non-interest income	8,512,597	12,119,285	(29.8)
Total	**66,396,380**	**57,893,938**	**14.7**

Segment	R$ in thousan			
	Banking			I
	2012	2011	% Change	
Net fee and commission income	13,885,450	11,989,868	15.8%	
Net gains/(losses) on financial assets and liabilities classified as held for trading	1,095,588	779,332	40.6%	
Net gains/(losses) on financial assets classified as available for sale	(455,476)	(25,022)	-	
Premiums retained from insurance and pension plans	-	-	-	4
Equity in the earnings of associates	752,353	585,281	28.5%	
Other non-interest income	3,876,321	6,169,618	(37.2)%	
Total	**19,154,236**	**19,499,077**	**(1.8)%**	**4**

Banking

Our non-interest income decreased by 1.8%, from R$19,499 million in 2011 to R$19,154 million in 2012. This decrease was mainly due to: (i) the 37.2% decrease in other non-interest income, from R$6,170 million in 2011 to R$3,876 million in 2012, primarily due to: (a) revenue from taxes to offset in the amount of R$2,912 million in 2011, partially offset by: (b) the proceeds from the sale of our investments in Serasa S.A in 2012, amounting to R$794 million; and (ii) the increase of R$430 million in net losses of financial assets available for sale, which rose from R$25 million as of December 31, 2011 to R$456 million on December 31, 2012, primarily due to the recognition of losses related to shares of public companies. These effects were partially offset by the increase of: (i) 15.8% in net fee and commission income, driven by an increase of: (a) 16.3% in revenue from credit cards, reflecting the increase of approximately 2 million credit card units compared to 2011, increasing revenue, which reached R$103,543 million in 2012, with an increase of 15.5% compared to 2011; (b) 16.4% in revenue related to checking accounts, primarily due to the expansion of our customer base, which increased by 583,000 new checking accounts and expanding the portfolio of services to our customers; (c) 16.5% in revenues from consortium management, due to the increase of active quotas, which rose from 625,763 active quotas as of December 31, 2011 to 736,202 active quotas as of December 31, 2012; and (d) 26.3% in revenue from guarantees pledged, due to the increase of R$11,432 million, or 26.3%, in the balance of financial guarantees that we offer to our customers, and (ii) 40.6% in net gains from financial assets held for trading, which rose from R$779 million as of December 31, 2011 to R$1,096 million as of December 31, 2012, primarily due to the positive result obtained with fixed income securities.

Insurance, pension plans and capitalization bonds

Our non-interest income increased by 23.1% from R$39,730 million in 2011 to R$48,900 million in 2012. This performance was primarily due to the growth of: (i) R$2,205 million in net gains from financial assets available for sale, from R$213 million in 2011 to R$2,418 million in 2012, mainly as a result of: (a) the gain related to the extended maturities of fixed income securities, guaranteeing technical provisions, partially offset by (b) recognition of losses related to shares of public companies; and (ii) 17.1% in retained premiums from insurance and pension plans income, from R$34,316 million in 2011 to R$40,177 million in 2012, mainly due to: (a) an increase in revenues from insurance written premiums, from R$32,136 million in 2011 to R$37,899 million in 2012; and (b) an increase in revenues from pension contributions, from R$3,062 million in 2011 to R$3,273 million in 2012.

Main differences between balances by segment and consolidated balances

In addition to the above explanations, we highlight below the main differences between our non-interest income by segment (according to accounting practices adopted in Brazil) and our consolidated non-interest income (according to “IFRS”) for the year ended December 31, 2012:

- **Net fee and commission income: The difference of R$2,314 million refers to: (i) the effective interest rate method in the amount of R$1,221 million; and (ii) eliminations amounting to R$1,329 million; partially offset by: (iii) adjustments of other operations in the amount of R$236 million.**

- **Net gains (losses) on financial assets classified as held for trading: The adjustment in the amount of R$1,021 million was mainly due to: (i) the reversal of the hedge accounting in the amount of R$637 million; and (ii) the consolidation of exclusive funds in the amount of R$649 million; partially offset by: (iii) the effect of exchange-rate variation on our financial assets held for trading in the amount of R$270 million.**

· Net gains (losses) on financial assets classified as held for trading: The adjustment in the amount of R$1,021 m

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Form 20-F

Non-interest expense

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest expense for 2012 and 2011:

Consolidated	R$ in thousands, except % For the year ended December 31, 2012 (Restated)	2011 (Restated)	% Change
Personnel expenses	(11,559,002)	(11,094,794)	4.2%
Administrative expenses	(11,803,989)	(11,380,270)	3.7%
Depreciation and amortization	(2,488,182)	(2,117,666)	17.5%
Changes in the insurance technical provisions and pension plans	(23,326,101)	(18,212,405)	28.1%
Retained claims	(13,123,833)	(11,168,612)	17.5%
Selling expenses for insurance and pension plans	(2,313,795)	(1,858,351)	24.5%
Net gains/(losses) of foreign currency transactions	(1,087,595)	2,625,816	-
Other non-interest expense	(17,186,775)	(17,225,377)	(0.2)%
Total	**(82,889,272)**	**(70,431,659)**	**17.7%**

Segment	R$ in thousands, except % Banking 2012	2011	% Change	Insurance, Capita 2012
Personnel expenses	(10,586,643)	(10,082,575)	5.0%	(1,017,702)
Administrative expenses	(11,592,512)	(10,805,456)	7.3%	(932,226)
Depreciation and amortization	(1,459,721)	(1,615,437)	(9.6)%	(114,214)
Changes in the insurance technical provisions and pension plans	-	-	-	(23,326,101)
Retained claims	-	-	-	(13,123,833)
Selling expenses for insurance and pension plans	-	-	-	(2,314,815)
Net gains/(losses) of foreign currency transactions	(1,589,833)	1,043,896	-	-
Other non-interest expense	(14,226,902)	(11,102,767)	28.1%	(5,345,229)
Total	**(39,455,611)**	**(32,562,339)**	**21.2%**	**(46,174,120)**

Banking

Our non-interest expense increased by 21.2%, from R$32,562 million in 2011 to R$39,456 million in 2012. This growth was due to the increase of: (i) 5.0% in personnel expenses, impacted by: (a) the rise in salary levels; and (b) the net increase in our employees, particularly in the second half of 2011 originated by organic growth; (ii) 7.3% in our administrative expenses, primarily due to an increase in the: (a) average business volume; (b) contractual adjustments; and (c) organic growth; and (iii) 28.1% in other non-interest expense, primarily caused by (a) the full amortization of goodwill from BERJ, amounting to R$1,156 million; (b) the higher volume of commission expenses on loans and financing in the amount of R$639 million, partially as a result of the improvement in the methodology of prepaid expenses amortization; and; and (c) the recognition of losses related to intangible assets – acquisition of rights to provide banking services in the amount of R$527 million.

Insurance, pension plans and capitalization bonds

Our non-interest expense increased by 22.1%, from R$37,825 million in 2011 to R$46,174 million in 2012. This increase was mainly due to: (i) a 28.1% increase in our changes in the insurance technical provisions and pension plans, from R$18,212 million in 2011 to R$23,326 million in 2012 principally due to: (a) a 19.8% increase in the average volume of insurance technical provisions and pension plans, due to a higher business volume, and (b) the recognition of an additional technical provision as a result of the adoption of lower actual interest rate in its respective calculation; and (ii) 17.5% in our retained claims, from R$11,169 million in 2011 to R$13,124 million in 2012.

Main differences between balances by segment and consolidated balances:

In addition to the above explanations, we highlight below the main differences between our non-interest expenses by segment (according to accounting practices adopted in Brazil) and our consolidated non-interest expenses (according to "IFRS") for the year ended December 31, 2012:

- ***Net gains/(losses) in foreign currency transactions:*** **The R$638 million adjustment basically refers to exchange rate adjustments of our foreign operations and investments.**

- ***Depreciation and amortization:*** **The R$964 million difference was mainly due to the recognition of expenses related to amortization of goodwill and intangible assets arising from other non-interest expenses, according to Central Bank accounting practices. The highlight was the full amortization of goodwill from BERJ, in the amount of R$1,156 million.**

Income and social contribution taxes

Income tax in Brazil consists of federal income taxes and the social contribution tax on adjusted income. See "Item 5.A. Operating Results-Overview-Taxes." The combined rate of these two taxes was 34.0% up to April 2008. As of May 2008, the combined rate increased to 40.0%, due to the raise of social contribution taxes on adjusted net income rate, from 9.0% to 15.0%. Our income tax expenses are composed of current income tax and deferred tax. Certain amounts of income and expenses are recognized in our statement of income, as required by Brazilian tax regulations but do not compose our taxable basis, as foreign exchange variation gains and losses, which are neither taxable income nor deductible expenses, respectively. In addition, certain other amounts of taxable income and deductible expenses of our taxable basis do not affect our statement of income.

Income and social contribution tax expenses increased from R$3,522 million in 2011 to R$4,090 million in 2012. This variation was primarily due to: (i) the increase in gross income, which rose from R$14,611 million in 2011 to R$15,445 million in 2012; and (ii) increased tax benefit obtained on distribution of interest on equity, which rose from R$1,174 million in 2011 to R$1,305 million in 2012. For more information on Income and social contribution taxes, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

The effective rate of taxation as a percentage of our income before income and social contribution taxes, varied from an expense of 24.1% in 2011 to an expense of 26.5% in 2012.

Net Income

As a result of the above, our net income attributable to controlling shareholders increased by 3.0%, from R$10,958 million in 2011 to R$11,292 million in 2012. Our net income for the year increased by 2.4%, from R$11,089 million in 2011 to R$11,352 million in 2012.

5.B. Liquidity and Capital Resources
Asset and liability management

Our general policy on asset and liability management is to manage interest rate, liquidity, foreign exchange and maturity risks in order to maximize our net income from financial operations and our return on assets and equity, in light of our internal risk management policies, and maintain adequate levels of liquidity and capital.

As part of our asset and liability management, we seek to avoid material mismatches between assets and liabilities by matching, to the extent possible, the maturity, currency and interest rate structure of loans we make with terms of the transactions under which we fund these loans. Subject to our policy constraints, we occasionally take mismatched positions in relation to interest rates, maturities and, in more limited circumstances, foreign currencies, when we believe such positions are justified in view of market conditions and prospects.

We monitor our asset and liability position in accordance with Central Bank requirements and guidelines. Our management's Treasury Committee meets on a weekly basis to:

- present and discuss our transactions conducted during the previous week;

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- present exposure for each item of our portfolio, to factors such as fixed rates, variable rates, foreign currency and exchange rates;
- set exposure limits based on our evaluation of the risks presented by our currency, term and rate gap positions and current market volatility levels;
- determine asset allocation and funding policies; and
- make decisions on the maturity term structure of our assets and liabilities.

In making such decisions, our Senior Management evaluates not only our exposure limits for each market segment and product, but also market volatility levels and the extent to which we are exposed to market risk through interest, maturity, liquidity and currency mismatches. It also considers other potential risks, as well as market liquidity, our institutional needs and perceived opportunities for gains. The committee holds special meetings as required in response to unexpected macroeconomic changes.

In addition, our senior managers receive daily reports on our mismatched and open positions, while the Treasury Committee assesses our risk position weekly.

Liquidity and funding

Central Bank requirements for compulsory deposits determine our minimum liquidity levels. We review our asset and liability management periodically to ensure that we have sufficient liquidity available to honor withdrawals, deposits, repay other liabilities on due date, extend loans or other forms of credit to our customers and meet our own working capital needs.

Our Treasury Department acts as a support center for our different business segments by managing our funding and liquidity positions, and executing our investment objectives in accordance with our asset and liability management policies. It is also responsible for setting rates for our different products, including exchange and interbank transactions. The Treasury Department covers any funding shortfall by borrowing in the interbank market. It seeks to maximize efficient use of our deposit base by investing any surpluses in liquid instruments in the interbank market.

We have used our excess liquidity to invest in Brazilian government securities and expect to continue doing so, subject to regulatory requirements and investment considerations. Our principal sources of financing are:

- demand, savings, and time deposits, as well as deposits from banks; and
- funding in the open market, borrowings and onlendings, funds from securities issued and subordinated debt, part of which is denominated in foreign currencies.

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 %	2013			2012 (Restated)			2011 (Restated)		
	Average balance	% of total	Average rate	Average balance	% of total	Average rate	Average balance	% of total	Average rate
Interest bearing liabilities									
Interbank deposits	671,404	0.1%	9.4%	471,502	0.1%	10.3%	360,575	0.1%	12.9%
Savings deposits	73,307,137	9.8%	5.6%	62,758,934	9.1%	5.8%	55,515,889	9.3%	6.8%
Time deposits	99,565,994	13.3%	5.9%	117,960,891	17.2%	6.4%	122,478,193	20.4%	9.2%
Funding in the open market	182,981,063	24.4%	9.1%	152,443,947	22.2%	7.7%	128,525,632	21.4%	10.9%
Borrowings and onlendings	49,273,352	6.6%	3.9%	47,408,499	6.9%	5.0%	44,962,370	7.5%	12.8%
Funds from securities issued	52,476,783	7.0%	6.9%	50,848,755	7.4%	6.8%	28,260,014	4.7%	8.8%
Subordinated debt	35,560,706	4.7%	8.8%	32,278,136	4.7%	8.9%	25,335,543	4.2%	11.0%
Insurance technical provisions and pension plans	125,179,124	16.7%	4.8%	107,519,858	15.7%	7.4%	89,762,154	15.0%	7.5%
Total interest bearing liabilities	**619,015,563**	**82.4%**	**6.7%**	**571,690,522**	**83.3%**	**6.9%**	**495,200,370**	**82.6%**	**9.4%**
Non interest bearing liabilities									
Demand deposits	36,876,193	4.9%	-	33,138,109	4.8%	-	32,539,861	5.4%	-
Other non interest bearing liabilities	95,039,096	12.7%	-	81,203,950	11.8%	-	71,805,915	12.0%	-
Total non interest bearing liabilities	**131,915,289**	**17.6%**		**114,342,059**	**16.7%**		**104,345,776**	**17.4%**	
Total liabilities	**750,930,852**	**100.0%**	**5.5%**	**686,032,581**	**100.0%**	**7.8%**	**599,546,146**	**100.0%**	**6.3%**

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Deposits are our most important source of funding, accounting for 28.0% of average total liabilities in 2013, 31.2% in 2012 and 35.2% in 2011. Our deposits balance over these years progressed in the following manner:

• In 2012, the average balance of our deposits increased by 1.6% against 2011 primarily due to growth of 13.0% in the average balance of our savings deposits, which was partially offset by a 3.7% drop in the average balance of our time deposits; and

• In 2013, the average balance of our deposits decreased by 1.8% against 2012 primarily due to a 15.6% drop in the average balance of our time deposits, which was partially offset by an increase of 16.8% in the average balance of our savings deposits.

Funding in the open market, borrowings and onlendings and funds from securities issued are the main sources of funding, accounting for 37.9% of total average liabilities in 2013, compared to 36.5% in 2012 and 33.7% in 2011. When comparing 2012 and 2011, there was a 24.3% increase in these funding sources, particularly a 79.9% increase in funds from securities issued, mainly due to bonds abroad, and financial notes in Brazil we issued in the period.

The following table shows our sources of funding and liquidity as of December 31, 2013:

December 31, 2013	**R$ in thousands**	**% of total**
Interbank deposits	963,855	0.1%
Savings deposits	80,717,805	10.5%
Time deposits	95,866,825	12.5%
Funding in the open market	185,055,358	24.2%
Borrowings and onlendings	56,094,850	7.3%
Funds from securities issued	57,883,068	7.6%
Subordinated debt	35,885,003	4.7%
Insurance technical provisions and pension plans	130,329,023	17.0%
Total interest-bearing liabilities	**642,795,787**	**83.9%**
Demand deposits	40,619,737	5.3%
Other non interest bearing liabilities	82,783,164	10.8%
Total non interest bearing liabilities	**123,402,901**	**16.1%**
Total liabilities	**766,198,688**	**100.0%**

Deposits

Deposits accounted for approximately 28.5% of total liabilities as of December 31, 2013. Our deposits consist primarily of *real*-denominated, interest-bearing time and savings deposits and *real*-denominated, non-interest-bearing demand deposits. The increase in the average balances of our savings deposits from

2012 to 2013 was mainly due to the larger volume of funding, which was partially influenced by changes in savings account rules and by a drop in average balances of our time deposits, which is in turn, mainly due to new investment opportunities. For additional information regarding our deposits, see "Item 4.B. Business Overview-Selected Statistical Information-Maturity of deposits."

Funding in the open market

Funding in the open market consist mainly of funds we obtained from banks in the market by selling securities with agreements to repurchase. On December 31, 2012, we had funding in the open market in the amount of R$175,646 million, a R$25,645 million increase compared to December 31, 2011. On December 31, 2013, we had funding in the open market in the amount of R$185,055 million, an increase of R$9,409 million compared to December 31, 2012. Growth shown for these periods reflects the increases in our business volume.

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Borrowings

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

Our credit facilities could be impacted by various factors, including rating downgrades, fluctuations in Brazilian exchange rates and base interest rates, increased rates of inflation, currency devaluations and adverse developments in the Brazilian and world economies. For a further discussion of risks that could have an adverse effect on our credit facilities, see "Item 3.D. Risk Factors-Macroeconomic risks" and "Item 3.D. Risk Factors-Risks relating to Bradesco and the Brazilian banking industry."

On December 31, 2012, we had borrowings amounting to R$8,111 million, a reduction of R$9,146 million in relation to December 31, 2011. Our borrowings decreased due to the settlement of transactions, which were partially offset by the depreciation of 8.9% of the Brazilian *real* against the US dollar.

On December 31, 2013, we had borrowings amounting to R$15,231 million, an increase of R$7,120 million in relation to December 31, 2012. Our borrowings increased due to a higher volume of transactions and the depreciation of 14.6% of the Brazilian *real* against the US dollar.

For additional information on our borrowings, see "Item 4.B. Business Overview-Selected Statistical Information."

Onlendings

Onlendings consist primarily 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.

On December 31, 2012, the amount of our onlending totaled R$36,075 million and reflected an increase of R$86 million compared to December 31, 2011. The increase in our onlendings was mainly due to an increase of R$667 million in our funding for FINAME onlendings in Brazil partially offset by the balance of funding related to BNDES operations, in the amount of R$660 million.

On December 31, 2013, the amount of our onlending totaled R$40,864 million and reflected an increase of R$4,789 million compared to December 31, 2012. The increase in our onlendings was mainly due to an increase of R$4,896 million in our funding for FINAME onlendings in Brazil partially offset by the balance of funding related to BNDES operations, in the amount of R$125 million.

Funds from securities issued

Funds from securities issued mainly consisted of real estate credit notes, Euronotes and issues of securities in other countries.

On December 31, 2012, our funds from securities issued totaled R$51,552 million reflecting an increase of R$9,921 million from December 31, 2011. The increase in our funds from securities issued was mainly due to: (i) a R$5,844 million increase in our funding through the issue of bonds abroad; (ii) R$2,086 million in funds from issue of real estate credit notes; and (iii) R$1,101 million in financial notes.

On December 31, 2013, our funds from securities issued totaled R$57,883 million reflecting an increase of R$6,331 million from December 31, 2012. The increase in our funds from securities issued was mainly due to increases: (i) of R$6,979 million in funds from issue of financial notes; (ii) of R$1,766 million in real estate credit notes; partially offset by (iii) a lower volume of operations abroad, in the amount of R$2,677 million.

Central Bank compulsory deposits

The Central Bank requires us, as a financial institution, either to deposit a determined amount of funds with the Central Bank or to purchase and hold Brazilian federal treasury securities. We cannot use these compulsory deposits for any other purpose. The Central Bank determines the interest to be paid on these deposits, if any. For more information on compulsory deposit requirements, see "Item 4.B. Business Overview-Deposit-taking activities."

The balance of our compulsory deposits decreased 32.7%, from R$71,211 million as of December 31, 2011 to R$47,952 million as of December 31, 2012, mainly due to: (i) the reduction in our average volume of term deposits; (ii) the possibility of deducting the compulsory payment on demand deposits in certain specific situations, according to Circular No. 3,622/12 of the Central Bank; and (iii) reduction, to zero rate, of the payment of additional compulsory on demand deposits, according to Circular No. 3,609/12 of the Central Bank.

The balance of our compulsory deposits increased 15.5%, from R$47,952 million as of December 31, 2012 to R$55,381 million as of December 31, 2013, mainly due to an increase of our average volume of savings deposits.

Sources of additional liquidity

In certain limited circumstances, we may obtain emergency funds from the Central Bank through a transaction referred to as "*redesconto*." A *redesconto* is a loan from the Central Bank to a financial institution, which is guaranteed by Brazilian government securities owned by the financial institution. The amount of federal government securities held by the financial institution as trading assets limits the amount of the redesconto transaction. We have never obtained funds from the Central Bank through "*redesconto*" transactions for liquidity purposes. As of December 31, 2013, we had R$46,847 million available in Brazilian government securities as financial assets held for trading that could be used for this purpose.

Cash flow

In 2013, 2012 and 2011, our cash flow was basically affected by our business strategy and alterations in the Brazilian economic environment. The following table shows the principal variations in cash outflows during the periods indicated:

		R$ in thousands	
For the year ended December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**
Net cash provided by (used in) operating activities	99,832,509	51,474,601	(37,238,577)
Net cash provided by (used in) investing activities	(23,186,678)	(44,750,648)	16,860,648
Net cash provided by (used in) financing activities	(6,375,062)	3,850,139	20,965,444
Net increase (decrease) in cash and cash equivalents	**70,270,769**	**10,574,092**	**587,515**

2013

In 2013, we had a net increase of R$70,271 million in cash and cash equivalents due to net cash from operating activities, in the amount of R$99,833 million. This increase was caused by net cash being used for our investing activities, in the amount of R$23,187 million and in our financing activities, in the amount of R$6,375 million.

In 2013, cash from our operating activities resulted primarily from: (i) decrease in loans and advances to banks in the amount of R$87,999 million; (ii) net increase in funds from financial institutions and customers in the amount of R$57,119 million; and (iii) receipt/payment of interest, in the net amount of R$22,468 million. These events were partially offset by an increase in loans and advances in the amount of R$95,688 million.

The cash used in our investing activities resulted basically from: (i) the disposal and acquisition of financial assets available for sale, in the net amount of R$26,434 million; and (ii) the acquisition of property, equipment and intangible assets in the amount of R$3,696 million. The aforementioned events were partially offset by interest received in the amount of R$4,720 million.

The cash used in our financing activities basically resulted from (i) the payment of funds from securities issued in the amount of R$38,525 million; (ii) payments of interest on equity and dividends in the amount of R$ 4,363 million; (iii) interest paid, in the amount of R$5,923 million and (iv) the payment of subordinated debt, in the amount of R$1,762 million. The aforementioned events were partially offset by the cash generated by funds from securities issued in the amount of R$43,567 million.

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2012

In 2012, we had a net increase of R$10,574 million in cash and cash equivalents due to net cash from: (i) operating activities, in the amount of R$51,474 million; and (ii) financing activities, in the amount of R$3,850 million. These increases in our net cash were impacted by net cash being used for our investing activities, in the amount of R$44,751 million.

In 2012, cash from our operating activities resulted primarily from: (i) decrease in compulsory deposits in the Central Bank, in the amount of R$23,203 million; (ii) interest received in the amount of R$66,905 million; (iii) net increase in funds from financial institutions and customers, in the amount of R$37,598 million; and (iv) decrease in financial assets held for trading, in the amount of R$23,176 million. The aforementioned events were basically impacted by the growth in loans and advances to customers and banks, in the amount of R$132,388 million.

The cash generated by our financing activities basically resulted from an increase of: (i) R$24,448 million in funds from securities issued; and (ii) R$12,998 million from issue of subordinated debt. These events were partially offset by: (i) the payment of funds from securities issued in the amount of R$19,956 million; (ii) the payment of subordinated debt, in the amount of R$4,494 million; (iii) interest paid in the amount of R$5,261 million; and (iv) payments of interest on equity and dividends, in the amount of R$3,839 million.

2011

In 2011, we had a net increase of R$588 million in cash and cash equivalents due to net cash from: (i) investing activities, in the amount of R$16,861 million; and (ii) financing activities, in the amount of R$20,965 million. These increases in our net cash were impacted by net cash being used for our operating activities, in the amount of R$37,239 million.

In 2011, cash from our investing activities resulted primarily from: (i) proceeds from sales of financial assets available for sale, net of acquisitions, in the amount of R$13,737 million; and (ii) interest received in the amount of R$7,190 million. The aforementioned events were partially offset by acquisitions of property and equipment and intangible assets amounting to R$4,876 million.

The cash generated by our financing activities basically resulted from an increase of: (i) R$22,532 million in funds from securities issued; and (ii) R$2,963 million subordinated debt, net of payments. These events were partially offset by payments of interest on equity and dividends, in the amount of R$3,568 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 recent 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. Regulatory capital basically 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 regulatory capital ratio of at least 4.5%, (ii) a Tier I capital ratio of at least 6%; and (iii) a minimum total capital ratio of 8%.

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.

In addition to new definitions of capital and minimum requirements, two more requirements were introduced: "conservation capital" and "countercyclical capital." Conservation capital will be supplementary to the regulatory minimum requirements and consist of components accepted for calculating regulatory capital. Its purpose is to have financial institutions upgrade their ability to absorb losses above the minimum required in favorable periods of the economic cycle, so that the added capital may be used as a buffer in times of stress.

The Basel III Accord recommends implementation of a leverage ratio as a supplementary capital measure, to be calculated by dividing Tier I capital by total exposure. For calculating total exposure, Basel III uses accounting data net of provisions, without deducting any credit risk mitigator or deposits. As of January 1, 2018 there is to be a minimum requirement for the leverage ratio, which was originally set at 3%. The details of the leverage ratio are not yet part of the Brazilian regulation.

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Furthermore, in order to determine minimum requirements for quantitative liquidity of financial institutions, Basel III proposes two liquidity ratios: one short-term and the other long-term.

The purpose of the short-term liquidity ratio (Liquidity Coverage Ratio, or LCR) is to show that institutions have 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 one (1) for the LCR as of January 1, 2015 and the NSFR as of January 1, 2018.

In January, 2011, the Basel Committee on Banking Supervision published a document known as the "January 13 Annex" in which it extended Basel III rules with additional requirements applicable to Tier 1 and 2 Capital. Under the January 13 Annex rules, a capital instrument issued by a bank must include a clause 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 1, 2013; otherwise, any qualified instruments issued before that date will be gradually deducted from capital measurement for a period of ten years as of 2013.

Brazil has been a member of the Basel Committee on Banking Supervision 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.

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 schedule that was originally proposed by the Central Bank began on January 1, 2013. However, this was postponed to March 1, 2013 and its final application remained on January 1, 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. 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 regulatory capital. Accordingly, Provisional Measure No. 608/13 and the resolutions enacted in March 2013 by the Central Bank reinforce the mechanism to prevent risk in the financial system, by establishing conditions to increase the capacity to absorb losses and economic crises.

In March 2013 the Central Bank published four (4) Resolutions and fifteen (15) Circulars, by way of which it implemented the recommendations from the Basel Committee on Banking Supervision. 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 Central Bank Resolution No. 4,192/13, the Regulatory capital of a financial institution consists of Tier I Capital plus Tier II Capital and is used when setting is 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 2 categories: Principal Capital, comprising mainly by shares and reserves; and Additional Capital, comprising mainly 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 Principal Capital, Additional Capital and Tier II Capital.

Following the recommendations of Basel III, the CMN Resolution Nº. 4,193/13 introduced a conservation capital buffer, called Additional Common Equity Tier 1 by the aforementioned ruling, which must be set up from January to December 2016, by when it should have the lower limit of 0.625% and the upper limit of 1.25% of risk-weighted assets.

By the end of the transitional period in 2019, additional Principal Capital will have to be 2.5% to 5% of risk-weighted assets, with the amount to be determined by the Central Bank depending on economic conditions. In normal market conditions, financial institutions must hold excess capital in relation to the minimum requirements in an amount greater than additional Principal Capital, as defined. Failure to comply with additional Principal Capital rules will lead to restrictions affecting distribution of dividends, bonuses, earnings, profit sharing and incentive compensation geared to the performance of institutions' managements.

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Under the current rule, Brazilian financial institutions, ourselves included, must hold a capital base (Regulatory capital) of 11.0% or more of total RWA (Basel ratio) calculated using specific criteria determined by the Central Bank. The calculation of the Regulatory capital is subject to various deductions, including weighting factors that vary according to the nature of the asset. On December 31, 2013, our Basel ratio was 16.6%% of total RWA, which is higher than the 11.0% level required by the Central Bank.

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

	In %		
As of December 31,	**Basel III [1] Financial Consolidated**	**Basel II Economic-Financial Consolidated**	
	2013	**2012**	**2011**
Tier I Capital	12.3%	11.0%	12.4%
Common Equity	12.3%	-	-
Additional Capital	-	-	-
Tier II Capital	4.3%	5.1%	2.7%
Total Ratio	**16.6%**	**16.1%**	**15.1%**

(1) As of October 2013, capital is calculated based on CMN Resolution 4192/13, which establishes that the calculation is based on the Financial Consolidated until December 2014 and on the Prudential Consolidated as of January 2015.

The implementation of the new capital structure in Brazil began in October 2013. CMN Resolution No. 4,192/13, which replaces CMN Resolution No. 3,444/07, provides for a new methodology to calculate Regulatory Capital. Given that this methodology requires the introduction of new adjustments, we adapted the numbers shown above demonstrating the transition from Basel II to Basel III. The ratios disclosed for 2012 and 2011 have been maintained but are not directly comparable due to the change in criteria under new resolution.

In recent years, we have maintained a significant position in short-term, highly liquid instruments, which in general have a zero or low risk weighting, thereby eliminating or significantly reducing the need to maintain capital against these assets. This position reflects the unfavorable credit environment that prevailed in Brazil during 2002, 2003 and the last quarter of 2008. If we were to increase significantly our loans and advances portfolio, we would be required to maintain capital against these assets which, depending on the capital position at that time, could reduce our capital as a percentage of risk-weighted assets.

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 revenue 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 liability sensitivity and normally means that a decline in interest rates would have a negative effect on net interest income. Conversely, a positive gap denotes asset 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. Our Treasury Committee reviews our positions at least weekly and changes our positions as market outlooks change.

The following table shows the maturities of our interest-earning assets and interest-bearing liabilities as of December 31, 2013 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 thousand	
December 31, 2013	**Up to 30 days**	**31 – 180 days**	**181 – 360 days**	**1 – 5**
Interest earning assets				
Financial assets held for trading	20,458,667	5,928,339	16,191,839	29,8
Financial assets available for sale	7,992,859	948,135	1,112,736	15,8
Investments held to maturity	-	-	-	2,9
Assets pledged as collateral	37,861,027	7,734,003	2,351,252	45,1
Loans and advances to banks	61,160,937	3,904,620	7,069,189	6,5
Loans and advances to customers (1)	33,932,788	66,510,730	45,221,469	94,4
Central Bank compulsory deposits	47,824,386	-	-	
Other assets	-	-	-	
Total interest earning assets	**209,230,664**	**85,025,827**	**71,946,485**	**194,8**
Interest bearing liabilities				
Deposits from banks (2)	124,396,872	51,041,184	20,247,946	41,8
Savings deposits (3)	80,717,805	-	-	
Time deposits	13,217,623	18,130,186	12,948,037	51,3
Funds from securities issued	2,856,196	9,345,039	8,647,031	35,8
Subordinated debt	159,428	770	2,421,701	21,0
Insurance technical provisions and pension plans (3)	103,870,571	2,295,904	674,971	23,4
Total interest bearing liabilities	**325,218,495**	**80,813,083**	**44,939,686**	**173,6**
Asset/liability gap	(115,987,831)	4,212,744	27,006,799	21,2
Cumulative gap	(115,987,831)	(111,775,087)	(84,768,288)	(63,49
Ratio of cumulative gap to cumulative total interest earning assets	(15.8)%	(15.3)%	(11.6)%	

(1) For indefinite operations, it refers to credit card operations;

(2) including: funding in the open market, 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

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, 2013 our net foreign currency liability exposure, considering off-balance-sheet derivative financial instruments, was R$24,199 million, or 33.6% of 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 off-balance-sheet derivative financial instruments.

Our foreign currency position arises mainly through our purchases and sales of foreign currencies (primarily 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, 2013, 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.

December 31, 2013	R$ in thousands, except %			
	R$	**Foreign currency**	**Total**	**Foreign currency as % of total**
Assets				
Cash and balances with banks	64,399,913	3,050,450	67,450,363	4.5%
Financial assets held for trading				
Less than one year	43,508,226	822,176	44,330,402	1.9%
From one to five years	30,456,003	363	30,456,366	0.0%
More than five years	10,325,148	246	10,325,394	0.0%
Indefinite	10,980,361	-	10,980,361	-
Financial assets available for sale				
Less than one year	9,382,661	671,069	10,053,730	6.7%
From one to five years	14,830,768	1,023,328	15,854,096	6.5%
More than five years	30,341,864	5,708,224	36,050,088	15.8%
Indefinite	5,880,497	-	5,880,497	-
Investments held to maturity				
Less than one year	-	-	-	-
From one to five years	2,902,508	45,673	2,948,181	1.5%
More than five years	20,120,845	-	20,120,845	-
Assets pledged as collateral	**115,343,196**	**2,397,029**	**117,740,225**	**2.0%**
Loans and advances to banks	**75,136,890**	**3,582,833**	**78,719,723**	**4.6%**
Loans and advances to customers				
Less than one year	149,361,553	17,322,089	166,683,642	10.4%
From one to five years	107,324,538	12,945,683	120,270,221	10.8%
More than five years	14,398,095	2,769,376	17,167,471	16.1%
Non-current assets available for sale	**832,546**	**-**	**832,546**	**-**
Investments in associated companies and joint ventures	**3,392,847**	**-**	**3,392,847**	**-**
Property and equipment	**4,487,397**	**14,570**	**4,501,967**	**0.3%**
Intangible assets and goodwill	**8,192,262**	**28,477**	**8,220,739**	**0.3%**
Taxes to be offset	**5,261,777**	**31,339**	**5,293,116**	**0.6%**
Deferred income tax assets	**25,555,022**	**106,057**	**25,661,079**	**0.4%**
Other assets				
Less than one year	15,041,378	8,754,271	23,795,649	36.8%
From one to five years	10,504,913	34,356	10,539,269	0.3%
More than five years	897,059	135,738	1,032,797	13.1%
Total	**778,858,267**	**59,443,347**	**838,301,614**	**7.1%**

Percentage of total assets	92.9%	7.1%	100.0%

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December 31, 2013	R$ in thousands, except %			
	R$	Foreign currency	Total	Foreign currency as % of total
Liabilities and Equity				
Deposits from banks [1]				
Less than one year	180,526,478	16,145,834	196,672,312	8.2%
From one to five years	40,239,324	1,656,090	41,895,414	4.0%
More than five years	4,121,323	411,324	4,532,647	9.1%
Deposits from customers				
Less than one year	141,316,571	23,330,507	164,647,078	14.2%
From one to five years	50,035,834	1,329,838	51,365,672	2.6%
More than five years	95	205,212	205,307	100.0%
Financial liabilities held for trading				
Less than one year	772,242	327,508	1,099,750	29.8%
From one to five years	463,679	19,216	482,895	4.0%
More than five years	243,737	-	243,737	-
Funds from securities issued				
Less than one year	16,699,332	4,148,934	20,848,266	19.9%
From one to five years	28,668,919	7,171,134	35,840,053	20.0%
More than five years	1,039,970	154,779	1,194,749	13.0%
Subordinated debt				
Less than one year	1,696,950	884,949	2,581,899	34.3%
From one to five years	21,016,930	-	21,016,930	-
More than five years	4,219,485	8,066,689	12,286,174	65.7%
Insurance technical provisions and pension plans	**130,327,948**	**1,075**	**130,329,023**	**0.0%**
Other provisions	**13,745,478**	**7,099**	**13,752,577**	**0.1%**
Current income tax liabilities	**3,052,282**	**30,694**	**3,082,976**	**1.0%**
Deferred income tax liabilities	**777,030**	**22,794**	**799,824**	**2.8%**
Other liabilities [2]				
Less than one year	54,136,175	7,730,611	61,866,786	12.5%
From one to five years	1,089,069	65,513	1,154,582	5.7%
More than five years	93,991	206,046	300,037	68.7%
Equity	**72,102,926**	**-**	**72,102,926**	**-**
Total	**766,385,768**	**71,915,846**	**838,301,614**	**8.6%**
Percentage of total liabilities and equity	**91.4%**	**8.6%**	**100.0%**	

[1] including: funding in the open market, borrowings, onlendings and interbank deposits; and
[2] Other non-interest bearing liabilities, whose primary components are technical reserves for insurance and pension plans and 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.

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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 20(c) to our consolidated financial statements in "Item 18. Financial Statements." As of December 31, 2013, the composition of notional reference and/or contracted values and fair values of trading derivatives held by us is presented below:

	R$ in thousands		
	Reference amounts		
December 31, 2013	**R$**	**Foreign currency**	**Total**
Derivatives			
Interest rate futures contracts			
Purchases	83,661,033	-	83,661,033
Sales	188,121,164	-	188,121,164
Foreign currency futures contracts			
Purchases	-	24,688,862	24,688,862
Sales	-	37,322,798	37,322,798
Futures contracts - other			
Purchases	83,149	-	83,149
Sales	115,569	-	115,569
Interest rate option contracts			
Purchases	180,586,642	-	180,586,642
Sales	204,049,725	-	204,049,725
Foreign currency option contracts			
Purchases	-	1,211,870	1,211,870
Sales	-	2,902,599	2,902,599
Option contracts - other			
Purchases	436,698	-	436,698
Sales	1,567,633	-	1,567,633
Foreign currency forward contracts			
Purchases	-	9,185,195	9,185,195
Sales	-	8,192,634	8,192,634
Forward contracts - other			
Purchases	216,420	-	216,420
Sales	221,819	-	221,819
Swap contracts			
Asset position			
Interest rate swaps	37,923,123	-	37,923,123

Currency swaps	-	25,131,705	25,131,705
Liability position			
Interest rate swaps	36,946,126	-	36,946,126
Currency swaps	-	25,412,799	25,412,799

Exchange rate sensitivity

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Capital expenditures

In the past three years, we have made, and expect to continue to make, 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.

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

		R$ in thousands	
	2013	**2012 (Restated)**	**2011 (Restated)**
Infrastructure			
Land and buildings	65,708	81,392	88,148
Installations, properties and equipment for use	430,477	554,157	937,026
Security and communications systems	12,134	12,512	14,759
Transportation systems	4,421	2,146	14,232
SubTotal	**512,740**	**650,207**	**1,054,165**
Information Technology			
Data processing systems	1,803,014	1,543,801	1,260,105
Financial leasing of data processing systems	615,791	418,108	448,497
SubTotal	**2,418,805**	**1,961,909**	**1,708,602**
Total	**2,931,545**	**2,612,116**	**2,762,767**

During 2013, we made R$2,931 million investments in capital expenditures, R$513 million of which were related to the acquisition of assets and R$2,418 million to telecommunications services and data processing expenses.–

We believe that capital expenditures in 2014 through 2016 will not be substantially greater than historical expenditure levels and anticipate that in accordance with our practice during recent years, our capital expenditures in 2014 through 2016 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

The following factors may affect our commercial activities, our operating results and our liquidity:

- macroeconomic conditions worldwide and in Brazil;
- foreign exchange variation; and
- inflation and interest rate effects on the results of our operations.

For more information, see "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 *Conselho de Administração*, or the Board of Directors, and the 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, eight Vice-Presidents, seven Managing Officers and four Deputy Officers.

Our nine-member Board of Directors meets on a regular basis every 90 days and meets on an extraordinary basis whenever necessary. It is responsible for:

- approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us;
- establishing our corporate strategy;
- reviewing our business plans and policies; and
- supervising and monitoring the activities of our Board of Executive Officers.

As specified in Section 3(a)(58) of the Securities Exchange Act of 1934, our Board of Directors acts as our Audit Committee for purposes 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
- our day-to-day management.

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

The following are biographies of the current members of our Board of Directors and *Diretoria Executiva*.

Members of the Board of Directors:

Lázaro de Mello Brandão, Chairman: Born on June 15, 1926. Graduated in Business Administration and Economics. In September 1942, Mr. Brandão was hired as a bookkeeper by *Casa Bancária Almeida & Cia*., the financial institution that became *Banco Brasileiro de Descontos S.A.* on March 10, 1943, and later became *Banco Bradesco S.A*. He has held a variety of positions during his banking career. In January 1963, he was elected as an Officer, and in September 1977, he was elected Vice-President. In January 1981, he assumed the position of CEO, succeeding Mr. Amador Aguiar, the founder of Bradesco. Since February 1990, he has served as the Chairman of our Board of Directors. In March 1999, he decided to step down as CEO, but has remained the Chairman of our Board of Directors. He also holds a variety of positions within Bradesco, such as Chairman of the Board of Trustees and CEO of *Fundação Bradesco*; and Chairman of the Board of Directors and CEO of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). In addition, he is the Chairman of the Board of Directors of Bradespar S.A. He has also served as CEO of the Banking Associations of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima, as Vice-President of the National Federation of Banks, known as "FENABAN," as a Member of the Board of the Federation of Brazilian Banking Associations, known as "FEBRABAN" and as Chairman of the Board of Directors of FGC *and CIBRASEC - Companhia Brasileira de Securitização* and a member of the Consulting Committee of *VBC Participações S.A.* and a Member of the Board of Directors of Banco do Espírito Santo, S.A., located in Lisbon, Portugal.

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Luiz Carlos Trabuco Cappi, Vice-Chairman: Born on October 6, 1951. Graduated from *Faculdade de Filosofia, Ciências e Letras de São Paulo*, with a graduate degree in Social Psychology at *Fundação Escola de Sociologia e Política de São Paulo*. He began his career at Bradesco in April 1969 and has held a variety of positions within the banking sector, being elected as Officer in 1984. On March 10, 2009 he became Chief Executive Officer. He is also Chief Executive Officer of the other Bradesco Group companies. In addition to these activities, he is Chairman of the Board of Directors of Odontoprev S.A., President of the Council of Representatives and Executive Board of the National Confederation of Financial Institutions (CNF), Vice-Chairman of the Board of Directors of Elo Participações S.A. and Member of the Deliberative Council of FEBRABAN. He was the Chief Executive Officer of Bradesco Vida *e Previdência* and of *Grupo Segurador*. He was also Chief Executive Officer of the Marketing and Funding Committee of the *Associação Brasileira das Entidades de Crédito Imobiliário e Poupança* (ABECIP), of ANAPP - *Associação Nacional da Previdência Privada*, of the *Federação Nacional de Saúde Suplementar* - FENASAÚDE, Vice-Chairman of the Board of Representatives of the Confederação Nacional das Instituições Financeiras - CNF, Member of the Deliberative Council of ABRASCA, Member of the Board of Directors of Banco Espírito Santo, S.A., headquartered in Lisbon, Portugal, Member of the Board of Directors of ArcelorMittal Brasil (former Companhia Siderúrgica Belgo-Mineira), 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 and Full Member of the Association Internationale pour l'Etude de l'Economie de l'Assurance - Association de Genève, Geneva, Switzerland, and Member of the Honorable Council of ANSP - *Academia Nacional de Seguros e Previdência*.

Antônio Bornia, Director: Born on November 22, 1935. High school graduate. Mr. Bornia started his career at Banco Bradesco S.A. in May 1952. Since then, he has held a variety of positions within Bradesco. In September 1975, he became a Deputy Officer; in April 1979, he was appointed to an Executive Officer position; in June 1981, he became Vice-President; in March 1999 he became the Vice-Chairman of our Board of Directors, position he held until March 2014. He is Chairman of the Board of Directors of Bradesco Securities, Inc. (USA), Bradesco Securities UK Limited, Bradesco Securities Hong Kong Limited and *Banco Bradesco Europa S.A.*; Vice-Chairman of *Bradesco Leasing S.A. - Arrendamento Mercantil*, *BSP Empreendimentos Imobiliários S.A.* and BSP Park Estacionamentos e Participações S.A.; Vice-President of *NCF Participações S.A., Nova Cidade de Deus Participações S.A.* and *Top Clube Bradesco*, *Segurança, Educação e Assistência Social*; Manager of Bradport-S.G.P.S. *Sociedade Unipessoal, Lda.*; Vice-Chairman of the Board of Trustees and Vice-President of Fundação Bradesco; Vice-Chairman of the Board of Directors and Vice-President of FIMADEN; and Vice-Chairman and Vice-President of *BBD Participações S.A.* He is also the Chairman of the Board of the ABEL, and he previously held the position of Chief Executive Officer; Vice-Chairman of the Board of Directors of Bradespar S.A.; and Member of the Brazilian Sector of the Brazil-United States Business Council. He was Vice-Chairman of the Board of Directors of *Banco* BERJ S.A., Member of the Board of Directors of Banco Espírito Santo, S.A., headquartered in Lisboa, Portugal; from April 2010 to March 2012; he has also served as an Alternate Member of the Board of Resources of the National Financial System, an agency related to the Treasury Ministry, as representative of the ABEL from July 1989 until July 1991 and from February 2000 to February 2002. He was also the Chairman of the Board of Directors of the FGC from January 2002 to January 2005, and

Vice-Chairman of the Executive Board of the Latin American Leasing Federation - Felalease from August 2003 to October 2005; CEO of the National Union of Leasing Companies, from September 1988 to April 2006; Vice-President and Vice-Chairman of the Board of Representatives of the National Confederation of the Financial System-CONSIF, from January 2004 to May 2007; and in CNF-National Confederation of the Financial Institutions, he held the positions of Chairman, Vice-Chairman and Member of Board of Representatives and Vice-President, from September 1988 to March 2007.

