

BANK BRADESCO  
Form 6-K  
March 28, 2019

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

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**FORM 6-K**

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

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

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**BANCO BRADESCO S.A.**  
(Exact name of registrant as specified in its charter)

**BANK BRADESCO**  
(Translation of Registrant's name into English)

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

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

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

Yes  No

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Financial Position of the Prudential Conglomerate on December 31** *In thousands of Reais*

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current</b>	<b>577,735,243</b>	<b>558,032,310</b>
<b>Cash and due from banks (Note 4)</b>	<b>19,485,882</b>	<b>14,873,276</b>
<b>Interbank investments (Notes 3d and 5)</b>	<b>102,531,796</b>	<b>153,097,317</b>
Securities purchased under agreements to resell	96,206,122	144,732,820
Interbank investments	6,328,042	8,370,390
Allowance for losses	(2,368)	(5,893)
<b>Securities and derivative financial instruments (Notes 3e, 3f and 6)</b>	<b>125,456,647</b>	<b>100,275,000</b>
Own portfolio	26,586,950	33,101,539
Securities sold under repurchase agreements – Repledge only	72,272,955	44,445,387
Derivative financial instruments (Notes 3f and 6d II)	13,804,497	13,502,214
Given in guarantee	8,615,238	8,637,026
Securities sold under repurchase agreements – unrestricted	4,177,007	588,834
<b>Interbank accounts</b>	<b>91,631,476</b>	<b>66,819,313</b>
Unsettled payments and receipts	4,012,910	80,930
Reserve requirement (Note 7):		
- Reserve requirement - Brazilian Central Bank	87,596,916	66,714,226
- SFH - housing finance system	19,887	21,760
Correspondent banks	1,763	2,397
<b>Interdepartmental accounts</b>	<b>144,041</b>	<b>262,954</b>
Internal transfer of funds	144,041	262,954
<b>Loans (Notes 3g and 8)</b>	<b>136,756,125</b>	<b>129,923,666</b>
Loans:		
- Public sector	38,881	158,168
- Private sector	155,025,029	149,448,435
Loans transferred under an assignment with recourse	909,392	1,031,500
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(19,217,177)	(20,714,437)
<b>Leases(Notes 3g and 8)</b>	<b>(9,531)</b>	<b>(26,826)</b>
Leases operations and sublease receivables		
- Private sector	801,433	993,487
Unearned income from leases	(765,959)	(936,215)
Allowance for leases losses (Notes 3g, 8f, 8g and 8h)	(45,005)	(84,098)
<b>Other receivables</b>	<b>98,881,268</b>	<b>88,761,571</b>
Receivables on sureties and guarantees honored (Note 8a-3)	167,777	128,392
Foreign exchange portfolio (Note 9a)	20,459,806	17,469,599
Receivables	7,083,686	5,230,885
Securities trading	1,815,557	1,399,468
Specific receivables	36,490	24,483
Sundry (Note 9b)	71,261,445	66,334,465
Allowance for other loan losses (Notes 3g, 8f, 8g and 8h)	(1,943,493)	(1,825,721)

<b>Other assets (Note 10)</b>	<b>2,857,539</b>	<b>4,046,039</b>
Other assets	2,933,708	2,805,331
Allowance for losses	(1,672,777)	(1,378,745)
Prepaid expenses (Notes 3i and 10b)	1,596,608	2,619,453
<b>Long-term receivables</b>	<b>407,559,670</b>	<b>355,023,418</b>
<b>Interbank investments (Notes 3d and 5)</b>	<b>1,397,869</b>	<b>1,245,341</b>
Interbank investments	1,397,869	1,245,341
<b>Securities and derivative financial instruments (Notes 3e, 3f and 6)</b>	<b>169,867,077</b>	<b>141,987,702</b>
Own portfolio	113,969,911	113,052,066
Securities sold under repurchase agreements – Repledge only	54,125,125	21,315,432
Derivative financial instruments (Notes 3f and 6d II)	917,554	679,455
Privatization rights	39,273	44,127
Given in guarantee	576,950	2,474,440
Securities sold under repurchase agreements – unrestricted	238,264	4,422,182
<b>Interbank accounts</b>	<b>1,263,430</b>	<b>1,196,317</b>
Unsettled payments and receipts	-	740
Reserve requirement (Note 7):		
- SFH - housing finance system	1,263,430	1,195,577

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Financial Position of the Prudential Conglomerate on December 31** *-In thousands of Reais*

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Loans (Notes 3g and 8)</b>	<b>172,576,410</b>	<b>157,376,898</b>
Loans:		
- Public sector	4,000,000	4,000,000
- Private sector	<b>175,077,005</b>