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Mário da Silveira Teixeira Júnior, Director: Born on March 4, 1946. Mr. Teixeira received a degree in Civil Engineering and Business Administration from Mackenzie Presbyterian University. In July 1971, Mr. Teixeira joined *Bradesco S.A Corretora de Títulos e Valores Mobiliários*, having served as an Officer from March 1983 until January 1984, when he was transferred to *Banco Bradesco de Investimento S.A.* and *Banco Bradesco S.A.* There, he was appointed Department Officer in January 1984, Managing Officer in March 1992 and Vice-President in March 1998. From March 1999 to July 2001, he served as a Member of our Board of Directors, when he resigned to manage Bradespar S.A., a company incorporated by our partial spin-off. In March 2002, he returned to his position as a Member of our Board of Directors, where he remains until today. Currently, he is also a Member of the Board of Directors of Bradesco Leasing S.A. - *Arrendamento Mercantil*; Member of the Board of Directors of *BSP Empreendimentos Imobiliários S.A*. having previously held the position of Strategic Committee Coordinator; Director of *NCF Participações S.A., Nova Cidade de Deus Participações S.A.* and *Top Clube Bradesco*, *Segurança*, *Educação e Assistência Social*; Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, Mr. Teixeira is a Member of the Board of Directors of Bradespar S.A., Vice-Chairman of the Board of Directors and Member of the Strategic Committee of *Vale S.A.;* and Vice-Chairman of the Board of Directors of *Valepar S.A.* He has also served as Vice-President of ANBID - *Associação Nacional dos Bancos de Investimento*, Member of the Management Board of ABRASCA, Member of the Board of Directors of *Banco BERJ S.A*. and Vice-Chairman of the Board of Directors of *BES Investimento do Brasil S.A. - Banco de Investimento*, Member of the Board of Directors of *Companhia Paulista de Força e Luz - CPFL*, *Companhia Piratininga de Força e Luz*, *Companhia Siderúrgica Nacional - CSN*, *CPFL Energia S.A*., *CPFL Geração de Energia S.A*., *Latasa S.A*., *São Paulo Alpargatas S.A*., *Tigre S.A. Tubos e Conexões*, *VBC Energia S.A.* and *VBC Participações S.A*., and a Voting Member of the Board of Directors of *Banco Espírito Santo de Investimentos S.A*., located in Lisbon, Portugal.

João Aguiar Alvarez, Director: Born on August 11, 1960. Mr. Alvarez received a degree in Agronomy from the Pinhalense Education Foundation - Manuel Carlos Gonçalves College of Agronomy and Animal Husbandry. 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. Since February 1990, Mr. Alvarez has been a Member of our Board of Directors and a Member of the Board of Directors of Bradespar S.A. since March 2000. He is a Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco* and Member of the Board of Directors and Deputy Officer of FIMADEN.

Denise Aguiar Alvarez, Director: Born on January 24, 1958. Ms. Alvarez received a degree in Education from São Paulo Pontific Catholic University and received a Masters in Education from New York University. In April 1986, she was appointed to the Board of Directors of *Cidade de Deus-Companhia Comercial de Participações*, one of our controlling shareholders, and since July 1988, she has also been serving as an Officer. Since February 1990, Ms. Alvarez has served as a Member of our Board of Directors, and since

March 2000, she has also served as a Member of the Board of Directors of Bradespar S.A. She is also a Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco*, Member of the Board of Directors and Deputy Officer of FIMADEN and CEO of ADC Bradesco – Sports Association. In addition to these activities, she is Member of the Consulting Board of the Associação Pinacoteca Arte e Cultura – APAC, having previously held the position of Member of the Board of Director and of the Deliberative Board of *Museu de Arte Moderna de São Paulo* - MAM, Member of the Board of Trustees of *Fundação Dorina Nowill para Cegos* and *Fundação Roberto Marinho*, Member of the Consulting Board of Canal Futura; member of the General Board of *Comunitas: Parcerias para o Desenvolvimento Solidário*; and Effective Member of *Associação de Apoio ao Programa Alfabetização Solidária* - AAPAS. She was member of the Deliberative Board of *Fundo Social de Solidariedade do Estado de São Paulo* –FUSSESP and Chairman of the Board of Governance of the Group of Institutes, Foundations and Enterprises (GIFE), having previously held the position of Member.

Carlos Alberto Rodrigues Guilherme, Director: Born on December 21, 1943. Mr. Guilherme received a Law degree from Pinhalense Education Foundation. He began his career in December 1957. Mr. Guilherme has held a variety of positions within the banking sector, such as Department Officer in March 1986, Deputy Officer in March 1998, Managing Officer in March 1999 and Member of the Board of Directors since March 2009. He is a Member of the Board of Directors of Bradesco Leasing S.A. – *Arrendamento Mercantil*; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários; Officer of *NCF Participações S.A., Nova Cidade de Deus Participações S.A.* and *Top Clube Bradesco*, *Segurança*, *Educação e Assistência Social*. He is also a Member of the Board of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN and Member of the Board of Directors of Bradespar S.A. He was Member of the Board of Directors of *Banco BERJ S.A.*, Member of the Governing Board of Bradesco Employees Beneficent Fund (Caixa Beneficente); Officer of Banco de Crédito Real de Minas Gerais S.A. and of Credireal Leasing S.A. - Arrendamento Mercantil.

Milton Matsumoto, Director: Born on April 24, 1945. Mr. Matsumoto received a degree in Business Administration from UNIFIEO-University Center FIEO of Osasco. He began at Bradesco in September 1957. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as Department Officer in March 1985, Deputy Officer in March 1998, a Managing Officer since March 1999 and he has been a Member of the Board of Directors since March 2011. He is a Member of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários S.A.; Officer of NCF Participações S.A.; Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social. He is also a Member of the Board of Trustees and Managing Officer of Fundação Bradesco. Member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he is a Member of the Board of Directors of Bradespar S.A.; and Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A. He was Member of the Board of Directors of Banco BERJ S.A. and an Officer of *Bradesco S.A. Corretora de Títulos e Valores Mobiliários*; the first Secretary Director 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 S.A. and CPM Holdings Ltd.; and. Secretary Officer of the union of the credit, financing and investing companies of the State of São Paulo of FENACREFI - Interstate Federation of Loan, Financing and Investment Institutions.

José Alcides Munhoz, Director: Born on July 23, 1948. Technical education in accounting. Mr. Munhoz began at Bradesco in October 1970, at the Santa Maria branch - RS. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as Officer in March 1989, Department Officer in January 1995, Deputy Officer in March 1998, Managing Officer in March 1999, Vice-President in January 2012 and Member of the Board of Directors in March 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of BBD Participações S.A, Vice-President of Banco Bradesco BERJ S.A. and Bradesco Leasing S.A. – Arrendamento Mercantil; and Officer of NCF Participações S.A. and Nova Cidade de Deus Participações S.A. In addition to these activities, he is a Member of Consulting Board of the Brazilian National Chapter of the International Real Estate Federation (FIABCI/BRASIL).

Members of the "Diretoria Executiva":

Luiz Carlos Trabuco Cappi, CEO: Mr. Trabuco also holds the position of CEO. His experience is described in "Members of the Board of Directors."

Julio de Siqueira Carvalho de Araujo, Vice-President: Born on December 10, 1954. High school graduate. Mr. Carvalho de Araújo began his career in March 1978 at Banco BCN S.A., an Institution that was acquired by Bradesco in 1997. He has held a variety of positions within the banking sector, such as being appointed in *Banco Bradesco S.A.* as an Officer in October 1989 and Vice-President from May 1995 to August 2000. Since August 2000, he has been our Vice-President. He also holds a variety of positions within the Bradesco Group, such as Member of the Board of Trustees and Managing Officer of *Fundação Bradesco* and Member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he is Chairman of the Consulting Board of FGC, having previously held the position of an Effective Member of the Board of Directors; Member of the Advisory Committee for Intermediation Sector of BM&FBOVESPA, having previously held the positions of Member of the Board of Directors and Coordinator of the Risk Committee; Alternate Member of Agribusiness Board (CONSAGRO); Vice-President and Chairman of the Banking Self-Regulatory Council of FEBRABAN; Vice-President and Alternate Delegate for CONSIF at FENABAN; Vice-President of the Brazilian Institute of Banking Science (IBCB); Treasurer of the Bank Union in the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; and Effective Officer of *Confederação Nacional do Sistema Financeiro* - CONSIF; and Member of the Board of Directors and Advisory Council of the BRAIN – *Brasil Investimentos & Negócios Association,* having been a Member of the Strategy Committee. He was Effective Member of the Board of Directors of *Companhia Brasileira de Liquidação e Custódia* (CBLC) and Effective Member of the Deliberative Board of ABECIP and Alternate Member of the Board of Directors of Interbank Chamber of Payments – CIP, where he previously held the position of Chairman.

Domingos Figueiredo de Abreu, Vice-President: Born on January 8, 1959. He received a degree in Economics from College of Economic Sciences of Mogi das Cruzes and a degree in Accounting from College of Economic Sciences and Administration of Osasco – FAC-FITO, with a postgraduate degree in Financial Administration (CEAG) from Fundação Getulio Vargas and an Executive MBA in Finance from IBMEC (Capital Markets Brazilian Institute) – *Instituto Brasileiro de Mercado de Capitais*. Mr. Abreu began at Banco Bradesco S.A. in December 1981. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in June 2001, a Managing Officer in March 2002 and Vice-President in June 2009, the position he currently holds. Mr. Abreu is also a Member of the Board of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN. He is also the Chairman of the Board of Directors of Cielo S.A., and Member of CPM Holdings Limited and Elo Participações S.A.'s Board of Directors. He was Officer of Banco BCN S.A. and Alternate Member of CPM Braxis S.A.'s Board of Directors, where he was also a Member of the Board of Technical Administration; Member of the Board of Directors of IBRI – Brazilian Institute of Investor Relations, formerly Vice-President and Regional Officer in São Paulo and Member of the Management Board of ABRASCA.

Aurélio Conrado Boni, Vice-President: Born on July 19, 1951. Business Administration technician from the Technical Trade School "Campos Salles." He began at Bradesco in February 1971. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in December 1997, Managing Officer in December 2001 and Vice-President, the position he currently holds, in January 2012. Mr. Boni is also a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of BBD Participações S.A., Vice-President of Banco Bradesco BERJ S.A. and Bradesco Leasing S.A. – Arrendamento Mercantil; Managing Officer of Bradesco Seguros S.A.; and Officer of NCF Participações S.A. and Nova Cidade de Deus Participações S.A. In addition to these activities, he is a Member of the Board of Directors of CPM Holdings Limited and IT Partners Ltd.

Sérgio Alexandre Figueiredo Clemente, Vice-President: Born on June 7, 1959. Graduated in Mechanical Engineering from PUC - *Pontifícia Universidade Católica de Minas Gerais* (Catholic University of Minas Gerais), with an executive MBA in Finance from IBMEC and Specialization in Finance through the Executive Management Development Program (PDG), administered by the Business Development Corporation. He attended the Advanced Management Program (PGA), administered by *Fundação Dom Cabral* and INSEAD. Mr. Clemente joined Banco BCN S.A. in May 1996 as Deputy Officer. In December 1997, he was elected Officer. With the acquisition of BCN, he joined the *Banco Bradesco S.A.* staff, having been elected Department Officer in March 2000, as the person responsible for the Corporate Department. In December 2006, he became Managing Officer, and Vice-President, in January 2012, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco; Member of the Board of Directors and Managing Officer of FIMADEN. Also, he is an Alternate Member of the Board of Directors of Sete Brasil Participações S.A. He was an Effective Member of the Advisory

Chamber of the Listing of the BM&FBOVESPA S.A.

Marco Antonio Rossi, Vice-President: Born on March 7, 1961. He holds a degree in Marketing Management Technology, a "lato sensu" postgraduate qualification in Client Management from Universidade Paulista (UNIP) and a "latu sensu" postgraduate qualification in Advanced Strategic and Geopolitical Studies from Fundação Armando Alvares Penteado (FAAP). He joined Bradesco Vida e Previdência S.A. in July 1981, where he rose through all career levels and was elected to the position of Officer in January 1999, Managing Officer in May 2001 and CEO in August 2002, where he remained until March 2010. In January 2012 he was elected Vice-President of Banco Bradesco S.A. He is a member of the Board of Trustees and Managing Officer of Fundação Bradesco; and Member of the Board of Directors and Managing Officer of FIMADEN. He is also Chief Executive Officer of Bradesco Seguros S.A., and BSP Affinity Ltda., since March 2009; Bradseg Participações S.A., since April 2009; and Vice-President of BP Promotora de Vendas Ltda., since January 2012. In addition to these activities, he is Member of the Board of Directors of Europ Assistance Brasil Serviços de Assistência S.A., having formerly been the Chairman. He is the Vice-Chairman of the Board of Directors of Odontoprev S.A., President of the National Federation of Private Insurance and Capitalization bonds (Fenaseg); Effective Member of the Board of Directors of Companhia Brasileira de Gestão de Serviços; Benefactor of the Higher Council of Associação Comercial do Rio de Janeiro, having formerly been a Member of the Board of Directors. He is also President of the Board of Directors of CNseg, having formerly been Vice-President and Member of the Higher Council and President of FIDES - *Federación Interamericana de Empresas de Seguros*. He was once the President of FENAPREVI and President of *Atlântica Companhia de Seguros*.

Alexandre da Silva Glüher, Vice-President: Born on August 14, 1960. Mr. Glüher received a degree in Accounting from Universidade Federal do Rio Grande do Sul, a degree in Business Administration from Universidade Luterana do Brasil (ULBRA). He took the Advanced Management Program - University of Pennsylvania - The Wharton School. He joined *Banco Bradesco S.A.* in March 1976 and has held a variety of positions within the banking sector, such as being elected Regional Officer in August 2001, Department Officer in March 2005, Deputy Officer in December 2010, Managing Officer in January 2012 and Vice-President in March 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is also Alternate Vice-President of the Board of Directors of Fidelity Processadora e Serviços S.A. He was an Alternate Member of the Deliberative Board of the Brazilian Association of Real Estate Credit and Savings Entities (ABECIP).

Josué Augusto Pancini, Vice-President: Born on April 14, 1960. Mr. Pancini received a degree in Mathematics from Centro Universitário da Fundação de Ensino Octávio Bastos – Feob - UNIFEOB, with a lato sensu postgraduate degree in Business Economics - Finance from Pontifícia Universidade Católica de Campinas - PUC - Campinas. He joined *Banco Bradesco S.A*. in July 1976, and was elected Regional Officer in July 1997, Department Officer in July 2003, Deputy Officer in December 2010, Managing Officer in January 2012 and Vice- President in March 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and of the Board of Directors of FIMADEN. Formerly Alternate Member of the Deliberative Board of ABECIP.

Maurício Machado de Minas, Vice-President: Born on July 1, 1959. He holds a degree in Electrical Engineering from Escola Politécnica da Universidade de São Paulo – Poli/USP, and specialization in Data Communications and Software Development, and a university extension course in Finance at Wharton Business School, both in the United States. He went to the Executive Development Program at Columbia University in New York, United States. He joined Banco Bradesco S.A. in July 2009 as Managing Officer. In January 2014 he was elected Vice- President and is responsible for Information Technology, Digital Channels, Customer Relationship Management and Marketing. He has been the President of Scopus since January, 2013. He is a Member of the Board of Directors of FIMADEN. He is also a Member of the Board of Directors of Fidelity Processadora e Serviços S.A.; an Alternate Member of the Board of Directors of MPO - Processadora de Pagamentos Móveis S.A.; and Member of the Board of Directors of NCR Brasil - Indústria de Equipamentos para Automação S.A. He is also an Alternate Member of the Board of Directors of CPM Braxis S.A. (a Cap Gemini company), having previously held the position of Executive Vice-President and COO (Chief Operations Officer), where he was responsible for all operational units and for CPM International. He was formerly Senior Analyst with Banco Itaú and Officer of Support Services of a group of Brazilian IT companies (Eletrodigi, Flexidisk and Polymax).

Alfredo Antônio Lima de Menezes, Managing Officer: Born on June 16, 1962. He graduated in Business Administration from Faculdades Integradas Tibiriçá (FATI). He started his career as a junior trader with Banco BCN S.A. in May 1985, and was promoted to Officer. Elected Department Officer of Banco Bradesco S.A. in January 2001, elected Deputy Officer December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is also Member of the Board of Directors and Member of the Risk Committee of BM&FBOVESPA S.A., having previously held the positions of President of the Advisory Chamber for Fixed Income, Foreign Exchange and Derivatives and Member of the advisory chambers of the securities, exchange and financial assets clearinghouses. He was formerly Vice-President of the Operational and Ethics Committees and Officer of the Brazilian Association of Financial Market Institutions (ANDIMA); Full Member of the Board of Directors of the Central Clearing de Compensação e Liquidação S.A.; Member of the Board of Directors of CETIP S.A. (Derivatives and Assets OTC); and Effective Member of the Deliberative Board of the Brazilian Association of Real Estate Credit and Savings Entities (ABECIP).

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André Rodrigues Cano, Managing Officer: Born on July 22, 1958. Graduated in Business Administration from Faculdades Metropolitanas Unidas (FMU), MBA-Controller from the Institute of Accounting, Finance and Actuarial Research (FIPECAFI, FEA-USP), and the Advanced Management Program - Harvard Business School. Mr. Cano joined Bradesco 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 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco and the Board of Directors of FIMADEN. He is also a Member of the Curator Council of the National Quality Foundation (FNQ). He also is an Alternate Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A.Formerly Officer. He was an Effective Member 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.; and Officer of ACREFI - *Associação Nacional das Instituições de Crédito, Financiamento e Investimento*.

Luiz Carlos Angelotti, Managing Officer: Born on November 16, 1964. Mr. Angelotti received a degree in Accounting and Actuarial Sciences from the School of Economics and Business Administration, Universidade de São Paulo, Law from UNIFIEO - Centro Universitário FIEO, and MBA in Finance from Insper – Instituto de Ensino e Pesquisa. He also attended the EDP – Executive Development Program and the AMP – Advanced Management Program at the University of Chicago Booth School of Business. He joined *Banco Bradesco S.A.* in November 1987, and was elected Department Officer in March 2002, Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is also a Member of the Management Board of ABRASCA and an Alternate Member of the Board of Directors of Integritas Participações S.A. Formerly Alternate Member of the Fiscal Council of Top Clube Bradesco, Segurança, Educação e Assistência Social.

Marcelo de Araújo Noronha, Managing Officer: Born on August 10, 1965. Graduated in Business Administration from Universidade Federal de Pernambuco (UFPE), with a Specialization in Finance from IBMEC and the Advanced Management Program AMP at the Instituto de Estudios Empresariales (IESE), Universidade de Navarra in Barcelona. Mr. Noronha started his career in 1985 at Banco Banorte, where he worked until 1996 when he started to work as Commercial Officer with Bilbao Vizcaya Argentaria Brasil S.A, current Banco Alvorada S.A. and was promoted to Vice-President for products, trade finance, middle market and retail. Elected Department Officer of Banco Bradesco S.A. in February 2004. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is also Chairman of the Board of Directors of Leader S.A. Administradora de Cartões de Crédito; Vice-President of Companhia Brasileira de Soluções e Serviços ("CBSS"), where he was previously the CEO; Effective Member of the Board of Directors of Cielo S.A.; Member of the Board of Directors of Crediare S.A. - Crédito, Financiamento e Investimento and Elo Participações S.A. (the ELO card flag), where he was previously the CEO, and Member of the Board of Directors of MPO -

Processadora de Pagamentos Móveis S.A.; President and Member of the Council of Ethics and Self-Regulation of ABECS, having formerly been the President of this Council; and Member of the Latin America and Caribbean Advisory Council of Visa International.

Nilton Pelegrino Nogueira, Managing Officer: Born on May 7, 1954. Graduated in Business Administration from Universidade Presbiteriana Mackenzie. Mr. Nogueira joined Banco Bradesco S.A. in July 1973. He was elected Regional Officer in February 1995, remained in the position until September 2000, when he was elected Officer of Banco BCN S.A., a financial institution acquired by Bradesco in December 1997, and remained in the position until March 2002, when he returned to Bradesco and was elected Department Officer. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco; Member of the Board of Directors of FIMADEN. He was formerly Officer of Banco Boavista S.A, and of Banco das Nações S.A.; Effective Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado and Top Clube Bradesco, Segurança, Educação e Assistência Social; Superintendent of Bradesco Administradora de Consórcios Ltda.; and Member of the Business Development Committee of BSP Empreendimentos Imobiliários S.A and Alternate Member of the Deliberative Council of ABECIP.

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André Marcelo da Silva Prado, Managing Officer: Born on December 6, 1961. Graduated in Production Engineering from Universidade Federal do Rio de Janeiro and holds an MBA in Finance from IBMEC. He attended the Senior International Bankers Course, at The International Centre for Banking and Financial Services (Manchester Business School) in Manchester, England, the Wharton Executive Development Program, at The Wharton School (University of Pennsylvania) in Philadelphia, U.S. and the Advanced Management Programme, at INSEAD, in Fointainebleau, France. He joined Banco Boavista Interatlântico S.A. in May 1997 as Executive Manager and reached the position of Officer there. He moved to Banco Bradesco S.A. as Executive Superintendent of Bradesco Corporate Department in March 2001. He was elected Department Officer in December 2009, Deputy Officer in January 2012 and Managing Officer in January 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN.

Luiz Fernando Peres, Managing Officer: Born on September 30, 1950. Graduated in Economics from Faculdade de Ciências Econômicas e Administrativas de Osasco (FAC-FITO). He started his career in November 1971 as Assistant II in the Economic Research Department of Banco BCN S.A., where he reached the position of Officer in July 1990. When BCN was taken over, he joined the staff of Bradesco and was elected Department Officer in June 1999 as head of Credit Department, Deputy Officer in January 2012 and Managing Officer in January 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. Formerly Executive Officer of Fundação Francisco Conde, Member of the Fiscal Council of Instituto Assistencial Alvorada, Alternate Member of the Fiscal Council of Finasa Sports Association (ADC Finasa), Full Member of the Board of Directors of Estruturadora Brasileira de Projetos S.A. - EBP, Member of the Board of Directors of Aço Minas Gerais S.A. – Açominas and Serasa S.A., Member of the Board of Directors of the Special Agency for Industrial Financing (FINAME/BNDES) representing commercial banks; Officer for the Credit Policy sector of FEBRABAN and Full Member of the Investment Committee of the Investment Fund of the Length of Service Guarantee Fund (FI-FGTS).

Altair Antônio de Souza, Deputy Officer: Born on March 26, 1961. Graduated in Law from Universidade Bandeirante de São Paulo (UNIBAN). He started his career with Banco Bradesco S.A. in July 1975, was elected Officer in August 1998, and Department Officer in January 2009, responsible for Products and Services Marketing Department and subsequently Bradesco Varejo Department. He was elected Deputy Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco and a Member of the Board of Directors of FIMADEN. He is also Full Member of the Board of the São Paulo Industrial Employers Association (Centro das Indústrias do Estado de São Paulo, CIESP). Former CEO and Vice-President of the Association of Banks of the State of Bahia.

Denise Pauli Pavarina, Deputy Officer: Born on April 14, 1963. Graduated in Economics from Faculdade Armando Álvares Penteado (FAAP) and Law from Universidade Paulista (UNIP), with an Executive MBA in Finance from Insper – Instituto de Ensino e Pesquisa. She started her career in March 1985, with Banco

Bradesco de Investimento S.A. a financial institution that was absorbed by Banco Bradesco S.A. in November 1992. At Bradesco, she held the positions of Underwriting Manager and Department Manager of Portfolio Management. She was promoted to the position of Executive Superintendent in September 1996, and elected Department Officer in January 2001. She was elected Officer of Banco Bradesco BBI S.A. in June 2006, and Managing Officer in January 2007, remaining until December 2009, when she returned to Bradesco, and was elected Department Officer in charge of Portfolio Management. She was elected Deputy Officer, the position she currently holds, in January 2012. She is also a Managing Officer of BRAM - Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários, having previously held the position of Superintendent Officer; Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. In addition to these activities, she is Vice-President of ANBIMA; Member of the Investment Committee of NEO *Capital Mezanino Fundo de Investimento em Participações*, Member of *Comitê Nacional de Educação Financeira* - CONEF, Member of the Council of Representatives of *Confederação Nacional das Instituições Financeiras* - CNF, and Member of the Board of Directors and Consulting Board of Instituto BRAIN, having been a Member of the Strategy Committee. She was formerly Member of the Board of Directors of Cielo S.A., Bica de Pedra Industrial S.A., Companhia Siderúrgica Belgo-Mineira, CPM Braxis S.A., Latasa S.A., and São Paulo Alpargatas S.A.; Alternate Member of the Board of ABRASCA; Member of the Consulting Board of the Brazilian Association of Brokers and Dealers in Securities, Foreign Exchange and Commodities (ANCORD); Officer of UGB Participações S.A.; and Officer for Institutional Relations and Director of the Association of Capital Market Investment Analysts (APIMEC) in São Paulo.

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Form 20-F

Moacir Nachbar Junior, Deputy Officer: Born on April 5, 1965. Holds a degree in Accounting and a postgraduate qualification *(lato sensu)* in Financial Management from Faculdade Campos Salles, and an MBA - Controller from Universidade de São Paulo and Tuck Executive Program from Tuck School of Business at Dartmouth, in Hanover, Nova Hampshire – EUAHe began his career with Banco Bradesco S.A. in June 1979. In March 2005, in the General Accounting Department, he was elected Department Officer and started reporting to the Operational Control Department in November 2009, and to the Internal Auditing Department in July 2010. He was elected Deputy Officer, the position he currently holds, in January 2012. Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He also is an Alternate Member of the Board of Directors of Fidelity Processadora e Serviços S.A. Alternate Member of the Board of Directors of ABRASCA and Alternate Member of the Consulting Board of FGC. He was an Officer and Effective Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado, a multi-sponsor pension fund. He was also Alternate Member of the Fiscal Council of Top Clube Bradesco, Segurança, Educação e Assistência Social.

Octávio de Lazari Júnior, Deputy Officer: Born on July 18, 1963. Graduated in Economics from Faculdade de Ciências Econômicas e Administrativas de Osasco (FAC-FITO) and took an specialization course in Financial and Marketing Strategies at Fundação Instituto de Administração (FIA - FEA/USP). He joined Banco Bradesco S.A. in September 1978. He was promoted to the position of Executive Superintendent in December 1998, and elected Officer in May 2009, Department Officer in August 2010, and Deputy Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco; Member of the Board of Directors of FIMADEN. He is also Chairman of the Board of the ABECIP; Full Member of the Board of Directors of CIBRASEC – Companhia Brasileira de Securitização; Member of the Council of Representatives of the Brazilian Confederation of Financial Institutions - CNF; Officer of Real Estate Credit and Savings of the FEBRABAN; Full Member of the Managerial Council of the São Paulo Fund of Social Interest Housing - CGFPHIS, and of the Managerial Council of Housing Guarantee Fund – CGFGH; andMember of the Board of Directors of *Câmara Interbancária de Pagamentos* – CIP. He was once Member of the Governing Board of Bradesco Employees Beneficent Fund (Caixa Beneficente), where he previously held the position of Effective Member of the Fiscal Council; Effective Member of the Governing Board of the Workers' Support Fund – CODEFAT; and Alternate Member of the Investment Committee of the Length of Service Guarantee Fund (FGTS); Member of the Consulting Board of the Brazilian chapter of the International Federation of Real Estate Professions (FIABCI / BRASIL).

6.B. Compensation

At annual general shareholders' meetings, the shareholders of Bradesco and its subsidiaries establish the maximum global compensation of the members of the Board of Directors and Board of Executive Officers, constituted by the Executive Officers, Department Officers, Officers and Regional Officers of Bradesco and its subsidiaries for the ensuing year. In 2013, our shareholders set the global compensation for the Board of Directors and Board of Executive Officers of Bradesco and its subsidiaries at R$337.1 million.

In 2013, the Directors and the Board of Executive Officers of Bradesco and its subsidiaries received aggregate compensation of R$326.1 million for their services. The current compensation policy sets forth that 50% of the net variable compensation amount is meant for the acquisition of Bradesco´s preferred 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.

The Directors and the Board of Executive Officers of Bradesco and its subsidiaries have the right to participate in the same pension plans available to all our employees. In 2013, we contributed R$322.9 million to pension plans on behalf of the Directors and the Board of Executive Officers of Bradesco and its subsidiaries.

6.C. Board of Directors Practices

Our shareholders elect the members of our Board of Directors at the annual general shareholders' meeting for one-year terms and members may be reelected for consecutive terms. The Board of Directors appoints the members of our Board of Executive Officers for one-year terms, which can also be extended for consecutive terms.

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At the Special Shareholders' Meeting held on March 10, 2014, the shareholders resolved to change the Bylaws, in the caput of Article 12, to define that there must be at least 3 people holding the position of Officer, which is in line with the current corporate structure.

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 46 Department Officers, 5 Officers and 16 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 Bradesco or one of our 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:

I- Executive Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee of Bradesco or any of its 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

II- 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 Bradesco or any of its affiliates.

The members of our Board of Directors are required to work exclusively for us, unless granted an exception 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.

Fiscal Council

Under Brazilian law, corporations may have a "*Conselho Fiscal*," or Fiscal Council, an independent corporate body with general monitoring and supervision powers in accordance with the Brazilian Corporate Law. Our Bylaws provide for a Fiscal Council and specify that if our shareholders convene a Fiscal Council, it shall have from three to five effective members and same number for alternates.

Our Fiscal Council has five full members (Nelson Lopes de Oliveira, João Carlos de Oliveira, José Maria Soares Nunes, Domingos Aparecido Maia and Luiz Carlos de Freitas) and five alternates (Jorge Tadeu Pinto de Figueiredo, Renaud Roberto Teixeira, Nilson Pinhal, João Batistela Biazon and Oswaldo de Moura Silveira) all of whom were elected in March 2014 for a one-year period and their terms will expire on the annual general shareholders' meeting to be held in March 2015. 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;

-– issuances of debentures or rights offerings entitling the holder to subscribe for equity;

-– investment plans and capital expenditure budgets;

-– distributions of dividends; and

-– transformation of our corporate form and corporate restructuring, 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, inform the shareholders' meeting of these facts; and

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- call general 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

Board Committees

Our shareholders approved, at the special shareholders' meeting held on December 17, 2003, the creation of the Audit Committee, the Internal Control and Compliance Committee and the Compensation Committee. At the special shareholders' meeting held on March 27, 2006, our shareholders approved the transformation of the Ethics Committee into a statutory committee. At the special shareholders' meeting held on March 24, 2008, our shareholders approved the creation of the Integrated Risk Management and Capital Allocation Committee. At the Special Shareholders' Meeting held on March 11, 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 Ethics Committee and Integrated Risk Management and Capital Allocation Committee, 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, which should not be construed as a weakening of the corporate governance structure, as the Board of Directors will maintain these committees, which removal from the Bylaws was approved, under its structure.

Audit Committee – Pursuant to our Bylaws and to Central Bank regulations since April 2004, we have appointed members of the Audit Committee, which may comprised three (3) to five (5) members, each of whom serves a term that can be renewed, in successive appointments, up to a limit of five (5) years, as of the date the member first takes office. Our Audit Committee members are appointed by, and may be dismissed by, the Board of Directors. The current members of the committee are Carlos Alberto Rodrigues Guilherme, who acts as coordinator, Romulo Nagib Lasmar and Osvaldo Watanabe, who act as members with no specific designation and Paulo Roberto Simões da Cunha, who is the Audit Committee financial expert. Of the members, only Carlos Alberto Rodrigues Guilherme is a member of the Board of Directors.

In addition, under Brazilian law, the function of hiring independent auditors is reserved for the Board of Directors of a company. As a result, as specified in Section 3(a)(58) of the Exchange Act, our Board of Directors functions as our Audit Committee 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 audit committees of U.S. companies. Since our Audit Committee cannot be compared to the audit committees of American companies in terms of commitment from our independent auditors in audit and non-audit services, we have relied on the exemption set forth in Exchange Act Rule 10A - 3(c)(3) in this regard. For more information see "Item 16.D. Exemptions from the listing standards for Audit Committees."

The responsibilities of the Audit Committee include:

- establishing its own rules of operation;

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

- previously analyze plans to retain 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 the 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 the Board of Directors regarding any conflicts between the independent auditors and the Board of Executive Officers;
- recommending policies, practices and procedures for improving the performance of our senior management; 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 (3) to seven (7) members, all of whom are members of Bradesco's Board of Directors with terms of office of one (1) year, and according to the provisions set forth in CMN Resolution No. 3,921/10 of the National Monetary Council, should have at least one (1) non-management member. Members are appointed by and replaced by the Board of Directors. The committee's primary responsibility is to provide the Board of Directors with proposed policies and guidelines from our Board of Executive Officers, based on performance goals defined by the Board of Directors.

Other Board Advisory Committees

Internal Control and Compliance Committee – The Internal Control and Compliance Committee has up to 12 members. Members are appointed and replaced by the Board of Directors. 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 applicable rules.

Ethics Committee – The Ethics Committee is composed of up to 16 members. Members are appointed and may be replaced by the Board of Directors. The committee's primary responsibility is to propose actions to ensure the enforcement of our Corporate and Sector Codes of Ethics and to promote awareness of it by our employees and management.

Integrated Risk Management and Capital Allocation Committee – The Integrated Risk Management and Capital Allocation Committee has 11 members, nominated and removable by the Board of Directors. 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.

Sustainability Committee – TheSustainability Committee currently has 21 members. Its 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 social responsibility.

Ombudsman

At the special shareholders' meeting held on August 24, 2007, our shareholders formalized the creation of the Ombudsman. Previously the Company had an informal Ombudsman. The Ombudsman works on behalf of all the institutions within the Organization, authorized to operate by the Central Bank. There is one (1) Ombudsman, with a one-year (1) term. The Ombudsman is appointed and 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 the institutions comprising the Bradesco Group authorized to operate by the Central Bank and customers and users of its products and services, including mediating conflicts;

- receiving, registering, instructing, analyzing and formally and properly dealing with complaints of 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;

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

- informing claimants of the term for the final answer, which should not exceed 15 days;

- sending a conclusive answer to the claimant's demand until expiration of the term;

- 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.

In March 2010, the Central Bank issued new rules related to the implementation and operation of Ombudsman’s Offices in financial institutions with specific procedures regarding service to individual and corporate customers classified as micro companies. The rules for our Ombudsman’s duties comply with those provisions.

According to our Bylaws and in order to comply with the rules of the Central Bank, in November 2009, Júlio Alves Marques was appointed Ombudsman, as well as Department Officer, positions which he already held since May 2009, which were confirmed by the special shareholders' meeting held on March 12, 2014, with a one-year term.

6.D. Employees

As of December 31, 2013, we had 100,489 employees, of which 83,900 were employed by us and 16,589 were employed by our subsidiaries, as compared to 103,385 employees as of December 31, 2012 and 104,684 employees as of December 31, 2011.

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,	**2013**	**2012**	**2011**
Total number of employees	**100,489**	**103,385**	**104,684**
Number by category of activity			
Banking			
Bradesco	83,900	85,777	86,263
Insurance activities	5,856	5,881	5,950
Pension plan activity	1,527	1,673	1,658

Other categories	9,206	10,054	10,813
Number by geographic location			
Cidade de Deus, Osasco	12,749	12,485	12,385
Alphaville, Barueri	1,652	2,034	1,627
São Paulo	17,957	19,335	19,813
Other locations in Brazil	67,853	69,253	70,426
International	278	278	433

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. We had 31,615 part-time employees and 68,874 full-time employees as of December 31, 2013 compared to 32,581 part-time employees and 70,804 full-time employees as of December 31, 2012, and 37,262 part-time employees and 67,422 full-time employees as of December 31, 2011.

We generally hire our employees at the entry level, and encourage them to remain with us throughout their careers. In filling all positions, we give preference to candidates from within Bradesco, including for middle management and senior positions.

As of December 31, 2013, approximately 50.0% of our employees were associated with one of the labor unions that represent bank or insurance employees in Brazil. We consider our relations with our employees as well as with the labor unions to be good, in large part due to our philosophy of internal recruiting and transparency in communication. We are party to two collective bargaining agreements: one relating to our banking employees and the other to our insurance sector employees.

We offer our employees benefits which include Bradesco health and dental plans enabling beneficiaries to choose their doctors, hospitals and dentists anywhere in Brazil, retirement and pension plans, and subsidized life and accident insurance. We also have a team of social workers who work with our employees and their dependents. To ensure added social and psychological support for employees and their dependents, Bradesco has introduced a new channel for assistance in the form of a 0800-number help line called "Live well"(*Viva Bem*) that deals with personal issues, work-related, family and relationship problems. This toll-free line is available 24/7 and calls are 100% confidential. These benefits are available regardless of an employee's position. Currently, 39.0% 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 and collaborators. In 2013, we invested R$119.0 million in professional training with a total of more than 1.3 million participations.

6.E. Share Ownership

As of December 31, 2013, the members of our Board of Directors and Board of Executive Officers indirectly held 3.39% of our voting capital and 1.73% of our total capital stock, in aggregate, through a company called BBD Participações S.A. (the current name of Elo Participações e Investimentos S.A.), or "BBD." In addition, some of our directors and executive officers directly hold shares of our capital stock. However, as of December 31, 2013, none of our directors and executive officers individually owned, directly or indirectly, more than 2.0% of any class of our shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

As of December 31, 2013, our capital stock was composed of 2,103,637,129 common shares (2,898,610 treasury shares) and 2,103,636,910 preferred shares (7,866,270 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 Incorporation-Organization-Allocation of net income and distribution of dividends."

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The following chart illustrates our capital ownership structure as of December 31, 2013:

Cidade de Deus - Companhia Comercial de *Participações*, a holding company, which we call “Cidade de Deus Participações,” directly owns 48.67% of our voting capital and 24.40% of our total capital stock. *Cidade de Deus Participações*, in turn, is owned by the Aguiar Family, *Fundação Bradesco*, and another holding company, *Nova Cidade de Deus Participações S.A.*, or "*Nova Cidade de Deus*." *Nova Cidade de Deus* is owned by Fundação Bradesco and *BBD*.

In addition to the transaction carried out in June 2011, by which NCF Participações S.A, or “NCF,” acquired approximately 5.4% of Banco Bradesco’s voting capital, held by Banco Espírito Santo S.A. and by the Funds managed by ESAF – Sociedade Gestora de Fundos de Investimento Mobiliários S.A. There has been no significant change in the percentage ownership held by any major shareholders in the last five years.

The following table shows the direct ownership of our outstanding common and preferred shares on March 10, 2014. For more information, see "Item 7.A. Major Shareholders."

Shareholders mentioned in the following table, except for the members of the *Diretoria Executiva* or the Board of Directors, directly hold five percent or more of our securities with voting rights.

Shareholder	Number of shares, except %					
	Number of common shares	% of common shares	Number of preferred shares	% of preferred shares	Total Number of shares	% o tota shar
Cidade de Deus Participações	1,022,374,418	48.7%	1,597,076	0.1%	1,023,971,494	24.
Fundação Bradesco[1]	358,469,028	17.1%	-	-	358,469,028	8.
NCF Participações	172,433,243	8.2%	45,860,723	2.2%	218,293,966	5.
Subtotal	**1,553,276,689**	**73.9%**	**47,457,799**	**2.3%**	**1,600,734,488**	**38.**
Members of the Board of Directors						
Lázaro de Mello Brandão	(*)	(*)	(*)	(*)	(*)	(*
Luiz Carlos Trabuco Cappi	(*)	(*)	(*)	(*)	(*)	(*
Antônio Bornia	(*)	(*)	(*)	(*)	(*)	(*
Mário da Silveira Teixeira Júnior	(*)	(*)	(*)	(*)	(*)	(*
João Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)	(*
Denise Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)	(*
Carlos Alberto Rodrigues Guilherme	(*)	(*)	(*)	(*)	(*)	(*
Milton Matsumoto	(*)	(*)	(*)	(*)	(*)	(*
José Alcides Munhoz	(*)	(*)	(*)	(*)	(*)	(*
Total Board of Directors	**14,831,712**	**0.7%**	**19,794,850**	**0.9%**	**34,626,562**	**0.**
Members of the Diretoria Executiva						
Julio de Siqueira Carvalho de Araujo	(*)	(*)	(*)	(*)	(*)	(*
Domingos Figueiredo de Abreu	(*)	(*)	(*)	(*)	(*)	(*
Aurélio Conrado Boni	(*)	(*)	(*)	(*)	(*)	(*
Sérgio Alexandre F. Clemente	(*)	(*)	(*)	(*)	(*)	(*
Marco Antonio Rossi	(*)	(*)	(*)	(*)	(*)	(*
Alexandre da Silva Gluher	(*)	(*)	(*)	(*)	(*)	(*
Josué Augusto Pancini	(*)	(*)	(*)	(*)	(*)	(*
Maurício Machado de Minas	(*)	(*)	(*)	(*)	(*)	(*
Alfredo Antônio Lima de Menezes	(*)	(*)	(*)	(*)	(*)	(*
André Rodrigues Cano	(*)	(*)	(*)	(*)	(*)	(*
Luiz Carlos Angelotti	(*)	(*)	(*)	(*)	(*)	(*
Marcelo de Araújo Noronha	(*)	(*)	(*)	(*)	(*)	(*
Nilton Pelegrino Nogueira	(*)	(*)	(*)	(*)	(*)	(*
André Marcelo da Silva Prado	(*)	(*)	(*)	(*)	(*)	(*
Luiz Fernando Peres	(*)	(*)	(*)	(*)	(*)	(*
Altair Antônio de Souza	(*)	(*)	(*)	(*)	(*)	(*
Denise Pauli Pavarina	(*)	(*)	(*)	(*)	(*)	(*
Moacir Nachbar Junior	(*)	(*)	(*)	(*)	(*)	(*
Octávio de Lazari Junior	(*)	(*)	(*)	(*)	(*)	(*
Total Members of the Diretoria Executiva	**301,054**	**0.0%**	**697,631**	**0.0%**	**998,685**	**0.**

Subtotal	**1,568,409,455**	**74.7%**	**67,950,280**	**3.2%**	**1,636,359,735**	**39.**
Other	532,329,064	25.3%	2,026,701,760	96.8%	2,559,030,824	61.
Subtotal	**2,100,738,519**	**100.0%**	**2,094,652,040**	**100.0%**	**4,195,390,559**	**100.**
Treasury shares	2,898,610	-	8,984,870	-	11,883,480	
Total	**2,103,637,129**	**100.0%**	**2,103,636,910**	**100.0%**	**4,207,274,039**	**100.**

(1) Also indirectly owns, through its interest in Cidade de Deus Participações and Nova Cidade de Deus, and NCF Participações, 39.4% of our common shares and 20.7% 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 1.00% or more of any of our classes of shares, and their individua share ownership has not been previously disclosed to our shareholders or otherwise made public, See "Item 6.E. Share Ownership" for more information.

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

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Cidade de Deus Participações

Cidade de Deus Participações is a holding company that holds investments in other companies. It also administers, purchases and sells securities and other assets on its own account. Its shareholders are *Nova Cidade de Deus*, with 44.91% of its common and total shares, Fundação Bradesco, with 33.20% of its common and total shares, and the Aguiar Family, with 21.89% of its common and total shares as of December 31, 2013. The company's capital stock is made up of common, nominative book-entry shares, with no par value.

Nova Cidade de Deus

Nova Cidade de Deus is a holding company that holds investments in other companies, mainly those that, directly or indirectly, own our voting capital. As of December 31, 2013, the company owned, through its participation in *Cidade de Deus Participações*, 23.32% of our common shares and 11.88% 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*;
- former members of our *Diretoria Executiva*, who have become members of our Board of Directors;
- former members of our *Diretoria Executiva*, who have become members of the Board of Directors of one or more of our subsidiaries; 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 December 31, 2013, three members of the Aguiar Family and the estate of Mr. Amador Aguiar indirectly owned, by way of their participation in Cidade de Deus Participações, 11.36% of our common shares and 5.79% of our total shares. In addition, the same parties directly held a total of 1.11% of our common shares, 1.07% of our preferred shares, which correspond to 1.09% of our total shares. None of the members of the Aguiar Family individually or directly holds more than 1.00% of our voting shares.

Fundação Bradesco

As of December 31, 2013, *Fundação Bradesco* owned 56.50% of our common shares, 1.95% of our preferred shares and 29.25% of our total shares, directly and indirectly, through its participation in *Cidade de Deus Participações*, *Nova Cidade de Deus* 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 and in the world, 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 2013, a total of 101,781 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, some 45,000 elementary school students are also provided with school uniforms, classroom stationery, meals, and medical and dental care.

Our "Virtual School" e-learning portal's distance learning programs benefited 455,088 students who completed at least one of a wide range of courses offered, and another 71,742 students were involved in projects and partnership initiatives such as Digital Inclusion Centers, our "Educate - Act" (*Educa+Ação*) program, and technology courses ("Educating and Learning”).

In its 11th consecutive year, the “Voluntary Action National Day” held on May 2013 engaged over 26 thousand volunteers at 72 different locations in Brazil, including Fundação Bradesco schools and service centers close to schools. There were 314,452 attendees at this event which promoted issues regarding education, health, leisure, sports and the environment.

Created in 1998, the IT for the Visually Handicapped Program has benefited and trained 12,160 students and fostered social inclusion for thousands of people.

Together with partners that are specialized in training educators and producing related material, Fundação Bradesco develops a range of actions focused on environmental education, financial education and tax education, work and consumption, sexuality and self-care and the dangers of drugs, as well as Internet access and responsible use.

Fundação Bradesco's 2013 budget totaled R$456.9 million. Over the last ten years, Fundação Bradesco has invested a total of R$4.0 billion (at current values) in the foundation.

BBD

BBD indirectly owned 6.08% of our common shares and 3.10% of our total shares as of December 31, 2013, 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 5.51% of our voting capital. Only members of the Board of Directors and of the Board of Executive Officers, as well as skilled employees of Bradesco, Bradespar, or of our subsidiaries and national not-for-profit legal entities or national companies controlled by them that have as administrators only employees and/or administrators of Bradesco, 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 December 31, 2013, NCF held 8.21% of our common shares and 5.20% of our total shares.

Other

Direct market holdings represented 26.06% of our voting capital as of December 31, 2013 (including a holding of 2.50% by the Bank of Tokyo Mitsubishi - UFJ (MUFG)) and 97.73% of our preferred shares. Common and preferred shares held by the market accounted for 61.86% of our share capital as of December 31, 2013.

As of December 31, 2013, 22.65% of our preferred shares and 8.89% of our common shares were held by 1,023 foreign investors. At the same date, our ADRs represented 31.40% of our preferred shares, 0.01% of our common shares and our GDRs represented 0.02% of our preferred shares.

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7.B. Related Party Transactions

Transactions with related parties and subsidiaries are conducted on arms' length terms as demonstrated below:

December 31,	R$ in thousands 2013	2012 (Restated)	2011 (Restated)
ASSETS			
Loans and advances to banks	84,216	107,150	246,220
Other assets	7,739	10,280	10,152
LIABILITIES			
Deposits from customers	(265,046)	(208,378)	(242,756)
Funds from securities issued	(1,543,906)	(749,315)	(687,118)
Subordinated debt	(754)	(698)	(65,333)
Corporate and statutory obligations	(724,226)	(735,902)	(775,636)
Other liabilities	(2,213)	(8,027)	(10,566)
INCOME AND EXPENSES			
Net interest income	(114,707)	(64,015)	(81,358)
Other income	29,936	39,501	34,053
Other expenses	(120,623)	(117,222)	(108,932)

Under Laws Nos. 4,595/64 and 7,492/86, financial institutions may not grant loans or advances to:

- officers and members of the Board of Directors, fiscal councils, advisory committees and similar corporate bodies, as well as their spouses and relatives up to the second degree;

- individuals or legal entities with a direct or indirect equity interest of at least 10%;

- legal entities in which such financial institutions held a direct or indirect equity interest of at least 10%; and

- legal entities in which capital any officers or managers of such financial institution, including their spouses or relatives of the second degree, held a direct or indirect equity interest of at least 10%.

Accordingly, we have not assigned any loans or advances to any of our subsidiaries, affiliates, executive officers, board members or their relatives of second degree. Under Brazilian regulation, financial institutions must keep any record of impediment updated in order to avoid the occurrence of any prohibited loan or cash advance. 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."

Other Matters

Bank of Tokyo Mitsubishi-UFJ (MUFG) owns 1.25% of our total capital, and provides credit lines to us for trade-related transactions. The terms of these transactions are consistent with similar transactions that we engage in with other, unrelated entities.

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 as issued by the IASB.

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. We do not have any litigation matters that are significant on an individual basis. We believe that there are no suits pending or threatened, individually or in the aggregate, 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, 2013, of our provision of R$13,753 million, 18.3% related to labor matters, 27.7% related to civil liability cases and 54.0% related to tax issues. For additional information, see Note 38 to our consolidated financial statements in "Item 18. Financial Statements."

Probable losses recognized in our consolidated financial statements refer to litigation related to: (i) inflation adjustments; and (ii) legality of certain taxes and contributions. The remaining litigation, where the probability of loss is considered as possible based on our judgment using available information, are related to tax assessments, in the amount of R$4,311 million as of December 31, 2013 (R$2,540 million in 2012). We believe these assessments are inconsistent with current law and are therefore not recognized in our consolidated financial statements.

We believe that as of December 31, 2013, we have set aside sufficient funds as provisions to cover our probable losses from litigation, subject to the inflation-indexation requirement for provisions relating to certain tax matters.

Labor matters – The labor matters in which we were involved during the year ended December 31, 2013, are mainly claims from former employees and outsourced employees seeking indemnifications, especially for unpaid overtime, according to Article 224 of the Consolidation of Labor Laws (CLT). In proceedings requiring judicial deposits to guarantee the execution of the judgment, the amount of labor provisions are recorded considering the estimated loss of these deposits. For other proceedings, the provision is recorded based on the average of payments made for claims settled in the last 12 months. Overtime is controlled through the use of electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by 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 aim at the non-payment of taxes with which we do not agree, while 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 upon final and unappealable judgment recognizing our right. See Note 17 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 Bradesco and the Brazilian banking industry - The Brazilian Supreme Court and Brazilian Superior Court of Justice are 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.

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.

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Policy on dividend distributions

Our Bylaws require our Board of Directors to recommend, at each annual general shareholders' meeting, that our net income for the fiscal year be allocated as follows:

(i) 5% for the legal reserve, not exceeding 20% 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% of our paid-up capital;

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

(iii) at least 30% (after the deductions for the legal reserves and contingencies) for mandatory distribution to our shareholders; and

(iv) 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% 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% of our net income must be distributed as annual dividends and must be paid out within 60 days following the annual general shareholders' meeting. However, Brazilian corporate law (Brazilian Law No. 6,404/76) 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 general 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% greater than the dividends per share paid to common shareholders.

Our Board of Executive Officers, 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 Board of Executive Officers 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, Development of the Company and Business Strategy-Recent Acquisitions."

ITEM 9. THE OFFER AND LISTING

9.A. Offer and Listing Details

Our ADSs are traded on the 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.

In March 2013, a special shareholders' meeting approved a capital increase, with the capitalization of profits reserve and consequent 10% bonus in shares, pursuant to which our shareholders received one new share for each 10 existing shares of the same type they held.

Bradesco's shares are part of Brazil’s main stock indexes, including the Ibovespa (a gross total return index weighted by traded volume which comprises the most liquid stocks traded on BM&FBOVESPA), the IBrX-50 (an index that measures the total return of a theoretical portfolio comprising 50 shares selected among the most traded shares on BM&FBOVESPA), ISE (Corporate Sustainability Index), the ITAG (Special Tag-Along Stock Index), IGC (Special Corporate Governance Stock Index), IFNC (Financial Index which comprises banks, insurance and financial companies), the ICO2 (index comprising shares of the companies that are part of the IBrX-50 index and that accepted to take part in this initiative by adopting transparent greenhouse gas emission practices) and the Mid-Large Cap Index – MLCX (that measures the return of a portfolio composed of the highest cap companies listed). Abroad, Bradesco shares are listed on NYSE’s Dow Jones Sustainability World Index and the FTSE Latibex Brazil Index of the Madrid Stock Exchange.

In January 2012, the Central Bank authorized Bradesco to create an ADR program for its common shares in the U.S. market. As part of this authorization, and after Brazilian government had affirmed it as being in its interest, the Central Bank increased the limit of foreign interest in Bradesco's capital stock from 14% to 30%. The increase in the limit of foreign interest in our common shares did not alter Bradesco's 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.

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The following tables show, for the indicated period, the reported high and low sale prices in nominal *reais* for the preferred and common shares on BM&FBOVESPA:

	in R$ Price per Preferred share [1]		Average monthly trading volume [1]
	High	Low	Shares (in units)
2009	38.70	19.32	107,090,125
2010	38.04	28.06	88,557,367
2011	33.99	25.12	118,593,358
2012			
1st Quarter	33.31	29.97	129,242,967
2nd Quarter	32.25	26.60	142,403,767
3rd Quarter	36.30	28.55	127,563,700
4th Quarter	37.02	30.92	118,526,533
2013			
1st Quarter	38.47	32.15	137,014,300
2nd Quarter	35.38	27.23	162,291,467
3rd Quarter	31.84	25.50	180,126,767
4th Quarter	33.27	27.80	145,250,067
2014			
January	29.25	25.34	156,825,800
February	27.80	25.02	157,963,000
March	31.23	26.24	185,967,800

(1) Prices and amounts not adjusted by income and other corporate events.
Source: Economatica.

	in R$ Price per Common share [1]		Average monthly trading volume [1]
	High	Low	Shares (in units)
2009	31.35	16.77	10,501,842
2010	31.00	22.51	12,668,583
2011	28.49	21.13	17,462,342
2012			
1st Quarter	28.61	24.58	15,987,433
2nd Quarter	27.43	22.57	15,808,267
3rd Quarter	29.19	23.71	10,604,100
4th Quarter	36.12	25.41	48,964,900
2013			
1st Quarter	38.16	32.91	34,324,367

2nd Quarter	36.07	29.39	30,998,833
3rd Quarter	36.58	28.24	38,165,200
4th Quarter	37.36	30.39	26,779,867
2014			
Janury	32.07	27.89	26,083,000
February	29.89	27.13	21,829,300
March	34.00	27.82	21,102,700

(1) Prices and amounts not adjusted by income and other corporate events.
Source: Economatica.

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The following table shows, for the indicated periods, the reported high and low closing sale prices in U.S. dollars for the preferred share ADSs on the NYSE:

	in U$$ Price per preferred share ADS (1)		Average monthly trading volume (1)
	High	**Low**	**Preferred share ADS (in units)**
2009	22.70	7.81	194,444,146
2010	22.54	15.17	201,935,999
2011	21.34	13.98	215,247,685
2012			
1st Quarter	19.10	16.56	162,331,913
2nd Quarter	17.75	13.17	229,869,523
3rd Quarter	18.00	13.95	186,858,887
4th Quarter	17.78	15.16	151,654,872
2013			
1st Quarter	19.17	16.18	129,409,928
2nd Quarter	17.79	12.15	153,770,372
3rd Quarter	14.45	11.29	200,977,336
4th Quarter	15.41	11.83	152,558,014
2014			
January	12.26	10.44	168,896,223
February	11.89	10.23	172,447,710
March	13.81	11.08	193,972,330

(1) Prices and amounts not adjusted by income and other corporate events.
Source: Economatica.

Our common share ADSs have been traded on the NYSE since March 2012. The following table shows, for the indicated periods, the reported high and low closing sale prices in U.S. dollars for the common share ADSs on the NYSE:

	in U$$ Price per common share ADS (1)		Average monthly trading volume (1)
	High	**Low**	**Common share ADS (in units)**
2012			
1st Quarter	16.89	14.92	198,999
2nd Quarter	15.23	11.45	20,745
3rd Quarter	15.40	12.36	5,543
4th Quarter	17.29	12.35	47,764

2013			
1st Quarter	19.50	16.54	23,027
2nd Quarter	18.95	13.38	42,217
3rd Quarter	16.75	11.30	135,428
4th Quarter	17.17	12.91	34,974
2014			
January	13.75	11.61	47,650
February	13.28	11.50	54,400
March	15.00	11.85	87,780

(1) Prices and amounts not adjusted by income and other corporate events.
Source: Economatica.
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 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 Incorporation-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, respectively. 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 an 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 Incorporation-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 Incorporation-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, respectively, the preferred share ADSs and common share ADSs.

9.B. Plan of Distribution

Not applicable.

9.C. Markets

Trading on the BM&FBovespa

BM&FBOVESPA 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 BM&FBovespa, 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 BM&FBOVESPA, 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 CBLC.

The BM&FBOVESPA is less liquid than the NYSE or other major exchanges in the world. As of December 31, 2013, the aggregate market capitalization of the 363 companies listed on the BM&FBOVESPA, was equivalent to approximately US$1.0 trillion and the ten largest companies listed on the BM&FBOVESPA represented approximately 51.2% 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, 2013, we accounted for approximately 5.3% of the market capitalization of all listed companies on the BM&FBOVESPA.

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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 requirements of Resolution No. 2,689/00 of the CMN. This Resolution requires that securities held by non-Brazilian holders be 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 requires 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 may not transfer to other non-Brazilian holders the ownership of investments. See "Item 10.D. Exchange Controls" for further information about Resolution No. 2,689/00, 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 Resolution No. 2,689/00.

Corporate governance practices of BM&FBOVESPA

In 2000, BM&FBOVESPA 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 BM&FBOVESPA, encouraging these companies to follow good corporate governance practices. BM&FBOVESPA subsequently introduced a new segment called "Bovespa Mais," 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% 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 BM&FBOVESPA; 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 BM&FBOVESPA's Level 2 segment is in force; (iv) board of directors made up of at least five members of which at least a minimum of 20% shall be independent members with a term of office limited to two years; (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 BM&FBOVESPA "Arbitration Board" rules for resolving any conflicts between the company and its investors.

To join BM&FBOVESPA's "Novo Mercado" segment, an issuer must meet all requirements described in "Levels 1 and 2," in addition to: (i) issuing only common shares (with voting rights); and (ii) granting tag-along rights to all shareholders in case the company's control is transferred, offering the same price paid per share for the controlling block of shares.

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In June 2001, we executed an agreement with BM&FBOVESPA 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 share capital, see Note 39 to our consolidated financial statements in "Item 18. Financial Statements."

10.B. Memorandum and Articles of Incorporation

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.

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 BR GAAP, require the Board of Directors to recommend, at each annual general shareholders' meeting, the allocation of net income for the fiscal year as follows:

- 5.0% of net income according to 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 (after the deductions under the two 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, event in which 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 at least on a quarterly basis. Our *Diretoria Executiva*, with Board of Directors approval, 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.

Since 1970, we have been distributing dividends on a monthly basis. Consistent with Brazilian Corporate 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 considered for the calculation of the mandatory dividend; such inclusion must be at net value.

Under Brazilian law, a shareholder who does not receive a dividend payment may start a proceeding for the charging of these payments within three years, counting from the date when the dividends are made available for distribution. When that term ends, the unclaimed dividends return to the Company.

In March 2013, the Central Bank issued several rules related to the implementation of the Basel III Accord requirements in Brazilian banks. Pursuant to Resolution 4,193/13, the Central Bank now has the power to intervene in a financial institution in breach of the additional capital requirements to limit the distribution of dividends and payment of extraordinary amounts to the institution's officers and directors. Such restriction could be applied proportionally to the difference between the required additional capital and the actual additional capital, as follows: (i) if the actual capital is inferior to 25% of the required capital, restriction of up to 100% on distributions; (ii) if the actual capital is 25% or higher and below 50% of the required capital, restriction of up to 80% on distributions; (iii) if the actual capital is 50% or higher and below 75% of the required capital, restriction of up to 60% on distributions; and (iv) if the actual capital is 75% or higher and below 100% of the required capital, restriction of up to 40% 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 General 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 Gazzette of the State of São Paulo) and the Valor Econômico newspaper, this latter replacing the publication in the Diário do Comércio newspaper, all in the State of São Paulo. The notice must be published three times, beginning at least 15 calendar days prior to the scheduled assembly date. The notice must contain the assembly'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 general shareholders' meetings. A shareholder may be represented at a general meeting by an attorney-in-fact so long as the attorney-in-fact was appointed within less than a year of the assembly. The attorney-in-fact must be a shareholder, a member of our management, a lawyer or a financial institution. The power of attorney given the attorney-in-fact must comply with certain formalities set forth by Brazilian law.

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In order for a general 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 assembly. However, in the case of a general 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 assembly 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.

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 general 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 of the Board of Directors 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 to our 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 assembly, 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 general 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;
- authorize the issuance of debentures;
- 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 Brazilian 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 Bradesco to create an ADR program for its common shares in the U.S. market. As part of this authorization, and after the Brazilian government had affirmed it as being in its own interest, the Central Bank increased the limit of foreign interest in Bradesco's capital stock from 14% to 30%.

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 it currently holds, 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% 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 general 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 general 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 thirty 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 assembly to be held within one year). In that case the 30-day term is counted from the date the minutes of the special assembly 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, as 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.

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. 2,689/00 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 BM&FBOVESPA. Shares are added to the BM&FBOVESPA system through Brazilian institutions, which have clearing accounts with the BM&FBOVESPA. Our shareholder registry indicates which shares are listed on the BM&FBOVESPA system. Each participating shareholder is in turn registered in a register of beneficial shareholders maintained by the BM&FBOVESPA and is treated in the same manner as our registered shareholders.

Brazilian rules related to information disclosure

In January 2002, the CVM issued regulations, which were amended in June 2002 and March 2007, 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 "*fato relevante*" of a material fact. 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 are considered material, including, among others:

- the signature, amendment or termination of shareholders' agreements to which the company is a party, or which have been registered in our records;

-– any authorization to trade our securities in any market, national or abroad;

-– the entry or withdrawal of shareholders that have a financial, operational, technological or management collaboration agreement with us;

-– –the merger, consolidation or spin-off of a company or its affiliates;

-– the change in the composition of a company's capital stock;

-– the change in accounting criteria;

-– the debt renegotiation;

-– the change in rights and advantages attached to the securities of a company;

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-– 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; and

-– the approval, change or abandonment of a project or delay in its implementation;

- in the event our executive officer in charge of investor relations does not make required disclosure, extend 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;

- disclose the information contained in material facts in all markets where our securities are traded;

- if we acquire a controlling participation in a company that has its securities traded on a market, disclose any intention to delist the company within the period of one year;

- 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.

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

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 securities distribution prospectus and 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 Regulatory Capital. In October 2013, pursuant to Circular 3,678, the Central Bank established the current standards on disclosure of this information to the public.

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% 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 Resolution No. 2,689/00 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.

Appendix 5 to CMN Resolution No. 1,289/87, known as the "Appendix 5 Regulations," allows Brazilian companies to issue depositary receipts in foreign exchange markets. 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 shares ADSs, respectively, through a custodian in accordance with the provisions of the Deposit Agreements. The rights of our ADS 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."

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, 100.0% 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.

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Form 20-F

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.

BM&FBOVESPA´S differentiated corporate governance practices

In 2001, Bradesco voluntarily adhered to BM&FBOVESPA'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 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%.

10.C. Material contracts

In June 2011, NCF acquired 5.4% of Bradesco's voting shares from BES.

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 Brazilian 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 Brazilian 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 Resolution No. 2,689/00. 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 Resolution No. 2,689/00.

Under Resolution No. 2,689/00, 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 are restricted under Resolution No. 2,689/00 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.

Pursuant to Resolution No. 2,689/00, the registration of a foreign investment is made electronically by the local representative of the foreign investor. The registered capital for a share withdrawn from the depositary bank upon cancellation of an ADS will be the U.S. dollar equivalent of:

- the average price of the underlying share on the stock exchange on the date of withdrawal; or
- if no shares were sold on that day, the average price on the stock exchange in the 15 trading sessions immediately preceding the withdrawal.

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 Resolution No. 2,689/00 (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. This discussion does not analyze all the Brazilian tax considerations that may be applicable to any particular non-Brazilian holder, and each holder not residing in Brazil should consult its own tax advisor about the Brazilian tax consequences of investing in our shares or ADSs.

Taxation of dividends

Dividends from profits of years beginning on or after January 1996 that we pay to any beneficiary, including depositary banks in respect of our shares underlying preferred share ADSs or common share ADSs and/or a holder not residing in Brazil in respect of such shares are not subject to Brazilian withholding income tax. Only dividends paid from profits generated prior to January 1996 are subject to Brazilian withholding income tax unless the amount of the dividend is used to increase our capital and these shares are not redeemed for a period of five years. Pursuant to Brazilian law, we are responsible for withholding and paying any tax on dividends we distribute.

Distributions of interest on equity

Brazilian corporations may, subject to certain limitations, make payments to shareholders in the form of interest on equity, as an alternative to distributing dividends. The principal difference between dividends and interest on equity is their tax treatment.

Dividends payments are not deductible for income tax purposes. On the other hand, for determination of the income tax due by a Brazilian legal entity, we may deduct distributions of interest on equity paid to Brazilian and holders not residing in Brazil of preferred and common shares, including payments to the depositary bank in respect of our shares underlying ADSs, up to an interest rate which does not exceed the *pro rata die* fluctuation of the rate of the federal government's long-term interest rate, known as the TJLP, applied on the equity and determined using accounting practices adopted in Brazil. The total amount distributed as interest on equity, which may be deducted from the calculation basis of income tax and social contribution tax, may not exceed the greater of:

- 50.0% of our net income (before taking the distribution and any deductions for calculating income taxes into account), as measured in accordance with accounting practices adopted in Brazil for the year in respect of which the payment is made; or

- 50.0% of retained earnings for the year preceding the year in which the payment is made, as measured in accordance with accounting practices adopted in Brazil.

Following the enactment of Provisional Measure no. 627/13, for calendar years 2008 to 2013 and calculation of above limits, the legal entity may use accounts of shareholders' equity measured in accordance with provisions of Law no. 6,404/76. However, when calculating the portion to deduct, shareholders' equity accounts will not consider values related to valuation adjustments to equity deriving from evaluation at fair value (Article 182, paragraph 3, of Law No. 6,404/76).

Payments of interest on equity are subject to Brazilian withholding tax at the rate of 15.0%. For payments to persons who are resident in a jurisdiction that under Brazilian law is deemed to be a "tax haven" (any country that (a) does not impose income tax or that taxes income at a rate of less than 20.0% or (b) a country whose corporate law establishes confidentiality of the corporate entities' shareholders, Brazilian tax law subjects such payments to withholding tax at the source at a 25.0% rate. We are responsible for withholding and paying the tax charged on interest on equity that we distribute.

Amounts paid as interest on equity (net of withholding tax owed) may be treated as payments in respect of the mandatory dividends we are obligated to distribute to our shareholders in accordance with our bylaws. Distributions of interest on equity in respect of the shares, including distributions to the depositary bank in respect of the shares underlying ADSs, may be converted into U.S. dollars and remitted outside of Brazil, subject to applicable exchange controls.

Payments of interest on equity are decided by the Board of Directors on the basis of recommendations of our Board of Executive Officers.

Our Board of Directors has traditionally approved the distribution of the maximum amount of interest on equity permitted by law.

Taxation of gains

Gains realized outside Brazil by a holder not residing in Brazil on the disposition of ADSs or shares to another non-Brazilian holder are not subject to Brazilian tax.

Gains realized by individuals residing in Brazil on any disposition of shares in Brazil are subject to tax at the following rates:

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

Earnings from "day trading" on stock exchanges, commodities and futures, or similar exchanges, are also subject to withholding income tax at a 1.0% rate, and this tax may be deducted from tax on net gains determined in the month.

As of January 2005, the disposal amounts from trading on stock exchanges, commodities and futures and similar exchanges, except day trades (which remain subject to taxation as mentioned above) are subject to 0.005% of withholding income tax. However, gains realized by individuals from share transactions at stock exchange or over-the-counter demand markets are exempt if total disposals of this asset during the month does not exceed R$20,000. This tax does not apply to transactions by foreign investors registered with the Central Bank pursuant to CMN Resolution No. 2,689/00, except for foreign investors living in a country considered to be a "tax haven."

Gains realized on any disposition of shares in Brazil by non-residents who are domiciled in a country that, under Brazilian law, is deemed to be a tax haven are subject to the same rates applicable to holders resident in Brazil, as described above.

Capital gains realized on disposition of shares in Brazil by holders who are resident abroad in a country not considered a "tax haven" are not subject to Brazilian tax if:

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

- the foreign investment in the shares is registered at the Central Bank under CMN Resolution No. 2,689/00.

If none of the above is the case, the same treatment applicable to Brazilian residents will apply.

Gain on the disposition of shares is measured by the difference in U.S. dollars between the amount in foreign currency received on the sale or exchange and the acquisition cost of the shares sold, measured in Brazilian currency without any correction for inflation and converted into the foreign currency based on the exchange rate published by Central Bank on the date the acquisition was made. The acquisition cost of shares registered as an investment with the Central Bank is calculated on the basis of their effective cost as shown by valid documentation or, in its absence, on the basis of the foreign currency amount registered with the Central Bank. See "Item 10.D. Exchange Controls."

Except for the international avoidance of double taxation tax treaty signed with Japan, Brazil's other signed international tax treaties do not grant relief from taxes on gains realized on sales or exchanges of shares. Gains realized by a non Brazilian holder upon the redemption of shares would be treated as gains from the disposition of such shares to a Brazilian resident occurring off a stock exchange and would accordingly be subject to income tax at a rate of 15.0% (except for tax haven residents, for the inflow of direct investments to Brazil under the regime of Law No. 4,131/62, in which the applicable rate would be 25%).

Any exercise of preemptive rights relating to the shares or ADSs will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to the shares will be treated differently for Brazilian tax purposes depending on whether:

(i) the sale or assignment is made by, or on behalf of, the depositary bank or the investor; and

(ii) the transaction takes place on a Brazilian stock exchange.

Other Brazilian taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of shares or ADSs by a holder not residing in Brazil, with the exception of gift and inheritance taxes levied by some states in Brazil on gifts made or inheritances bestowed by individuals or entities not residing or domiciled in Brazil or in the relevant state to individuals or entities that are residing or domiciled within such state in Brazil. There are no Brazilian stamps, issue, registration or similar taxes or duties payable by holders of the shares or ADSs.

Tax on Financial Transactions (*Imposto Sobre Operações Financeiras*, or IOF) is a tax on loans and advances, foreign exchange transactions, insurance and trading in securities. The Minister of Finance sets the rate of the IOF subject to a 25.0% ceiling. Although the taxpayer is the one conducting the financial transaction subject to taxation, the tax is usually collected by the financial institution involved, if applicable.

In January 2008, the Brazilian government raised the IOF rate on certain transactions to offset lost revenue due to the revocation of CPMF tax.

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IOF may be levied on a variety of forex transactions, including the conversion of Brazilian currency into any foreign currency for the payment of dividends and repatriation of capital invested in our ADSs.

The IOF tax rate on such transactions is generally 0.38% but can be reduced to 0% in certain situations, such as: (i) distribution of dividends and interest on equity; and (ii) return of funds used in financial and capital markets.

Since June 2013, the IOF rate of forex transactions for inflow of funds in the country, including through simultaneous operations carried out by foreign investors to be invested in financial and capital markets is 0%.

The IOF rate is 0% specifically for foreign exchange transactions conducted by foreign investors relating to: (i) funds transferred from other countries to Brazil to be invested in equities on the stock exchange or futures and commodities exchange, except for derivatives trades that result in predetermined yields; (ii) funds coming into Brazil to acquire shares in a registered public offering or exempted from CVM registration or for subscription of shares, provided that, in both cases, issuers are registered for trading on exchange; (iii) funds coming into Brazil to acquire shares in equity funds, funds investing in emerging companies, or investment funds holding shares of the above funds ("funds of funds") as per CVM authorization; (iv) funds coming to Brazil through cancelled depositary receipts to be invested in shares traded on exchange, and (v) funds coming to Brazil arising from altered arrangements for foreign investors, direct investment, addressed by Law n. 4,131/62, and to be invested in shares traded on exchange.

The same regulations stipulated zero-rate IOF tax on settlements of foreign exchange transactions for both inbound and outbound transfers, for funding in the form of foreign loans or finance, free of restriction as to the date they were obtained.

In March 2011, the IOF tax rate was raised from 2.38% to 6.38% on currency exchange transactions to meet obligations of credit card administrators or commercial banks or multiple banks acting as credit card issuers for amounts arising from purchase of goods and services abroad made by cardholders.

During the same month, the tax rate upon settlement of foreign exchange operations contracted as from March 2011, related to the liquidation of exchange operation for the flow of funds into the country was raised to 6.0%, including those carried out by way of simultaneous operations related to foreign loans subject to registration with the Central Bank, raised directly or through the issue of securities in the international market, with the minimum average period of: up to 360 days, and for transactions contracted beginning as of April 2011, minimum average period was altered from up to 360 days to up to 720 days.

In March, 2012, this minimum average period was raised to to 1,800 days. In June, 2012, minimum average period was reduced to 720 days and, beginning in December, 2012, minimum average period was again reduced to 360 days.

The minister of finance, however, has the legal authority to increase the rate to a maximum of 25.0%. Any increase would be only applicable after that.

IOF tax may also be charged on issues of securities, including transactions on Brazilian stock, futures or commodities exchanges. The IOF rate levied on preferred share transactions in general is currently 0%. The Minister of Finance, however, has the legal authority to raise the rate to a maximum of 1.5% per day of the amount of taxable transactions during the period in which the investor holds securities, but only to the extent of gains made on the transaction, and not retrospectively.

As of November 2009, the Brazilian government made use of this prerogative to raise the IOF rate from 0% to 1.5% on transactions assigning shares of any type (including preferred shares) traded on a stock exchange in Brazil, with the specific purpose of backing an ADS issuance. As from December, 2013, the rate levied on the transfer of shares which are admitted to trading on a stock exchange located in Brazil was reduced to zero, with the specific purpose of backing the issuance of depositary receipts - DR traded abroad.

Beginning September, 2011, IOF tax has been levied on transactions involving derivative contracts. The tax will be levied at a rate of 1% on the adjusted notional amount for the acquisition, sale or maturity of financial derivative contracts entered into in Brazil that individually lead to an increased short foreign currency exposure or reduced long foreign currency exposure.

The legislation allows some deductions from the calculation basis, such as (i) the sum of the adjusted notional value for acquisition, sale or maturity of financial derivative contracts entered into in Brazil, on the day, and that individually result in increased long foreign currency exposure or reduced short foreign currency exposure; (ii) net adjusted net long foreign currency exposure determined on the previous business day; and (iii) reduced net short currency exposure and increased in net long foreign currency exposure in relation to the previous business day, not resulting from acquisitions, sales or maturities of financial derivatives contracts.

The new legislation also introduces specific concepts relating to IOF tax on derivative contracts. One of them is the concept of "adjusted notional value," which corresponds to the reference value of a contract – notional value – multiplied by the derivative's price variation in relation to price variation in the foreign currency, and in the case of acquisition, sale or partial maturity, adjusted notional value will be calculated proportionately.

As of December, 2011, the legislation set forth the levying of IOF, at the rate of 0%, in the case of settlement of exchange transactions contracted by foreign investors to the entry of resources in Brazil, to purchase bonds or securities issued in accordance with the Articles 1 and 3 of Law No. 12,431/11.

IOF on transactions with securities is also levied on transactions carried out in the fixed income market and at redemption of investment fund shares and investment club shares. IOF is levied on redemption, granting or renegotiation value, limited to transaction earnings, based on period. For more information on financial investment funds and equity funds, see "Regulation and Supervision – Asset management regulation." The rate of IOF payable in such cases is 1.0% per day and decreases with the duration of the transactions, reaching zero for transactions with maturities of at least 30 days, except that the rate is currently 0% for the following types of transactions:

- transactions carried out by financial institutions and other institutions authorized by the Central Bank;
- portfolio transactions carried out by mutual funds or investment clubs;
- transactions in equity markets, including stock, futures and commodities exchanges and similar entities;
- redemption of shares from investment funds and investment clubs, considered as such by income tax law;
- Certificate of Agribusiness Credit Rights –CDCA, with Letter of Agribusiness Credit - LCA, and with Certificate of Agribusiness Receivables – CRA, established by Article 23 of Law No. 11,076/04; and
- debentures pursuant to Article 52 of Law No. 6,404/76, Real Estate Receivables Certificates mentioned in Article 6 of Law No. 9,514/97, and Financial Letters mentioned in Article 37 of Law No. 12,249/10.

Registered capital

Amounts invested in securities by a holder not residing in Brazil who: (i) qualifies for benefits under Resolution No. 2,689/00 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: (i) that is a citizen or resident of the United States; (ii) that is a corporation organized under the laws of the United States of America or any state thereof; or (iii) that 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 2013 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 2014 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 nonresident 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 theADSs 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 450 Fifth Street, N.W., 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. Since November 2002, we are required to make filings with the SEC by electronic means. Any filings we make electronically will be available to the public over the Internet at the SEC's website.

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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 periods, currencies and indexes. We are exposed to market risk, both in our negotiation and position activities. Main market risks that we do not face are interest rate risk and foreign exchange risk.

We use the sensitivity analysis methodology set forth below for evaluating our market risk. Our sensitivity analyses evaluate the potential loss on future earnings resulting from hypothetical changes in interest rates and foreign currency exchange rates, price indices and variable income.

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 and changes in correlation of interest rates between different financial instruments. 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 held for trading.

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% shocks and 50% shocks that would adversely affect our positions, and a scenario reflecting an impact of 1 basis point on rates and 1% on market prices. These scenarios comply with CVM Instruction No. 475/08.

		Scenarios		
Risk Factor	**Market as of December 31, 2013**	**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	2.36	2.39	2.95	3.54
1-year fixed rate in reais	10.58%	10.59%	13.23%	15.87%

Shocks were also applied to other risk factors and terms of the interest curves.

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

Trading and banking portfolios	On December 31, 2013	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	(7,177)	(1,942,202)	(3,739,065)
Price Index	Exposure subject to the variation of price index coupon rates	(14,665)	(2,100,989)	(3,876,937)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(371)	(49,769)	(91,023)
Foreign currency	Exposure subject to foreign exchange variation	(11,161)	(253,210)	(482,709)
Variable income	Exposure subject to the variation of share prices	(22,002)	(550,045)	(1,100,090)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(764)	(50,300)	(96,883)
Other	Exposure not eligible in the previous definitions	(397)	(9,939)	(19,877)
Total not correlated		**(56,537)**	**(4,956,454)**	**(9,406,584)**
Total correlated		**(39,608)**	**(4,078,197)**	**(7,698,477)**

(1) Amounts net of tax effects.

It is worth mentioning that the impacts of financial exposures from the banking portfolio (particularly interest rate and price index), would not necessarily represent potential accounting loss. This occurs because part of the loan and advances operations in our banking portfolio is financed by demand and/or savings deposits, which are natural hedges for any variations in interest rates, as well as the fact that variations in interest rates do not represent material impact on our results, since it is intended to hold loan and advances up to maturity.

Banking portfolio	On December 31, 2013	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	(6,070)	(1,642,774)	(3,161,070)
Price index		(14,030)	(2,011,241)	(3,701,648)
Exchange risk				

	Exposure subject to the variation of price index coupon rates			
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(26)	(2,241)	(4,316)
Foreign currency	Exposure subject to foreign exchange variation	(5,396)	(110,947)	(197,534)
Variable income	Exposure subject to the variation share prices	(21,706)	(542,638)	(1,085,275)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(322)	(10,258)	(20,163)
Other	Exposure not eligible in the previous definitions	(393)	(9,816)	(19,632)
Total not correlated		**(47,943)**	**(4,329,915)**	**(8,189,638)**
Total correlated		**(34,247)**	**(3,611,805)**	**(6,791,156)**

(1) Amounts net of tax effects.

Exchange risk

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Below we present the sensitivity analysis exclusively for the trading portfolio, which represents exposure that may materially impact our results, and it is worth mentioning that the results disclose the impacts for each scenario at a still position of the portfolio. The dynamism of the market causes these positions to continually change and not necessarily reflect today the position shown here. Additionally, as discussed above, we have an ongoing market risk management process that continually seeks methods to mitigate related risks, according to a strategy determined by Senior Management. Accordingly, in the event of indications that a certain position is deteriorating, proactive actions are made to minimize any possible negative impacts, in order to maximize our risk - return ratio.

Trading Portfolio	**On December 31, 2013**	**R$ in thousands**		
Risk Factors	**Definition**		**Scenarios [1]**	
		1	**2**	**3**
Interest rate in reais	Exposure subject to the variation of fixed interest rates and interest rate coupon	(1,161)	(314,600)	(610,764)
Price index	Exposure subject to the variation of price index coupon rates	(714)	(101,267)	(196,397)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(378)	(51,033)	(93,293)
Foreign currency	Exposure subject to foreign exchange variation	(6,050)	(148,787)	(297,318)
Variable income	Exposure subject to the variation share prices	(920)	(23,008)	(46,016)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(590)	(43,582)	(83,593)
Other	Exposure not eligible in the previous definitions	(20)	(505)	(1,010)
Total not correlated		**(9,833)**	**(682,782)**	**(1,328,391)**
Total correlated		**(7,434)**	**(509,080)**	**(991,248)**

[1] Amounts net of tax effects.

Value at Risk ("VaR")

The Trading portfolio's risk is measured using the Delta-Normal VaR methodology adjusted to the Gamma and Vega risks of options transactions, for a 1-day period with a 99% level of confidence, and volatilities and correlations calculated using statistical methods that attributed greater weight to recent returns. Financial positions are allocated to primary risk factors such as interest rates and currencies, and the methodology considers the diversification effect through the correlation observed for these factors.

The methodology applied and the existing statistical models are validated daily using backtesting techniques. Backtesting technique compares the daily VaR calculated both as a hypothetical result, obtained with the same positions used in the VaR calculation, and with the actual result, considering 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%). In 2013, both hypothetical and effective results exceeded respective VaR by seven times, just one exception above limits defined in statistical tests applied to the model, despite strong fluctuations in local interest market that occurred mainly in the first half of 2013.

In 2013, VaR of the trading portfolio, at one-day horizon and net of tax effects, presented maximum value of R$264 million in the second quarter of the year, and average from R$ 39 million to R$185 million, respectively in the fourth and second quarters of 2013. Risk increased in the beginning of the period, mainly due to greater exposure and volatility of risk factor in Brazilian reais interest rates. However, in the last quarter, the risk level decreased in comparison to the same period of 2012 due to a decrease in exposure in Brazilian reais interest rates.

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The following tables show value at risk using the VaR methodology:

	R$ in thousands			
	January, February and March			At March 31
	Average	Minimum	Maximum	
Risk Factors				
Reais (fixed and floating rate)	83,570	21,943	156,889	150,898
Foreign exchange coupon	6,488	5,293	7,382	7,000
Foreign currency	7,446	208	18,042	1,346
Variable income	5,525	3,703	9,154	5,461
Sovereign risk	10,769	5,387	14,738	14,738
Total VaR	**88,852**	**35,594**	**159,642**	**153,904**

	R$ in thousands			
	April, May and June			At June 30
	Average	Minimum	Maximum	
Risk Factors				
Reais (fixed and floating rate)	181,330	86,622	259,870	157,784
Foreign exchange coupon	8,583	5,791	14,483	13,752
Foreign currency	5,903	217	14,026	573
Variable income	7,007	3,754	12,992	6,425
Sovereign risk	16,844	9,876	31,643	16,668
Total VaR	**185,072**	**101,170**	**264,305**	**161,583**

	R$ in thousands			
	July, August and September			At September 30
	Average	Minimum	Maximum	
Risk Factors				
Reais (fixed and floating rate)	93,442	26,561	158,163	44,984
Foreign exchange coupon	15,412	9,412	19,180	9,412
Foreign currency	5,381	487	15,826	6,701
Variable Income	3,938	102	11,765	756
Sovereign risk	11,133	2,189	19,799	6,396
Total VaR	**98,649**	**22,464**	**167,484**	**41,807**

	R$ in thousands			
	October, November and December			At December 31
	Average	Minimum	Maximum	
Risk Factors				
Reais (fixed and floating rate)	37,101	13,858	57,989	33,047

Foreign exchange coupon	7,035	4,747	9,023	4,999
Foreign currency	3,290	77	11,131	10,387
Variable Income	572	48	1,851	476
Sovereign risk	5,716	4,362	7,564	6,310
Total VaR	**39,076**	**16,116**	**60,609**	**40,942**

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The following table shows trading portfolio VaR concentration in frequency terms in the year ended December 31, 2013:

Value at Risk (R$ in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	% Events
Up to R$40	22.6%	0.0%	9.1%	73.8%	26.4%
Over R$40 up to R$80	30.6%	0.0%	47.0%	26.2%	26.0%
Over R$80 up to R$120	27.4%	10.8%	27.3%	0.0%	16.3%
Over R$120 up to R$180	19.4%	63.1%	16.7%	0.0%	24.8%
Over R$180	0.0%	26.2%	0.0%	0.0%	6.6%

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, 2013, we received from our depositary bank the amount of US$13.3 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, 2013, 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 and 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 principles.

Our Management made an assessment of the effectiveness of our internal control over consolidated financial reporting as of December 31, 2013 based upon the framework "Enterprise Risk Management – Integrated Framework" established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and has concluded that our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting, as of December 31, 2013, 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, 2014, on the effectiveness of the internal control over financial reporting as of December 31, 2013, see "Item 18. Financial Statements."

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

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 "Exchange Act of 1934" of the SEC) that occurred during the fiscal year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 Committees-Audit Committee."

16.B. Code of Ethics

We have adopted a "Code of Ethics" and "Sectorial Codes of Ethics" under the "Securities Exchange Act of 1934," as amended. Our "Codes of Ethics" apply to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions, to our directors, other officers, employees, business partners, suppliers and service providers. Our "Codes of Ethics Conduct" are available on our website at www.bradesco.com.br/ir. If we amend the provisions of our "Codes of Ethics 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, 2013 and 2012:

Year ended December 31,	R$ in thousands

	2013	2012
Audit fees	29,177	25,319
Audit-related fees	659	2,875
Tax fees	47	27
Other fees	879	864
Total fees	**30,762**	**29,085**

The fees for the years 2013 and 2012 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 the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, 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 domestic and international control and attestation reports, previously-agreed procedures reports on reviews of internal controls requested by our Management and the issue of comfort letters for placement of bonds abroad.

Tax charges in the above table refer to fees billed by the independent auditors for assistance services in tax matter requirements and reviews of tax aspects related to acquisitions.

Other fees in the above table are fees billed by the independent auditors primarily related to previously-agreed procedures for reviews of financial information, reviews of controls and process diagnostics, which cover the technological environment and others, training sessions and other assurance services.

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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 independent audit services to Bradesco and its subsidiaries 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 that is similar to the audit committee of a U.S. company, in terms of its functions. Our Audit Committee performs nearly all of the functions of an audit committee of the Board of Directors of a U.S. company. Of the four members of our Audit Committee, only 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 to perform the role of an audit committee, 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) because under Central Bank regulations, the Audit Committee is a separate organ from our Board of Directors. 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. Acquisitions of common and preferred shares for treasury are in the tables below:

Period	Total number of preferred shares acquired	Average price paid per preferred share	Total number of preferred shares acquired from published plans or programs	Maximum number of preferred shares that can still be acquired from plans or programs
01/01 to 01/31/13	-	-	-	7,500,000
02/02 to 02/27/13	-	-	-	7,500,000
03/02 to 03/31/13	-	-	-	7,500,000
04/01 to 04/30/13	-	-	-	7,500,000
05/04 to 05/31/13	-	-	-	7,500,000
06/01 to 06/03/13	-	-	-	7,500,000
06/04 to 06/30/13	-	-	-	7,500,000
07/01 to 07/31/13	574,900	26.11	574,900	6,925,100
08/03 to 08/31/13	1,790,000	27.90	2,364,900	5,135,100
09/01 to 09/30/13	-	-	-	5,135,100
10/01 to 10/30/13	-	-	-	5,135,100
11/03 to 11/30/13	-	-	-	5,135,100
12/01 to 12/31/13	236,000	29.00	2,600,900	4,899,100

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Form 20-F

We currently have no repurchase program for our common shares.

16.F. Change in Registrant's Certifying Accountant

Not applicable.

16.G. Corporate Governance

In May 2006, our Board of Directors approved Bradesco's corporate governance policy. This policy is available on our website at www.bradesco.com.br/ri.

Comparison of Bradesco's 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:

(1) SEC requirements concerning audit committees;

(2) 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

(3) 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	Bradesco's 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 Bradesco to have independent directors. There is no residency requirement for qualification as a director.

303A.03	Non management directors of a listed company must meet at regularly scheduled executive sessions without management.	With the exception of our CEO, who is also a director of the Company, none of the directors of Bradesco are part of the *Diretoria Executiva*. The directors have regularly scheduled executive sessions at least once *per annum* in order to evaluate his performance.
303A.04	Listed companies must have a nominating/ corporate governance committee composed entirely of independent directors, with a written charter that addresses specific minimum requirements.	We have a Corporate Governance Executive Committee composed of management from Bradesco. The committee has 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 one-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.

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The main obligations of our Audit Committee are:

• recommending to the Board of Directors which outside firm should be hired to provide independent audit services and the amount of compensation such firm should receive, as well as to recommend the replacement of such firm;

• previously evaluating the hiring of independent auditors for other services than auditing of financial statements;

• reviewing statutory financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports;

• establishing and disclosing policies and procedures for receiving and processing information in breach of legal provisions and regulations applicable to the Company, or internal regulations or codes, including specific procedures to protect a person providing information and ensure their confidentiality;

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

• meeting with the *Diretoria Executiva* and both the independent and the external auditors at least quarterly.

We also have a Fiscal Council, which currently has five members and five alternates. The Fiscal Council is an independent corporate body. In accordance with Brazilian Corporate Law, the Fiscal Council's responsibilities include:

• supervising, through any of its members, the actions of our managers and verifying the fulfillment of their duties;

• reviewing and issuing opinions regarding our statutory financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports; and

• opining on any management proposals to be submitted to the General Shareholders' Meeting related to changes in our share capital, issuances of debentures or rights offerings entitling the holder to subscribe for equity, investment plans and capital expenditure budgets, distributions of dividends and/or interest on equity, change in the corporate structure, mergers, consolidations or spin offs.

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303A.08	Shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, with limited exemptions set forth in the NYSE rules.	Under the Brazilian Corporate Law, shareholder approval is required for the adoption of any compensation plans upon delivery of equity interests. We currently do not have any stock option based compensation plan.
303A.09	Listed companies must adopt and disclose corporate governance guidelines addressing specific minimum requirements.	Our corporate governance guidelines and practices are available in our website at www.bradesco.com.br, in the corporate governance section.
303A.10	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	We have adopted a code of ethics, 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 companies that are part of the Organization. We have an Ethics Committee, appointed by the Board of Directors, which is responsible for the enforcement of the Codes of Ethics Conduct, including determining which actions to take concerning the disclosure, dissemination and fulfillment of the Codes of Ethics Conduct, as well as ensuring its effectiveness. We will post any modifications or waivers to either Codes of Ethics Conduct on our website.
303A.12	A 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 the bank's financial statements on pages F-2 through F-145.

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ITEM 19. EXHIBITS

Documents filed as exhibits to this annual report:

1.1 - Amended and Restated Bylaws of Banco Bradesco S.A.

2.1 - Deposit Agreement, dated as of July 22, 2009, 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 August 25, 2009 (File No. 333-161530)).

2.2 – Common share Deposit Agreement, dated as of March 13, 2012, 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 February 22, 2012 (File No. 333-179623)).

2.3 - The total amount of long-term debt securities of our company and its subsidiaries under any one instrument does not exceed 10% of the total assets of our company and its subsidiaries on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.

6.1 - Calculation of earnings per share data and weighted average number of shares outstanding.

7.1 - Calculation of dividends/interest on equity per share data.

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/ Luiz Carlos Trabuco Cappi
Luiz Carlos Trabuco Cappi
Chief Executive Officer

/s/ Julio de Siqueira Carvalho de Araujo
Julio de Siqueira Carvalho de Araujo
Chief Financial Officer

Date: April 30, 2014.

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

Summary

Notes to the Consolidated Financial Statements

IFRS – International Financial Reporting Standards – 2013

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

Independent Auditors' Report

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Banco Bradesco S.A.

We have audited the accompanying consolidated statement of financial position of Banco Bradesco S.A. and subsidiaries ("Bradesco") as of December 31, 2013 and 2012, and 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, 2013. We also have audited Bradesco's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Bradesco's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. 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.

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.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Bradesco S.A. and subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, 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, 2013, based on criteria established in *Internal Control – Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As discussed in Note 2.a.iii to the consolidated financial statements, Bradesco adopted IFRS 11 - Joint Arrangements effective January 1, 2013. Bradesco applied this change in accounting policy retrospectively, and accordingly restated the comparative information of the consolidated financial statements as of and for the year ended December 31, 2012, and the consolidated statement of financial position as of January 1, 2012.

KPMG Auditores Independentes

Osasco, Brazil
April 30, 2014

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

Consolidated Statement of Income

R$ thousand

	Note	Years ended December 31		
		2013	**2012 (Restated)**	**2011 (Restated)**
Interest and similar income		90,682,625	83,031,854	82,152,096
Interest and similar expenses		(41,382,142)	(39,646,131)	(46,763,775)
Net interest income	6	**49,300,483**	**43,385,723**	**35,388,321**
Fee and commission income		14,535,723	12,757,131	10,932,237
Fee and commission expenses		(36,041)	(36,391)	(33,978)
Net fee and commission income	7	**14,499,682**	**12,720,740**	**10,898,259**
Net gains/(losses) on financial instruments classified as held for trading	8	(5,790,089)	2,110,112	(608,271)
Net gains/(losses) on financial instruments classified as available for sale	9	(6,100,782)	1,895,974	365,302
Net gains/(losses) of foreign currency transactions	10	(1,093,597)	(1,087,595)	2,625,816
Income from insurance and pension plans	11	6,933,680	1,413,016	3,076,175
Operating income		**(6,050,788)**	**4,331,507**	**5,459,022**
Impairment of loans and advances	12	(9,623,870)	(11,451,383)	(8,239,358)
Personnel expenses	13	(12,354,418)	(11,559,002)	(11,094,794)
Other administrative expenses	14	(12,151,537)	(11,803,989)	(11,380,270)
Depreciation and amortization	15	(2,740,830)	(2,488,182)	(2,117,666)
Other operating income/(expenses)	16	(7,622,240)	(8,674,178)	(5,106,092)
Operating expense		**(44,492,895)**	**(45,976,734)**	**(37,938,180)**
Income before income taxes and equity in the earnings of associates		**13,256,482**	**14,461,236**	**13,807,422**
Equity in the earnings of associates and joint ventures	27	1,062,687	980,212	803,820
Income before income taxes		**14,319,169**	**15,441,448**	**14,611,242**
Income tax and social contribution	17	(1,833,031)	(4,089,754)	(3,521,800)
Net income for the year		**12,486,138**	**11,351,694**	**11,089,442**
Attributable to shareholders:				
Controlling shareholders		12,395,920	11,291,570	10,958,054

Non-controlling interest		90,218	60,124	131,388
Basic and diluted income per share based on the weighted average number of shares attributable to shareholders (expressed in R$ per share):				
– Earnings per ordinary share	18	2.81	2.56	2.49
– Earnings per preferred share	18	3.09	2.82	2.74

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

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

Consolidated Statement of Comprehensive Income

R$ thousand

	Years ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Net income for the year	**12,486,138**	**11,351,694**	**11,089,442**
Unrealized gains/(losses) on financial assets available for sale	(12,544,423)	7,679,798	(763,425)
Exchange differences on translations of foreign operations	50,839	46,196	389
Tax effect	4,993,961	(3,080,317)	294,823
Total adjustments not included in the net income	**(7,499,623)**	**4,645,677**	**(468,213)**
Total comprehensive income for the year	**4,986,515**	**15,997,371**	**10,621,229**
Attributable to shareholders:			
Controlling shareholders	4,896,297	15,937,247	10,489,841
Non-controlling interest	90,218	60,124	131,388

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

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

Consolidated Statement of Financial Position

R$ thousand

	Note	December 31 2013	December 31 2012 (Restated)	January 01, 2012 (Restated)
Assets				
Cash and balances with banks	19	67,450,363	59,901,564	93,722,190
Financial assets held for trading	20a	96,092,523	111,838,502	96,597,075
Financial assets available for sale	21	67,838,411	81,522,130	45,207,634
Investments held to maturity	22	23,069,026	3,715,673	4,110,987
Assets pledged as collateral	23	117,740,225	106,133,299	97,122,080
Loans and advances to banks	24	78,719,723	92,459,347	72,660,596
Loans and advances to customers, net of impairment	25	304,121,334	269,021,320	245,251,879
Non-current assets held for sale	26	832,546	532,973	445,328
Investments in associated companies and joint ventures	27	3,392,847	3,121,386	2,724,721
Property and equipment, net of accumulated depreciation	28	4,501,967	4,524,827	4,258,456
Intangible assets and goodwill, net of accumulated amortization	29	8,220,739	7,617,873	7,046,256
Taxes to be offset	17g	5,293,116	5,294,566	4,503,040
Deferred income tax assets	17c	25,661,079	17,913,529	17,051,947
Other assets	30	35,367,715	35,943,635	30,264,400
Total assets		**838,301,614**	**799,540,624**	**720,966,589**
Liabilities				
Deposits from banks	31	243,100,373	220,943,354	204,351,800
Deposits from customers	32	216,218,057	210,774,263	216,620,050
Financial liabilities held for trading	20b	1,826,382	4,049,982	747,210
Funds from securities issued	33	57,883,068	51,552,093	41,630,969
Subordinated debt	34	35,885,003	34,851,714	26,910,091
Insurance technical provisions and pension plans	35	130,329,023	118,768,720	99,112,321
Other provisions	37	13,752,577	21,021,109	17,894,158
Current income tax liabilities		3,082,976	3,288,688	2,694,395
Deferred income tax liabilities	17c	799,824	3,091,667	2,246,508

Other liabilities	38	63,321,405	59,852,644	49,376,993
Total liabilities		**766,198,688**	**728,194,234**	**661,584,495**
Equity	39			
Share capital		38,100,000	30,100,000	30,100,000
Treasury shares		(269,093)	(197,301)	(183,109)
Capital reserves		35,973	35,973	35,973
Profit reserves		34,122,503	34,189,383	26,732,531
Additional paid-in capital		70,496	70,496	70,496
Other comprehensive income		(1,102,887)	6,396,736	1,751,059
Retained earnings		927,314	542,422	632,096
Equity attributable to controlling shareholders		**71,884,306**	**71,137,709**	**59,139,046**
Non-controlling interest		**218,620**	**208,681**	**243,048**
Total equity		**72,102,926**	**71,346,390**	**59,382,094**
Total liabilities and equity		**838,301,614**	**799,540,624**	**720,966,589**

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

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

Consolidated Statement of Changes in Equity

				Revenue reserves					
	Share capital	**Treasury shares**	**Capital reserves**	**Legal**	**Estatutory**	**Additional paid-in capital**	**Other comprehensive income (1)**	**Retained earnings**	**att to c sha**
Balance on December 31, 2010 (Restated)	**28,500,000**	**(10,049)**	**87,146**	**2,755,385**	**16,726,601**	**70,496**	**2,219,272**	**702,383**	
	-							10,958,054	
	-	-	-	-	-	-	(468,447)	-	
	-	-	-	-	-	-	234	-	
	-	-	-	-	-		**-**	**-**	
Purchase of treasury shares	-	(173,060)	-	-	-	-	-	**-**	
Increase of non-controlling shareholders' interest	-	-	-	-	-	-	-	-	
	-	-	11,441		-	-	-	-	
	100,000	-	(62,614)	(37,386)	-	-	-	-	
		-	-	551,413	6,736,518	-	-	(7,287,931)	
	1,500,000	-	-	-	-	-	-	-	

	-	-	-	-	-	-	-	(3,740,410)
(Restated)	**30,100,000**	**(183,109)**	**35,973**	**3,269,412**	**23,463,119**	**70,496**	**1,751,059**	**632,096**
	-	-	-	-	-	-	-	11,291,570
	-	-	-	-	-	-	4,617,960	-
	-	-	-	-	-	-	27,717	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchase of treasury shares	-	(14,192)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	(29,394)			
	-	-	-	569,062	6,917,184	-	-	(7,486,246)
	-	-	-	-	-	-	-	(3,894,998)
(Restated)	**30,100,000**	**(197,301)**	**35,973**	**3,838,474**	**30,350,909**	**70,496**	**6,396,736**	**542,422**

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

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

Consolidated Statement of Changes in Equity (continued)

	Share capital	Treasury shares	Capital reserves	Revenue reserves		Additional paid-in capital	Other comprehensive income (1)	Retained earnings	att to c sha
				Legal	**Statutory**				
(Restated)	**30,100,000**	**(197,301)**	**35,973**	**3,838,474**	**30,350,909**	**70,496**	**6,396,736**	**542,422**	**7**
	-	-	-	-	-	-	-	12,395,920	1
	-	-	-	-	-	-	(7,530,127)	-	(
	-	-	-	-	-	-	30,504	-	
	-	-	-	-	-	-	-	-	
Purchase of treasury shares	-	(71,792)	-	-	-	-	-	-	
Decrease of non- controlling hareholders' interest	-	-	-	-	-	-	-	-	
Premium on share subscription (4)	8,000,000	-	-	-	(8,000,000)	-	-	-	
	-	-	-	600,551	7,332,569	-	-	(7,933,120)	
and dividends	-	-	-	-	-	-	-	(4,077,908)	(
	38,100,000	**(269,093)**	**35,973**	**4,439,025**	**29,683,478**	**70,496**	**(1,102,887)**	**927,314**	**7**

(1) In 2013, consists mainly of unrealized gains/losses from investment securities, classified as available for sale (Notes 21 and 23), of which the cumulative tax effects amount to R$ (728,952) thousand (2012 - R$ 4,265,009 thousand);

(2) On December 17, 2010, the Special Shareholders' Meeting approved an increase in Share Capital, in the amount of R$ 1,500,000 thousand, raising it from R$ 28,500,000 thousand to R$ 30,000,000 thousand, with the issuance of 62,344,140 new, nominative, book entry shares, with no par value, being 31,172,072 ordinary shares and 31,172,068 preferred shares, based on the private subscription by shareholders during the period from December 29, 2010 to January 31, 2011 in proportion to the shares each one held on the date of the Meeting, to be paid up in cash on February 18, 2011. The excess used to increase share capital amounting to R$ 11,441 thousand calculated as the difference between the issue price and the share sale price, was recognized in the "Capital Reserve" account;

(3) The Annual General Meeting held on March 10, 2011 decided to increase share capital by R$ 100,000 thousand, from R$ 30,000,000 thousand to R$ 30,100,000 thousand, without issuing shares, by using part of the "Capital Reserve" and "Profit Reserve - Legal Reserve" accounts;

(4) On March 11, 2013, the Special Shareholders' Meeting approved an increase in Share Capital, in the amount of R$ 8,000,000 thousand, increasing it from R$ 30,100,000 thousand to R$ 38,100,000 thousand, through the issue of 382,479,458 new no-par registered, book-entry shares, of which 191,239,739 are common shares and 191,239,719 are preferred shares, given free of charge to shareholders as bonus, at the proportion of one (1) new share for every ten (10) shares of the same type they hold, benefiting Bradesco's shareholders of record as at March 25, 2013; and

(5) On December 31, 2013 includes R$6,117,649 thousand (R$3,670,589 thousand, net of taxes), representing the realization of loss related to the sale and acquisition of available-for-sale securities totaling R$41,945,300 thousand, allowing that the new acquisition cost is aligned with the current fair value. Additionally, a total of R$ 19,121,109 thousand was reclassified from "Available for Sale Securities" to "Held-to-Maturity Securities," given that the Insurance Group made the reclassification because of the change in Management's intention. The mark-to-market accounting of these securities, totaling R$479,358 thousand, was maintained under Shareholders' Equity and will be recognized in income statement for the remaining term of securities.

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

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

Consolidated Statement of Cash Flows

R$ thousand

	Years ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Operating activities			
Income before income taxes	**14,319,169**	**15,441,448**	**14,611,242**
Adjustments to reconcile income before income tax to net cash flow from operating activities:			
Impairment of loans and advances	9,623,870	11,451,383	8,239,358
Changes in the insurance technical provisions and pension plans	20,001,807	23,326,101	18,212,405
Net (gains)/losses from disposals on assets available for sale	5,698,697	(2,895,780)	(238,606)
Expenses with other provisions	1,132,596	4,246,589	5,610,702
Deferred selling expenses (insurance)	(332,056)	(128,005)	(97,748)
Impairment of assets	459,193	1,697,474	5,126
Depreciation	1,018,239	1,035,235	989,161
Amortization of intangible assets	1,722,591	1,452,947	1,128,505
Equity in the earnings of associates	(1,062,687)	(980,212)	(803,820)
Losses on disposal of non-current assets held for sale	195,605	203,885	237,727
Net losses from disposal of property and equipment	24,795	5,157	8,596
Amortization of goodwill	12,273	44,962	**-**
(Gain) on disposal of investments in associated companies	-	(793,360)	-
Changes in assets and liabilities:			
(Increase)/decrease in compulsory deposits in the Central Bank	(7,428,592)	23,202,973	(5,958,918)
(Increase)/decrease in loans and advances to banks	87,999,493	(53,564,414)	(25,601,906)
(Increase) in loans and advances to customers	(95,688,070)	(78,824,136)	(89,928,450)
(Increase)/decrease in financial assets held for trading	7,619,533	23,176,091	(75,107,915)
(Increase) in other assets	(11,777,883)	(6,120,400)	(3,783,028)
Increase in deposits from banks	40,157,365	30,511,120	50,632,056
Increase in deposits from customers	16,961,511	7,087,016	39,273,052
Increase/(decrease) in financial liabilities held for trading	(2,223,600)	3,302,772	14,243
Decrease in insurance technical provisions and pension plans	(8,441,504)	(3,669,702)	(2,593,130)

Decrease in other provisions	(8,401,128)	(1,119,638)	(1,040,684)
Increase in other liabilities	13,181,535	20,716,267	7,565,203
Interest received	51,660,545	66,904,924	64,161,337
Interest paid	(29,518,063)	(26,852,369)	(33,332,306)
Income tax and social contribution paid	(6,192,982)	(6,220,112)	(5,377,893)
Other changes in taxes	(889,743)	(1,163,615)	(4,062,886)
Net cash provided by/(used in) operating activities	**99,832,509**	**51,474,601**	**(37,238,577)**
Investing activities			
Acquisitions of subsidiaries, net of cash and cash equivalents paid	-	(2,552)	(214,676)
Acquisitions of financial assets available for sale	(97,805,696)	(163,462,843)	(19,055,607)
Proceeds from sale of financial assets available for sale	71,371,855	115,237,164	32,793,444
Redemption of investments held to maturity	303,307	699,982	105,722
Disposal of non-current assets held for sale	658,039	266,123	228,958
Acquisitions in investments in associated companies	-	(97,454)	(146,967)
Disposal of investments in associated companies	-	918,819	-
Dividends received from investments in associated companies	767,765	510,580	597,697
Acquisition of property and equipment	(1,332,570)	(1,673,837)	(1,698,704)
Disposal of property and equipment	303,996	367,074	110,653
Acquisition of intangible assets	(2,362,977)	(2,552,000)	(3,176,645)
Dividends received	189,865	117,684	126,696
Interest received	4,719,738	4,920,612	7,190,077
Net cash provided by/(used in) investing activities	**(23,186,678)**	**(44,750,648)**	**16,860,648**

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

Consolidated Statement of Cash Flows (continued)

R$ thousand

	Years ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Financing activities			
Funds from securities issued	43,567,205	24,448,024	28,212,490
Payment of funds from securities issued	(38,524,851)	(19,956,590)	(5,679,892)
Issuance of subordinated debts	713,760	12,997,694	9,505,799
Payment of subordinated debts	(1,762,491)	(4,493,518)	(6,542,624)
Acquisition of treasury shares	(71,792)	(14,192)	(173,060)
Premium on share subscription	-	-	11,441
Capital increase in cash	-	-	1,500,000
Capital transaction	-	(29,394)	-
(Decrease) of non-controlling interest	(10,870)	(1,499)	42,483
Interest paid	(5,923,242)	(5,261,001)	(2,342,856)
Interest on equity and dividends paid	(4,362,781)	(3,839,385)	(3,568,337)
Net cash provided by/(used in) financing activities	**(6,375,062)**	**3,850,139**	**20,965,444**
Increase in cash and cash equivalents	**70,270,769**	**10,574,092**	**587,515**
Cash and cash equivalents			
At the beginning of the year	47,427,218	36,853,126	36,265,611
At the end of the year	117,697,987	47,427,218	36,853,126
Increase in cash and cash equivalents	**70,270,769**	**10,574,092**	**587,515**
Non-cash transactions			
Credit operations transferred to non-current assets	1,356,644	836,930	758,757
Dividends and interest on equity declared but not yet paid	1,504,216	2,396,306	2,519,378
Unrealized (gains)/losses on securities available for sale	7,530,127	(4,617,960)	468,447

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

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

Notes to the Consolidated Financial Statements

1) General information

Banco Bradesco S.A. and subsidiaries ("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 number of areas within the banking sector, 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 as well as capitalization bonds.

The retail banking products include demand deposits, savings deposits, time deposits, mutual funds, foreign exchange services and a range of credit operations, 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, leasing 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 ("BM&FBovespa") and then subsequently on the New York Stock Exchange ("NYSE").

The consolidated financial statements were approved by the Board of Directors on March 27, 2014.

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 statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as the notes to the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position: financial assets available for sale measured at fair value, assets and liabilities held for trading measured at fair value, and financial instruments at fair value through profit or loss that are measured at fair value and the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

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 19 details the accounts of the consolidated statement of financial position comprising cash and cash equivalents. The consolidated statement of cash flows is prepared using the indirect method. Accordingly, the income before taxes and the participation of non-controlling interests were adjusted by non-cash items such as gains or losses, on provisions, depreciation, amortization and losses due to impairment of loans and advances. The interests received and paid are classified as operating cash flows.

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Notes to the Consolidated Financial Statements

The preparation of the consolidated financial statements requires the adoption 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 impairment losses of loans and advances, estimates of the fair value of financial instruments, depreciation and amortization, impairment of losses in 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.

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	Country of nature	Shareholding interest (%) December 31 2013	2012
Alvorada Cartões, Crédito Financiamento e Investimento S.A.	Banking	Brazil	100.00	100.00
Banco Alvorada S.A. (1)	Banking	Brazil	99.99	99.95
Banco Bradesco Financiamentos S.A.	Banking	Brazil	100.00	100.00
Banco Bankpar S.A	Banking	Brazil	100.00	100.00
Banco Boavista Interatlântico S.A.	Banking	Brazil	100.00	100.00
Banco Bradesco Argentina S.A.	Banking	Argentina	99.99	99.99
Banco Bradesco BERJ S.A. (2)	Banking	Brazil	100.00	100.00
Banco Bradescard S.A.	Cards	Brazil	100.00	100.00
Banco Bradesco BBI S.A.	Investment Bank	Brazil	98.35	98.35
Banco Bradesco Cartões S.A.	Cards	Brazil	100.00	100.00
Bradesco Administradora de Consórcios Ltda.	Consortium Management	Brazil	100.00	100.00
Bradseg Participações S.A.	Holding	Brazil	100.00	100.00
Bradesco Auto/RE Cia. de Seguros	Insurance	Brazil	100.00	100.00
Bradesco Capitalização S.A.	Capitalization	Brazil	100.00	100.00
Odontoprev S.A. (3)	Dental Health	Brazil	43.50	43.50
Bradesco Leasing S.A. Arrendamento Mercantil	Leasing	Brazil	100.00	100.00
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Broker	Brazil	100.00	100.00
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Broker	Brazil	100.00	100.00
Bradesco Saúde S.A.	Insurance/Health	Brazil	100.00	100.00
Bradesco Seguros S.A.	Insurance	Brazil	100.00	100.00
Bradesco Vida e Previdência S.A.	Pension plan/Insurer	Brazil	100.00	100.00
Bradesplan Participações Ltda.	Holding	Brazil	100.00	100.00
BRAM – Bradesco Asset Management S.A. DTVM	Asset Management	Brazil	100.00	100.00
Tempo Serviços Ltda.	Service Provider	Brazil	100.00	100.00
União de Participações Ltda.	Holding	Brazil	100.00	100.00

(1) Increase in equity interest through share acquisition in February 2013;

(2) Formerly Banco BERJ S.A.; and

a) Consolidation

(3) Consolidated based on control obtained through its shareholders agreement.

Bradesco

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

Notes to the Consolidated Financial Statements

i. **Subsidiaries**

Subsidiaries are all of the companies over which the Organization, has the control. The Organization has the 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 until the date when control ceases. The Organization adopted IFRS 10 in replacement of IAS 27 and SIC 12.

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the consideration given, 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 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.

For acquisitions not meeting the definition of a business, 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 at the acquisition date.

ii. **Associated companies**

Companies are classified as associated companies 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 on its Board of Directors, providing it has executive power; i.e. voting power.

Investments in associated companies 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. Investments in joint ventures are recorded in the consolidated financial statements of the Organization using the equity method.

Until December 31, 2012 the Organization consolidated proportionally their participation in jointly controlled entities (joint venture), in accordance with IAS 31. Effective January 1, 2013 the Organization adopted IFRS 11 – "Joint Arrangements", thus changing the accounting policy of participation in joint ventures to the equity method.

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Notes to the Consolidated Financial Statements

The effects of IFRS 11 adoption have not generated significant impacts to the Organization's financial statements. Following are presented the aggregated amounts of our investments, previously proportionally consolidated and now accounted for by the equity method.

R$ thousand

Consolidated Satement of Financial Position - 2012	**Previous disclosure**	**Efects of IFRS 11 adoption**	**Restated balance**
Loans and advances to banks	92,821,233	(361,886)	92,459,347
Loans and advances to customers	269,652,428	(631,108)	269,021,320
Investments in associated companies and joint ventures	2,754,998	366,388	3,121,386
Other assets	435,958,040	(1,019,469)	434,938,571
Total assets	**801,186,699**	**(1,646,075)**	**799,540,624**
Deposits from banks	220,826,288	117,066	220,943,354
Other liabilities	509,014,021	(1,763,141)	507,250,880
Total liabilities	**729,840,309**	**(1,646,075)**	**728,194,234**
Total equity	**71,346,390**	**-**	**71,346,390**
Total liabilities and equity	**801,186,699**	**(1,646,075)**	**799,540,624**

R$ thousand

Consolidated Satement of Income - 2012	**Previous disclosure**	**Efects of IFRS 11 adoption**	**Restated balance**
Net interest income	**43,492,965**	**(107,242)**	**43,385,723**
Net fee and commission income	**12,804,795**	**(84,055)**	**12,720,740**
Operating income	**4,467,718**	**(136,211)**	**4,331,507**
Operating expense	**(46,133,908)**	**157,174**	**(45,976,734)**
	14,631,570	**(170,334)**	**14,461,236**

a) Consolidation

Income before income taxes and equity in the earnings of associates			
Income before income taxes	**15,502,232**	**(60,784)**	**15,441,448**
Net income for the year	**11,351,694**	**-**	**11,351,694**
Controlling shareholders	11,291,570	-	11,291,570
Non-controlling interest	60,124	-	60,124
Total liabilities and equity	**801,186,699**	**(1,646,075)**	**799,540,624**
Investments in associated companies and joint ventures	**2,754,998**	**366,388**	**3,121,386**
Total liabilities	**729,840,309**	**(1,646,075)**	**728,194,234**

R$ thousand

Consolidated Satement of Cash Flows - 2012	**Previous disclosure**	**Efects of IFRS 11 adoption**	**Restated balance**
Net cash provided by operating activities	51,612,398	(137,797)	51,474,601
Net cash (used in) investing activities	(44,797,252)	46,604	(44,750,648)
Net cash provided by financing activities	3,850,139	-	3,850,139
Increase in cash and cash equivalents	**10,665,285**	**(91,193)**	**10,574,092**

See Note 27 for summarized financial information about jointly controlled entities.

iv. **Transactions with and interest 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.

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

Notes to the Consolidated Financial Statements

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

v. **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 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 each 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 adopted the Real as their functional currency, except the subsidiary in Mexico, which adopted 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 – "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 available for sale, 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 proportionate share 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 are subject to insignificant risk of changes in fair value, used by the Organization to manage its short-term commitments. See Note 19 (b) – "Cash and cash equivalents".

Cash and cash equivalents are held at amortized cost in the statement of financial position.

d) Sale and repurchase agreements

Securities sold subject to repurchase agreements are reclassified in the consolidated financial statements as “Assets pledged as collateral” when the purchaser has the right to sell or repledge the asset. The counterparty liability is included in “Deposits from Banks - Funding in the open market”. Securities purchased under agreements to resell are recorded as loans and advances to other banks or 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.

d) Sale and repurchase agreements

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

Notes to the Consolidated Financial Statements

e) Financial assets and liabilities

i. **Financial assets**

The Organization classifies financial assets in 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 financial assets upon initial recognition.

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

Financial assets are initially recorded at fair value with subsequent changes to the fair value recognized immediately in profit or loss. These assets can be subdivided into two distinct classifications at the time of initial recognition: financial assets designated at fair value through profit or loss and financial assets held for trading.

- ***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 held for trading***

A financial asset is classified as held for trading if it is acquired by Management 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 taking a position. Derivative financial instruments are also categorized as held for trading, unless they are designated as hedging instruments.

Financial assets held for trading 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 are recognized directly in the consolidated statement of income under "Net gains and losses from financial instruments held for trading." Interest income and expense and foreign exchange differences on financial assets held for trading are included in "Net interest income".

- **Financial assets available for sale**

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

Financial assets available-for-sale are initially recognized at fair value, which is the cash consideration including any transaction costs and measured, subsequently, at fair value with gains and losses being recognized in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If a financial asset available-for-sale is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated statement of income.

IFRS – International Financial Reporting Standards – 2013

d) Sale and repurchase agreements

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Notes to the Consolidated Financial Statements

Interest is recognized in the consolidated statement of income using the effective interest method. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of income in ‘Dividend income’ when the Organization’s right to receive payment is established. Exchange gains and losses on investments in debt securities classified as available for sale are recognized in the consolidated statement of income, except when they relate to foreign subsidiaries with a functional currency different from that of the Organization.

- **Investments held to maturity**

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed term maturities, which the Organization has the positive intention and ability to hold to maturity, and are not designated to be at fair value through profit or loss or available for sale and do not meet the definition of loans and receivables.

Investments held to maturity 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 on investments held-to-maturity is included in the consolidated statement of income and reported as ‘Interest and similar income’. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and is recognized in the consolidated statement of income.

- **Loans and receivables**

d) Sale and repurchase agreements

Loans and receivables are non-derivative financial assets having fixed or determinable payments that are not quoted in an active market and that the Organization has no intention of selling, neither immediately or in the short term.

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

Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers. Interest on loans is included in the consolidated statement of income and is reported as "Interest and similar income". In the case of impairment, the impairment loss is reported as a deduction in carrying amount of loans and advances, and is recognized in the consolidated statement of income as impairment of loans and advances.

ii. **Financial liabilities**

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

- **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.

d) Sale and repurchase agreements

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- ***Financial liabilities designated at fair value through profit and loss***

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

- ***Financial liabilities held for trading***

Financial liabilities for trading recognized by the Organization correspond to derivative financial instruments unless they are designated for hedging purposes.

Liabilities held for trading are initially recognized at fair value in the consolidated statement of financial position and their costs of transactions are recorded directly in the consolidated statement of income for the period. All realized and unrealized changes in fair value are recognized in the consolidated statement of income in “Net gains and losses from financial instruments held for trading.” Interest expense and foreign exchange differences on financial liabilities held for trading are included in “net interest income”.

- **Financial liabilities at amortized cost**

These are financial liabilities that are not classified to be at fair value through profit or loss, initially, are recognized at fair value and, subsequently, are measured at amortized cost. They include deposits from banks and customers, securities issued and subordinated debt securities, among others.

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iii. **Derivative financial instruments and hedge transactions**

Derivatives are initially recognized at fair value on the date the derivatives' contract is signed and are, subsequently, re-measured at their fair values with the changes recognized in the income statement under "Net gains and losses from financial instruments for trading." The calculation of fair value considers the credit risk of the counterparties.

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 Organization has not designated any transactions as hedges for accounting purposes.

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.

iv. **Recognition**

Initially, the Organization recognizes loans and advances, deposits, securities issued and subordinated debts at the date on which they are originated. All other financial assets and liabilities are recorded on the trade date, in accordance with the contractual provisions of the instrument.

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v. **Derecognition**

Financial assets are derecognized 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.

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 include the techniques to calculate the net current value, discounted cash flow method, comparison with other instruments similar to those for which there are observable market prices and valuation models. The Organization uses reputable valuation models to determine the fair value of financial instruments that consider observable market data.

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

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.

viii. **Impairment of financial assets**

(a) Financial assets recognized as amortized cost

On each reporting date, the Organization assesses whether there is objective evidence that financial assets are impaired. The financial assets are impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Organization uses to determine that there is objective evidence of an impairment include:

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- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers; and

(ii) national or local economic conditions that correlate with defaults in the assets.

The Organization takes into consideration evidence of impairment loss for both individually significant assets and groups of assets. All significant financial assets are evaluated to detect specific losses.

All significant assets that an assessment indicates have not been specifically impaired are valued as a group to detect any impairment loss that may have occurred, although not yet identified. The financial assets which are not individually significant are valued as a group to detect any collective impairment loss (recorded at the amortized cost) based on similar risk features. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of

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impairment.

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 carrying amount of the asset 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.

For the purposes of a collective evaluation of impairment, 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 asset 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit-risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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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 impairment, interest income is recognized using the effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary 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.

(b) Financial assets classified as available for sale

The Organization assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities the Organization adopts the assessment described in item (a) above. If, in a subsequent period, the fair value increases, for debt instrument classified as available for sale, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of income.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. 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 that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income. Increases in the fair value of equity instruments after impairment are directly recognized in equity – other comprehensive income.

f) 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 and are included within "Non-current assets held for sale."

g) Reinsurance contracts

Reinsurance contracts are made in the normal course of operations with the purpose of limiting potential losses, by spreading risks. Liabilities related to reinsurance operations are presented gross of their respective recoveries, which are booked in the Asset since the existing contract does not preclude the Organization's obligations with the insured parties.

As required by the regulators, reinsurance companies with headquarters abroad must have a minimum rating from a risk classification agency, to reinsure risks which are for the most part transferred to local reinsurers. Therefore, management believes that the risks of impairment 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.

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h) 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 plans contracts and expenses with insurance agency operations relating to the sale of health plans appropriated in the twenty-four month period.

The deferred acquisition costs relating to the exclusivity contract with retailers for the sale of extended warranty insurance is allocated to income over the term of the respective agreement, in proportion to earned premium.

i) Property and equipment

i. **Recognition and valuation**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, 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 different parts of an item have different useful lives, and separately control is practicable, 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 a property and equipment item 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.

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j) Intangible assets

Intangible assets comprise separately identifiable non-monetary items, without physical substance due to business combinations, computer software licenses and other 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, not exceeding 20 years. 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. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

i. **Goodwill**

Goodwill (or bargain purchase gain) arises on the acquisition of subsidiaries 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 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 associated companies is included in the carrying amount of the investment. See Note 2(a)(ii). 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.

Goodwill is allocated to Cash-Generating Units (CGUs) or groups of cash-generating units for the purpose of impairment testing. Allocation is made to the CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill originated.

Goodwill is tested annually, as well as whenever a trigger event has been observed, for impairment by comparing the recoverable amount of a CGU with the carrying value of its net assets, and is carried at cost less impairment losses. Impairment losses on goodwill are not reversed. 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.

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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 during 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 lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

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 over the period during which the asset is expected to contribute, directly or indirectly, to the future cash flow.

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 is immediately recognized in the consolidated statement of income.

k) Leasing

The Organization has both operating and finance leases and operates as a lessee and a lessor.

Leases in which a significant part for 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 leasing.

Leases in 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 as 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.

As a lessor, the Organization has substantial finance lease contracts, both in value and total number of contracts.

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.

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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.

i. ***Finance Leases***

Finance leasing assets in the consolidated statement of financial position are initially recognized in the “loans and advances” 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 leasing receivable, 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 when the profit from the sale of the lease is recognized, which is recognized at the beginning of the lease term.

Recognition of financial revenue reflects the 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.

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.

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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 leasing 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, incurred to produce the income are recognized as expenses.

The depreciation policy for leased assets is the same as the depreciation policy used by the Organization for similar assets.

l) Impairment of 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 annually at the same date to verify the existence of impairment.

Assets, which are subject to amortization, 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 of the assets or its cash generating unit (CGU) carrying amount over its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of an asset's fair value, less costs to sell, and its value in use.

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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 an operating segment ceiling test, 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 groups of CGU's that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. 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 CGU's 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 profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU's) and then to reduce the carrying amount of the other assets in the CGU (group of CGU's) 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 is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the

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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.

m) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the main sources of funding used by the Organization to finance its operations.

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

n) Provisions, contingent liabilities and contingent assets

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 economic benefits will be required to settle an 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.

The provisions were established by Management taking into account the opinion of their legal advisors, nature of the actions, similarity with previous suits, complexity and positioning of the Courts, whenever there is a probable loss.

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Contingent liabilities are disclosed if there is a possible future obligation resulting from past events or if there is a present obligation resulting from a past event.

Contingent assets are recorded only when there are real guarantees or favorable and non-appealable court decisions, and when the gain is considered to be virtually certain. The contingent assets for which the expectation of the outcome is favorable are only disclosed in the financial statements, when material.

o) 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 from the perspective of insurance contracts by transferring significant insurance risk. Contracts classified as investment contracts are related to our capitalization bonds, which do not transfer significant insurance risk and are accounted for as financial instruments in accordance with IAS 39.

p) Insurance and pension plan technical provisions

i. **Property damage**

The Provision for Unearned Premiums (PPNG) is calculated on a pro-rata die basis on the net assignment of coinsurance premiums, taking into account reinsurance operations in and corresponding to the unexpired risk period of the insurance contracts with the deductions in respect of initial contracting costs. The assignment of the corresponding provision to the estimate of Current Risks Not Yet Issued is constituted in the PPNG-RVNE.

The Case Reserves for Loss (PSL) is established based on the estimated claims paid, taking into account all administrative and judicial claims on the reporting date, net of the expected portion of salvage and reimbursement, including legal fees.

Constitution of Provision for incurred but not reported losses (IBNR) is based on incurred but not paid losses (IBNP) deducting the PSL balance on the calculation base date. To calculate IBNP, the final estimate of incurred and not paid losses is calculated on the basis of a half-yearly run-off triangle that considers the historic development of losses paid over the last 14 semesters to establish a future projection per occurrence period, and also considers the estimate for claims incurred but not enough reported (IBNER), reflecting the expected change of the provision until the payment to the policyholders in the amount accounted for on the balance sheet.

The IBNR provision related to retroceding operations was constituted on the basis of amounts informed by IRB - Brasil Resseguros S.A.

The complementary reserve for coverage (PCC) is recorded when insufficiency in technical provisions are found, as determined in the Liabilities Adequacy Test value in accordance with the determinations specified on the regulations in force. For the current period, there was no identified need for additional provision to those already established.

The Provision of Related Expenses (PDR) is established to cover the expected amounts regarding expenses related to losses.

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Other technical provisions correspond to the Provision for Administrative Expenses (PDA) derived from Mandatory Insurance For Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations.

ii. **Individual life insurance, excluding the insurance of variable contribution with survival coverage (VGBL)**

The Provision for Unearned Premiums (PPNG) is calculated on a pro-rata die basis on the net assignment of coinsurance premiums, taking into account reinsurance operations in and corresponding to the unexpired risk period of the insurance contracts and considers estimates of Current Risks Not Yet Issued (RVNE).

The Mathematical Provision for Benefits to be Granted (PMBaC) is calculated by the difference between the current value of the future benefits and the current value of the future contributions, corresponding to the obligations.

The Provision for Redemptions and other Unsettled Values (PVR) comprises the values relating to the unsettled redemptions, to the premium returns and transfers of the insurance, requested by the policyholder, not yet concluded.

Constitution of Provision for incurred but not reported losses (IBNR) is based on incurred and not paid losses (IBNP) deducting the PSL balance on the calculation date base. To calculate IBNP, the final estimate of incurred and not paid losses is calculated on the basis of a half-yearly run-off triangle that considers the historic development of losses paid over the last 14 semesters to establish a future projection per occurrence period.

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The Case Reserves for Loss (PSL) considers all of the reported claims received until the reporting date and judicial fees by decree, among others. The PSL is adjusted for inflation and includes all of the claims under judicial review.

The Technical Surplus Provision (PET) corresponds to the difference between the value of the expected amount and the actual amount of events that occurred during the period for life insurance of individuals with rights to participate in technical surplus.

iii. **Health**

The Provision for Claims Incurred but Not Reported (IBNR) is actuarially calculated to quantify the amount of claims incurred but not paid to policyholders / beneficiaries (IBNP). The methodology is based on the projection of future claims payments related to occurrences that to place prior to the date of calculation occurrences based on historical behavior observed in the last 12 months. By deducting from the total projected amount of Case Reserves for Loss (PSL) recorded, one obtains the IBNR provision.

The Case Reserves for Loss (PSL) was measured, as the base of the reported claims received until the reporting date including judicial claims and related costs and for inflation adjustments.

For the portfolio of individual health plans, with respect to five-years coverage period for the policy holder's dependents in case of his/her death, the Mathematic Provision of Benefits to be Granted (PMBaC) calculated using a methodology of which takes into consideration, a discount rate of 3.5% per year used until November 2013 and 4.9% per year thereafter, the expected continuance of insured persons in the plan until their withdrawal due to death, and thereafter, the costs related to the continuance of dependents in the plan for five years without the corresponding payment of premiums The mathematic provision for benefits granted (PMBC) from the individual health plan portfolio is made up of liabilities resulting from contractual remission clauses of health assistance coverage payments, based on the present value of future estimated expenses with health assistance costs of the dependents of deceased policyholders.

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The Provision for Unearned Premiums (PPNG) is calculated of a daily pro-rated basis, based on the health insurance premiums, and is comprised of the portion corresponding to periods of unexpired risks of insurance contracts, the term of which has already started.

The other provisions are constituted, for the individual health portfolio, to cover the resulting differences between the expected present value of indemnities and related future costs and the expected present value of future premiums considering a discount rate of 3.5% per year used until November 2013 and 4.9% per year thereafter.

iv. **Operations with DPVAT Insurance**

DPVAT insurance operations, including their respective technical provisions, are recorded on the basis of information received from the Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

v. **Open pension plan and life insurance of variable contribution with survival coverage (VGBL)**

The Provision for Unearned Premiums (PPNG) is calculated on a pro-rata die basis on the net assignment of coinsurance premiums, taking into account reinsurance operations in and corresponding to the unexpired risk period of the insurance contracts and considers estimates of Current Risks Not Yet Issued (RVNE).

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The Mathematic Provisions for Benefits to be Granted (PMBaC) refer to participants whose benefits have not started yet. In pension plans with characteristics of defined benefit plans, provisions represent the difference between the current value of future benefits and the current value of future contributions corresponding to obligations assumed in the form of retirement, disability, pension and savings plans. The Provision is calculated according to methodologies and assumptions established in the actuarial technical notes.

Mathematical Provisions for Benefits to be Granted (PMBaC) related to long term life insurance and pension plans (VGBL and PGBL), in addition to the defined contribution plans, represent the total amount of contributions made by participants, net of charges and other contractual fees, plus financial yield generated through the investment of resources in investments funds.

The Provision for Redemptions and other Unsettled Values (PVR) is made up of the values referring to the unsettled redemptions, to the premium returns and to the portability requested and still not transferred to the receiving entity.

The Mathematical Provision for Benefits Granted (PMBC) refers to participants that receive benefits and corresponds to the current value of future obligations for the continued payment of benefits.

The Complementary Reserve for Coverage (PCC) refers to the amount necessary to complement technical reserves, as calculated through the Liability Adequacy Test (LAT), which is prepared using statistical and actuarial methods based on realistic considerations, taking into account the biometric table BR-EMS of both genders, improvement of G Scale and forward interest rate structures (ETTJ) free from risk. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy.

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The related expenses reserve (PDR) is recorded to cover estimated benefit and claims expenses.

The Provision for Financial Surplus (PEF) corresponds to an installment of financial yield obtained through the application of provisions that exceed the minimum yield of pension plans with a clause for the participation in financial surplus.

The Provision for Technical Surplus (PET) corresponds to the difference between the value expected and the value observed of the events incurred in the period for the pension plans with a participation clause in the technical surplus.

The Provision for Events Incurred but Not Reported (IBNR) is established based on losses that occurred but were not reported, based on run-off triangles, which considers the historical development of losses over the past 20 quarters to establish a future projection per period of occurrence.

The Case Reserves for Loss (PSL) considers all of the reported claims received until the reporting date and judicial fees by decree, among others. The PSL is adjusted for inflation and includes all of the known claims under judicial review.

Financial charges credited to technical provisions, as well as the constitution and/or reversal of the provision of financial excess, are classified as financial expenses and are shown in the group “Financial income”.

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vi. **Liability Adequacy Test (LAT)**

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 considered to be the sum of the carrying amount, deducting the deferred acquisition costs and the related intangibles, compared to the expected cash flows arising from the enforcement of contracts and certificates traded value.

The test considerers the projection of claims and benefits that have occurred and are to occur, administrative expenses, allocable expenses related to the claims, intrinsic options and financial surpluses, and other income and expense directly related to the insurance contracts.

To calculate the present value of projected cash flows to value the Organization used the free exchange term risk.

The test was segmented into life and property insurance, and were not included in the tests of suitability of liabilities related to DPVAT insurance:

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- **Property Coverage**

The expected present value of cash flows relating to claims incurred, as reflected by the expectation of costs allocable to claims and salvage recoveries, was compared the technical provisions for claims incurred - PSL and IBNR.

The expected present value of cash flow relating to claims to be incurred regarding the policies in force, plus any administrative expenses and other expenses and income relating to products in run-off, was compared to the sum of the PPNG and PPNG-RVNE.

- **Life and pension products**

For private pension products, Individual Life Insurance, and Life Insurance with Coverage for Survival, testing was conducted per risk type, which includes (among others): guarantee of inflation, mortality table, death, disability and other risks.

The cash flows related to future premiums not recorded in the PPNG were included in income only when the result of this value was negative.

The result of the liability adequace test did not result in any incremental accrual of insurance liabilities.

d) Sale and repurchase agreements

q) Financial guarantees

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 as the higher out of the initial amount, less the accumulated amortization, and the best estimate of the amount required to settle the guarantee if management deems such expenditure as probable. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of the Management. 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)".

r) Employee benefits

i. **Defined contribution plan**

Bradesco and its subsidiaries sponsor pension plans for their employees and Management of the "Free Benefit Generator Plan (PGBL)" type. The PGBL is a pension plan with defined contributions which allows financial resources to be accumulated throughout the professional career of the participants based on contributions paid by them and the sponsoring company, the funds of which are invested in an Exclusive Mutual Fund (FIE). The actuarial obligations of PGBL are fully covered by the corresponding FIE.

The PGBL is managed by the subsidiaries Bradesco Vida e Previdência S.A..

Contributions from employees and management are equal to 4% of their salaries except for those participants who, in 2001, opted to migrate from a defined benefit plan to the PGBL, and whose contributions were maintained at the same level as the defined benefit plan at the time it was transferred, always in compliance with the minimum of 4% of the salary.

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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.

In addition to the PGBL described above, the participants who migrated from the defined benefit plan are assured a proportional deferred benefit. For retired and pensioned employees, regardless of whether they are participants in the migrated defined benefit plan or not, the present value of the actuarial obligations of the plan is invested in FIEs.

ii. **Defined benefit plans**

The Organization's net obligation, in relation to the defined benefit plans, refers exclusively to institutions acquired and the plans are calculated separately for each plan, estimating the future benefit that the employees have earned in return for their service during the current and prior periods. The benefit is discounted to determine its present value and any unrecognized past service costs and fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on "AA" credit rated bonds, which have maturity dates approximating the terms of the Organization's obligations. The calculation is made by an actuary, using the projected unit credit method.

To determine the net amount in the consolidated statement of financial position, any actuarial gains and losses that have not been recognized because of application of the "corridor" approach described below are added or deducted, as appropriate an unrecognized past service costs are deducted.

d) Sale and repurchase agreements

The Organization recognizes a portion of actuarial gains and losses that arise in calculating the Organization's obligation in respect of a plan in profit or loss over the expected average remaining working lives of the employees participating in the plan. To the extent that any unrecognized and cumulative actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation or the fair value of the plan's assets, the amount is recognized in the consolidated statement of income over the estimated remaining time of service of the participating employees. Otherwise the actuarial gain or loss is not recognized.

When the benefits of a plan are improved, the portion of increased benefit related to past service by employee is recognized in the income using the straight-line method over the average period until the benefits become vested. To the extent that the benefits vest, the expense is recognized in the consolidated statement of income.

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 twelve months or more after the statement of financial position date are discounted to their present value.

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d) Sale and repurchase agreements

Notes to the Consolidated Financial Statements

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 twelve 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.

s) Capitalization bonds

Financial liabilities and revenues from capitalization bonds are accrued at the time funds are received. Bonds are issued according to the types of payments, monthly or single payment. Each bond bears a nominal value and deposit value is adjusted for inflation using the referential rate (TR) + 0.5% interest per month, which constitutes the mathematical provision for redemptions.

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 if they have not won in the draw. These products are regulated by the insurance regulator in Brazil; however, do not meet the definition of an insurance contract in accordance with IFRS 4 and, therefore, are classified as financial liabilities in accordance with IAS 39.

The mathematical provision for Capitalization (PMC) is recorded for each active or suspended security for the period provided in the general conditions of the plan, and is calculated by percentage of quota capitalization applicable on payments being capitalized monthly by the index and interest rate defined in the plan until the maturity date.

The provision for redemptions (PR) consists of the values bonds, updated by the index of the plan until the date of actual payment of the redemption to the beneficiary.

The provision for prizes draw (PSR) are constituted to cover premiums from future raffles, and the balance thereof represents the present value of the raffles already funded and not yet realized. The calculation methodology consists of the accumulation of contributions that come from percentage of shares of raffles applicable on payments, as established in the plan, and write-offs that come from the amount equivalent to the expired risk. The percentage of lottery quotas are predefined by an actuarial technical note and are not modified during the term of the bond.

The provision for raffles payable (PSP) consists of the values of the award titles from prize draws and those not yet paid, monetarily updated for the period between the effective date of the draw and liquidation.

The provision for administrative expenses (PDA) consists of costs directly attributable to the comercialization, brokerage and other expenses, and is in accordance with the methodology set forth in the actuarial technical note.

t) Interest

Interest income and expenses 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.

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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.

u) 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, including account service fees, asset management fees, credit card annual charges, and collection and consortium fees are recognized as the related services are rendered. 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.

v) Insurance income

Income and expense are recognized on an accrual basis.

Insurance and coinsurance premiums net of premiums transferred to coinsurance and reinsurance and related commissions, are recognized as income upon issuance of the respective policies / certificates /

endorsements and invoices, or at the beginning period of the risk for cases in which the risk begins before issue date, and accounted for on a straight-line basis, over the duration of the policies, through recognizing and reversing the provision for unearned premiums and deferred acquisition costs (deferred acquisition costs).

The health insurance premiums are recorded at the start of the risk period, net of the portion of premiums corresponding to the period of unexpired risk.

Income from premiums and the acquisition costs related to risks already assumed whose respective policies have not yet been issued are recognized in income at the start of the risk coverage on an estimated basis.

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 and retroceding co-insurance operations are recorded on the basis of information received from participating co-insurance and IRB - Brasil Resseguros S.A., respectively.

Deferment of assigned reinsurance premiums is made consistently with the related insurance premium and/or reinsurance agreement.

Acquisition costs are deferred and recognized in proportion to the recognition of earned premium.

The increase of insurance agency operations are deferred and recognized in income linearly, for a period of 24 months in health insurance operations and by 12 months in the other operations, following the allocation of revenues from insurance and coinsurance premiums.

Contributions to pension plans and life insurance premiums with survivor coverage are recognized in income upon their effective receipt.

d) Sale and repurchase agreements

Income from management fees are recognized as income on an accrual basis at contractually determined rates.

Revenues from “capitalization plans” are recognized in the month of issue thereof. The corresponding technical provisions are established simultaneously to the revenue recognition.

Revenues from prescribed “capitalization plans” are recognized after the prescription period, in accordance with Brazilian law is up to 20 years for securities and lotteries not redeemed until November 11, 2003 and five years thereafter.

The expenses for placement of “capitalization plans”, classified as “acquisition costs,” are recognized as they are incurred.

Deferral of paid reinsurance premiums is made consistently with the treatment of the respective insurance premium and/or reinsurance contract.

w) Income tax and social contribution expenses

Income tax is calculated at the rate of 15%, plus a surcharge of 10% and the social contribution tax at the rate of 15% for banks, insurance companies and similar institutions and 9% for non-financial subsidiaries, after making certain adjustments required by tax legislation.

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 expenses are the expected tax payable or receivable 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
- 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 many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of 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.

d) Sale and repurchase agreements

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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.

x) Segment reporting

Information for operating segments is consistent with the internal reports provided to the management's decision-making process. The Organization operates mainly in the banking and insurance segments. The banking operations include operations in retail, middle market and corporate activities, leasing, international bank operations, investment banking and private banking. The Organization performs in banking segments 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. Additionally, we are engaged in operations in insurance, supplementary pension plans and certificated savings plans through a subsidiary, Bradesco Seguros S.A., and its subsidiaries.

y) Equity

Preferred shares have no voting rights, but have priority over ordinary 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 ten percent (10%) higher than the dividend distributed per share to the holders of ordinary shares.

d) Sale and repurchase agreements

i. Share issue costs

d) Sale and repurchase agreements

Incremental costs directly attributable to the issuance of shares are shown net of taxes in equity, thus reducing the initial share value.

ii. Earnings per share

d) Sale and repurchase agreements

The Organization presents basic and diluted earnings per share data. Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Organization by the weighted average number of shares 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.

d) Sale and repurchase agreements

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iii. Dividends payable

Dividends on shares are recognized at the time they are approved by a Meeting of Shareholders. Dividends for the year, 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 investment owners. 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 equity.

3) Risk Management

Risk-management structure

The risk management structure is made up of committees, which assist the Board of Directors and the Board of Executive Officers in their strategic decision-making process.

The Organization has a committee known as the Integrated Risk and Capital Allocation Management Committee, whose duty is to 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 the Executive Committees for the Management of Risks relating to a) Credit, b) Market and Liquidity, c) Operational, d) Bradesco's Insurance Group and e) Basel II Implementation, in addition to Executive Committees in the business areas, which, among other duties, suggest exposure limits for their respective risks and prepare the mitigation plans to be submitted to the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

It is worth highlighting the Integrated Risk Control Department (DCIR), responsible for implementing the Organization's risk control and determining its activities' capital requirements in an independent, consistent, transparent and integrated manner. It is also responsible for complying with the Bacen rules for risk management activities.

d) Sale and repurchase agreements

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 contractual liabilities under the original terms. For risk management reporting purposes, the Organization considers and consolidates all elements of credit risk exposure, such as deterioration of loans as reflected in an increase in the borrower's risk, the reduction in gains or remunerations, as well as benefits granted in renegotiations, recovery costs and other amounts 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 operations in order to preserve the integrity and autonomy of the processes.

The Organization controls the exposure to credit risk which comprises mainly credit operations, securities and derivatives. There is also the credit risk in financial obligations relating to commitments on loan or financial guarantees.

d) Sale and repurchase agreements

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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, as well as their measurement and mitigation plans.

Counterparty's 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 the obligations relating to the settlement of operations involving financial asset trading, 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 maintains control over the net position (that is, the difference between purchase and sale agreements) and potential future exposures of 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 to the Organization's customers. Usually, guarantees associated with this type of operation include margin deposits, 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 security, quality and liquidity for the application of credit assets. The process is guided by the Organization's risk-management governance and complies with the rules of the Central Bank of Brazil.

In the constant pursuit for profitability in the business, the Organization uses the appropriate methodologies for each segment in which it operates, which guide the lending processes and the determination of operational 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 the Organization's 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 the Credit Department.

In its turn, the Executive Credit Committee was created to decide, within its authority, on queries about assignment of limits or operations proposed by business areas, previously analyzed and with approval from the Credit Department. According to the financial amount, operations/limits proposed, after obtaining a favorable opinion from this Committee, may be submitted for approval by the Board of Directors.

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d) Sale and repurchase agreements

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Loan proposals pass through an automated system with parameters to provide indispensable information for analysis and granting of loans, in addition to the follow-up of the granted loans, thereby minimizing the risks inherent to the operations.

The Organization has exclusive Credit and Behavior Scoring systems for the assignment of mass loans in the Retail segment, meant to provide greater 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, always seeking to support them with guarantees that are adequate to the risk assumed, considering objectives and the maturities of loan granted.

Credit Risk Rating

The methodology for credit-risk evaluation, in addition to providing the institution with the minimum parameters for credit concession and risk management, promotes the determination of credit policies that are differentiated by the customer’s characteristics and capacity. Thus, it provides a base for operation pricing and determination of guaranties to each circumstance.

Risk ratings for economic groups – legal entities – are based on standardized statistical and judgmental procedures, and on quantitative and qualitative information. Classifications are made corporately and are monitored periodically in order to preserve the quality of the credit portfolio.

For individuals, 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 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		
6		A3		
7		B1		
8		B2		
9		B3		
10		C1		
11		C2		Low risk
12		C3		
13		D		Medium risk
14		E		
15		F		
16		G		
17		H		High risk

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Credit-Risk Management Process

The credit risk is controlled in a corporate and centralized manner. All exposures to credit risk are analyzed, measured, classified and monitored independently.

This sector participates in the process to improve customer risk classification models by monitoring the high risks through the periodic follow-up of major default events, and the level of provision against expected and unexpected losses.

The credit risk area continuously reviews the internal processes, including the roles and responsibilities and IT training and requirements. It also conducts periodic reviews of risk evaluation processes to incorporate new practices and methodologies.

Control and Monitoring

The Organization's credit risk is controlled and monitored by the credit risk area of the Integrated Risk Control Department.

The department coordinates, within the risk governance structure, the Executive Credit Risk Management Committee, in which methodologies for credit risk measurement are discussed and formalized. Significant issues discussed in this committee are reported to the Integrated Risk Management and Capital Allocation Committee, which is subordinated to the Board of Directors.

In addition to the Committee, the Integrated Risk Control Department holds monthly meetings with product and segment executives and officers, Credit, Credit Recovery, with a view to informing them about the evolution of the loan portfolio, delinquency, impairment of loans and advances, loan recoveries, portfolio limits and concentrations and other items. This information is also reported to the Audit Committee.

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 failure, in addition to monitoring economic activity sectors in which the company is exposed to significant risks.

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, which are revised 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 furnished to the business areas, Credit, Credit Recovery and the Executive Officers, in addition, daily, monthly and quarterly reports.

Pointing out the risk situations that could result in the customers' inability to honor its obligations as contracted, the credit risk control 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.

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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).

Credit Risk Exposure

We present below the maximum credit risk exposure of the financial instruments.

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Cash and balances with banks	67,450,363	59,901,564
Derivative financial instruments	2,509,028	3,222,631
Loans and advances to banks	78,719,723	92,459,347
Loans and advances to customers	323,979,568	288,935,614
Other financial assets (1)	296,348,759	294,462,510
Total items recorded in the balance sheet	**769,007,441**	**738,981,666**
Total items not recorded in the balance sheet (Note 41)	**226,127,235**	**203,640,555**
Total risk exposure	**995,134,676**	**942,622,221**

(1) Includes Investments held to maturity recognized as amortized cost in the amount of R$ 23,069,026 thousand (2012 – R$ 3,715,673 thousand).

The Organization's maximum credit risk exposure was R$ 995,134,676 thousand in 2013, which was an increase of 5.6% from 2012.

Of this exposure, R$ 67,450,363 thousand, or 6.8% 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.

In relation to the “Other financial assets” item totaling R$ 296,348,759 thousand, representing approximately 29.8% of the exposure, which largely consists of financial assets that, being Brazilian government bonds, have low credit risks that, and are recorded at their market value.

In 2013, items not recorded in the consolidated statement of financial position (recorded in memorandum accounts) amounted to R$ 226,127,235 thousand (2012 - R$ 203,640,555 thousand), reaching a level of 22.7% (2012 – 21.6%) of total exposure.

The following provides a detailed analysis of other exposures subject to credit risk totaling R$ 405,208,319 thousand, representing 40,7% of the total exposure, including derivatives (R$ 2,509,028 thousand), loans and advances to credit institutions (R$ 78,719,723 thousand) and clients (R$ 323,979,568 thousand).

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Derivative Financial Instruments

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Traded in the stock exchange	154,541	209,098
OTC contract	2,354,487	3,013,533
Total	**2,509,028**	**3,222,631**

In relation to derivatives, 93.8% of the total, refers to over-the-counter contracts, most of them involving counterparties assessed to have "low credit risk" by the Organization's internal procedures, so these derivatives do not have significant credit risk exposure.

Loans and advances to banks

We present below the portfolio of loans and advances to banks as rated internally by the Organization:

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Low risk	78,632,199	92,318,045
Medium risk	87,524	141,302
High risk	-	-
Total	**78,719,723**	**92,459,347**

Ratings as assigned by the Organization: Low risk: Ratings AA1 – C3; Medium risk: Rating D; and High risk: Ratings E – H.

Of total loans and advances to credit institutions, 99.9% are not rated as due or impaired. In addition, the portfolio has no debt-rescheduling history.

Loans and advances to customers

The loans and advances to customers are classified as:

- Neither past due nor impaired.
- Past due but not impaired.
- Impaired, including loans and advances classified as impaired and loans and advances that are analyzed individually for loss.

The Organization's loans and advances to customers are classified as "impaired" when they fall in at least one of the following situations: (a) are delinquent more than 90 days, except for housing loan operations secured by residential property (overdue more than 180 days); (b) have incurred a loss; (c) have been renegotiated provided they are within the internal criteria of relevance (materiality and representation); (d) have been reclassified as a higher risk level; and/or (e) have been subject to bankruptcy events (declared bankruptcy, or application, or grant, or approval by judicial or extrajudicial authority).

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	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Neither past due nor impaired (i)	287,052,062	253,316,688
Past due but not impaired (ii)	7,128,874	6,848,895
Impaired (iii)	29,798,632	28,770,031
Total loans and advances to customers	**323,979,568**	**288,935,614**
Impairment of loans and advances	(19,858,234)	(19,914,294)
Net amount	**304,121,334**	**269,021,320**

The portfolio of loans and advances to customers grew by 12.1% from 2013 to 2012.

(i) Loans and advances to customers neither past due nor impaired

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Low risk	283,190,469	246,611,344
Medium risk	3,641,152	5,875,196
High risk	220,441	830,148
Total	**287,052,062**	**253,316,688**

Ratings as assigned by the Organization: Low risk: Ratings AA1 – C3; Medium risk: Rating D; and High risk: Ratings E – H.

The loans and advances to customers assessed to be neither past due nor impaired totaled R$ 287,052,062 thousand in 2013.

Of the total transactions, 98.7% were classified as low risk.

(ii) Loans and advances to customers past due but not impaired

We present below the analysis by number of days past due of the contracts for loans and advances which were not marked as impaired in the collective analysis and which are not impaired based on the individual analysis.

For purposes of this analysis, an asset is considered past due and included in the following table when payment is late or is not received strictly in accordance with the corresponding contractual terms. The amount included in this category comprises the total financial asset, i.e. not only the overdue installment amount but the contractual amount plus accrued interest.

The loans and advances to customers which are not individually material, such as, for example, the retail transactions which have not been classified as impaired are presented in this category.

The individually material loans and advances may be presented in this category when, based on the individual analysis its not necessary to record an individual impairment loss and, accordingly, the asset is then subject to collective loss analysis.

(ii) Loans and advances to customers past due but not impaired

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	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Past due up to 60 days	6,103,197	5,750,812
Overdue between 61 and 90 days	963,952	1,038,858
Overdue for more than 90 days	61,725	59,225
Total	**7,128,874**	**6,848,895**

The above table shows loans and advances, which despite being overdue, do not provide indications of possible impairment. This amount represented 2.2% of the portfolio in 2013 (2012 – 2.4%).

(iii) Loans and advances to customers impaired

	R$ thousand	
	December 31	
	2013	2012 (Restated)
Portfolio not yet due	13,846,057	12,153,340
Past due up to 60 days	3,289,750	3,231,264
Overdue between 61 and 90 days	1,409,151	1,459,627
Overdue for more than 90 days	11,253,674	11,925,800
Total	**29,798,632**	**28,770,031**

Loans and advances to customers impaired reached R$ 29,798,632 thousand and accounted for 9.2 % of the total portfolio in 2013 (10.0% in 2012).

By category

The following table presents the loans and advances by category that are impaired:

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Working capital	4,568,669	3,643,822
Personal credit	4,284,798	4,275,083
Credit card	4,162,214	4,294,823
Vehicles – CDC (Direct consumer credit)	3,260,646	4,075,206
Financing and export	1,402,790	627,616
Onlending BNDES/Finame	1,104,328	1,257,241
Housing loans	1,068,800	793,113
Leasing	660,355	1,193,581
Overdraft facilities	591,717	564,521
Rural loans	545,747	595,879
Guaranteed account	291,569	334,724
Others	7,856,999	7,114,422
Total	**29,798,632**	**28,770,031**

Renegotiated loans and advances

The total balance of “Loans and advances to customers impaired” 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, writing off part of the loan principal amount.

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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.

The following table shows changes made and our analysis of our portfolio of renegotiated loans and advances to customers:

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Renegotiated loans and advances at the beginning of the year	**9,643,915**	**8,658,167**
Additional renegotiated amounts, including interest	9,866,515	8,570,769
Payments received	(3,762,326)	(3,965,199)
Write-offs	(5,557,924)	(3,619,822)
Renegotiated loans and advances at the end of the year	**10,190,180**	**9,643,915**
Impairment of loans and advances	(6,826,663)	(6,504,198)
Total renegotiated loans and advances to customers, net of impairment at the end of the year	**3,363,517**	**3,139,717**
Impairment on renegotiated loans and advances as a percentage of the renegotiated portfolio	67.0%	67.4%
Total renegotiated loans and advances as a percentage of the total loan portfolio	3.1%	3.3%
Total renegotiated loans and advances as a percentage of the total loan portfolio, net of impairment	1.1%	1.2%

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.

Concentration of credit risk in loans and advances

R$ thousand

	December 31	
	2013	**2012 (Restated)**
Largest borrower	0.7%	0.9%
Ten largest borrowers	5.3%	5.2%
Twenty largest borrowers	8.2%	8.1%
Fifty largest borrowers	12.9%	12.8%
Hundred largest borrowers	16.6%	16.9%

The values presented for the biggest debtor and the hundred largest borrowers showed a decrease and the level of credit concentration in the remaining debtors showed a slight increase in the period.

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By Economic Activity Sector

The credit-risk concentration analysis presented below is based on the economic activity sector in which the counterpart operates.

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Public sector	**2,188,831**	**423,180**
Federal	2,148,497	260,544
State	40,334	162,636
Private sector	**321,790,737**	**288,512,434**
Individuals	128,635,645	112,989,410
Industry	58,245,854	54,187,104
Commerce	45,979,578	45,315,607
Services	84,554,012	72,446,408
Agribusiness	4,375,648	3,573,905
Total portfolio	**323,979,568**	**288,935,614**
Impairment of loans and advances	(19,858,234)	(19,914,294)
Total of net loans and advances to customers	**304,121,334**	**269,021,320**

The portfolio's breakdown by sector of economic activity showed increase in the shares of the sectors that comprise it, highlighting the increased participation of “Public sector”, “Individuals” and “Services”.

Measurement of Credit Risk

Periodically, the Organization evaluates the existence of objective evidence of loss in the loan and advance portfolio, taking into account its historical experience of impairment losses and employing other methodologies to consider the customer' quality as well as the nature of the transaction including its guarantees for estimating the expected cash flows.

Initially, clients are classified as individually significant and individually non-significant. Following that initial classification, clients are evaluated on the basis of their experience of one or more events of objective loss evidence. As sometimes it may not be possible to identify a specific event that has caused a loss in recoverable amount, the combined effects of several events are evaluated. In addition, loss events may be specific, that is, refer to only a particular client, such as payment defaults, renegotiation or bankruptcy event, or be collective to affect a greater group of assets as a result, for example, of interest or exchange rate variations or reduction of the activity level of one or more economic sectors.

For individually significant clients showing specific objective evidences impairment loss is estimated by individual analysis, taking into account the future cash flows expected from each client, including the realization of guarantees associated with operations.

For individually non-significant clients showing specific objective evidence, impairment loss is estimated based on the experience of historical loss based on observable information on the current date, to reflect the effects according to internal models set by the Organization.

Clients showing no specific objective evidence of impairment losses, both individually significant and individually non-significant clients are evaluated collectively by Organization's internal models based on collective parameters of loss identified and macroeconomic parameters of economic activity and default.

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For collective evaluation, Probability of Default and Loss Given Default models, as well as the Loss Identification Period factor, are used.

Probability of Default (PD): determines the probability of default perceived by the Organization with respect to the customer, according to its internal evaluation model. This risk parameter is differentiated according to its related segment: retail models are quantitative, while wholesale models are both quantitative and qualitative (subjective).

Loss Given Default (LGD): refers to the percentage effectively lost after recovery efforts given the nonperformance of the contract, which is expressed as a percentage of exposure.

Loss Identification Period (LIP): interim period between the occurrence of the loss event in groups of collectively evaluated financial assets, significant and non significant, and its identification by the institution as an impairment.

Write-offs

Credits are written off in the consolidated statement of financial position against impairment of loans and advances when they are considered uncollectible or a permanent loss. Credit operations are written off when they are overdue for 180 to 360 days. Credit operations with remaining maturities for at least 36 months are written off when they are overdue for 360 to 540 days.

Credit Risk Mitigation

Potential credit losses are mitigated by several types of collateral formalized through legal instruments such as conditional transfer with retained ownership, mortgages, or through third-party guarantees. The efficacy of these instruments is reviewed in terms of time required for recovery and realization of assets provided as guarantees, their market value, guarantor counterparty risk, and legal security of contracts. The principal types of collateral are time deposits; financial applications and securities; residential and commercial properties; movable property such as vehicles, aircraft, machinery and equipment; collateral may include commercial invoices, checks and credit card bills. Sureties include in particular bankers' guarantees and letters of credit.

Credit derivatives are bilateral contracts in which one counterparty hedges credit risk on a financial instrument and its risk is transferred to the counterparty selling the hedge. Normally, the latter is remunerated on a straight-line basis throughout the period of the transaction. In the case of a credit event ("default"), the buying party will receive a payment intended to compensate for the loss in the financial instrument. In this case, the seller receives the underlying asset in exchange for said payment.

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We present below the credit derivative transactions:

		R$ thousand
	Value of credit risk	
	December 31	
	2013	**2012 (Restated)**
Transferred		
Credit Default Swaps, the underlying assets of which include:		
Bonds and securities - Brazilian public debt securities	-	(265,655)
Derivatives held by companies	-	(4,087)
Received		
Credit Default Swaps, the underlying assets of which include:		
Derivatives held by companies	-	6,131
Total	-	**(263,611)**
Deposited margin	-	5,109

The Organization carried out operations involving credit derivatives in order to better manage its risk exposure and assets. The contracts related to the credit derivative transactions described above matured on different dates through June 30, 2013. The mark-to-market adjustment of the protection rates, which remunerates the counterparties receiving the risk, totaled negative R$ (332) thousand on December 31, 2012. During the period, there were no events that, based on the corresponding contracts, could have triggered a credit default.

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 assets as its asset and liability transactions may show 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 duly and independently monitored.

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 units to the Board of Directors.

In compliance with the Corporate Governance practices and aiming to preserve and strengthen the management of market and liquidity risks in the Organization, as well as to meet the requirements of Resolution nº 3.464/07, of the National Monetary Council (CMN), the Board of Directors approved the Market and Liquidity Risk Management Policy, which is reviewed at least on an annual basis by the relevant Committees and by the Board of Directors itself, and provides the main guidelines for acceptance, control and management of market and liquidity risks.

In addition to the policy, the Organization has specific rules to regulate the market- and liquidity-risk management process, as follows:

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- 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 conducted in a corporate manner; it involves diverse areas, with specific duties in the process, thereby ensuring an efficient structure, and the measurement and control of market risk is conducted in a centralized and independent manner. This process allowed the Organization to use since January 2013, its internal market risk models to calculate regulatory capital requirements. This process, approved by the Board of Directors, is also revised at least once a year by the Committees and the Board itself.

Determination of Limits

Proposed market-risk limits are validated by specific Committees that are submitted for approval by the Integrated Risk Management and Capital Allocation Committee, and then for approval by the Board of Directors and based on the business' characteristics, which are segregated into the following Portfolios:

Trading Portfolio: it comprises all operations involving financial instruments, including derivatives, maintained for trading purposes or intended to hedge other instruments of the trading portfolio, and which are not subject to trading limitations. Operations maintained for trading purposes are those intended for resale, to obtain benefits from actual or expected price variations or arbitrage.

The Trading Portfolio is monitored by the following limits:

- VaR;
- Stress;
- Income; and
- Financial Exposure.

Banking Portfolio: it comprises operations not classified in the Trading Portfolio, arising from Organization’s other businesses and their respective hedges.

For the Banking Portfolio, the following limits are monitored:

- Interest rate risk; and
- Share Portfolio.

Market-Risk Measurement Models

Market risk is measured and controlled using the Stress, Value at Risk (VaR), the 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 the analysis of different scenarios and situations.

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Trading and Regulatory Portfolio and Equity Risk from Banking Portfolio

Trading Portfolio risks are controlled by the Stress and VaR methodology. The Stress 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 Economic area based on historical and prospective data for the risk factors in which the Books hold a position.

In order to evaluate risk through VaR, the risks of the Trading and Regulatory Portfolios (Trading Portfolio positions plus foreign currency exposure and Banking Portfolio commodities) and of equity in the Banking Portfolio, though controlled separately, are measured using the Delta-Normal VaR methodology, with a confidence level of 99%, as well as volatilities and correlations calculated using statistical methods that give more weight to recent returns. Gamma and Vega risks for operations with options are incorporated to VaR, which is calculated for one day and adjusted to reflect the impact of the period necessary to unwind the existing positions.

For regulatory purposes, the capital requirements relating to shares of the Banking Portfolio are determined through the credit risk evaluation, as per Central Bank of Brazil resolution.

Risk of Interest Rate in the Banking Portfolio

The measurement and control of the interest-rate risk in the Banking Portfolio area is based on the EVE methodology, which measures the economic impact on the positions, according to scenarios prepared by the Organization's economic area, which are intended to determine positive and negative changes likely to occur in interest-rate curves applicable to investments and borrowings.

The EVE methodology consists of repricing the portfolio subject to interest rate variations, taking into account the increases or decreases of rates used to calculate the present value and total term of assets and liabilities. This way, the economic value of the portfolio is estimated on the basis of market interest rates on the analysis date and of scenarios projected for a period of 1 year. The difference between the values obtained for the portfolio will be EVE, that is, the interest-rate risk applicable to the Banking Portfolio.

For the measurement of the interest-rate risk in the Banking Portfolio, accelerated payment of loans is not assumed, as this situation is not significant in the total volume of operations. For deposits without a defined maturity, such as demand deposits and savings deposits, an analysis is performed to determine their historical behavior and the possibility of maintaining it are studied. Thus, after all the deductions from demand and savings deposits, for example, the compulsory reserve held at Bacen, the remaining balance (free funds) is considered in accordance with the maturity flows of fixed-rate lending operations of the Financial Conglomerate.

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, and the risks area responsible for the coordination of the Commission and for the submission of the matters assessed to the CEGRIMEL, for reporting or approval, whichever is the case.

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Whenever possible, the Bank adopts prices and rates practiced by the Securities, Commodities and Futures Exchange and the Secondary Securities Market. 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 adopted 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 Book must be approved by the Treasury or Products and Services 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 engaged in guaranteeing that the prices used reflect the market value of the operations. Should information not be found, Bradesco 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 price to a type of instrument within the Organization; and

- Transparency: the methodology must be accessible by the Internal and External Audit and Independent Model Validation areas and by Regulatory Agencies.

Independent Model Validation

In addition to the model development, monitoring and enhancement activities, the market practices propose creating an independent validation process for internal models, with critical and timely analysis of the application scope, measurement system, monitoring, applicability and technology of internal models.

Thus, the main objective of the validation process is to issue a justified opinion on whether the internal models work according to the expected objectives and whether the results obtained are appropriate to be used for the purpose they were created.

Therefore, the area carries out activities that allow the development and constant improvement of the evidence program. Evidence program tests are specific for each type of model and contain objectives, requirements, procedures, the expected results and criteria to assess the result obtained, and are classified into six dimensions, grouped into qualitative and quantitative types.

- **Qualitative**

- Scope of the Model: scope of application that includes the objective of each type of risk, the companies exposed to this type of risk, books, products, segments, channels, etc.;

- Applicability of the Model: includes the definition, reasonability in the use of the model's factors, flow and timeliness of information to the decision-making process; and

- Technological Environment and Data Consistency: structure of systems and controls involved in the calculations performed by the model and the process in which the model is inserted. It also includes data consistency, taking into consideration the functionalities of version and access controls, backup, traceability, changes in parameters, data quality, system contingency and automated controls.

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- **Quantitative**

- Measurement System: risk measurement procedure that includes the definition, application and internal validation of the method, composed of methodology, assumptions, parameters, calculation routine, input data and results;

- Stress Test: measurement procedure to quantify the variations in the amounts estimated by the model in extreme, historical and prospective scenarios, plausible for the variables affecting it; and

- Backtesting: statistic procedure used to assess the model by comparing the amounts estimated by the model and the amounts observed within a previously defined period. It includes methodological, formalization and utilization aspects for model improvement.

The responsibility for the independent validation process, that includes the analysis and the assessment of internal models, belongs to the Independent Model Validation Area (AVIM), which is part of the Internal Control and Compliance Department. AVIM's validation process uses structures that are already implemented and settled in the Organization to avoid overlapping tasks.

Control and Follow-Up

By Economic Activity Sector

Market risk is primarily controlled and monitored by an independent area, the Integrated Risk Control Department, whom, 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, positions are discussed once a week by the Executive Treasury Committee, which evaluates results and risks and discusses strategies. Both the governance process and existing limits are ratified by the Integrated Risk and Capital Allocation Management Committee and submitted to approval of the Board of Directors, and are revised at least once a year.

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.

Reports are complemented by an alert system, which determines the addressees of risk reports according to the usage percentage previously determined, therefore, the higher the risk limit consumption, more Senior Management members receive the reports.

Hedging and Use of Derivatives

With the purpose of standardizing the use of financial instruments contracted for hedging purposes and the treasury derivatives, the Organization has created specific rules that have been approved by the applicable Committees.

The economic hedge operations entered into by the Treasury Department should, necessarily, eliminate or mitigate risks of mismatches of volumes, terms, currencies or indexers of the positions on the treasury books, using the assets and derivatives authorized for trading in each of the books, in order to:

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- control and classify the operations, respecting the current limits of exposure and of risks;
- alter, modify or revert positions due to changes in the market and to operational strategies; and
- reduce or mitigate exposures of operations in inactive markets, in conditions of stress or of low liquidity.

Derivatives Standardized and of Continuous Use

The Treasury Department may use standardized derivatives (traded on an exchange) and those of continuous use (traded over-the-counter) with the purpose of obtaining income and also for the structuring of hedges. The derivatives classified as 'of 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), vanilla options (currency, Bovespa Index), among others. Non-standardized derivatives that are not classified as 'of continuous use' or structured operations are subject to the authorization of the applicable Committee.

Evolution of the Exposure

In this section we present the evolution of financial exposure, the VaR calculated using the internal model and its backtesting, the Stress Analysis, and the Sensitivity Analysis.

Financial Exposure – Trading Portfolio

R$ thousand

Risk Factors	December 31			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Fixed rate	156,803,699	202,995,592	231,620,621	200,058,048
IGP-M (General Index of market pricing) / IPCA (Consumer price index)	10,792,336	8,031,461	14,311,059	13,581,800
Forex Coupon	16,646,887	18,029,444	3,440,579	7,507,735
Foreign Currency	17,726,601	18,899,620	7,862,049	10,126,565
Variable Income	198,852	130	602,561	415,269
Sovereign / Eurobonds and Treasuries	8,847,031	4,298,277	8,321,309	7,053,277
Other	1,293,999	139,364	1,145,887	55,104
Total at the end of the year	**212,309,405**	**252,393,888**	**267,304,065**	**238,797,798**

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VaR Internal Model –Trading Portfolio

As of 2013, in line with the characteristics of the trading portfolio and our other publications, we now present the VaR at a horizon of 1 day, which is the basis for the calculation of regulatory capital requirements and the process of market risk management, which, as a way to expand our analysis and controls, is adjusted for liquidity risk of its assumed positions. The VaR at the horizon of 1 day is also used to assess the adherence of the adopted model (backtesting), which influences the regulatory capital required. Moreover, because of the tax consequences that a possible negative outcome might bring, the amounts presented are net of tax effects.

At the end of the 2013 year we verified that there was a reduction in VaR in relation to the end of the 2012 year, because of the reduction in the period of exposure.

R$ thousand

Risk Factors	**December 31**	
	2013	**2012**
Fixed rate	18,626	24,793
IGP-M (General Index of market pricing) / IPCA (Consumer price index)	15,158	29,025
Forex Coupon	4,999	7,053
Foreign Currency	10,387	14,322
Variable Income	475	4,640
Sovereign / Eurobonds and Treasuries	6,310	9,395
Others	1,055	1,868
Correlation / Diversification Effect	(16,068)	(36,197)
VaR at the end of the year	**40,942**	**54,899**
Average VaR in the year	102,676	67,177

By Economic Activity Sector

Minimum VaR in the year	16,116	29,822
Maximum VaR in the year	264,305	111,195

Note: 1-day VaR and net of tax effects.

Internal VaR Model – Regulatory Portfolio

Bradesco uses since January 2013, its internal market risk models, which had already been used in the Organization's management, to assess regulatory capital requirements[1] for all risk factors and The Organization's companies. This capital is calculated based on the Regulatory Portfolio, which comprises the Trading Portfolio and the Foreign Exchange Exposure and the Commodities Exposure of the Banking Portfolio, through the normal delta VaR model, adjusted by the Gama and Vega risks of options operations and one-day horizon, extrapolated by the square root of time method to the regulatory horizon[2] (at least ten days). VaR and Stressed VaR shown below refer to a ten-day horizon and are net of tax effects.

[1] According to Central Bank Circular Letter 3,674, capital requirement accounts for the maximum between 90% of Central Bank's standard model and the internal model used by the Bank, during the first year of adoption of the market risk internal model, as of the date the Bank was authorized to adopt it, and the maximum between 80% of Central Bank's standard model and the internal model used by the Bank, as of the second year of adoption of the internal model;

[2] The maximum amount between the book's holding period and ten days, which is the minimum regulatory horizon required by Central Bank, is adopted; and

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R$ mil

Risk Factors	December 31, 2013	
	VaR	Stressed VaR
Interest rate	110,042	235,649
Exchange rate	57,508	139,680
Commodity price (Commodities)	1,600	3,715
Share prices	4,406	5,629
Correlation / Diversification Effect	(26,312)	(49,235)
VaR at the end of the year	**147,244**	**335,438**
Average VaR in the year	340,648	653,795
Minimum VaR in the year	61,605	143,623
Maximum VaR in the year	835,434	1,404,577

VaR Internal Model – Backtesting

The main purpose is to monitor, validate and assess the adherence of the VaR model, and the number of disruptions occurred must be compatible with the number of disruptions accepted by the statistical tests conducted and confidence level established. Another objective is to improve the models used by the Organization, through analyses carried out to different periods and VaR trust levels, both for Total VaR and risk factor.

The methodology applied and current statistical models are continuously assessed using backtesting techniques, which compare the VaR, with one-day maintenance period, and the hypothetic results obtained from the same positions used in the VaR calculation and with the effective result also considering the changes in the day for which VaR was estimated.

The corresponding hypothetical and effective daily results of the last 250 business days exceed in seven instances the VaR with 99% trust level, i.e., only an exception above the limits defined in the statistic tests applied to the model, despite the strong market variations mainly in the first half of 2013. For longer analysis periods, exceptions are in line with expectations, proving the model's consistency.

The disruptions were mainly due to more variations than expected in interest rates, influenced within the period assessed by the doubts towards the behavior of the inflation and the speed and intensity of the Brazilian monetary tightening cycle, in addition to increased international risk aversion, mainly towards the emerging nations, and U.S. Federal Reserve's (US FED) signaling it could suspend the monetary stimulus for the American economy in 2013. According to the document published by the Basel Committee on Banking Supervision[3], the disruptions would be classified as "bad luck or the markets moved differently than the expected by the model," i.e., volatility was significantly higher than expected and, in some situations, the correlations differ from those assumed by the model.

The graphs below show the Regulatory Book 1-day VaR and the hypothetical and effective results obtained on a daily basis.

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[3]Supervisory Framework for the use "Backtesting" in Conjunction with the Internal Models Approach to Market Risk Capital Requirements, of January 1996.

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Graph I – VaR vs. Hypothetical Result

Graph II – VaR vs. Effective results

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Stress Analysis – Trading Portfolio

The Organization still assesses on a daily basis, the possible impacts on positions in stress scenarios for the next 20 business days, with limits established during the governance process. Thus, the possibility of average loss estimated in a stress situation would be R$ 713,611 thousand in 2013 (2012 – R$ 833,695 thousand), and the maximum estimated loss would be R$ 1,436,759 thousand (2012 – R$ 1,493,661 thousand). Is worth noting that as of 2013, in line with the information from the Risk Management Report - Pillar 3, the values of stresses are presented only within a view that considers the diversification effect between the risk factors and how these values are net of tax effects.

R$ thousand

	December 31	
	2013	**2012**
At the end of the year	479,183	862,239
Average in the year	713,611	833,695
Minimum in the year	144,869	200,458
Maximum in the year	1,436,759	1,493,661

Note: Values net of tax effects.

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Sensitivity Analysis

The Trading Portfolio is also evaluated daily using sensitivity analysis to measure the effect of the market and price curves on our positions. In addition, a sensitivity analysis of the Organization's financial exposures (Trading and Banking Portfolios) is conducted on a quarterly basis. It is important to highlight the impacts of the financial exposure on the Banking Portfolio (notably interest rates and price indexes) do not necessarily represent a potential accounting loss for the Organization. This is because a part of the loan operations in the Banking Portfolio is funded by demand deposits and/or savings deposits, which serve as a natural hedge against any interest rate fluctuations; and interest rate fluctuations do not have a material impact in the Organization's results, since the intention is to hold the loan operations until their maturity.

Scenario 1 - shock of 1 b.p to rates and 1% to market prices
Scenario 2 - shock of 25% to rates and market prices
Scenario 3 - shock of 50% to rates and market prices

R$ thousand

		Trading & Banking Portfolios (1)					
		December 31, 2013			**December 31, 2012**		
Risk Factors	**Definition**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**
Interest Rates in Reais	Exposures subject to variations of fixed interest rates and coupon rate	(7,177)	(1,942,202)	(3,739,065)	(11,099)	[illegible]	[illegible]
Price indices	Exposures subject to the variation of the coupon rate of the price indices	(14,665)	(2,100,989)	(3,876,937)	(22,273)	[illegible]	[illegible]

By Economic Activity Sector

FX Coupon	Exposures subject to the variation of the coupon rate of foreign currencies	(371)	(49,769)	(91,023)	(661)	[illegible]
Foreign Currency	Exposures subject to the FX variation	(11,161)	(253,210)	(482,709)	(11,347)	[illegible]
Variable Income	Exposures subject to the variation of share prices	(22,002)	(550,045)	(1,100,090)	(19,079)	[illegible]
Sovereign/ Eurobonds and Treasuries	Exposures subject to the variation of the interest rate of securities traded on the international market	(764)	(50,300)	(96,883)	(1,115)	[illegible]
Others	Exposures that do not match the previous definitions	(397)	(9,939)	(19,877)	(82)	[illegible]
Total without correlation		**(56,537)**	**(4,956,454)**	**(9,406,584)**	**(65,656)**	**[illegible]**
Total with correlation		**(39,608)**	**(4,078,197)**	**(7,698,477)**	**(36,642)**	**[illegible]**

(1) Values net of taxes.

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Below we present the sensitivity analysis of the Trading Portfolio only, which represents the exposures that may have material impact on the Organization's results. Note that the results presented show the impacts of each scenario in a static portfolio position. The market's dynamism makes these positions change continuously and which do not necessarily reflect the current position shown here:

Scenario 1 - shock of 1 b.p to rates and 1% to market prices
Scenario 2 - shock of 25% to rates and market prices
Scenario 3 - shock of 50% to rates and market prices

R$ thous

		Trading Portfolio (1)					
		December 31, 2013			December 31, 2012		
Risk Factors	**Definition**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenari**
Interest Rates in Reais	Exposures subject to variations of fixed interest rates and coupon rate	(1,161)	(314,600)	(610,764)	(1,596)	(300,144)	(577,4
Price indices	Exposures subject to the variation of the coupon rate of the price indices	(714)	(101,267)	(196,397)	(2,864)	(256,727)	(489,7
FX Coupon	Exposures subject to the variation of the coupon rate of foreign currencies	(378)	(51,033)	(93,293)	(649)	(55,701)	(104,8

Foreign Currency	Exposures subject to the FX variation	(6,050)	(148,787)	(297,318)	(12,312)	(216,083)	(418,0
Variable Income	Exposures subject to the variation of share prices	(920)	(23,008)	(46,016)	(1,537)	(31,882)	(60,4
Sovereign/ Eurobonds and Treasuries	Exposures subject to the variation of the interest rate of securities traded on the international market	(590)	(43,582)	(83,593)	(1,001)	(41,733)	(81,1
Others	Exposures that do not match the previous definitions	(20)	(505)	(1,010)	(49)	(1,232)	(2,4
Total without correlation		**(9,833)**	**(682,782)**	**(1,328,391)**	**(20,008)**	**(903,502)**	**(1,734,2**
Total with correlation		**(7,434)**	**(509,080)**	**(991,248)**	**(13,585)**	**(580,483)**	**(1,111,5**

(1) Values net of taxes.

By Economic Activity Sector

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The sensitivity analyses were prepared based on the scenarios for the respective dates, always considering the market information at the time and scenarios that have a negative impact on our positions.

Scenario 1: Based on the market information (BM&FBovespa, Anbima, etc.), stresses were applied of 1 basis point for interest rates and a 1% variation for prices. For example: in the scenario applied on the positions at December 31, 2013 the exchange rate Real/Dollar was R$ 2.39 (December 31, 2012 – R$ 2.06). For the scenario of interest, the 1-year fixed rate applied on the positions at December 31, 2013 was 10.59% p.a (December 31, 2012 – 7.15%).

Scenario 2: Stresses of 25% were calculated based on the markets. For example: in the scenario applied on the positions at December 31, 2013 the exchange rate Real/Dollar was R$ 2.95 (December 31, 2012 – R$ 2.55). For the scenario of interest, the 1-year fixed rate applied on the positions at December 31, 2013 was 13.23% p.a. (December 31, 2012 – 8.92%) The scenarios for the other risk factors also represent a stress of 25% in the respective curves or prices.

Scenario 3: Stresses of 50% were calculated based on the markets. For example: in the scenario applied on the positions at December 31, 2013, the exchange rate Real/Dollar was R$ 3.54 (December 31, 2012 – R$ 3.06). For the scenario of interest, the 1 year fixed rate applied on the positions at December 31, 2013 was 15.87% p.a. (December 31, 2012 – 10.71% p.a.) The scenarios for the other risk factors also represent a stress of 50% in the respective curves or prices.

3.3. Liquidity risk

The Liquidity Risk is represented by the mismatch in cash flow, a result of difficulties to rapidly dissolve an asset or raise funds, hindering the liquidity of positions or creating outstanding liabilities.

The understanding and monitoring of this risk are crucial to enable the Organization to settle operations in a timely manner.

Management Process of the Liquidity Risk

The liquidity risk management process is conducted in a corporate and centralized and independent manner, including the daily monitoring of available funds, the compliance with the minimum liquidity level and the contingency plan for stress situations.

One of the objectives of the Organization's Policy on Market and Liquidity Risk Management, approved by the Board of Directors, is to lay down the rules, criteria and procedures that guarantee the establishment of the Minimum Liquidity Reserve (RML) for the Organization, as well as the strategy and action plans for liquidity crisis situations. The policy and controls established fully comply with CMN Resolution 4,090/12.

As part of the criteria and procedures approved, the Organization establishes the minimum daily liquidity reserve and the types of assets eligible for making up the resources available. It also establishes the instruments for managing liquidity in a normal scenario and in a crisis scenario and the strategies to be implemented in each case.

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Control and Monitoring

The liquidity risk management process is conducted by the Treasury Department based on the positions provided by the back-office area, which is responsible for providing the necessary information to the management and for monitoring the compliance with the limits established. The Integrated Risk Control Department is responsible for the methodology for measuring the minimum liquidity reserve, controlling the limits established according to currency and type of company (including non-financial firms), reviewing the policies, rules, criteria and procedures, and conducting studies for new recommendations.

The liquidity risk is monitored at the Treasury Executive Committee, which monitors liquidity reserves, with mismatches in maturities and currencies. The monitoring is also conducted by the Market and Liquidity Risk Management Executive Committee, the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

Internal Communication

In the process of liquidity risk management, reports are distributed daily to the areas involved in management and control, as well as to the Management. This process comprises several analysis instruments used to monitor the 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; and
- Weekly reports to the Board of Executive Officers, 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 established limit usage percentage. Thus, the higher the risk limit consumption, the higher the number 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, where the liquidity risk is managed based on the expected future undiscounted cash receipts.

R$ thousand

	December 31, 2013					
	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	126,484,700	16,071,600	67,084,045	51,749,438	5,474,725	266,864,508
Deposits from customers	133,576,023	11,644,757	20,734,318	64,257,703	211,237	230,424,038
Funds from securities issued	3,419,212	3,375,505	15,908,345	49,563,696	2,638,377	74,905,135
Subordinated debt	303,556	133,711	2,869,486	35,786,674	18,733,249	57,826,676
Total liabilities	**263,783,491**	**31,225,573**	**106,596,194**	**201,357,511**	**27,057,588**	**630,020,357**

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R$ thousand

	December 31, 2012 (Restated)					
	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	100,654,888	19,270,027	61,332,024	46,647,675	6,535,820	234,440,434
Deposits from customers	120,999,436	7,339,298	17,794,436	73,168,644	1,183,150	220,484,964
Funds from securities issued	6,166,986	4,839,452	23,097,132	23,456,455	781,037	58,341,062
Subordinated debt	331,407	500,173	1,888,804	19,588,044	29,659,710	51,968,138
Total liabilities	**228,152,717**	**31,948,950**	**104,112,396**	**162,860,818**	**38,159,717**	**565,234,598**

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 cash flows referring to financial liabilities of the Organization. The cash flows that the Organization estimates for these instruments may vary significantly from expectations. For example, it is expected that demand deposits of customers maintain a stable or increasing balance, and it is not expected that the unrecognized loan commitments are withdrawn immediately.

The gross cash inflows / (cash outflows) presented in the previous table refer to the undiscounted contractual cash flow related to the financial liability or commitment.

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, future rates contracts, interest rate options, other interest rate contracts, contracts of interest rate futures traded on an exchange and interest rate options traded on an exchange.

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The table below analyzes the financial liabilities in derivatives that will be settled at net value, grouped based on the period remaining from the date of the consolidated statement of financial position to the respective maturity date. The values disclosed in the table are undiscounted cash flows.

R$ thousand

	December 31, 2013					
	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	159,165	119,719	185,764	614,416	536,146	1,615,210
Non-deliverable forwards	219,827	113,222	60,343	47,631	16,675	457,698
• Purchased	81,522	6,254	13,265	170	-	101,211
• Sold	138,305	106,968	47,078	47,461	16,675	356,487
Premiums of options	91,547	4,296	106,973	19,208	-	222,024
Total of derivative liabilities	**470,539**	**237,237**	**353,080**	**681,255**	**552,821**	**2,294,932**

R$ thousand

	December 31, 2012 (Restated)					
	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	219,816	28,204	196,946	606,202	801,822	1,852,990
Non-deliverable forwards	2,448,427	45,998	114,156	6,593	-	2,615,174
• Purchased	439,417	43,314	45,978	6,370	-	535,079
• Sold	2,009,010	2,684	68,178	223	-	2,080,095
Premiums of options	122,177	1,192	11,637	1,996	-	137,002
Total of derivative liabilities	**2,790,420**	**75,394**	**322,739**	**614,791**	**801,822**	**4,605,166**

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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

	December 31, 2013						
	Current			Non-current			
	1 to 30 days	**31 to 180 days**	**181 to 360 days**	**1 to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
Assets							
Cash and balances with banks	67,450,363	-	-	-	-	-	67,450,363
Financial assets held for trading	21,415,199	6,406,961	16,508,242	30,456,366	10,325,394	10,980,361	96,092,523
Financial assets available for sale	7,992,859	948,135	1,112,736	15,854,096	36,050,088	5,880,497	67,838,411
Investments held to maturity	-	-	-	2,948,181	20,120,845	-	23,069,026
Assets pledged as collateral	37,861,027	7,734,003	2,351,252	45,168,535	24,625,408	-	117,740,225
Loans and advances to banks	61,160,937	3,904,620	7,069,189	6,584,167	810	-	78,719,723
Loans and advances to customers	41,883,929	76,082,035	48,717,678	120,270,221	17,167,471	-	304,121,334
Other financial assets [1]	19,150,717	234,140	266,351	8,365,321	401,895	-	28,418,424
	256,915,031	**95,309,894**	**76,025,448**	**229,646,887**	**108,691,911**	**16,860,858**	**783,450,029**

By Economic Activity Sector

Total financial assets							
Liabilities							
Deposits from banks	125,383,182	51,041,184	20,247,946	41,895,414	4,532,647	-	243,100,373
Deposits from customers (2)	133,568,855	18,130,186	12,948,037	51,365,672	205,307	-	216,218,057
Financial liabilities held for trading	478,068	429,720	191,962	482,895	243,737	-	1,826,382
Funds from securities issued	2,856,196	9,345,039	8,647,031	35,840,053	1,194,749	-	57,883,068
Subordinated debt	159,428	770	2,421,701	21,016,930	12,286,174	-	35,885,003
Insurance technical provisions and pension plans (2)	103,870,571	2,295,904	674,971	23,487,577	-	-	130,329,023
Other financial liabilities (3)	31,217,814	5,180,378	2,445,098	680,694	-	-	39,523,984
Total financial liabilities	**397,534,114**	**86,423,181**	**47,576,746**	**174,769,235**	**18,462,614**	**-**	**724,765,890**

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R$ thousand

	December 31, 2012 (Restated)						
	Current			Non-current			
	1 to 30 days	31 to 180 days	181 to 360 days	1 to 5 years	More than 5 years	No stated maturity	Total
Assets							
Cash and balances with banks	59,901,564	-	-	-	-	-	59,901,564
Financial assets held for trading	28,613,415	5,238,445	2,215,141	40,734,189	23,626,185	11,411,127	111,838,502
Financial assets available for sale	18,399,375	706,356	517,265	10,984,233	45,390,233	5,524,668	81,522,130
Investments held to maturity	2,003	9,239	-	220,643	3,483,788	-	3,715,673
Assets pledged as collateral	14,472,932	60,287,471	1,019,023	19,656,101	10,697,772	-	106,133,299
Loans and advances to banks	50,379,883	26,824,507	5,088,339	10,165,175	1,443	-	92,459,347
Loans and advances to customers	48,832,280	67,502,646	40,431,826	94,332,963	17,921,605	-	269,021,320
Other financial assets (1)	20,177,831	175,525	207,400	8,796,112	343,539	-	29,700,407
Total financial assets	**240,779,283**	**160,744,189**	**49,478,994**	**184,889,416**	**101,464,565**	**16,935,795**	**754,292,242**
Liabilities							
Deposits from banks	98,782,683	63,080,426	14,133,053	40,917,101	4,030,091	-	220,943,354
Deposits from customers (2)	122,542,678	14,323,104	10,054,554	63,129,248	724,679	-	210,774,263
Financial liabilities held for trading	2,790,513	182,250	202,157	486,821	388,241	-	4,049,982

Funds from securities issued	3,460,972	14,697,409	12,119,875	20,669,467	604,370	-	51,552,093
Subordinated debt	195,661	549,640	1,396,680	13,523,640	19,186,093	-	34,851,714
Insurance technical provisions and pension plans (2)	91,388,794	2,011,060	491,703	24,877,163	-	-	118,768,720
Other financial liabilities (3)	29,568,300	4,903,276	2,987,675	600,633	-	-	38,059,884
Total financial liabilities	**348,729,601**	**99,747,165**	**41,385,697**	**164,204,073**	**24,933,474**	**-**	**679,000,010**

(1) Includes mainly foreign exchange transactions, debtors for guarantee deposits and negotiation and intermediation of securities;

(2) Demand and savings deposits and insurance technical provisions 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 leasing and capitalization bonds.

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The tables below show the assets and liabilities of the Company segregated by current and non-current, on the reporting date:

R$ thousand

	December 31, 2013		
	Current	**Non-current**	**Total**
Assets			
Total financial assets	**428,250,373**	**355,199,656**	**783,450,029**
Non-current assets held for sale	832,546	-	832,546
Investments in associated companies	-	3,392,847	3,392,847
Property and equipment	-	4,501,967	4,501,967
Intangible assets and goodwill	-	8,220,739	8,220,739
Taxes to be offset	922,917	4,370,199	5,293,116
Deferred income tax assets	-	25,661,079	25,661,079
Other assets	4,144,441	2,804,850	6,949,291
Total non-financial assets	**5,899,904**	**48,951,681**	**54,851,585**
Total assets	**434,150,277**	**404,151,337**	**838,301,614**
Liabilities			
Total financial liabilities	**531,534,041**	**193,231,849**	**724,765,890**
Other provisions	1,531,647	12,220,930	13,752,577
Current income tax liabilities	3,082,976	-	3,082,976
Deferred income tax liabilities	-	799,824	799,824
Other liabilities	23,023,496	773,925	23,797,421
Total non-financial liabilities	**27,638,119**	**13,794,679**	**41,432,798**
Total equity	**-**	**72,102,926**	**72,102,926**
Total liabilities and equity	**559,172,160**	**279,129,454**	**838,301,614**

R$ thousand

	December 31, 2012 (Restated)		
	Current	**Non-current**	**Total**
Assets			

Total financial assets	**451,002,671**	**303,289,571**	**754,292,242**
Non-current assets held for sale	532,809	164	532,973
Investments in associated companies	-	3,121,386	3,121,386
Property and equipment	-	4,524,827	4,524,827
Intangible assets and goodwill	-	7,617,873	7,617,873
Taxes to be offset	804,621	4,489,945	5,294,566
Deferred income tax assets	-	17,913,529	17,913,529
Other assets	3,509,924	2,733,304	6,243,228
Total non-financial assets	**4,847,354**	**40,401,028**	**45,248,382**
Total assets	**455,850,025**	**343,690,599**	**799,540,624**
Liabilities			
Total financial liabilities	**489,862,463**	**189,137,547**	**679,000,010**
Other provisions	1,134,895	19,886,214	21,021,109
Current income tax liabilities	3,288,688	-	3,288,688
Deferred income tax liabilities	-	3,091,667	3,091,667
Other liabilities	21,035,931	756,829	21,792,760
Total non-financial liabilities	**25,459,514**	**23,734,710**	**49,194,224**
Total equity	**-**	**71,346,390**	**71,346,390**
Total liabilities and equity	**515,321,977**	**284,218,647**	**799,540,624**

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Notes to the Consolidated Financial Statements

3.4. Fair value of financial assets and liabilities

The Organization applies IFRS 7 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

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

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.

For fair valuing securities traded which have no public source, the Bradesco uses models defined by the mark-to-market Commission and also the mark-to-mark manual for each security modality, thus maintaining a consistent and regular source of disclosure. 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 its determination of fair value.

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The tables below present the composition of the financial assets and liabilities measured at fair value, classified using the hierarchical levels:

R$ thousand

December 31, 2013

	Level 1	Level 2	Level 3	Fair Value
Brazilian government securities	46,847,215	-	253	46,847,468
Corporate debt and marketable equity securities	6,753,756	-	11,132,686	17,886,442
Bank debt securities	15,837,616	-	4,350,208	20,187,824
Mutual funds	8,426,678	-	-	8,426,678
Foreign governments securities	235,083	-	-	235,083
Financial assets held for trading	**78,100,348**	**-**	**15,483,147**	**93,583,495**
Derivative financial instruments	141,336	2,367,692	-	2,509,028
Derivative financial instruments (liabilities)	(187,677)	(1,638,705)	-	(1,826,382)
Derivatives	**(46,341)**	**728,987**	**-**	**682,646**
Brazilian government securities	28,897,492	-	88,193	28,985,685
Corporate debt securities	5,181,185	-	25,877,171	31,058,356
Bank debt securities	1,766,313	-	82,974	1,849,287
Brazilian sovereign bonds	64,586	-	-	64,586
Marketable equity securities and other stocks	5,643,098	-	237,399	5,880,497
Financial assets available for sale	**41,552,674**	**-**	**26,285,737**	**67,838,411**
Total	**119,606,681**	**728,987**	**41,768,884**	**162,104,552**

R$ thousand

December 31, 2012 (Restated)

	Level 1	Level 2	Level 3	Fair Value
Brazilian government securities	46,011,496	-	3,026	46,014,522
Corporate debt and marketable equity securities	8,320,374	-	27,900,869	36,221,243
Bank debt securities	16,706,498	-	1,779,188	18,485,686
Mutual funds	7,650,252	-	-	7,650,252
Foreign governments securities	244,168	-	-	244,168
Financial assets held for trading	**78,932,788**	**-**	**29,683,083**	**108,615,871**
Derivative financial instruments	-	3,067,334	155,297	3,222,631
Derivative financial instruments (liabilities)	-	(3,913,211)	(136,771)	(4,049,982)
Derivatives	-	**(845,877)**	**18,526**	**(827,351)**
Brazilian government securities	63,861,957	-	103,509	63,965,466
Corporate debt securities	4,141,250	-	6,754,049	10,895,299
Bank debt securities	862,921	-	-	862,921
Brazilian sovereign bonds	273,776	-	-	273,776
Marketable equity securities and other stocks	5,147,824	-	376,844	5,524,668
Financial assets available for sale	**74,287,728**	-	**7,234,402**	**81,522,130**
Total	**153,220,516**	**(845,877)**	**36,936,011**	**189,310,650**

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, including the period to maturity, which are used to value the position. The majority of market inputs is observable and can be obtained, mainly, from BM&FBovespa and the secondary market. Other 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.

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The yield curves are used to determine the fair value 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 from 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. Further, many 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 actively 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 relating to corporate debt securities.

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 2013 and 2012:

R$ thousand

	Financial assets held for trading	**Net derivatives (1)**	**Financial assets available for sale**	**Total**
Balance on December 31, 2011 (Restated)	**21,455,840**	**(10,947)**	**6,595,137**	**28,040,030**
Included in the statement of income and other comprehensive income	2,399,821	(28,828)	1,251,096	3,622,089
Acquisitions, issuances and sales	5,951,615	58,301	(611,831)	5,398,085
Transfer levels	(124,193)	-	-	(124,193)

Balance on December 31, 2012 (Restated)	**29,683,083**	**18,526**	**7,234,402**	**36,936,011**
Included in the statement of income and other comprehensive income	2,547,555	-	(304)	2,547,251
Acquisitions, issuances and sales(2)	(16,673,091)	-	19,051,639	2,378,548
Transfer levels	(74,400)	(18,526)	-	(92,926)
Balance on December 31, 2013	**15,483,147**	**-**	**26,285,737**	**41,768,884**

1) In 2012, the net derivatives included R$ 155,297 thousand of derivative assets and R$ 136,771 thousand of derivative liabilities; and

2) In 2013, R$ 13,811,260 thousand were reclassified, classified as level 3, from category of "trading securities" to "available for sale".

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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 2013, 2012 and 2011:

R$ thousand

	Year ended December 31, 2013			
	Financial assets held for trading	**Net derivatives**	**Financial assets available for sale**	**Total**
Interest and similar income	2,499,220	-	1,067,146	3,566,366
Net trading gains/(losses) realized and unrealized	48,335	-	(1,067,450)	(1,019,115)
Total	**2,547,555**	**-**	**(304)**	**2,547,251**

R$ thousand

	Year ended December 31, 2012 (Restated)			
	Financial assets held for trading	**Net derivatives**	**Financial assets available for sale**	**Total**
Interest and similar income	2,462,474	-	782,702	3,245,176
Net trading gains/(losses) realized and unrealized	(62,653)	(28,828)	468,394	376,913
Total	**2,399,821**	**(28,828)**	**1,251,096**	**3,622,089**

R$ thousand

	Year ended December 31, 2011 (Restated)
	Total

	Financial assets held for trading	Net derivatives	Financial assets available for sale	
Interest and similar income	2,152,178	-	669,938	2,822,116
Net trading gains/(losses) realized and unrealized	(123,989)	(3,475)	796	(126,668)
Total	**2,028,189**	**(3,475)**	**670,734**	**2,695,448**

The tables below show the gains/(losses) due to the changes in fair value, including the realized and unrealized gains and losses, recorded in the statement of income for Level 3 assets and liabilities, which were not settled during the years 2013, 2012 and 2011:

R$ thousand

	Year ended December 31, 2013		
	Financial assets held for trading	Net derivatives	Total
Net gains/(losses) due to changes in fair value	36,768	-	36,768
Total	**36,768**	**-**	**36,768**

R$ thousand

	Year ended December 31, 2012 (Restated)		
	Financial assets held for trading	Net derivatives	Total
Net gains/(losses) due to changes in fair value	29,365	(28,828)	537
Total	**29,365**	**(28,828)**	**537**

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R$ thousand

	Year ended December 31, 2011 (Restated)		
	Financial assets held for trading	Net derivatives	Total
Net gains/(losses) due to changes in fair value	(102,916)	(3,475)	(106,391)
Total	**(102,916)**	**(3,475)**	**(106,391)**

Sensitivity analysis for financial assets classified as Level 3

R$ thousand

	2013					
	Impact on income (1)			Impact on shareholders' equity (1)		
	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
Interest rate in BRL	(66)	(18,520)	(34,907)	(1,949)	(427,185)	(764,175)
Price indices	(110)	(15,890)	(29,602)	(776)	(112,631)	(209,840)
Foreign currency coupon	(18)	(1,067)	(2,112)	-	-	-
Foreign currency	(747)	(18,666)	(37,333)	-	-	-
Variable income	-	-	-	(1,424)	(35,610)	(71,220)

R$ thousand

	2012					
	Impact on income (1)			Impact on shareholders' equity (1)		
	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
Interest rate in BRL	(1)	(143)	(278)	(1,388)	(254,520)	(463,090)
Price indices	(95)	(7,821)	(14,999)	(928)	(74,626)	(143,270)
Foreign currency coupon	(21)	(910)	(1,806)	-	-	-
Foreign currency	(868)	(21,711)	(43,421)	-	-	-
Variable income	-	-	-	(2,261)	(56,527)	(113,053)

(1)Values net of taxes.

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 examples below:

Scenario 1: Based on market inputs (BM&FBOVESPA, Brazilian Financial and Capital Markets Association - ANBIMA etc.), one-basis point shocks were applied to the interest rate and a 1% variation to prices. For example: in the scenario applied to the positions as of 12/31/2013, the real/US dollar exchange rate was R$ 2.39. For the interest scenario, the one-year fixed rate applied to the positions as of 12/31/2013 was 10.59% p.a.;

Scenario 2: 25% shocks were determined based on the market. For example: in the scenario applied to the positions as of 12/31/2013, the real/US dollar exchange rate was R$2.95. For the interest scenario, the one-year fixed rate applied to the positions as of 12/31/2013 was 13.23% p.a. The scenarios for the other risk factors also consisted of a 25% shock to the respective curves or prices; and

Scenario 3: 50% shocks were determined based on the market. For example: in the scenario applied to the positions as of 12/31/2013, the real/US dollar exchange rate was R$3.54. For the interest scenario, the one-year fixed rate applied to the positions as of 12/31/2013 was 15.87% p.a. The scenarios for the other risk factors also consisted of a 50% shock to the respective curves or prices.

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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:

R$ thousand

	Carrying amount December 31		Fair value December 31	
	2013	**2012 (Restated)**	**2013**	**2012 (Restated)**
Financial assets				
Held to maturity	23,069,026	3,715,673	24,545,038	6,330,812
Loans and receivables				
• Banks (1)	78,719,723	92,459,347	78,719,723	92,459,437
• Customers (1)	304,121,334	269,021,320	303,332,602	270,692,087
Financial liabilities				
Deposits from banks	243,100,373	220,943,354	243,223,362	220,808,850
Deposits from customers	216,218,057	210,774,263	215,869,434	210,580,862
Funds from securities issued	57,883,068	51,552,093	58,007,208	51,746,171
Subordinated debt	35,885,003	34,851,714	36,232,216	36,349,149

(1) Amounts of loans and receivables are presented net of the provision for impairment losses.

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. For cases in which a market price was available, this was used as an estimate of fair value. For most floating-rate loans, the carrying amounts were considered to approximate fair value. 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 the discounting cash flows or the value of underlying collateral.

The non-performing loans were allocated into each loan category for purposes of fair-value disclosure. Assumptions regarding cash flows and discount rates are based on available market information and specific borrower information.

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Held to maturity

Investments held to maturity are carried at amortized cost. Fair values are estimated according to the assumptions described on Note 2 (e). See Note 22 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 discounted cash flows based on a contractual basis and 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. Capital management

Corporate Capital Management Process

The purpose of Capital Management is to provide the conditions required to meet the Organization's strategic goals. This process is compatible with the nature of the operations, complexity of products and services, and the dimension of the Organization’s exposure to risks, taking into consideration the business environment.

The Organization manages is capital in a centralized manner, involving the business and control areas, the Board of Executive Officers and the Board of Directors in order to develop a strategic plan, that is in line with the Organization risk profile.

The capital management structure is composed of Committees that assist the Board of Executive Officers and the Board of Directors in the strategic decision-making process. Within this structure is the Planning, Budget and Control Department (DPOC), whose mission is to provide support and prepare and execute corporate strategy, manage the financial performance model and monitor the Organization’s efficiency and efficacy. This area is also responsible for complying with the provisions of the Central Bank regarding capital management activities.

Capital Adequacy (PR)

This process is monitored on a daily basis to ensure that the Organization maintains a solid capital base to support its operations and to cover the risks incurred, both in normal and extreme market conditions, and to ensure that the Organization complies with regulatory requirements.

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According to the Central Bank, financial institutions are required to permanently maintain capital (Reference Shareholders' Equity) compatible with the risks from their activities, represented by the Total Capital Requirement (PRE). PRE is calculated taking into consideration, at least, the sum of the following portions:

Where:

Pepr: portion referring to exposure weighted by the risk weighting factor attributed to them;

Pjur: represents the risk of operations subject to interest rate variation;

Pacs: reflects the risk of operations subject to share price variation;

Pcom: reflects the risk of operations subject to commodity price variation;

Pcam: reflects the risk of exposure to gold, foreign currency and operations subject to exchange variation; and

Popr: operational risk portion.

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.

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Analysis of Reference Equity

Below is detailed financial information based on the consolidated statement of financial position as of December 31, 2013 and 2012 prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate under Brazilian Central Bank used to calculate the Reference Equity of the Organization under the perspective of Consolidated Financial Entities and Total Economic Financial. However, if the Reference Equity of the Organization was calculated according to numbers prepared under IFRS, the results could be different from that presented.

R$ thousand

Calculation basis – Capital Adequacy Ratio	**Capital Adequacy Ratio (Basel III)**	**Capital Adequacy Ratio (Basel II)**	
	2013	**2012**	
	December 31,	**December 31,**	
	Financial [1]	**Financial**	**Economic Financial [2]**
Tier I capital	**70,808,081**	**65,887,034**	**66,195,362**
Principal capital	**70,808,081**	**65,887,034**	**66,195,362**
Shareholders' equity	70,939,802	70,047,459	70,047,459
Non-controlling interests	197,679	189,066	588,194
Prudential adjustments - CMN Resolution 4192/13 [3]	(329,400)	-	-
Reduction of deferred assets - CMN Resolution 3444/07[3]	-	(120,784)	(211,584)
Decrease in gains/losses of mark-to-market adjustments in available for sale and derivatives - CMN Resolution 3444/07 [3]	-	(4,228,707)	(4,228,707)
Tier II capital	**24,995,582**	**30,866,449**	**30,866,449**
Total gains/losses of adjustments to fair value in available for sale and derivatives - CMN Resolution 3444/07 [3]	-	4,228,707	4,228,707

Subordinated debt [4]	24,995,582	26,637,742	26,637,742
Deduction of instruments for funding - CMN Resolution 3444/07 [3]	**-**	**(128,153)**	**(128,153)**
Capital (a)	**95,803,663**	**96,625,330**	**96,933,658**
- Credit risk	526,108,312	508,590,459	503,135,606
- Market risk	27,333,949	65,807,466	66,188,180
- Operational risk	23,334,834	23,120,659	31,196,694
Risk-weighted assets – RWA (b) [5]	**576,777,095**	**597,518,584**	**600,520,480**
Capital adequacy ratio (a/ b)	**16.6%**	**16.2%**	**16.1%**
Tier I capital	**12.3%**	**11.0%**	**11.0%**
Common equity	12.3%	11.0%	11.0%
Tier II capital	**4.3%**	**5.2%**	**5.1%**

(1) As of October 2013, capital is calculated as per CMN Resolution 4192/13, which establishes that calculation is based on the "Financial Consolidated", which excludes non-financial subsidiaries;

(2) Presented on a consolidated total basis (which includes both our financial and non-financial subsidiaries);

(3) Criteria used as of October 2013, pursuant to CMN Resolution 4192/13;

(4) Until September 2013, the amounts are calculated pursuant to CMN Resolution 3444/07 and, as of October 2013, the amounts are calculated pursuant to CMN Resolution 4192/13; and

(5) For comparison purposes, we adjusted the "Allocation of minimum required capital" from prior periods, given that we now report the portions relating to "Risk weighted asset – RWA.

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Analysis of Required Reference Equity (PRE)

Below is the evolution of the capital requirement to the Financial Consolidated and Economic Financial Consolidated under a standardized approach:

R$ thousand

Capital Requirement	2013 December 31, Financial	2012 December 31, Financial	Economic Financial
Credit risk	**57,871,914**	**55,944,948**	**55,344,917**
Credit Operations (Non-Retail)	15,932,181	15,940,168	15,932,384
Credit Operations (Retail)	10,483,749	8,929,333	8,945,508
Guarantees	6,602,608	6,519,906	6,532,168
Tax credits	4,474,824	2,747,459	3,066,672
Credit Commitments	2,621,578	3,193,206	3,223,827
Securities, Derivatives and Interbank Investments	7,853,088	8,114,297	9,506,015
Other assets	9,903,886	10,500,579	8,138,343
Market Risk (1)	**3,006,734**	**7,238,821**	**7,280,700**
Fixed-rate in Reais	1,600,636	2,004,700	2,004,700
Foreign Currency Coupon	556,159	1,366,498	1,366,498
Price Index Coupon	644,443	2,999,787	2,999,787
Shares	73,587	47,921	47,921
Commodities	28,229	12,711	12,711
Exposure to Gold, Foreign Currencies and Exchange(2)	795,749	807,204	849,083
Operational Risk	**2,566,832**	**2,543,271**	**3,431,635**
Corporate Finances	101,136	77,129	77,129
Trading and Sales	509,347	730,774	730,774
Retail	502,376	478,868	478,868
Commercial	831,157	727,380	727,380

Payments and Settlements	366,136	300,673	300,673
Financial Agent Services	137,606	113,059	113,059
Management of Asset	108,805	101,127	101,127
Retail Brokerage	10,269	14,261	14,261
Corporate debt securities	-	-	888,364
Required Reference Equity	**63,455,480**	**65,727,040**	**66,057,252**
Interest Rate Risk in the Banking Portfolio	**3,737,893**	**2,110,607**	**3,055,582**

1- To calculate the portion concerning Market Risk, capital requirements will be the greater between the amount determined using the internal model or 90% the standard model, according to Bacen Circular Letter 3646/13; and

2- In accordance with Bacen Circular Letter 3641/13, capital requirements are needed only if value of exposure to gold, foreign currency and assets and liabilities subject to exchange variations is above 2% of Capital.

The Organization ended the year of 2013 with Required Reference Shareholders’ Equity (PRE) of R$ 63,445,480 thousand in the Consolidated Financial, a decrease of R$ 2,281,564 thousand (-3.5%) from 2012.

The capital requirement for credit risk increased by R$ 1,926,964 thousand (+3.4%), mainly due to increases in capital requirement and loan operation (retail and tax credits). To calculate the portion of market risk, the internal model prevailed against the standard model in December 2012. The capital requirements decreased by R$ 4,232,087 thousand (-58.5%), mainly due to decreased exposure to Interest Rate Coupon price index. Capital requirement for operational risk amounts to R$2,566,832 thousand, up R$ 23,559 thousand (+0.9%). Capital requirement for interest rate risk in the Banking Portfolio was R$3,737,983 thousand.

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Follow-up of Basel Index and Margin

The Capital Adequacy Ratio is an indicator defined by the International Basel Committee on Banking Supervision which recommends that there be an 8% minimum ratio between capital and assets weighted by risk. In Brazil, the current minimum required ratio is 11% for Capital, 5.5% for Tier I Capital and 4.5% for Common Equity Tier 1, according to effective regulations (Resolution 4,192/13 and 3,477/09).

R$ thousand

	December 31, 2013	**December 31, 2012**	
	Financial	**Financial**	**Economic Financial**
Total Capital	95,803,662	96,625,330	96,933,658
Tier I	70,808,080	65,887,034	66,195,364
Common Equity Tier I	70,808,080	65,887,034	66,195,364
Total Capital Requirement	63,445,480	65,727,040	66,057,252
Margin (Capital Buffer)	32,358,182	30,898,290	30,876,406
Capital Adequacy Ratio	16.6%	16.2%	16.1%

According to Central Bank, the Capital Adequacy Ratio (Basel) for the Consolidated Financial as of December 2013 was 16.6%, of which 12.3% fell under Tier I Capital / Common Equity Tier 1. Margin amounted to R$32,358,182 thousand, which enables an increase of up to R$346,912,590 thousand in loan operations (Retail).

Basel III

The Basel Committee on Banking Supervision introduced a series of changes in the regulatory structure, including reviews on definition of capital, expansion of the risk scope, introduction of leverage and liquidity indexes. These changes aim to increase the quality and the quantity of the financial institutions' capital, enhancing the resilience of the financial systems and reducing the risks arising from possible banking crisis to the economy.

Based on Basel III rules issued by Central Bank in March and October 2013, which include the definition of capital and the expansion of risk scope and will be gradually implemented up to 2019, below is the simulation based on strategic assumptions for the Consolidated Financial, considering the full compliance with the rules, i.e., anticipating all the impacts expected throughout the implementation schedule, according to CMN Resolution 4192/13.

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Basel III – Impact Study

3.6. Insurance risk/subscription

Insurance risk is risk transferred by an insurance contract if loss events may occur in the future and there is uncertainty over the amount of damages resulting from such loss events. Within insurance risk, there is also underwriting risk, which arises from an adverse economic situation not matching the Organization's expectations at the time of drafting its underwriting policy in relation to uncertainties over defining actuarial premises or technical reserves 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 our technical areas. Underwriting and risk acceptance policies are periodically evaluated by working groups. In addition, one of the main tasks of our technical areas is to develop an internal model for calculating additional capital based on underwriting risk.

The management process seeks to diversify insurance operations, aimed at excellence by balancing the portfolio, and is supported by the grouping of risks with similar characteristics, in order to reduce the impact of isolated risks.

Uncertainties over estimated future claim payments

Claims are accrued 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 of these claims relate to provisions for incurred but unreported claims (IBNR). The estimated cost of claims includes direct expenses to be incurred when settling them.

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Asset and liability management (ALM)

The organization periodically analyzes flows of 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 Company's future commitments to its participants and insured persons.

Risk management by product

Monitoring the insurance contract portfolio enables us to track and adjust tariffs practiced, as well as assess the need for alterations. Other monitoring tools in use include: (i) sensitivity analysis, (ii) algorithm checks and corporate system notifications (underwriting, issuance and claims).

Credit risk

Credit risk consists of the possible incurrence of losses associated with non-performance, by the borrower or its counterparty, of its respective financial obligations according to agreed terms, with credit agreement devaluation derived from the deteriorated risk classification of the borrower, and other values related to any non-performance of financial obligations by the counterparty.

Reinsurance policy

Insurance companies may be conservative and selective when choosing their partners, credit risk is obviously involved in purchasing reinsurance. However, in Brazil this risk is relatively mitigated due to the existing legal and regulatory rules, since insurers must operate with reinsurers registered with SUSEP, and 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.

Policy for purchasing reinsurance and approval of reinsurers parties to their contracts are within the purview of the executive board, which, in addition to the minimum legal requirements and regulations, follows certain other parameters when choosing these partners, thus minimizing credit risk inherent to these transactions, such as requiring a minimum rating of A- from S&P – Standard & Poor´s (or equivalent) and shareholder equity consistent with amounts transferred. Another important aspect of purchasing reinsurance is the fact that the Organization aims to work within its contractual capacity, thereby avoiding frequent purchase of coverage for facultative contracts and higher exposures to credit risk.

Premium transferred for reinsurance is relatively small in relation to total premium written; note that almost all casualty portfolios, except automotive, are hedged by reinsurance and in most cases a combination of proportional and non-proportional plans by risk and/or by event.

Currently, most automatic contracts (proportional and non-proportional) are transferred to IRB Brasil Resseguros S.A. (IRB-Brasil). Some admitted reinsurers participate with lower individual percentages, but all have a minimum capital and rating higher than the minimum established by the Brazilian legislation, which reduces our credit risk in management's judgment.

Managing credit risk

Credit-risk management in the Organization is a continuous and evolutional process for performing the mapping, development, evaluation and diagnosis of existing models, instruments and procedures that require a high level of discipline and control of operation analyses to preserve the integrity and independence of processes.

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Risk management includes monitoring exposure to credit risk of individual counterparties in relation to credit ratings placed by risk rating agencies such as Fitch Ratings, Standard & Poor's, or Moody's.

As noted above, credit risk is managed on 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.

Regarding reinsurance operations, the Organization purchases reinsurance operations with a restricted group of reinsurers being given to IRB-Brasil the leadership of their contracts and all automatic optional contracts. According to the rating agencies provided in Brazilian law, such reinsurers have their credit risk classificated as low and IRB-Brasil classification, issued by A.M.Best, is A-.

Exposure to insurance credit risk

Management believes that maximum exposure to credit risk arising from premiums to be paid by insured is low, since in some cases coverage of claims may be canceled (under Brazilian regulations), if premiums are not paid by 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 concentration risk with individual reinsurers, due to the nature of the reinsurance market and the strict range of reinsurers that have acceptable credit ratings. The

Organization's policy for managing exposure of its counterparties to reinsurance is to restrict the reinsurers that may be used, and to regularly assess the impact of reinsurer default.

Property insurance

Property insurance risk results from:

- 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.

The nature of the insurance underwritten generally 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 and third-party liability insurance for vehicles; and
- Business, home and miscellaneous insurance includes, among other things, fire risks (e.g.: fire, explosion and business interruption), natural hazards (e.g.: earthquakes, storms and floods), engineering lines (e.g.: explosion of boilers, breakdown of machinery and construction) and marine (cargo and hull) as well as liability insurance.

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Property insurance risk management

The Organization monitors and evaluates risk exposure, being responsible for 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 Departments have developed mechanisms, i.e. risk grouping by CPF, CNPJ and risky addresses, that identify, quantify and manage accumulated exposures in order to keep them within the limits defined by the internal guidelines.

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, expenses, mortality and persistence rates in relation to each business unit. Estimates are based on historical experience and on actuarial expectations.

The risks associated to 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

- 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 our technical areas;

- The technical areas have developed mechanisms, such as analysis of possible accumulation of risks based on monthly reports 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 of the environment in which the Organization and its subsidiaries and associated companies operate. Management monitors exposure to this risk and the capital implications to manage the possible impacts, as well as to obtain the capital that the businesses may require. The adminstration adopts for calculating ways to predict and thus be covered with possible impacts generated by the improvement in life expectancy of the insured/assisted population;

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- Risks of mortality and morbidity are mitigated through reinsurance cession in catastrophe;
- Persistence risks are managed through frequent monitoring of the experience when compared to market information. Management also defines rules on the management of persistence to monitor and implement 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.

Health Insurance

Risks associated with health insurance:

- Variations in cause, frequency and severity of indemnities of claims related 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 flow (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

- 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 technical areas;

- The technical areas have developed mechanisms 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 Insurer's experience in comparison with market information. Management also establishes guidelines for the management of persistency in order to monitor and implement specific initiatives, when necessary to improve retention of policies that can prescribe;

- The risk of elevated expenses is mainly monitored in order to evaluate the profitability of business units and to frequently monitor expense levels; and

- Interest-rate risk is monitored as a part of market risk.

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Life Insurance with Survival and Welfare Coverage and Individual Life Insurance

Results of sensitivity analysis

Some of the test results are presented below. For each sensitivity scenario, we show the impact on the Organization's bottom line of a reasonable and possible change in just one factor. We stress, there are no significant exchange rate risks in the insurance operations.

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	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 analysis was performed considering the same basis of the LAT test with variation in the assumptions listed below:

R$ thousand

	December 31, 2013		
	Interest rate	Longevity	Conversion to income
Impact on results and shareholders' equity after taxes and contributions (%)	**(5%)**	**0.002%**	**5%**
PGBL and VGBL (contributing period)	(191,553)	(31,244)	(5,930)
Tradicional plans (contributing period)	(108,134)	(17,494)	(9,956)
All plans(retirement benefit period)	(85,499)	(23,628)	-

December 31, 2012 (Restated)

Individual life	(8,196)	11,046	-
Total	**(393,382)**	**(61,320)**	**(15,886)**

The scenario was also applied for individual life insurance considering the variations noted above and was not identified any additional value in addition of those already constituted that could affect the shareholders' equity and results of the year.

Damages, life and health insurance

For damages, life and health insurance, the table below shows the impact on income and shareholders' equity if loss events/claims were to rise 1 percentage point over the 12 months from the calculation base date.

R$ thousand

	Gross reinsurance December 31		**Net reinsurance December 31**	
	2013	**2012**	**2013**	**2012**
Auto	(18,634)	(18,330)	(18,634)	(18,330)
RE (Elementary branch)	(7,840)	(6,672)	(6,676)	(5,088)
Life	20,741	(18,017)	20,604	(17,934)
Health	(58,234)	(46,194)	(58,234)	(46,194)

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, greater or lesser impacts should not be interpolated or extrapolated from these results.

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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 on the occasion of 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.

Other limitations of sensitivity analyses include the use of hypothetical market trends to show potential risk, which only poses Managements views of possible changes affecting markets in the near future in ways that cannot be predicted with any certainty, as well as the premise that all interest rates vary in the same way.

Risk concentration

Potential exposures are monitored by analyzing concentration in certain type of insurance. The table below shows risk concentration by type of insurance (except health), based on net premiums, net of reinsurance:

R$ thousand

Net premiums written by type of insurance, net of reinsurance	**December 31**	
	2013	**2012**
Auto	3,068,620	3,063,941
RE (Elementary branch)	1,361,584	1,040,685
Life insurance	4,401,497	3,910,500
VGBL	18,722,928	17,596,738
PGBL	1,973,394	1,932,090
Traditional	1,610,780	1,341,189

In the health sector, around 88.42% of production is represented by corporate contracts. The risks related to these contracts are minimized by constant revisions of the actuarial balance that is applied in the renewal thereof, or even during the term when contributions are required. Although 11.58% of production is represented by individual contracts, the risk related to occurrence of losses vis-à-vis pricing – which in these products is indicated by the ANS – is minimized by the establishment of a technical provision.

4) Estimates and judgments

The Organization makes estimates and assumptions that affect the report amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Such estimates and judgments are continually evaluated and based on the historical experience and a number of other factors including future event expectations, regarded as reasonable, under the current circumstances.

The estimates and assumptions 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 held for trading, including derivatives and financial assets classified as available for sale. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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These financial instruments are categorized within a hierarchy based on the lowest level of input that is significant to the fair value measurement. By contrast, for instruments classified as level 3, we have to input a significant amount of our own judgment in arriving at fair value measurements. 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.

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.

Impairment of financial assets available for sale

We determine that financial assets available for sale are impaired when there has been a significant or prolonged decline in the fair value below its cost (see note 2(e)(viii)(b)). This determination of what is significant or prolonged requires judgment. In making this judgment, the Organization evaluates, among other factors, the volatility in share price, where such variations involve equity securities.

In addition, valuations are obtained through market prices or valuation models that require the use of certain assumptions or judgments to estimate fair value.

Allowance for impairment on loans and advances

Periodically, the Organization reviews its portfolio of loans and advances evaluating the estimated loss on the impairment of its operations.

The determination of the amount of the allowance for impairment, by its nature, requires judgments and uses assumptions regarding the loan portfolio, both on a portfolio basis and on an individual basis. When we review our loan portfolio as a whole, several factors can affect our estimate of the likely range of losses, including which methodology we use in measuring historical delinquency rates and what historical period we consider in making those measurements.

Additional factors that can affect our determination of the allowance for impairment include:

- General economic conditions and conditions in the relevant industry;
- Past experience with the relevant debtor or industry, including recent loss experience;
- Credit quality trends;
- Amounts of loan collateral;
- The volume, composition and growth of our loan portfolio;
- The Brazilian government's monetary policy; and
- Any delays in the receipt of information needed to evaluate loans or to confirm existing credit deterioration.

The Organization uses models to assist analysis of the loan portfolio and in determining what impairment should be made. It applies statistical loss factors and other risk indicators to loan pools with similar risk characteristics in arriving at an estimate of incurred losses in the portfolio to calculate the models. Although the models are frequently revised and improved, they are by nature dependent on judgment of the information and estimates. In addition, the volatility of the Brazilian economy is one of the factors that may lead to greater uncertainty in our models than would be expected in more stable macroeconomic environments. Accordingly, our allowance for impairment may not be indicative of future charge-offs.

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For a sensitivity analysis, we assess the impact of an increase in the probability of default (PD) over the allowance. In this assessment an increase in 10% of the PD on December 31, 2013, would have increased the allowance for impairment by R$ 286,964 thousand. This sensitivity analysis is hypothetical, and is only meant to illustrate the impact that the defaults have on determining the allowance for loan losses.

The process to determine the level of provision for losses on impairment 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 has to consider 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 both of which 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 of. Our assessment of the possibility that a deferred tax assets could be 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.

In addition, we have monitored the interpretation of tax laws by, and decisions of, tax authorities and Courts so that we can adjust any prior judgment of accrued income taxes. This monitoring 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 17.

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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(p). These benefits are computed using assumptions of mortality, morbidity, lapse, investment performance, inflation and expense. These assumptions are based on our experience and are periodically reviewed against industry standards to ensure actuarial credibility.

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, leasing, 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 its subsidiary, Bradesco Seguros S.A. and its subsidiaries.

The following information regarding the segments was prepared based on reports provided to our key management to evaluate performance and make decisions related to the allocation of funds for investments and other purposes. Our key management uses a range of information, including financial, which is in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to oerate by the Central Bank, and non-financial information measured on different bases.

The main assumptions for segment 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.

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Information by operating segment, reviewed by the Organization and corresponding to the years 2013, 2012 and 2011, is shown below:

				R$ thousand
	Year ended December 31, 2013			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations (1), adjustments and eliminations**	**Total**
Net interest income	**41,600,095**	**5,589,989**	**2,110,399**	**49,300,483**
Net fee and commission income	**15,639,215**	**1,264,869**	**(2,404,402)**	**14,499,682**
Net gains/(losses) on financial instruments classified as held for trading	(4,073,466)	(1,914,579)	197,956	(5,790,089)
Net gains/(losses)on financial instruments classified as available for sale	(3,880,575)	(2,526,016)	305,809	(6,100,782)
Net gains/(losses) of foreign exchange operations	(1,120,880)	-	27,283	(1,093,597)
Income from insurance and pension plans	-	6,932,616	1,064	6,933,680
Operating income/(loss)	**(9,074,921)**	**2,492,021**	**532,112**	**(6,050,788)**
Impairment of loans and advances	(9,731,376)	-	107,506	(9,623,870)
Personnel expenses	(11,200,617)	(1,092,479)	(61,322)	(12,354,418)
Other administrative expenses	(12,068,420)	(1,102,065)	1,018,948	(12,151,537)
Depreciation and amortization	(2,625,748)	(180,381)	65,299	(2,740,830)
Other operating income/(expenses)	(6,156,686)	(966,999)	(498,555)	(7,622,240)
Operating expense	**(41,782,847)**	**(3,341,924)**	**631,876**	**(44,492,895)**
Income before income taxes and equity in the earnings of associates	**6,381,542**	**6,004,955**	**869,985**	**13,256,482**
Equity in the earnings of associates	1,031,280	31,151	256	1,062,687
Income before income taxes	**7,412,822**	**6,036,106**	**870,241**	**14,319,169**
Income tax and social contribution	789,516	(2,253,451)	(369,096)	(1,833,031)

Net income for the year	**8,202,338**	**3,782,655**	**501,145**	**12,486,138**
Attributable to controlling shareholders	8,195,099	3,692,531	508,290	12,395,920
Attributable to non-controlling interest	7,239	90,124	(7,145)	90,218
Total assets	**768,059,393**	**160,295,583**	**(90,053,362)**	**838,301,614**
Investments in associated companies	**2,254,356**	**1,068,210**	**70,281**	**3,392,847**
Total liabilities	**696,187,324**	**143,112,952**	**(73,101,588)**	**766,198,688**

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R$ thousand

	Year ended December 31, 2012 (Restated)			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations [(1)], adjustments and eliminations**	**Total**
Net interest income	**39,181,426**	**3,124,512**	**1,079,785**	**43,385,723**
Net fee and commission income	**13,885,450**	**1,233,278**	**(2,397,988)**	**12,720,740**
Net gains/(losses) on financial instruments classified as held for trading	1,095,588	(6,689)	1,021,213	2,110,112
Net gains/(losses)on financial instruments classified as available for sale	(455,476)	2,418,373	(66,923)	1,895,974
Net gains/(losses) of foreign exchange operations	(1,589,833)	-	502,238	(1,087,595)
Income from insurance and pension plans	-	1,411,996	1,020	1,413,016
Operating income/(loss)	**(949,721)**	**3,823,680**	**1,457,548**	**4,331,507**
Impairment of loans and advances	(10,925,404)	-	(525,979)	(11,451,383)
Personnel expenses	(10,586,643)	(1,017,702)	45,343	(11,559,002)
Other administrative expenses	(11,592,512)	(932,226)	720,749	(11,803,989)
Depreciation and amortization	(1,459,721)	(114,214)	(914,247)	(2,488,182)
Other operating income/(expenses)	(10,350,581)	(375,446)	2,051,849	(8,674,178)
Operating expense	**(44,914,861)**	**(2,439,588)**	**1,377,715**	**(45,976,734)**
Income before income taxes and equity in the earnings of associates	**7,202,294**	**5,741,882**	**1,517,060**	**14,461,236**
Equity in the earnings of associates	752,353	108,302	119,557	980,212
Income before income taxes	**7,954,647**	**5,850,184**	**1,636,617**	**15,441,448**
Income tax and social contribution	(273,930)	(2,196,399)	(1,619,425)	(4,089,754)
Net income for the year	**7,680,717**	**3,653,785**	**17,192**	**11,351,694**
Attributable to controlling shareholders	7,672,233	3,591,743	27,594	11,291,570
Attributable to non-controlling interest	8,484	62,042	(10,402)	60,124
Total assets	**750,410,472**	**153,695,571**	**(104,565,419)**	**799,540,624**
Investments in associated companies	**1,587,922**	**1,089,644**	**443,820**	**3,121,386**

Total liabilities	**679,490,290**	**133,940,353**	**(85,236,409)**	**728,194,234**

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R$ thousand

	Year ended December 31, 2011 (Restated)			
	Banking	**Insurance, pension and capitalization bonds**	**Other operations [1], adjustments and eliminations**	**Total**
Net interest income	**31,379,722**	**3,274,715**	**733,884**	**35,388,321**
Net fee and commission income	**11,989,868**	**1,079,597**	**(2,171,206)**	**10,898,259**
Net gains/(losses) on financial instruments classified as held for trading	779,332	(1,300)	(1,386,303)	(608,271)
Net gains/(losses)on financial instruments classified as available for sale	(25,022)	213,520	176,804	365,302
Net gains/(losses) of foreign exchange operations	1,043,896	-	1,581,920	2,625,816
Income from insurance and pension plans	-	3,075,318	857	3,076,175
Operating income	**1,798,206**	**3,287,538**	**373,278**	**5,459,022**
Impairment of loans and advances	(9,275,421)	-	1,036,063	(8,239,358)
Personnel expenses	(10,082,575)	(950,749)	(61,470)	(11,094,794)
Other administrative expenses	(10,805,456)	(1,051,456)	476,642	(11,380,270)
Depreciation and amortization	(1,615,437)	(77,828)	(424,401)	(2,117,666)
Other operating income/(expenses)	(4,933,149)	(481,628)	308,685	(5,106,092)
Operating expense	**(36,712,038)**	**(2,561,661)**	**1,335,519**	**(37,938,180)**
Income before income taxes and equity in the earnings of associates	**8,455,758**	**5,080,189**	**271,475**	**13,807,422**
Equity in the earnings of associates	585,281	100,103	118,436	803,820
Income before income taxes	**9,041,039**	**5,180,292**	**389,911**	**14,611,242**
Income tax and social contribution	(1,305,702)	(1,850,139)	(365,959)	(3,521,800)
Net income for the year	**7,735,337**	**3,330,153**	**23,952**	**11,089,442**
Attributable to controlling shareholders	7,724,917	3,201,449	31,688	10,958,054
Attributable to non-controlling interest	10,420	128,704	(7,736)	131,388
Total assets	**657,903,426**	**123,867,399**	**(60,804,236)**	**720,966,589**
Investments in associated companies	**1,338,976**	**1,051,490**	**334,255**	**2,724,721**
Total liabilities	**602,191,149**	**109,511,404**	**(50,118,058)**	**661,584,495**

(1) Other operation represents less than 1% of total assets/liabilities and the net income for the year.

Our operations are substantially conducted in Brazil. Additionally, as of December 31, 2013, we have a branch in New York, and two branches in Grand Cayman, mainly to complement our banking services and assistance in import and export operations for Brazilian customers. Moreover we also have subsidiaries abroad, namely: Banco Bradesco Argentina S.A. (Buenos Aires), Banco Bradesco Europe (Luxembourg), Bradesco North America LLC (New York), Bradesco Securities, Inc. (New York), Bradesco Securities UK Limited (London), Bradesco Services Co., Ltd. (Tokyo), 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% or more of the Organization’s income in the period of 2013, 2012 and 2011.

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

	Year ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Interest and similar income			
Loans and advances to banks	8,899,968	6,791,429	9,168,583
Loans and advances to customers:			
- Loan operations	48,961,763	47,382,917	43,791,578
- Leasing transactions	683,657	1,080,916	1,489,851
Financial assets:			
- For trading	7,872,493	7,816,181	9,070,609
- Available for sale	7,740,512	6,434,573	3,373,070
- Held to maturity	603,768	589,835	360,835
Pledged as collateral	12,770,916	9,090,234	8,744,459
Compulsory deposits with the Central Bank	3,110,877	3,808,229	6,112,337
Other financial interest income	38,671	37,540	40,774
Total	**90,682,625**	**83,031,854**	**82,152,096**
Interest and similar expenses			
Deposits from banks:			
- Interbank deposits	(63,268)	(48,529)	(46,655)
- Funding in the open market	(16,671,777)	(11,758,260)	(14,001,786)
- Borrowings and onlending	(1,937,991)	(2,349,470)	(5,775,844)
Deposits from customers:			
- Savings accounts	(4,112,323)	(3,623,935)	(3,754,755)
- Time deposits	(5,828,956)	(7,555,947)	(11,201,087)
Funds from securities issued	(3,646,584)	(3,439,688)	(2,490,536)
Subordinated debt	(3,132,915)	(2,884,331)	(2,787,681)
Technical insurance and pension plans	(5,988,328)	(7,985,971)	(6,705,431)
Total	**(41,382,142)**	**(39,646,131)**	**(46,763,775)**
Net interest income	**49,300,483**	**43,385,723**	**35,388,321**

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7) Net fee and commission income

R$ thousand

	Year ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Fee and commission income			
Credit cards	4,871,774	4,002,174	3,440,033
Current accounts	3,601,736	3,237,888	2,780,806
Collections	1,471,005	1,301,843	1,204,277
Guarantees	920,433	776,684	614,926
Fund management	838,320	842,767	787,921
Consortium management	722,462	613,234	526,562
Custody and brokerage services	510,785	482,883	419,872
Collection of taxes, utility bills and similar	352,928	318,495	312,064
Interbank fee	46,672	31,250	27,802
Other	1,199,608	1,149,913	817,974
Total	**14,535,723**	**12,757,131**	**10,932,237**
Fee and commission expenses			
Financial system services	(36,041)	(36,391)	(33,978)
Total	**(36,041)**	**(36,391)**	**(33,978)**
Net fee and commission income	**14,499,682**	**12,720,740**	**10,898,259**

8) Net gains/(losses) on financial instruments classified as held for trading

R$ thousand

Year ended December 31

	2013	2012 (Restated)	2011 (Restated)
Fixed income securities	(4,344,885)	4,027,119	1,432,918
Derivative financial instruments	(1,842,833)	(2,303,169)	(1,474,927)
Variable income securities	397,629	386,162	(566,262)
Total	**(5,790,089)**	**2,110,112**	**(608,271)**

9) Net gains/(losses) on financial instruments classified as available for sale

			R$ thousand
	Year ended December		
	2013	2012 (Restated)	2011 (Restated)
Fixed income securities (1)	(5,821,894)	2,761,028	(14,368)
Variable income securities (2)	(468,754)	(982,738)	252,974
Dividends received	189,866	117,684	126,696
Total	**(6,100,782)**	**1,895,974**	**365,302**

(1) In 2013, includes the effect of the sell of of the securities described in the footnote 5 on the statements of the equity totaling R$ 6,117,649 thousand; and

(2) Includes impairment losses of R$ 402,085 thousand in 2013 and R$ 1,170,038 thousand in 2012.

10) Net gains/(losses) of foreign currency transactions

Net gains and losses of foreign currency transactions basically represent the gains or losses from currency trading and translation of monetary items from a foreign currency into the functional currency.

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11) Income from insurance and pension plans

			R$ thousand
	Year ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Premiums written	42,226,410	37,899,360	32,136,300
Supplemental pension plan contributions	3,584,290	3,273,485	3,061,682
Coinsurance premiums ceded	(154,125)	(198,281)	(190,724)
Premiums returned	(543,779)	(500,468)	(418,791)
Net premiums	**45,112,796**	**40,474,096**	**34,588,467**
Reinsurance premiums	(225,581)	(297,351)	(272,924)
Premiums retained from insurance and pension plans	**44,887,215**	**40,176,745**	**34,315,543**
Changes in the provision for insurance	(18,737,974)	(19,975,166)	(15,453,221)
Changes in the provision for private pension plans	(1,263,833)	(3,350,935)	(2,759,184)
Changes in the insurance technical provisions and pension plans	**(20,001,807)**	**(23,326,101)**	**(18,212,405)**
Reported indemnities	(15,448,699)	(13,311,414)	(11,975,875)
Claims expenses	(295,432)	(142,206)	(155,519)
Recovery of ceded coinsurance	49,011	132,065	217,943
Recovery of reinsurance	194,185	292,659	138,154
Salvage recoveries	246,751	229,207	209,340
Changes in the IBNR provision	(230,507)	(324,144)	397,345
Retained claims	**(15,484,691)**	**(13,123,833)**	**(11,168,612)**
Commissions on premiums	(1,630,312)	(1,535,764)	(1,343,695)
Recovery of commissions	16,896	21,794	34,386
Fees	(828,659)	(730,423)	(441,965)
Brokerage expenses - private pension plans	(246,443)	(199,358)	(190,035)
Changes in deferred commissions	221,481	129,956	82,958

Selling expenses for insurance and pension plans	**(2,467,037)**	**(2,313,795)**	**(1,858,351)**
Income from insurance and pension plans	**6,933,680**	**1,413,016**	**3,076,175**

12) Impairment of loans and advances

			R$ thousand
	Year ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Loans and advances:			
Impairment losses	(14,202,896)	(15,332,059)	(12,125,609)
Recovery of credits charged-off as loss	3,640,014	2,986,639	2,788,806
Reversal of impairment	939,012	894,037	1,097,445
Total	**(9,623,870)**	**(11,451,383)**	**(8,239,358)**

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13) Personnel expenses

R$ thousand

	Year ended December 31		
	2013	2012 (Restated)	2011 (Restated)
Salaries	(5,654,705)	(5,350,695)	(4,845,061)
Benefits	(2,572,877)	(2,415,768)	(2,204,787)
Social charges	(2,194,667)	(2,065,325)	(1,827,618)
Employee profit sharing	(1,094,204)	(1,012,986)	(928,169)
Provision for labor disputes	(719,003)	(588,858)	(1,133,643)
Training	(118,962)	(125,370)	(155,516)
Total	**(12,354,418)**	**(11,559,002)**	**(11,094,794)**

14) Other administrative expenses

R$ thousand

	Year ended December 31		
	2013	2012 (Restated)	2011 (Restated)
Third party services	(3,722,757)	(3,458,649)	(3,664,248)
Communications	(1,480,119)	(1,557,453)	(1,514,046)
Data processing	(1,072,253)	(917,522)	(871,662)
Transportation	(811,428)	(850,504)	(760,219)
Rent	(782,179)	(740,219)	(768,792)
Financial system	(732,520)	(657,271)	(538,041)
Advertising, promotions and public relations	(708,476)	(714,473)	(631,555)
Maintenance and conservation of assets	(608,501)	(559,713)	(512,851)
Security and surveillance	(492,060)	(425,464)	(370,212)
Materials	(299,152)	(313,341)	(295,145)
Advances to FGC (Deposit Guarantee Association)	(296,618)	(290,702)	(331,466)

Water, electricity and gas	(220,785)	(249,886)	(224,152)
Travel	(132,359)	(133,856)	(157,227)
Other	(792,330)	(934,936)	(740,654)
Total	**(12,151,537)**	**(11,803,989)**	**(11,380,270)**

15) Depreciation and amortization

			R$ thousand
		Year ended December 31	
	2013	**2012 (Restated)**	**2011 (Restated)**
Amortization expenses	(1,722,591)	(1,452,947)	(1,128,505)
Depreciation expenses	(1,018,239)	(1,035,235)	(989,161)
Total	**(2,740,830)**	**(2,488,182)**	**(2,117,666)**

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

Notes to the Consolidated Financial Statements

16) Other operating income/(expenses)

	Year ended Dec	
	2013	**2012 (Restatec**
Expenses with taxes other than income tax	(3,749,328)	(3,800,30
Expenses of contingencies	(1,101,059)	(788,99
Changes in monetary liabilities	(626,834)	(823,96
Income from sales of non-current assets, investments, and property and equipment, net (1)	(220,400)	584,3
Other (2)	(1,924,619)	(3,845,24
Total	**(7,622,240)**	**(8,674,17**

(1) Includes in 2012, gain on sale of Serasa shares of R$ 793,360 thousand; and

(2) Includes in 2013, (i) the effect of the reversal of provision previously recorded, relating to the adhesion to the tax liability installment and cash payment program, in the amount of R$ 1,949,763 thousand; (ii) impairment losses in the amount of R$ 104,606 thousand (2012 - R$ 581.436 thousand), and in 2011, (ii) includes revenues from tax credits to offset and bargain purchase gain related to the BERJ acquisition.

17) Income tax and social contribution

a) Calculation of income tax and social contribution charges

	Year ended D	
	2013	201 (Resta
Income before income tax and social contribution	**14,319,169**	**15,444**
Total income tax and social contribution charges at rates of 25% and 15%, respectively	**(5,727,668)**	**(6,177**
Effect of additions and exclusions in the tax calculation:		
Equity in results of associated companies	425,075	392
Foreign exchange variations	1,320,106	726
Non-deductible expenses net of non-taxable income	325,697	(503
Interest on equity (paid and payable)	1,289,620	1,304
Prior-period tax credits (Note 16(2))	462,270	
Effect of social contribution rate differences [(1)]	155,517	169
Other	(83,648)	(1
Income tax and social contribution for the period	**(1,833,031)**	**(4,089**
Effective rate	12.80%	26

(1) Relates to the differential of rate of social contribution between financial entities (15%) and non financial subsidiaries (9%). See Note 2(w).

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Notes to the Consolidated Financial Statements

b) Composition from income tax and social contribution in the consolidated statement of income

R$ thousand

	Year ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Current taxes:			
Income tax and social contribution due	**(5,814,188)**	**(6,574,502)**	**(5,207,647)**
Deferred taxes:			
Addition/realization on temporary differences	1,163,367	2,556,708	1,906,908
Use of initial balances from:			
Negative social contribution losses	(130,336)	(151,741)	(120,543)
Income tax loss	(208,823)	(178,052)	(263,747)
Prior-period tax credits			
Temporary additions (Note 16(2))	462,270	-	-
Addition on:			
Negative social contribution losses	1,181,492	150,667	147,350
Income tax loss	1,513,187	107,166	15,879
Total deferred tax expense	**3,981,157**	**2,484,748**	**1,685,847**
Income tax and social contribution	**(1,833,031)**	**(4,089,754)**	**(3,521,800)**

c) Deferred income tax and social contribution presented in the consolidated statement of financial position

R$ thousand

	Balance on December 31, 2012 (Restated)	**Additions**	**Realization**	**Balance on December 31, 2013**
Provisions of impairment of loans and advances	11,593,783	5,551,441	2,426,744	14,718,480
Provision for contingencies	7,322,501	1,315,488	3,936,431	4,701,558

Adjustment to market value of securities	426,468	306,747	16,401	716,814
Others	1,941,727	1,734,551	903,015	2,773,263
Total tax assets on temporary differences	**21,284,479**	**8,908,227**	**7,282,591**	**22,910,115**
Income tax and social contribution losses in Brazil and abroad	1,681,009	2,694,680	339,159	4,036,530
Adjustment to market value of available for sale	-	710,311	-	710,311
Social contribution - MP 2158-35 (change in tax law)	140,842	-	645	140,197
Total deferred tax assets (1)	**23,106,330**	**12,313,218**	**7,622,395**	**27,797,153**
Deferred tax liabilities (1)	8,284,468	368,784	5,717,355	2,935,897
Net deferred taxes (1)	14,821,862	11,944,434	1,905,040	24,861,256

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16) Other operating income/(expenses)

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Notes to the Consolidated Financial Statements

R$ thousand

	Balance on December 31, 2011 (Restated)	**Additions**	**Realization**	**Balance on December 31, 2012 (Restated)**
Provisions of impairment of loans and advances	10,196,356	6,616,803	5,219,376	11,593,783
Provision for contingencies	6,240,200	1,732,140	649,839	7,322,501
Adjustment to market value of securities	422,259	13,142	8,933	426,468
Others	1,868,956	1,171,065	1,098,294	1,941,727
Total tax assets on temporary differences	**18,727,771**	**9,533,150**	**6,976,442**	**21,284,479**
Income tax and social contribution losses in Brazil and abroad	1,752,969	257,833	329,793	1,681,009
Social contribution - MP 2158-35 (change in tax law)	144,643	-	3,801	140,842
Total deferred tax assets (1)	**20,625,383**	**9,790,983**	**7,310,036**	**23,106,330**
Deferred tax liabilities (1)	5,818,682	3,056,677	590,891	8,284,468
Net deferred taxes (1)	14,806,701	6,734,306	6,719,145	14,821,862

(1) Deferred tax assets and deferred tax liabilities are offset in the consolidated statement of financial position when related to income taxes levied by the same authority and are related to the same taxable entity, which amount in 2013 was R$ 2,136,074 thousand (2012 – R$ 5,192,801 thousand).

d) Expected realization of tax assets on temporary differences, income tax and social contribution losses and special social contribution assets

R$ thousand

	Temporary differences	**Income tax and Social contribution losses**	**Social contribution**	**Total**

	Income tax	Social contribution	Income tax	Social contribution	- MP 2158-35	
2014	5,334,013	3,152,633	398,718	249,581	33,578	**9,168,523**
2015	5,402,350	3,182,034	135,628	192,665	522	**8,913,199**
2016	1,945,199	1,098,517	937,592	550,779	106,097	**4,638,184**
2017	333,445	183,595	711,014	509,037	**-**	**1,737,091**
2018	1,494,352	783,977	17,564	333,952	**-**	**2,629,845**
Total	**14,509,359**	**8,400,756**	**2,200,516**	**1,836,014**	**140,197**	**27,086,842**

e) Deferred tax liabilities

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Timing differences of depreciation – finance leasing	1,340,059	2,390,590
Adjustment to market values of financial assets	(709,344)	4,300,706
Others	1,594,871	1,593,172
Total	**2,225,586**	**8,284,468**

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Notes to the Consolidated Financial Statements

f) Income tax and social contribution on adjustments recognized directly in equity

R$ thousand

	December 31, 2013			December 31, 2012 (Restated)			December 31, 2011 (Restated)		
	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 recorded as available for sale	(12,544,423)	5,014,296	(7,530,127)	7,679,798	(3,061,838)	4,617,960	(763,425)	294,978	(468,447)
Exchange differences on translations of foreign operations	50,839	(20,335)	30,504	46,196	(18,479)	27,717	389	(155)	234
Total	**(12,493,584)**	**4,993,961**	**(7,499,623)**	**7,725,994**	**(3,080,317)**	**4,645,677**	**(763,036)**	**294,823**	**(468,213)**

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

18) Earnings per share

a) Basic earnings per share

The calculation of basic earnings per share was calculated based on the weighted average number of ordinary and preferred shares outstanding, respectively, as shown in the calculations below:

	Years ended De	
	2013	**2012 (Restate**
Net earnings attributable to the Organization's ordinary shareholders (R$ thousand)	**5,908,906**	**5,380,1**
Net earnings attributable to the Organization's preferred shareholders (R$ thousand)	**6,487,014**	**5,911,4**
Weighted average number of ordinary shares outstanding (thousands) (1)	2,100,738	2,100,8
Weighted average number of preferred shares outstanding (thousands) (1)	2,096,607	2,098,4
Basic earnings per share attributable to ordinary shareholders of the Organization (in Reais)	2.81	2.
Basic earnings per share attributable to preferred shareholders of the Organization (in Reais)	3.09	2.

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Board of Directors' Meeting of March 11, 2013, 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.

19) Cash and balances with banks

a) Cash and balances with banks

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Cash in local currency	9,104,904	8,802,438
Cash in foreign currency	2,964,374	3,146,593
Restricted deposits in the Brazilian Central Bank (1)	55,380,989	47,952,418
Others	96	115
Total	**67,450,363**	**59,901,564**

(1) Compulsory deposits in the Brazilian Central Bank refer to a minimum balance that financial institutions must maintain at the Brazilian Central Bank based on a percentage of deposits received from third parties.

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Notes to the Consolidated Financial Statements

b) Cash and cash equivalents

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Cash in local currency	9,104,904	8,802,438
Cash in foreign currency	2,964,374	3,146,593
Short-term interbank investments (1)	105,628,613	35,478,051
Others	96	115
Total	**117,697,987**	**47,427,197**

(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.

20) Financial assets and liabilities held for trading

a) Financial assets held for trading

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Financial assets		
Brazilian government securities	46,847,468	46,014,522

Corporate debt and marketable equity securities	17,886,442	36,221,243
Bank debt securities	20,187,824	18,485,686
Mutual funds	8,426,678	7,650,252
Foreign governments securities	235,083	244,168
Derivative financial instruments	2,509,028	3,222,631
Total	**96,092,523**	**111,838,502**

Maturity

R$ thousand

	December 31	
	2013	**2012 (Restated)**
Maturity of up to one year	44,330,402	36,067,001
Maturity of one to five years	30,456,366	40,734,189
Maturity of five to 10 years	8,451,946	22,517,238
Maturity of over 10 years	1,873,448	1,108,947
No stated maturity	10,980,361	11,411,127
Total	**96,092,523**	**111,838,502**

Financial instruments provided as collateral and classified as "held for trading", totaled R$ 2,924,653 thousand and R$ 8,609,468 thousand in 2013 and 2012, respectively, as disclosed in Note 23 "Assets Pledged as Collateral".

The Organization in 2013 maintained a total of R$ 2,096,222 thousand (2012 – R$ 2,187,031 thousand) pledged as a guarantee of liabilities.

b) Cash and cash equivalents

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Unrealized gains/(losses) included in securities and trading securities totaled (R$ 60,919 thousand in 2013) (2012 – R$ 392,100 thousand and 2011 – R$ 31,025 thousand). Net variation in unrealized gains/ (losses) from securities and trading securities totaled R$ (453,019) thousand in 2013 (2012 –R$ 361,075 thousand).

b) Financial liabilities held for trading

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Derivative financial instruments	1,826,382	4,049,982
Total	**1,826,382**	**4,049,982**

c) Derivative financial instruments

The Organization enters into operations 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 (BM&FBovespa).

(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 thereof (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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Notes to the Consolidated Financial Statements

(iv) Forward operations

A forward operation is a contract of purchase or sale, of a share, 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 December 31		Asset/(liability) December 31	
	2013	**2012 (Restated)**	**2013**	**2012 (Restated)**
Futures contracts				
• Interest rate futures				
Purchases	83,661,033	130,181,209	10,561	10,494
Sales	188,121,164	441,870,992	(17,729)	(26,986)
• In foreign currency				
Purchases	24,688,862	3,804,690	-	-
Sales	37,322,798	30,645,872	-	-
• Others				
Purchases	83,149	25,963	-	-
Sales	115,569	1,336,588	-	-

Options				
• Interest rates				
Purchases	180,586,642	61,765,403	132,249	184,358
Sales	204,049,725	79,976,227	(153,479)	(139,680)
• In foreign currency				
Purchases	1,211,870	536,505	15,244	2,555
Sales	2,902,599	347,040	(67,746)	(3,743)
• Others				
Purchases	436,698	695,710	544	15,283
Sales	1,567,633	662,970	(949)	(15,322)
Forward operations				
• In foreign currency				
Purchases	9,185,195	20,068,292	444,194	290,016
Sales	8,192,634	8,314,349	(268,385)	(847,890)
• Others				
Purchases	216,420	411,994	86,124	1,768,413
Sales	221,819	1,396,530	(193,883)	(1,762,143)
Swap contracts				
• Asset position				
Interest rate swaps	37,923,123	15,140,812	1,429,104	356,414
Currency swaps	25,131,705	21,030,812	391,008	595,098
• Liability position				
Interest rate swaps	36,946,126	14,946,865	(599,973)	(773,255)
Currency swaps	25,412,799	21,527,465	(524,237)	(480,963)

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b) Cash and cash equivalents

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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.

The Organization has the following economic hedging operations, however, as mentioned in Note 2(e) (iii), these do not qualify for hedge accounting:

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 of debt securities issued in foreign currency

The Organization uses interest-rate swaps in foreign currencies to protect itself against exchange and interest-rate risks arising from the issuance of floating rate debt securities denominated in foreign currencies. The cash flows of foreign-currency interest-rate swaps are compatible with the cash flows of the floating rate debt securities.

Hedge of net foreign investments

The Organization uses a combination of forward exchange contracts and foreign currency denominated debt to mitigate the exchange-rate risk of its net investments in subsidiaries abroad.

The fair value of forward contracts used to protect the net investments in foreign subsidiaries is shown in the previous table. Foreign currency denominated debts used to protect net investments of the Organization in subsidiaries abroad have a fair value equal to its carrying amount and are included in funds from securities issuances (Note 33).

Other derivatives designated as hedges

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. The fair value of these derivatives is shown in the previous table.

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.

b) Cash and cash equivalents

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The reference and/or contractual 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 is recognized in "Net gains and losses of financial assets held for trading", in the consolidated statement of income.

21) Financial assets available for sale

R$ thousand

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Brazilian government securities	29,812,137	359,478	(1,185,930)	28,985,685
Corporate debt securities	31,482,436	238,463	(662,543)	31,058,356
Bank debt securities	1,916,044	34,877	(101,634)	1,849,287
Brazilian sovereign bonds	52,524	12,212	(150)	64,586
Marketable equity securities and other stocks	5,790,564	465,790	(375,857)	5,880,497
Balance on December 31, 2013	**69,053,705**	**1,110,820**	**(2,326,114)**	**67,838,411**
Brazilian government securities	55,637,691	8,328,123	(348)	63,965,466
Corporate debt securities	10,150,772	985,321	(240,794)	10,895,299
Bank debt securities	793,651	133,296	(64,026)	862,921
Brazilian sovereign bonds	239,105	76,362	(41,691)	273,776
Marketable equity securities and other stocks	5,270,733	790,624	(536,689)	5,524,668
Balance on December 31, 2012 (Restated)	**72,091,952**	**10,313,726**	**(883,548)**	**81,522,130**

Maturity

R$ thousand

	December 31, 2013		December 31, 2012 (Restated)	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Due within one year	10,060,271	10,053,730	19,603,010	19,622,996
From 1 to 5 years	16,106,928	15,854,096	9,862,844	10,984,233
From 5 to 10 years	24,289,250	23,553,929	26,134,955	29,633,449
Over 10 years	12,806,692	12,496,159	11,220,410	15,756,784
No stated maturity	5,790,564	5,880,497	5,270,733	5,524,668
Total	**69,053,705**	**67,838,411**	**72,091,952**	**81,522,130**

Financial instruments pledged as collateral and classified as available for sale, totaled R$ 41,267,846 thousand and R$ 23,343,375 thousand in 2013 and 2012, respectively, as disclosed in Note 23 "Assets Pledged as Collateral".

In 2013, the Organization maintained a total of R$ 4,011,827 thousand (2012 – R$ 113,944 thousand) financial assets available for sale pledged as a guarantee for liabilities.

We have applied our policy for impairment testing described in note 2(e)(viii)(b) and realized other than temporary losses for available for sale assets in the amount of R$ 402,085 thousand (2012 – R$ 1,170,038 thousand and 2011 – R$ 515 thousand).

b) Cash and cash equivalents

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Notes to the Consolidated Financial Statements

22) Investments held to maturity

R$ thousand

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Securities (1):				
Brazilian government securities	23,029,469	1,469,895	-	24,499,364
Brazilian sovereign bonds	39,557	6,791	(674)	45,674
Balance on December 30, 2013	**23,069,026**	**1,476,686**	**(674)**	**24,545,038**
Securities:				
Brazilian government securities	3,659,576	2,623,544	-	6,283,120
Brazilian sovereign bonds	56,097	3,949	(12,354)	47,692
Balance on December 31, 2012 (Restated)	**3,715,673**	**2,627,493**	**(12,354)**	**6,330,812**

(1) In December 31, 2013, R$ 19,121,109 thousand was reclassified from “Available for Sale Securities” to “Held-to-Maturity Securities,” given that the Insurance Group made the reclassification because of the change in Management's intention.

Maturity

R$ thousand

	December 31, 2013		December 31, 2012 (Restated)	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Due within one year	-	-	11,242	11,374
From 1 to 5 years	2,948,181	2,961,496	220,643	244,747
From 5 to 10 years	6,804,319	7,337,634	1,721,156	2,692,694

Over 10 years	13,316,526	14,245,908	1,762,632	3,381,997
Total	**23,069,026**	**24,545,038**	**3,715,673**	**6,330,812**

The financial instruments granted as guarantees, which totaled R$ 4,360 thousand and R$ 267,421 thousand in 2013 and 2012, respectively, are described in Note 23 “Assets pledged as collateral”.

IFRS – International Financial Reporting Standards – 2013

22) Investments held to maturity

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23) Assets pledged as collateral

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Held for trading (1)	**2,924,653**	**8,609,468**
Brazilian government securities	2,924,653	8,609,468
Available for sale (1) (2)	**47,060,487**	**23,343,375**
Brazilian government securities	44,667,819	19,308,061
Corporate debt securities	1,939,437	3,431,710
Brazilian sovereign bonds	-	149,284
Bank debt securities	453,231	454,320
Held to maturity	**4,360**	**267,421**
Brazilian sovereign bonds	4,360	267,421
Loans and advances to banks	**67,750,725**	**73,913,035**
Interbank liquidity investments	67,750,725	73,913,035
Total	**117,740,225**	**106,133,299**

(1) From the total amount of held of trading and available for sale, R$ 48,388,121 thousand relates to Level 1 (2012 – R$ 30.442.243 thousand) and R$ 1,597,019 thousand relates to Level 3 (2012 – R$ 1.510.600 thousand). During 2013, there were no transfers between Levels; and

(2) Includes gains in 2013 of R$ 105,063 thousand (2012 – R$ 1.252.307 thousand) and losses of R$ 1,286,168 thousand (2012 – R$ 3.827 thousand).

Collateral is a conditional commitment to ensure that the contractual clauses of a funding in the open market are complied with. In these agreements, the amount of R$ 117,380,203 thousand (2012 – R$ 103,661,849 thousand) may be repledged and R$ 360,022 thousand (2012 – R$2,471,450 thousand), sold or repledged.

The fair value of assets pledged as collateral in 2013 classified as held to maturity totaled R$ 5.034 thousand (2012 - R$ 271,237 thousand).

24) Loans and advances to banks

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Repurchase agreements [1]	57,222,304	68,668,469
Loans to financial institutions	21,540,661	23,824,810
Impairment of loans and advances	(43,242)	(33,932)
Total	**78,719,723**	**92,459,347**

(1) As the guarantee holder had not defaulted, the Organization was authorized to sell or repledge the guarantee at a fair value of R$ 28.875 thousand in 2013 (2013 – R$ 209,267 thousand).

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

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25) Loans and advances to customers

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Working capital	59,180,627	53,298,176
Personal credit (1)	41,922,683	32,240,786
Onlending BNDES/Finame	40,543,267	35,703,861
Vehicles – CDC (Direct consumer credit)	32,209,642	33,820,338
Housing loans	27,870,462	22,302,967
Financing and export	25,662,214	22,665,551
Credit card	25,473,079	22,367,978
Rural loans	13,651,917	11,580,061
Guaranteed account	10,422,370	9,800,968
Import	8,598,811	6,580,312
Leasing	5,713,481	8,035,454
Receivable insurance premiums	3,717,227	2,893,506
Overdraft facilities	3,312,666	2,988,632
Others	25,701,122	24,657,024
Total Portfolio	**323,979,568**	**288,935,614**
Impairment of loans and advances	(19,858,234)	(19,914,294)
Total of net loans and advances to customers	**304,121,334**	**269,021,320**

(1) Includes in 2013 R$ 24,487,902 thousand related to payroll loans (2012 – 16,595,256 thousand).

Allowance for loans and advances to customers

	R$ thousand	
	2013	**2012 (Restated)**

At the beginning of the period	**19,914,294**	**17,551,042**
Impairment of loans and advances	9,623,870	11,451,383
Recovery of credits charged-off as loss	3,640,014	2,986,639
Write-offs	(13,319,944)	(12,074,770)
At the end of the period	**19,858,234**	**19,914,294**

Finance lease receivables

Loans and advances to customers include the following finance lease receivables.

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Gross investments in financial leases receivable:		
Up to one year	3,001,069	4,443,728
From one to five years	2,674,089	3,546,825
Over five years	38,323	44,901
Impairment loss on finance leases	(460,556)	(752,178)
Net investment	**5,252,925**	**7,283,276**
Net investments in finance leases:		
Up to one year	2,723,519	4,001,849
From one to five years	2,492,248	3,237,738
Over five years	37,158	43,689
Total	**5,252,925**	**7,283,276**

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

Notes to the Consolidated Financial Statements

26) Non-current assets held for sale

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Assets not for own use		
Vehicles and related	299,117	222,676
Properties	519,591	296,365
Machinery and equipment	11,542	11,463
Others	2,296	2,469
Total	**832,546**	**532,973**

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

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27) Investments in associated companies and joint ventures

a. Breakdown of investments in associated companies and joint ventures

R$ thousand

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in net income (loss)	Associated company assets	Associated company liabilities	Revenue (1)	Associated company net income (losses) for the year
BES Investimentos do Brasil S.A.	20.00%	20.00%	133,140	6,047	7,257,323	6,591,624	9,097,795	30,235
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	56,796	6,285	196,342	22,575	5,893	15,018
Cielo S.A.	28.65%	28.65%	1,360,812	802,033	12,643,111	9,317,261	18,187	2,799,588
Empresa Brasileira de Solda Elétrica S.A. (2)	49.00%	49.00%	25,642	4,043	328,952	276,621	178,399	8,251
Fidelity Processadora S.A.	49.00%	49.00%	266,429	58,579	868,262	324,529	14,931	119,549
	22.32%	22.32%	503,911	6,700	810,921	9,713	30,232	30,022

Integritas Participações S.A. (2)								
IRB - Brasil Resseguros S.A. (2) (3)	21.24%	-	507,503	18,166	12,502,578	9,990,775	1,508,156	85,518
NCR Brasil S.A. (2)	49.00%	49.00%	70,281	5,122	159,228	82,720	36,035	10,453
Total investments in associated companies			**2,924,514**	**906,975**	**34,766,717**	**26,615,818**	**10,889,628**	**3,098,634**
Elo Participações S.A.(4)	50.01%	50.01%	373,145	76,567	924,083	957	46	153,103
Companhia Brasileira de Soluções e Serviços – Alelo (4)	-	-	-	52,996	-	-	36,415	105,971
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	64,852	11,261	383,426	250,738	133,855	22,522
Leader S.A. Adm. de Cartões de Crédito (2)	50.00%	50.00%	26,042	15,803	390,788	338,703	303,233	31,606
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	4,294	(731)	8,775	188	-	(1,462)
2BCapital S.A.	50.00%	50.00%	-	(184)	4,358	4,886	39	(368)
Total investments in joint ventures			**468,333**	**155,712**	**1,711,430**	**595,472**	**473,588**	**311,372**
Total on December 31, 2013			**3,392,847**	**1,062,687**	**36,478,147**	**27,211,290**	**11,363,216**	**3,410,006**

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R$ thousand

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in net income (loss)	Associated company assets	Associated company liabilities	Revenue (1)	Associated company net income (losses) for the year
BES Investimentos do Brasil S.A.	20.00%	20.00%	128,153	9,315	6,543,698	5,902,932	6,534,113	31,064
BIU Participações S.A. (5)	-	-	-	57,200	-	-	-	-
Cielo S.A.	28.65%	28.65%	1,171,061	653,958	9,287,235	6,552,119	19,675	2,313,995
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	50,511	6,746	146,114	25,415	4,231	16,120
Fidelity Processadora S.A.	49.00%	49.00%	266,974	40,160	719,437	174,590	6,204	81,959
Empresa Brasileira de Solda Elétrica S.A. (2)	49.00%	49.00%	21,734	3,657	242,126	197,859	29,017	6,075
IRB - Brasil Resseguros S.A. (2) (3)	21.24%	-	532,518	125,908	11,511,230	9,004,344	952,801	378,120
NCR Brasil S.A. (2)	49.00%	49.00%	77,432	-	298,481	229,567	62,446	35,932
Integritas Participações S.A. (2)	22.32%	22.32%	506,615	(26,282)	910,020	15,283	703	44,661
			2,754,998	**870,662**	**29,658,341**	**22,102,109**	**7,609,190**	**2,907,926**

Total investments in associated companies								
Companhia Brasileira de Soluções e Serviços - Alelo	50.01%	50.01%	260,031	89,404	2,896,581	2,444,656	73,672	160,048
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	58,152	1,177	402,605	287,649	156,513	5,513
Elo Participações S.A.	50.01%	50.01%	12,728	(3,810)	27,126	1,669	520	(7,619)
Leader S.A. Adm. de Cartões de Crédito [(2)]	50.00%	50.00%	35,452	23,984	369,092	310,836	302,341	48,700
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	25	-	50	-	-	-
2BCapital S.A.	50.00%	50.00%	-	(1,205)	4,455	4,615	11	(2,410)
Total investments in joint ventures			**366,388**	**109,550**	**3,699,909**	**3,049,425**	**533,057**	**204,232**
Total on December 31, 2012 (Restated)			**3,121,386**	**980,212**	**33,358,250**	**25,151,534**	**8,142,247**	**3,112,158**

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R$ thousand

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in net income (loss)	Associated company assets	Associated company liabilities	Revenue (1)	Associated company net income (losses) for the year
BES Investimentos do Brasil S.A.	20.00%	20.00%	103,538	14,305	6,242,286	5,724,597	5,962,194	71,525
BIU Participações S.A.	33.84%	33.84%	69,856	39,698	314,737	8,462	8,880	101,964
Cielo S.A.	28.65%	28.65%	900,741	510,839	5,600,136	3,880,217	2,110,126	1,813,390
Cia. Brasileira de Gestão e Serviços S.A.	41.85%	41.85%	43,765	5,222	125,187	20,607	4,223	12,478
Empresa Brasileira de Solda Elétrica S.A. (2)	49.00%	49.00%	18,192	1,341	161,828	124,702	25,074	2,737
Fidelity Processadora S.A.	49.00%	49.00%	246,649	15,836	631,797	128,430	345,210	32,319
IRB - Brasil Resseguros S.A. (2) (3)	21.24%	-	473,548	85,566	9,679,309	7,423,838	1,025,727	402,853
Integritas Participações S.A. (2)	22.32%	22.32%	534,177	9,315	1,042,125	19,100	1,847	41,734
Total investments in associated companies			**2,390,466**	**682,122**	**23,797,405**	**17,329,953**	**9,483,281**	**2,479,000**

Cia. Brasileira de Soluções e Serviços – Alelo	50.01%	50.01%	234,599	87,888	2,247,695	1,914,583	98,954	175,741
Crediare S.A. – Crédito, Financiamento e Investimento	50.00%	50.00%	57,649	10,166	503,930	393,139	148,100	15,824
Elo Participações S.A.	50.01%	50.01%	16,538	(8,673)	36,914	3,845	523	(17,342)
Leader S.A. Adm. de Cartões de Crédito (2)	50.00%	50.00%	24,341	33,368	280,324	245,023	242,740	53,357
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	3	-	-	-	-	-
2BCapital S.A.	50.00%	50.00%	1,125	(1,051)	3,633	1,381	109	(2,101)
Total investments in joint ventures			**334,255**	**121,698**	**3,072,496**	**2,557,971**	**490,426**	**225,479**
Total on December 31, 2011 (Restated)			**2,724,721**	**803,820**	**26,869,901**	**19,887,924**	**9,973,707**	**2,704,479**

(1) Revenues from financial intermediation or services;

(2) 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;

(3) Bradesco has a board member at IRB-Brasil with voting rights, which results in significant influence;

(4) In 2013 it was a disposal of associated company investments of Cia Brasileira de Soluções e Serviços – Alelo and the respective capital increase in the Elo Participações S.A.; and

(5) Company disposed in 2012.

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In 2013, with the exception of Cielo S.A., the other investments mentioned in the table above were not traded regularly on any stock exchange. The market value of our investment in Cielo, was R$ 14,784,925 thousand (December 2012 - R$ 10,695,518 thousand). The Organization doesn't have any contingent liability for investments in Associates, in which it is responsible for, in part or in full.

b. Changes in associated company investments

		R$ thousand
	2013	**2012 (Restated)**
Initial balances	**3,121,386**	**2,724,721**
Additions (1)	379,983	97,454
Disposal of associated companies (1)	(391,171)	(125,459)
Equity in net income of associated companies	1,062,687	980,212
Dividends/Interest on capital	(767,765)	(510,580)
Adjustment of goodwill(2)	(12,273)	(44,962)
Final balances	**3,392,847**	**3,121,386**

(1) In 2013 it was a disposal of associated company investments of Cia Brasileira de Soluções e Serviços – Alelo and the respective capital increase in the Elo Participações S.A; and

(2) In 2013, refers: (i) Adjustment of goodwill of NCR Brasil and (ii) reversal of amortization Ibi Promotora goodwill.

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28) Property and equipment

a) Composition of property and equipment by class

R$ thousand

	Annual rate of depreciation	Cost	Accumulated depreciation	Net
Buildings	4%	1,072,076	(566,917)	505,159
Land	-	492,411	-	492,411
Installations, properties and equipment for use	10%	4,479,464	(2,449,557)	2,029,907
Security and communications systems	10%	223,422	(166,349)	57,073
Data processing systems	20% - 50%	2,305,524	(1,545,962)	759,562
Transportation systems	20%	56,676	(34,034)	22,642
Financial leasing of data processing systems	20% - 50%	2,818,799	(2,183,586)	635,213
Balance on December 31, 2013		**11,448,372**	**(6,946,405)**	**4,501,967**
Buildings	4%	949,713	(487,775)	461,938
Land	-	488,292	-	488,292
Installations, properties and equipment for use	10%	4,670,119	(2,445,717)	2,224,402
Security and communications systems	10%	229,518	(154,169)	75,349
Data processing systems	20% - 50%	1,902,693	(1,301,526)	601,167
Transportation systems	20%	53,791	(29,970)	23,821
Financial leasing of data processing systems	20% - 50%	2,514,555	(1,864,697)	649,858
Balance on December 31, 2012 (Restated)		**10,808,681**	**(6,283,854)**	**4,524,827**

Depreciation charges for 2013 amounted to R$ 1,018,239 thousand (2012 - R$ 1,035,235 thousand and 2011 - R$ 989,161 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 38 for disclosure of the obligation.

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b) Change in property and equipment by class

	Buildings	**Land**	**Installations, properties and equipment for use**	**Security and communications systems**	**Data processing systems** [1]	**Tran s**
Balance on December 31, 2011 (Restated)	**393,693**	**454,956**	**2,102,195**	**79,752**	**1,201,174**	
Additions	84,177	34,470	832,153	14,006	706,784	
Write offs	(2,895)	(1,134)	(329,086)	(631)	(38,234)	
Depreciation	(13,037)	-	(380,860)	(17,778)	(618,699)	
Balance on December 31, 2012 (Restated)	**461,938**	**488,292**	**2,224,402**	**75,349**	**1,251,025**	
Additions	58,299	5,972	459,161	13,718	791,102	
Write offs	(2,001)	(1,853)	(294,707)	(10,477)	(19,390)	
Impairment	-	-	(6,356)	(1,521)	-	
Depreciation	(13,077)	-	(352,593)	(19,996)	(627,962)	
Balance on December 31, 2013	**505,159**	**492,411**	**2,029,907**	**57,073**	**1,394,775**	

(1) Includes financial leasing of data processing systems.

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29) Intangible assets and goodwill

a) Change in intangible assets and goodwill by class

R$ thousand

	Goodwill	Intangible assets				
		Acquisition of banking rights [1]	Software [1]	Customer portfolio [1]	Others [1] [2]	Total
Balance on December 31, 2011 (Restated)	**723,526**	**3,064,089**	**2,331,486**	**879,300**	**47,855**	**7,046,256**
Additions	-	889,395	1,118,683	-	543,922	**2,552,000**
Impairment [3]	-	(527,436)	-	-	-	**(527,436)**
Amortization	-	(839,529)	(536,959)	(42,459)	(34,000)	**(1,452,947)**
Balance on December 31, 2012 (Restated)	**723,526**	**2,586,519**	**2,913,210**	**836,841**	**557,777**	**7,617,873**
Additions	-	943,661	1,354,507	-	75,997	**2,374,165**
Impairment [3]	-	(18,721)	(29,987)	-	-	**(48,708)**
Amortization	-	(922,438)	(659,875)	(42,458)	(97,820)	**(1,722,591)**
Balance on December 31, 2013	**723,526**	**2,589,021**	**3,577,855**	**794,383**	**535,954**	**8,220,739**

(1) Rate of amortization: acquisition of banking rights - in accordance with contract agreement; software – 20% to 50%; Customer portfolio – until 20%; and others – 20%;

(2) “Others” mainly refers to rights related to the 2016 Olympic Games sponsorship program; and

(3) Impairment losses were recognized because the recoverable amount of "acquisition of banking rights" and "software" is less than their carrying amount. 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
	December 31	
	2013	**2012 (Restated)**
Segment banking	429,560	429,560
Segment Insurance, pension and capitalization bonds	293,966	293,966
Total	**723,526**	**723,526**

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 2013 and in 2012.

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 8.5% p.a. The forecast cash flows have been discounted at a rate of 12.4% p.a.

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.

30) Other assets

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Foreign exchange transactions (1)	13,639,589	11,457,810
Debtors for guarantee deposits (2)	10,309,378	10,818,380
Sundry borrowers	2,402,859	1,888,893
Trade and credit receivables	2,123,553	2,416,843
Deferred selling expenses (insurance) – Note 35f	1,547,121	1,205,089
Interbank and interbranch receivables	1,468,385	1,703,536
Negotiation and intermediation of securities	1,325,122	4,049,634
Income receivable	1,020,782	790,301
Prepaid expenses	516,208	527,349
Advances to the Credit Guarantee Fund - FGC	-	167,439
Others (3)	1,014,718	918,361
Total	**35,367,715**	**35,943,635**

(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; and

(3) Includes several items that are basically trade and credit receivables, material supplies, other advances and payments to be reimbursed.

b) Composition of goodwill by segment

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31) 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	
	December 31	
	2013	**2012 (Restated)**
Demand deposits	986,310	727,869
Interbank deposits	963,855	382,474
Funding in the open market	185,055,358	175,646,854
Borrowings	15,230,854	8,111,101
Onlending	40,863,996	36,075,056
Total	**243,100,373**	**220,943,354**

32) 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	
	December 31	
	2013	**2012 (Restated)**
Demand deposits	39,633,427	37,684,247
Savings deposits	80,717,805	69,041,721
Time deposits	95,866,825	104,048,295
Total	**216,218,057**	**210,774,263**

33) Funds from securities issued

a) Composition by type of security issued and location

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Instruments Issued – Brazil:		
Mortgage notes	604,105	826,843
Real estate credit notes	5,995,699	4,229,511
Agribusiness notes	4,371,017	3,894,203
Financial notes	35,208,325	28,220,510
Subtotal	**46,179,146**	**37,171,067**
Securities and bonds – Abroad:		
Euronotes (1)	8,412,859	10,761,614
Securities issued through securitization – (item (b))	3,291,063	3,619,412
Subtotal	**11,703,922**	**14,381,026**
Grand Total	**57,883,068**	**51,552,093**

(1) Issuance of securities in the foreign market for customers' foreign exchange operations, export pre-financing, import financing and working capital financing, substantially in the medium and long terms.

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b) Securities issued through securitization

Since 2003, the Organization uses certain arrangements to optimize its activities of funding and liquidity management by means of 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 payor.

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	Amount of the transaction	Maturity	2013	2012 (Restated)
	6.11.2007	481,550	5.20.2014	38,861	168,411
	6.11.2007	481,550	5.20.2014	38,832	168,528
Securitization of the future flow of payment orders received from abroad	12.20.2007	354,260	11.20.2014	75,287	150,878
	3.6.2008	836,000	5.22.2017	818,320	916,093

31) Deposits from banks

	12.19.2008	1,168,500	2.20.2019	1,257,040	1,077,558
	12.17.2009	133,673	11.20.2014	47,027	94,116
	12.17.2009	133,673	2.20.2017	118,406	135,413
	12.17.2009	89,115	2.20.2020	107,129	107,222
	8.20.2010	307,948	8.21.2017	307,512	338,938
	9.29.2010	170,530	8.21.2017	175,753	193,713
	11.16.2011	88,860	11.20.2018	124,119	106,418
	11.16.2011	133,290	11.22.2021	182,777	162,124
Total		**4,378,949**		**3,291,063**	**3,619,412**

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31) Deposits from banks

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34) Subordinated debt

Maturity	Original term in years	Amount of the operation	Currency	Remuneration
In Brazil:				
Subordinated CDB:				
2013 (1)	5	-	R$	100.0% of CDI rate + 1.0817% p.
2014	6	1,000,000	R$	112.0% of CDI ra
2015	6	1,274,696	R$	IPCA + (6.92% p.a.- 8.55% p.a
				108.0% to 112.0% of CDI ra
2016	6	500	R$	IPCA + 7.1292% p.
2019	10	20,000	R$	IPCA + 7.76% p.
Financial notes:				
				IGP-M rate + 6.3874% p.
				IPCA + (6.7017% p.a.- 6.8784% p.a
				Fixed rate of 13.0949% p.
2016	6	102,018	R$	108.0% to 110.0% of CDI ra
				100% of CDI rate + (1.2685%p.a.- 1.3656% p.a
				IGP-M rate + (5.7745% p.a.- 6.9588% p.a
				IPCA + (5.6030% p.a.- 7.5482% p.a
				Fixed rate of (11.7493% p.a.- 13.8609% p.a
2017	6	8,630,999	R$	104.0% to 112.5% of CDI ra
				100% of CDI rate + (0.7855%p.a.- 1.3061% p.a
				IGP-M rate + (4.0147% p.a.- 6.2626% p.a
				IPCA + (3.6712% p.a.- 6.2822% p.a
				Fixed rate of (9.3991% p.a.- 12.1754% p.a
2018	6	8,262,799	R$	105.0% to 112.0% of CDI ra
				IGP-M rate + (3.6320% p.a.- 4.0735% p.a

				IPCA + (3.2983% p.a.- 4.4268% p.a
				Fixed rate of (9.3207% p.a.- 10.3107% p.a
2019 (2)	6	21,858	R$	109.3% to 109.5% of CDI ra
				IPCA + 7.4163% p.
2017	7	40,100	R$	Fixed rate + 13.1763% p.

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34) Subordinated debt

Maturity	Original term in years	Amount of the operation	Currency	Remuneration
				IGP-M rate + 6.6945%
2018	7	141,050	R$	IPCA + (5.9081% p.a.- 7.3743%
				100% of CDI rate + (1.0079%p.a.- 1.0412%
				IGP-M rate + 4.17468%
				IPCA + (4.0262% p.a.- 6.1757%
				Fixed rate of (10.1304% p.a.- 11.7550%
2019	7	3,172,835	R$	110.5% to 112.2% of CD
2020 (5)	7	1,700	R$	IPCA + 4.2620%
2018	8	50,000	R$	IGP-M rate + 7.0670%
				IGP-M rate + 5.8351%
				IPCA + (5.8950% p.a.- 6.3643%
2019	8	12,735	R$	Fixed rate of 13.3381%
				IGP-M rate + 5.5341%
				IPCA + (3.9941% p.a.- 6.1386%
				Fixed rate of (11.1291% p.a.- 11.8661%
2020	8	28,556	R$	110.0% to 110.7% of CD
2021 (3)	8	1,236	R$	IPCA + (3.7004% p.a.- 4.3419%
2021	9	7,000	R$	111.0% of CD
				IGP-M rate + (6.0358% p.a.- 6.6244%
				IPCA + (5.8789% p.a.- 7.1246%
				Fixed rate of 12.7513%
2021	10	19,200	R$	109.0% of CD
				IGP-M rate + (3.9270% p.a.- 4.2994%
				IPCA + (4.1920% p.a.- 6.0358%

				Fixed rate of (10.3489% p.a.- 12.4377%
2022	10	54,143	R$	110.0% to 111.3% of CD
				IGP-M rate + (3.5855% p.a.- 3.9984%
				IPCA + (3.9292% p.a.- 4.962%
2023 (4)	10	688,064	R$	Fixed rate of (10.6804% p.a.- 10.8971%
CDB pegged to loans:				
2014 to 2016	2 to 3	3,961	R$	100% of CD
Subtotal in Brazil				

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R$ thousand

Maturity	Original term in years	Amount of the operation	Currency	Remuneration	2013	2012 (Restated)
Abroad:						
2013	10	1,434,750	US$	Rate of 8.75% p.a.	-	1,033,116
2014	10	801,927	Euro	Rate of 8.00% p.a.	735,167	612,924
2019	10	1,333,575	US$	Rate of 6.75% p.a.	1,780,224	1,552,158
2021	11	2,766,650	US$	Rate of 5.90% p.a.	3,826,416	3,334,521
2022	11	1,886,720	US$	Rate of 5.75% p.a.	2,609,831	2,274,254
Subtotal abroad					**8,951,638**	**8,806,973**
Overall total					**35,885,003**	**34,851,714**

(1) Subordinated debt transactions that matured in January, February, April, May and July 2013;

(2) Issue of financial notes, of which were issued as follows: (i) R$3,362 thousand in January 2013; (ii) R$3,731 thousand in February 2013; and (iii) R$14,765 thousand in March 2013, maturing in 2019;

(3) Issue of financial notes, of which were issued as follows: (i) R$736 thousand in January 2013; and (ii) R$500 thousand in March 2013, maturing in 2021;

(4) Issue of financial notes, of which were issued as follows: (i) R$85,180 thousand in January 2013; (ii) R$498,310 thousand in February 2013; and (iii) R$104,574 thousand in March 2013, maturing in 2023; and

(5) Issue of financial notes, of which were issued as follows: R$1,700 thousand in March 2013, maturing in 2020.

Legend:

CDB – Bank Deposit Certificate

CDI – Interbank Deposit Certificate

IPCA – Broad Consumer Price Index

DI-CETIP – Interbank rate published by the Centre for Securities Custody and Settlement

IGPM – General Market Price Index

34) Subordinated debt

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Notes to the Consolidated Financial Statements

35) Insurance technical provisions and pension plans

a) Technical provisions by account

R$ thousand

	Insurance [1]		Life and Pension [2][3]		Total	
	December 31		December 31		December 31	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
Current and long-term liabilities						
Mathematical provision for benefits to be granted	756,961	825,848	104,970,618	93,323,469	**105,727,579**	**94,149,317**
Mathematical provision for benefits granted	166,736	174,118	6,447,717	5,946,678	**6,614,453**	**6,120,796**
IBNR (Incurred But Not Reported) provision	1,480,775	1,281,188	1,185,020	942,521	**2,665.795**	**2,223,709**
Provision for unearned premiums [4]	3,213,683	2,072,355	263,076	187,868	**3,476,759**	**2,260,223**
Complementary reserve for coverage [5]	-	-	-	5,062,023	**-**	**5,062,023**
Provision for insurance claims to be settled	3,606,831	3,077,957	1,263,807	1,041,065	**4,870,638**	**4,119,022**
Provision for financial surplus	-	-	395,227	368,033	**395,227**	**368,033**
Provision for administrative expenses	-	-	-	118,885	**-**	**118,885**
Other provisions [5]	1,860,919	2,950,297	4,717,653	1,396,415	**6,578,572**	**4,346,712**
Total provisions	**11,085,905**	**10,381,763**	**119,243,118**	**108,386,957**	**130,329,023**	**118,768,720**

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Notes to the Consolidated Financial Statements

b) Technical provisions by product

R$ thousand

	Insurance December 31		Life and Pension December 31		Total December 31	
	2013	**2012 (Restated)**	**2013**	**2012 (Restated)**	**2013**	**2012 (Restated)**
Health (5)	5,877,724	5,650,060	-	-	**5,877,724**	**5,650,060**
Auto / Liability Insurance	2,721,222	2,696,872	-	-	**2,721,222**	**2,696,872**
DPVAT (Personal Injury Caused by Automotive Vehicles)	210,426	154,703	554,609	341,040	**765,035**	**495,743**
Life	-	-	5,089,719	4,433,645	**5,089,719**	**4,433,645**
Elementary lines (property/casualty)	2,276,533	1,880,128	-	-	**2,276,533**	**1,880,128**
Free Benefits Generating Plan - PGBL	-	-	21,453,632	20,608,501	**21,453,632**	**20,608,501**
Free Benefits Generating Life - VGBL	-	-	74,522,213	65,486,891	**74,522,213**	**65,486,891**
Traditional plans (5)	-	-	17,622,945	17,516,880	**17,622,945**	**17,516,880**
Total technical provisions	**11,085,905**	**10,381,763**	**119,243,118**	**108,386,957**	**130,329,023**	**118,768,720**

(1) “Other reserves” - Insurance basically refers to the technical reserves of the “personal health” portfolio recorded to (i) cover the differences of future premium adjustments and those required for the portfolio technical balance and (ii) adapt to current interest rate scenarios;

(2) Includes personal insurance and pension plans;

(3) “Other reserves” - Life and Pension Plan basically refers to “Reserve for unvested benefits (Life)”, “Reserve for redemption and other amounts to be settled”, “Reserve for risk fluctuation”, “Reserve for benefits to be settled” and “Additional premiums reserve”;

(4) In the first quarter of 2013, in compliance with ANS Normative Resolution 314, Bradesco Saúde reclassified R$ 774.247 thousand, corresponding to the unearned premiums, which was deducted from premiums receivable, to “Technical Reserves – Unearned Premium Reserve,” under liabilities; and

(5) Up to November 2013, as authorized by Susep, an interest rate based on Bank’s own study was used to discount the actuarial liability flow and, consequently, the item "Complementary Reserve for Coverage” reflected the result of this rate. However, as per Susep resolution, since December 2013 the risk-free yield curve (ETTJ) is used, which caused an increase in “Other Technical Reserves” and a decrease in “Complementary Reserve for Coverage”, which resulted in a net reversal of R$2,571,793 thousand in Technical Reserves. Nonetheless, we adjusted to market value the rates of certain securities (NTNs) given as collateral for technical reserves, reflecting Brazil’s current economic scenario, in the amount of R$6,860,597 thousand, recognizing a reduction which practically offset the reversal of technical reserves (Note 9).

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c) Technical provisions by aggregated products

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Insurance – Vehicle, Elementary Lines, Life and Health	16,730,244	15,156,448
Insurance – Life with Survival Coverage (VGBL)	74,522,213	65,486,891
Pensions – PGBL and Traditional Plans	33,770,112	32,808,220
Pensions – Risk Traditional Plans	5,306,454	5,317,161
Total	**130,329,023**	**118,768,720**

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Notes to the Consolidated Financial Statements

d) Changes in the insurance and pension technical provisions

(i) Insurance – Vehicle, General, Life, Health and Pension (Risk on Traditional Plans)

	R$ thousand	
	Years ended December 31	
	2013	**2012 (Restated)**
At the beginning of the year	**20,473,609**	**16,539,893**
(-) DPVAT insurance and retrocession	(487,409)	(397,032)
Subtotal at beginning of the year	**19,986,200**	**16,142,861**
Additions, net of reversals	16,368,879	16,407,364
Reported claims	(15,666,853)	(13,151,150)
Claims, benefits and redemptions paid	(53,304)	(145,610)
Adjustment for inflation and interest	706,339	732,735
Subtotal at end of the year	**21,341,261**	**19,986,200**
(+) DPVAT insurance and retrocession	695,437	487,409
Total of the Year-End	**22,036,698**	**20,473,609**

(ii) Insurance – Life with Survival Coverage (VGBL)

	R$ thousand	
	Years ended December 31	
	2013	**2012 (Restated)**
At the beginning of the year	**65,486,891**	**53,175,712**
Receipt of premiums net of fees	18,616,864	17,469,175
Payment of benefits	(13,037)	(8,495)
Payment of redemptions	(12,201,838)	(9,155,922)
Adjustment for inflation and interest	3,026,956	4,359,943

Others	(393,623)	(353,522)
Total of the Year-End	**74,522,213**	**65,486,891**

(iii) Pensions – PGBL and Traditional Plans

	R$ thousand	
	Years ended December 31	
	2013	**2012 (Restated)**
At the beginning of the year	**32,808,220**	**29,396,716**
Receipt of contributions net of fees	2,100,389	2,093,058
Payment of benefits	(473,760)	(394,260)
Payment of redemptions	(1,541,817)	(1,276,002)
Adjustment for inflation and interest	1,847,372	2,690,842
Others	(970,292)	297,866
Total of the Year-End	**33,770,112**	**32,808,220**

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e) Guarantees for the technical provisions

R$ thousand

	Insurance December 31		**Life and Pension December 31**		**Total December 31**	
	2013	**2012 (Restated)**	**2013**	**2012 (Restated)**	**2013**	**2012 (Restated)**
Total technical reserves	**11,085,905**	**10,381,763**	**119,243,118**	**108,386,957**	**130,329,023**	**118,768,720**
(-) Loading on insurance sales – guarantee extension	(213,353)	(34,822)	-	-	**(213,353)**	**(34,822)**
(-) Portion corresponding to contracted reinsurance	(841,829)	(865,364)	(6,048)	(9,730)	**(847,877)**	**(875,094)**
(-) Deposits retained at IRB and court deposits	(2,330)	(23,484)	(54,704)	(59,436)	**(57,034)**	**(82,920)**
(-) Receivables	(775,873)	(744,265)	-	-	**(775,873)**	**(744,265)**
(-) Unearned premium reserve - Health insurance	(774,247)	-	-	-	**(774,247)**	**-**
(-) Reserves from DPVAT agréments	(203,994)	(148,167)	(550,668)	(338,049)	**(754,662)**	**(486,216)**
To be insured	**8,274,279**	**8,565,661**	**118,631,698**	**107,979,742**	**126,905,977**	**116,545,403**
Investment fund quotas (VGBL and PGBL) (1)	-	-	93,443,359	82,964,196	**93,443,359**	**82,964,196**
Investment fund quotas (excluding VGBL and PGBL)	6,155,469	2,452,379	20,251,406	13,297,804	**26,406,875**	**15,750,183**
Government securities	3,486,879	6,691,646	5,281,167	10,174,124	**8,768,046**	**16,865,770**
Private securities	101,109	105,188	194,651	212,432	**295,760**	**317,620**
Shares	5,029	4,710	1,048,629	1,504,244	**1,053,658**	**1,508,954**
Total guarantees of technical reserves	**9,748,486**	**9,253,923**	**120,219,212**	**108,152,800**	**129,967,698**	**117,406,723**

(1) The “VGBL” and “PGBL” mutual funds were consolidated in the consolidated financial statements.

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f) Changes in deferred selling expenses (insurance assets)

	R$ thousand	
	Years ended December 31	
	2013	**2012 (Restated)**
At the beginning of the year	**1,205,089**	**557,708**
Additions	1,592,919	1,678,470
Reversals	(1,260,863)	(1,031,089)
Total of the Year-End	**1,537,145**	**1,205,089**

g) Changes in reinsurance assets

	R$ thousand	
	Years ended December 31	
	2013	**2012 (Restated)**
At the beginning of the year	**888,541**	**695,145**
Additions	372,423	331,451
Reversals	(237,010)	(5,623)
Recovered insurance losses	(106,580)	(152,011)
Adjustment of inflation and interest	22,578	21,223
Others	5,776	(1,644)
Total of the Year-End	**945,728**	**888,541**

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 carrying amounts.

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Vehicle/RCF and Elementary Lines – Claims, gross reinsurance[1]

	Year claims were notified								
	up to 2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Amount estimated for the claims									
• In the year of notification	2,023,548	1,697,160	1,701,439	1,152,371	2,058,559	2,414,674	2,647,298	3,134,409	3,020,8
• One year after notification	1,955,138	1,626,143	1,638,346	1,108,270	2,037,365	2,394,609	2,626,356	3,035,716	
• Two years after notification	1,921,320	1,600,359	1,596,899	1,088,069	2,018,329	2,387,075	2,604,738	-	
• Three years after notification	1,912,062	1,603,521	1,593,526	1,094,795	2,015,921	2,403,020	-	-	
• Four years after notification	1,918,314	1,597,707	1,598,083	1,102,364	2,046,000	-	-	-	
• Five years after notification	1,925,223	1,605,888	1,600,766	1,102,595	-	-	-	-	
• Six years after notification	1,926,098	1,612,902	1,608,667	-	-	-	-	-	
• Seven years after notification	1,931,580	1,623,910	-	-	-	-	-	-	
	1,945,495	-	-	-	-	-	-	-	

• Eight years after notification									
Estimate of claims on the base date (2013)	**1,945,495**	**1,623,910**	**1,608,667**	**1,102,595**	**2,046,000**	**2,403,020**	**2,604,738**	**3,035,716**	**3,020,8**
Payments of claims	(1,867,415)	(1,587,940)	(1,563,424)	(957,963)	(1,956,706)	(2,285,212)	(2,427,542)	(2,652,348)	(2,097,02
Outstanding Claims	**78,080**	**35,970**	**45,243**	**144,632**	**89,294**	**117,808**	**177,196**	**383,368**	**923,8**

Vehicle/RCF and Elementary Lines – Claims, net reinsurance(1)

	Year claims were notified								
	up to 2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Amount estimated for the claims									
• In the year of notification	1,725,277	1,464,086	1,421,768	859,651	1,791,249	2,260,194	2,440,426	2,804,706	2,815,3
• One year after notification	1,675,830	1,415,281	1,385,711	846,124	1,773,092	2,235,404	2,417,095	2,695,513	
• Two years after notification	1,635,350	1,413,371	1,381,949	835,214	1,766,152	2,232,926	2,401,407	-	
• Three years after notification	1,639,187	1,417,612	1,379,442	844,636	1,769,942	2,251,003	-	-	
• Four years after notification	1,653,212	1,417,980	1,386,605	850,115	1,791,739	-	-	-	
• Five years after notification	1,670,356	1,429,154	1,392,108	857,121	-	-	-	-	
• Six years after notification	1,686,295	1,437,203	1,401,024	-	-	-	-	-	
• Seven years after notification	1,693,861	1,448,422	-	-	-	-	-	-	
• Eight years after notification	1,707,860	-	-	-	-	-	-	-	

Estimate of claims on the base date (2013)	**1,707,860**	**1,448,422**	**1,401,024**	**857,121**	**1,791,739**	**2,251,003**	**2,401,407**	**2,695,513**	**2,815,3**
Payments of claims	(1,669,222)	(1,421,960)	(1,376,477)	(818,675)	(1,729,941)	(2,171,633)	(2,286,359)	(2,532,111)	(2,055,40
Outstanding Claims	**38,638**	**26,462**	**24,547**	**38,446**	**61,798**	**79,370**	**115,048**	**163,402**	**759,9**

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Life – Insurance claims, gross reinsurance[1]

R$ thousand

	Year claims were notified									
	up to 2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Amount estimated for the claims										
• In the year of notification	[illegible]	[illegible]	[illegible]	819,262	885,177	997,287	1,183,335	1,228,706	1,303,216	-
• One year after notification	[illegible]	[illegible]	[illegible]	829,831	909,937	1,006,142	1,180,974	1,219,349	-	-
• Two years after notification	[illegible]	[illegible]	[illegible]	845,582	926,808	1,012,326	1,181,021	-	-	-
• Three years after notification	[illegible]	[illegible]	[illegible]	841,047	920,827	1,002,115	-	-	-	-
• Four years after notification	[illegible]	[illegible]	[illegible]	838,726	927,503	-	-	-	-	-
• Five years after notification	[illegible]	[illegible]	[illegible]	836,488	-	-	-	-	-	-
• Six years after notification	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
• Seven years after notification	[illegible]	[illegible]	-	-	-	-	-	-	-	-
• Eight years after notification	720,079	-	-	-	-	-	-	-	-	-

	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of claims on the base date (2013)	**720,0797,781,029**			**836,488**	**927,503**	**1,002,115**	**1,181,021**	**1,219,349**	**1,303,216**	**8,549,201**
Payments of claims	(698,046,574,005)			(787,369)	(856,416)	(908,557)	(1,064,600)	(1,070,045)	(958,400)	(7,590,007)
Outstanding Claims	**22,035,827,024**			**49,119**	**71,087**	**93,558**	**116,421**	**149,304**	**344,816**	**959,194**

Life – Insurance claims, net reinsurance[1]

R$ thousand

	Year claims were notified									
	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Amount estimated for the claims										
• In the year of notification	816,257,566,085			819,262	885,177	997,287	1,183,335	1,228,706	1,303,216	-
• One year after notification	778,035,266,642			829,831	909,937	1,006,142	1,180,974	1,219,349	-	-
• Two years after notification	755,207,426,788			845,582	926,808	1,012,326	1,181,021	-	-	-
• Three years after notification	747,585,780,168			841,047	920,827	1,002,115	-	-	-	-
• Four years after notification	738,965,793,660			838,726	927,503	-	-	-	-	-
• Five years after notification	738,635,730,646			836,488	-	-	-	-	-	-
• Six years after notification	734,804,787,029			-	-	-	-	-	-	-
• Seven years after notification	725,895,401		-	-	-	-	-	-	-	-
• Eight years after notification	720,079	-	-	-	-	-	-	-	-	-
Estimate of claims on the base date (2013)	**720,0797,781,029**			**836,488**	**927,503**	**1,002,115**	**1,181,021**	**1,219,349**	**1,303,216**	**8,549,201**
	(698,046,574,005)			(787,369)	(856,416)	(908,557)	(1,064,600)	(1,070,045)	(958,400)	(7,590,007)

Payments of claims								
Outstanding Claims	**[illegible]**	**49,119**	**71,087**	**93,558**	**116,421**	**149,304**	**344,816**	**959,194**

(1) The claims table does not include the products Health and Dental insurance – R$ 1,585,532 thousand, DPVAT insurance – R$ 412,108 thousand, Retrocession – R$ 28,220 thousand and salvage and reimbursement estimates - R$ (109.815) thousand .

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36) Supplemental pension plans

Bradesco and its subsidiaries sponsor an unrestricted benefit pension plan (PGBL) for employees and directors which is a private defined contribution pension plan that allows financial resources to be accumulated by participants throughout their careers by means of employee and employer contributions to be invested in an Exclusive Investment Fund (FIE).

The PGBL is managed by Bradesco Vida e Previdência S.A. and BRAM - Bradesco Asset Management S.A. The Securities Dealer Company (DTVM) is responsible for the financial management of FIE.

Contributions made by employees and directors of Bradesco and its subsidiaries are for the equivalent of at least 4% of their salary, except for participants who chose to migrate from the defined benefit plan to a defined contribution plan (PGBL) in 2001, whose contributions to the PGBL were maintained at the levels that prevailed for the defined benefit plan when they migrated, always respecting the 4% minimum.

Actuarial obligations of the defined contribution plan (PGBL) are fully covered by the plan assets of the corresponding FIE.

Contributions to the PGBL plan in 2013 totaled R$ 622,160 thousand (2012 - R$ 590,907 thousand).

In addition to the aforementioned plan (PGBL), participants who chose to migrate from the defined benefit plan are guaranteed a proportional deferred benefit, corresponding to their accumulated rights in the plan.

For participants of the defined benefit plan, whether they migrated to the PGBL plan or not, for retirees and pensioners, the present value of the actuarial plan obligation is fully covered by the plan assets.

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

Banco Bradesco BBI S.A. (formally Banco BEM S.A.) sponsors both defined benefit and defined contribution retirement plans, through Caixa de Assistência e Aposentadoria dos Funcionários do Banco do Estado do Maranhão (Capof).

Alvorada Cartões, Crédito, Financiamento e Investimento S.A. (Alvorada CCFI) (merging company of Banco BEC S.A.) sponsors a defined benefit plan through Caixa de Previdência Privada do Bando do Estado do Ceará - Cabec.

On December 31 of each year we conduct an assessment of the plans of our subsidiaries Alvorada, BBI and Alvorada CCFI. IAS 19 establishes that the employer must recognize 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.

In 2012, according to IAS 19 – Employee Benefit, Bradesco and its subsidiaries, as sponsors of these plans, taking into consideration the economic and actuarial study, recalculated their actuarial commitments using a real interest rate that reflects the new real interest rate scenario, recognizing their obligations in the financial statements.

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	R$ thousand	
	Alvorada, BBI and Alvorada CCFI Plans	
	Years ended December 31	
	2013	**2012 (Restated)**
(i) Projected benefit obligations:		
At the beginning of the year	**1,389,605**	**999,483**
Cost of current service	1,649	(370)
Interest cost	117,071	102,939
Participant's contribution	1,493	1,548
Actuarial loss	(330,686)	366,194
Benefit paid	(96,519)	(80,189)
At the end of the year	**1,082,613**	**1,389,605**
(ii) Plan assets comprise:		
At the beginning of the year	**1,137,588**	**1,032,853**
Expected returns	(54,668)	176,505
Contributions received:		
Employer	7,697	6,871
Employees	1,493	1,548
Benefits paid	(96,519)	(80,189)
At the end of the year	**995,591**	**1,137,588**
(iii) Financial position:		
Plans in deficit	(108,819)	(252,017)
Plans in surplus	21,797	-
Net balance	**(87,022)**	**(252,017)**

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

	R$ thousand		
	Alvorada, BBI and Alvorada CCFI Plans		
	Years ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Projected benefit obligations:			
Cost of service	1,649	(370)	(704)
Cost of interest on actuarial obligations	117,071	102,939	49,694
Expected returns from the assets of the plan	(95,573)	(106,983)	(42,814)
Net periodic cost/ (benefit)	**23,147**	**(4,414)**	**6,176**

The accumulated obligations of the pension plans are included in "Other Liabilities", in our consolidated statement of financial position.

Benefit obligations and net periodic benefit cost for the years 2013 and 2012 for our subsidiaries Alvorada, BBI, and Alvorada CCFI plans, were determined using the following assumptions:

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	December 31	
	2013	**2012**
Discount rate (1)	12.2%	8.7%
Expected long-term rate of return on the assets	12.2%	8.7%
Increase in salary levels	5.4%	4.5%

(1) In 2012, considering an inflation rate of 4.5% p.a. and a real discount rate of 4.0% p.a. (2011 – 6.0% p.a.).

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

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

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:

	Assets of the Alvorada Plan December 31	Assets of the BBI Plan December 31	Assets of the Alvorada CCFI Plan December 31

	2013	2012	2013	2012	2013	2012
Asset categories						
Marketable equity securities	-	-	12.8%	10.3%	-	-
Public and private securities	89.4%	86.9%	82.4%	85.3%	-	-
Mutual funds	3.7%	6.2%	0.7%	0.7%	93.9%	94.5%
Properties	5.0%	5.2%	-	-	3.4%	3.4%
Other	1.9%	1.7%	4.1%	3.7%	2.7%	2.1%
Total	**100.00%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

36) Supplemental pension plans

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Below is the sensitivity analysis of the benefit plan obligations, showing the impact on the actuarial exposure (12.2% p.a.) assuming a 1 b.p. change in the discount rate:

Discount rate	Sensitivity analysis	Effect on actuarial liabilities	Effect on the present value of obligations
13.2%	Increase of 1 b.p.	decrease	(102,197)
11.2%	Decrease of 1 b.p.	increase	122,267

37) Other provisions

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), claiming to offset PIS against Gross Operating Income, paid under Decree-Laws 2445/88 and 2449/88, regarding the payment that exceeded the amount due under Supplementary Law 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) Contingent liabilities and tax and social security obligations

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

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

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, 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 other proceedings, the provision is based on the average of payments made for claims settled over the last 12 months.

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, and similarity with previous lawsuits, complexity and positioning of the courts.

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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 cause significant impact on Bradesco Organization's financial position.

It is worth mentioning the significant number of legal claims pleading alleged differences in adjustment for inflation on savings account balances due to the implementation of economic plans that were part of federal government's economic policy to reduce inflation in the 80's and 90's.

Although Bradesco complied with the law and regulation in force at the time, these lawsuits have been recorded in provisions, taking into consideration the claims where the Bank is the defendant and the perspective of loss, which is considered after the analysis of each demand, based on the current decision of the Superior Court of Justice (STJ).

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.

c) Tax and social security obligations

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 in the medium to long term, based on the opinion of Management and their legal counsel, The processing of these legal obligations whose risk is deemed as probable is regularly monitored in the legal court. During the year, there was progress in some cases which may result in favorable conditions for the Organization, resulting in the reversal of the related provisions.

The main cases are:

- Cofins - R$2,119,067 thousand (2012 - R$9,082,801 thousand): a request for authorization to calculate and pay Cofins based on effective income, as set forth in Article 2 of Supplementary Law 70/91, removing the unconstitutional increase in the calculation for other revenues other than income;

- INSS Autonomous Brokers - R$1,313,647 thousand (2012 - R$1,140,796 thousand): we are requesting the impact of social security contribution on remunerations paid to third-party service providers, established by Supplementary Law 84/96 and subsequent regulations/amendments, at the 20.0% rate and additionally 2.5%, on the grounds that services are not provided to insurance companies but to policyholders, thus being outside the incidence of the contribution provided for in item I, Article 22 of Law 8212/91,as new wording in Law 9876/99;

- IRPJ/Loan Losses - R$1,756,396 thousand (2012 - R$1,659,332 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 upon receipt of claims incurred, regardless if they comply with the terms and conditions provided for in Articles 9 to 14 of Law 9430/96 that only apply to temporary losses; and

- PIS - R$310,127 thousand (2012 –R$302,089): we are requesting the authorization to offset overpaid amounts in 1994 and 1995 as PIS contribution, corresponding to the surplus on the calculation established in the Constitution, i.e., gross operating income, as defined in the income tax legislation - set out in Article 44 of Law 4506/64, excluding interest income.

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In 2013, the Organization adhered to the tax liability installment and cash payment program, with amnesty for the settlement of tax liability managed by the Brazilian Federal Revenue Service (RFB) and the Office of the General Counsel to the National Treasury (PGFN), set forth by Law 12865/13, related to the contribution for Social Integration Program (PIS) and the Contribution for Social Security Financing (Cofins), referred to in Chapter I of Law 9718/98, due by financial institutions and insurance companies. The Organization also exercised the prerogative provided in Article 17 of Law 12865/13, which determined a new term to adhere to the program in Law 11941/09 up to December 31, 2013.

The Organization's main lawsuits included in these programs refer to the following issues: (i) we request the calculation and payment of Cofins, as of October 2005, based on the effective revenue, according to Article 2 of Supplementary Law 70/91, in order to avoid the unconstitutional expansion of tax base intended by paragraph 1 of Article 3 of Law 9718/98; and (ii) CSLL - Deductibility on IRPJ tax base, which requested to calculate and pay income tax calculated and paid for 1997 and subsequent years, excluding CSLL in the base, under Article 1, of Law 9316/96, since this contribution represents an effective, necessary and mandatory expense to the Company.

Considering the specific resolutions of these programs, the accounting effects of the lawsuits involving cash payment were recognized upon adhesion.

Total net amount resulting from the adhesion to the programs was mainly recorded under "Other Operating Expenses". The Organization did not use income tax or social contribution losses to settle interest on tax liabilities included in the program set forth by Law 12865/13.

d) Changes in other provision

			R$ thousand
	Labor	**Civil**	**Tax and Social Security**
Balance on December 31, 2011 (Restated)	**2,301,874**	**3,335,716**	**12,256,568**
Indexation charges	263,626	430,212	836,805
Additions, net of reversals	508,731	459,947	1,747,268
Payments	(593,294)	(512,899)	(13,445)
Balance on December 31, 2012 (Restated)	**2,480,937**	**3,712,976**	**14,827,196**

36) Supplemental pension plans

Indexation charges	300,180	338,571	853,502
Additions, net of reversals	633,802	768,702	(1,762,161)
Payments (1)	(905,596)	(1,006,678)	(6,488,854)
Balance on Decembr 31, 2013	**2,509,323**	**3,813,571**	**7,429,683**

(1) The write-offs of claims due to the adhesion to the tax liability installment and cash payment program are included in "Other liabilities - tax and social security" (Law 12865/13).

e) 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 with the risk of a possible loss are not recorded as a liability in the financial statements. The main lawsuits classified as such are the following: a) leasing companies' Tax on Services of any Nature (ISSQN), total lawsuits correspond to R$1,434,155 thousand (2012 - R$1,132,804 thousand) which relates to the municipal tax demands other than those where the company is not located and where, under law, tax is collected; b) 2006-2010 income tax and social contribution, relating to goodwill amortization being disallowed on the acquisition of investments, for the amount of R$1,567,042 thousand (2012 - R$711,431 thousand); c) IRPJ and CSLL deficiency notice relating to disallowance of loan loss expenses, for the amount of R$526,261 thousand (2012 - R$469,337 thousand); d) IRPJ and CSLL deficiency note relating to disallowance of exclusions of revenues from mark-to-market securities from 2007 to 2010, difference in depreciation and operating expenses and income, amounting to R$460,380 thousand (2012 - R$226,145 thousand); and e) IRPJ, CSLL, PIS and COFINS deficiency note, amounting to R$323,697 thousand, on alleged tax-exempt gain, when Bovespa shares were merged into Nova Bolsa (BM&FBovespa), in 2008.

36) Supplemental pension plans

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38) Other liabilities

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Financial liabilities		
Credit card transactions [1]	16,781,768	14,848,920
Foreign exchange transactions [2]	13,535,506	11,418,508
Capitalization bonds	5,900,088	5,448,701
Negotiation and intermediation of securities	2,191,193	5,485,497
Liabilities for acquisition of assets – financial leasing (38 a)	1,115,429	858,258
Other liabilities		
Third party funds in transit [3]	6,717,566	5,561,157
Provision for payments	5,011,882	5,020,558
Corporate and statutory obligations	2,470,871	2,489,087
Sundry creditors	1,729,016	1,168,027
Liabilities for acquisition of assets and rights	1,248,129	2,008,253
Other taxes payable	1,192,966	1,089,728
Others	5,426,991	4,455,950
Total	**63,321,405**	**59,852,644**

(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 on the country's cities and the amount of payment orders in foreign currency coming from overseas.

a) Composition by maturity of financial leasing

	R$ thousand	
	December 31	
	2013	**2012 (Restated)**
Due within one year	442,368	365,302
From 1 to 2 years	372,729	226,680
From 2 to 3 years	240,012	164,463
From 3 to 4 years	60,320	81,091
From 4 to 5 years	-	20,722
Total	**1,115,429**	**858,258**

Total non-cancellable minimum future payments from operational lease at December 31, 2013 are R$ 3,792,375 thousand, of which R$ 571,800 thousand is due within 1 year, R$ 1,893,691 thousand between 1-5 years and R$ 1,326,884 thousand with more than 5 years.

38) Other liabilities

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39) 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.

	December 31	
	2013	**2012**
Ordinary	2,103,637,129	2,103,637,129
Preferred	2,103,636,910	2,103,636,910
Subtotal	**4,207,274,039**	**4,207,274,039**
In treasury (common)	(2,898,610)	(2,898,610)
In treasury (preferred)	(7,866,270)	(5,265,370)
Total outstanding (1)	**4,196,509,159**	**4,199,110,059**

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Board of Directors' Meeting of March 11, 2013, the proportion of one new share for every 10 shares held.

ii. **Changes in capital stock, in number of shares**

	Common	Preferred	Total
Number of shares outstanding on December 31, 2011	**2,100,901,429**	**2,098,723,870**	**4,199,625,299**
Shares acquired and not cancelled	(162,910)	(352,330)	(515,240)
Number of shares outstanding on December 31, 2012	**2,100,738,519**	**2,098,371,540**	**4,199,110,059**
Shares acquired and not cancelled	-	(2,600,900)	(2,600,900)
Number of shares outstanding on December 31, 2013	**2,100,738,519**	**2,095,770,640**	**4,196,509,159**

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 it 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.

Simultaneously with the transaction in the Brazilian Market, and with the same timeframes, an identical procedure was adopted in the International Market, for the ADRs/GDRs traded in New York, USA, and Madrid, Spain.

The Special Shareholders' Meeting held on March 11, 2013 deliberated on the capital increase of R$8,000,000 thousand, from R$30,100,000 thousand to R$38,100,000 thousand, through the capitalization of a portion of the "Profit Reserves – Statutory Reserve" account, in compliance with Article 169 of Law 6404/76, with a 10% stock bonus, through the issue of 382,479,458 new no-par registered, book-entry shares, of which 191,239,739 are common shares and 191,239,719 are preferred shares, paid free of charge to shareholders as bonus, at the proportion of one (1) new share for every ten (10) new shares of the same type they hold, benefiting Bradesco's shareholders of record as at March 25, 2013.

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 reduction of unappropriated retained earnings. Treasury shares are acquired for subsequent sale or cancellation.

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b) Reserves

Capital reserve

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, may be fully formed of 100% of net income remaining after statutory allocations by proposed by the Board of Executive Officers, approved by the Board of Directors and resolved by the Shareholders' Meeting, up to the limit of 95% of the Organization's paid-in capital share amount.

c) Dividends (including interest on equity)

Dividends are based 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 Brazilian Central Bank. 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 net equity and treat these payments as deductible expenses for purposes of Brazilian income tax and social contribution. The interest cost is treated for accounting purposes as a deduction from equity in a manner similar to dividends, Withholding income tax is levied and paid at the time that the interest on equity is paid to the shareholders.

In 2013 the Organization distributed dividends (including interest on equity) of R$ 4,077,908 thousand, being attributed to the shareholders, the amount per share of R$ 0,93 to the common shares and R$ 1,02 to the preferred shares (2012 - R$ 3,894,998 thousand, of which R$ 0,88 to the ordinary shares and R$ 0,97 to the preferred shares).

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40) Transactions with related parties

Related party transactions are carried out under conditions and at rates consistent with those entered into with third parties, when applicable, and effective on the dates of the operations.

The principal shareholders of Bradesco are Cidade de Deus Companhia Comercial de Participações and Fundação Bradesco. Fundação Bradesco is a not-for-profit entity that for more than 40 years has been helping to develop the potential of children and youngsters by means of schools in needy regions.

The main transactions with related parties are presented as follows:

		R$ thousand
	December 31	
	2013	**2012 (Restated)**
Assets		
Loans and advances to banks	**84,216**	**107,150**
Crediare S.A. Crédito Financiamento e Investimento	84,216	107,150
Other assets	**7,739**	**10,280**
Cia. Brasileira de Soluções e Serviços - Alelo	6,387	10,280
Crediare S.A. Crédito Financiamento e Investimento	1,352	-
Liabilities and Equity		
Deposits from customers	**(265,046)**	**(208,378)**
Cidade de Deus Companhia Comercial de Participações	(61,342)	(24,982)

Key Management Personnel	(98,461)	(156,160)
Others associates	(92,873)	-
Funds from securities issued	(12,370)	(27,236)
Cia. Brasileira de Soluções e Serviços - Alelo	**(1,543,906)**	**(749,315)**
Brasileira de Meios de Pagamento – (“Cielo”)	(110,180)	(103,999)
Cidade de Deus Companhia Comercial de Participações	(20,592)	(18,427)
BBD Participações S.A.	(657,308)	-
Key Management Personnel	(718,298)	(608,260)
Others associates	(37,528)	(18,629)
Subordinated debt	**(754)**	**(698)**
Fundação Bradesco	(754)	(698)
Corporate and statutory obligations	**(724,226)**	**(735,902)**
Cidade de Deus Companhia Comercial de Participações	(533,391)	(541,990)
Fundação Bradesco	(190,835)	(193,912)
Other liabilities	**(2,213)**	**(8,027)**
Fidelity Processadora e Serviços S.A.	(2,213)	(8,027)

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			R$ thousand
	Years ended December 31		
	2013	**2012 (Restated)**	**2011 (Restated)**
Revenues and expenses			
Net Interest income	**(114,707)**	**(64,015)**	**(81,358)**
Crediare S.A. Crédito Financiamento e Investimento	7,033	10,023	22,840
Cidade de Deus Companhia Comercial de Participações	(31,128)	(207)	(9,338)
Fundação Bradesco	(56)	(1,625)	(6,519)
Key Management Personnel	(59,616)	(63,296)	(76,213)
Others associates	(30,940)	(8,910)	(12,128)
Other revenues	**29,936**	**39,501**	**34,053**
Cia. Brasileira de Soluções e Serviços - Alelo	29,936	39,501	34,053
Other expenses	**(120,623)**	**(117,222)**	**(108,932)**
Fidelity Processadora e Serviços S.A.	(118,577)	(115,403)	(108,584)
Others associates	(2,046)	(1,819)	(348)

a) Remuneration of key management personnel

The following is established each year at the Annual Shareholders’ Meeting:

- The overall annual amount of the remuneration of the Management Officers, which is allocated in a meeting of the Board of Directors, to the members of the Board itself and of the Executive Board, as determined in the By-Laws; and

- The amount set aside to cover the Supplemental Pension Plans for which managers are eligible, within the Pension Plan for the Employees and Management Officers of the Organization.

For 2013, a maximum amount of R$ 337,100 thousand (2012 - R$ 344,800 thousand) was determined for remuneration of Management (salaries and bonuses) and R$ 332,100 thousand (2012 - R$ 334,100 thousand) to cover the cost of the defined contribution supplemental pension plans. The current policy on Management compensation sets forth that 50% of net variable compensation, if any, must be allocated to the acquisition of preferred shares of Banco Bradesco S.A., which must be traded in three equal, annual and successive installments, the first of which maturing in the year following the payment date. This procedure complies with CMN Resolution 3921/10, which sets forth a management compensation policy for financial institutions.

Short-term benefits for management

R$ thousand

	Years ended December 31		
	2013	**2012**	**2011**
Salaries	326,132	336,912	351,933
INSS contributions	73,123	75,510	78,881
Total	**399,255**	**412,422**	**430,814**

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Post-employment benefits

	R$ thousand		
	Years ended December 31		
	2013	**2012**	**2011**
Defined contribution supplementary pension plans	322,926	324,132	339,078
Total	**322,926**	**324,132**	**339,078**

The Organization has no long-term benefits for the termination of employment contracts or for remuneration based on shares for its key management personnel.

Other information

a) According to applicable legislation, financial institutions may not grant loans or advances to:

(i) Executive Officers and members of the advisory board and of the Board of Directors, of the statutory audit board and of similar bodies, as well as their respective spouses and relatives up to the 2nd degree;

(ii) Individuals or legal entities that own more than 10% of capital; and

(iii) Legal entities in which the institution or its directors and managers as well as their respective spouses and relatives up to the 2nd degree own more than 10% of capital.

Thus no loans or advances are made by the financial institutions to any subsidiary or to members of the Board of Directors or of the Executive Board and their families.

b) Equity participation

The members of the Board of Directors and of the Executive Board own in total the following percentage of participation in Bradesco on:

	December 31	
	2013	**2012**
Ordinary shares	0,73%	0,73%
Preferred shares	1,02%	1,00%
Total shares (1)	**0,87%**	**0,86%**

(1) In 2013, direct and indirect shareholding of the members of Board of Directors and Board of Executive Officers totaled 3.10% of ordinary shares, 1.06 % of preferred shares and 2.08 % of all shares (2012 – 3.05% of ordinary shares, 1.05% of preferred shares and 2.05% of all shares).

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41) Off-balance sheet commitments

The table below summarizes the total risk represented by off-balance sheet commitments, based on the final maturity:

R$ thousand

	December 31	
	2013	**2012 (Restated)**
Commitments to extend credit (1)	157,805,486	142,120,116
Financial guarantees (2)	67,586,244	59,910,682
Letters of credit for imports	735,505	1,609,757
Total	**226,127,235**	**203,640,555**

(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 before 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 in other credit operations. 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 in other credit operations.

42) Standards, amendments and interpretations of existing standards

a) Standards, amendments and interpretations of existing standards

• Change in IAS 19 – Employee Benefits – This change requires an elimination of the alternative of using the "corridor" method and required every movimentation to be booked in Other comprehensive income. The adoption of this standard did not generate significant impacts on the consolidated financial statements of the Organization.

• IFRS 10 - Financial Statements - alters current criteria for consolidation (IAS 27 - Consolidated and Separate Statements) by introducing a new concept of control to determine whether an entity should be consolidated. Under IFRS 10, an investor controls an investee in the following cases: (i) it has power over the investee; (ii) it has exposure to, or rights to, variable returns from its involvement with the investee; and (iii) it has the ability to use its power over the investee to affect its returns. The adoption of this standard did not generate significant impacts on the consolidated financial statements of the Organization.

• IFRS 11 "Joint Arrangements" - replaces IAS 31 "Interests in joint ventures". The new standard will focus more on rights and obligations, with use of the equity method of accounting rather than proportionate consolidation. The fundamental principle is that parties to an agreement decide the nature of the venture: Joint operations, rights and obligations for assets and liabilities related to the agreement. Parties recognize their assets, liabilities with the corresponding revenues and expenses; and (ii) Joint Venture, rights to net assets of the agreement. Parties recognize their investments using the equity method of accounting. The adoption of this standard did not generate significant impacts on the consolidated financial statements of the Organization.

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- IFRS 12 - Disclosure of interests in other entities - includes new requirements for disclosing all forms of investments in other entities, including joint arrangements, affiliates, and special-purpose entities, in which an entity is involved. The aim is to enable readers of financial statements to evaluate the basis of control, restrictions on consolidated assets and liabilities, exposure to risk arising from involvement with unconsolidated structured entities and involvement of non-controlling interests in the activities of the consolidated entities. The adoption of this standard did not generate significant impacts on the consolidated financial statements of the Organization.

- IFRS 13 - Fair-Value Measurement - defines fair value and provides guidance on determining fair value and requires disclosures about its measurement, thus making disclosures more consistent and less complex. The adoption of this standard did not generate significant impacts on the consolidated financial statements of the Organization.

b) Standards, amendments and interpretations of existing standards in future periods

- IFRS 9 Financial Instruments: Recognition and Measurement – The principal changes in IFRS 9 in comparison with IAS 39 are: (i) all of the financial assets are initially measured at fair value ; (ii) the standard divides all of the financial assets that are presently within the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the categories of available for sale and held to maturity of IAS 39 were eliminated; and (iv) the concept of built-in derivatives of IAS 39 was eliminated by the concepts of IFRS 9.

- Amendment to IAS 32 - Financial Instruments: Presentation - This amendment clarifies the concept of offsetting of financial instruments in the consolidated statement of financial position. The impacts of adoption and its effects the consolidated financial statements of the Organization are being analyzed and measured by management. Applicable starting 1 January 2014.

• Amendment to IAS 36 - Impairment of Assets - This change includes new disclosure requirements regarding measurements of the recoverable amounts of assets, mainly due to the adoption of IFRS 13 - Fair Value Measurement. The impact of adopting the new disclosures relating to impairment of assets in the consolidated statements of the Organization are being analyzed and measured by management. Applicable starting 1 January 2014.

• Amendment of IFRS 10, 12 and IAS 27 - Consolidated financial statements, disclosure of interests in other entities and separate Financial Statements - includes new requirements for investment entities that have investments in funds, in order to get a return of capital appreciation and / or investment income. The impacts of these changes on the financial statements of the Organization are being analyzed and measured by management. Applicable starting 1 January 2014.

c) Other standards, amendments and interpretations

On November 11, 2013, the Provisional Measure 627 (MP 627/13) was published, amending the Federal Tax Legislation on IR, CS, PIS and Cofins. This Measure provides for the following:

• revocation of the Transition Tax System (RTT), controlling the adjustments arising from new accounting methods and criteria for the compliance of the Brazilian accounting rules to the international standards;

• taxation of companies domiciled in Brazil, for acquisition of equity resulting from profit sharing recorded abroad by subsidiaries and unconsolidated companies; and

• special installment payment of PIS/Pasep and Cofins contributions.

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Bradesco will await for MP 627/13 to be converted into Law to carry out a deeper and conclusive analysis. Based on a preliminary assessment, there will be no significant impacts on the Organization.

43) Subsequent events

On January 2, 2014, the corporate restructuring of Odontoprev S.A, through which Bradesco, through its indirect subsidiary Bradesco Saúde S.A. (Bradesco Saúde), indirectly acquired interest representing 6.5% of Odontoprev's voting capital held by Randal Luiz Zanetti (Mr. Randal). With this acquisition, Bradesco Saúde increased its interest on Odontoprev's total and voting capital stock from 43.5% to approximately 50.01%, being its sole controlling shareholder. The Shareholder Agreement entered into between Bradesco Saúde and Mr. Randal was terminated on that date.

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For further information, please contact:

Board of Executive Officers

Luiz Carlos Angelotti

Managing Director and Investor Relations Officer
Phone: (11) 3681-4011

Fax: (11) 3684-4630

4000.diretoria@bradesco.com.br

Market Relations Department
Paulo Faustino da Costa

Phone: (11) 2178-6201

Fax: (11) 2178-6215

Avenida Paulista, 1.450 – 1º andar

CEP 01310-917 – São Paulo-SP

Brazil

www.bradesco.com.br/ir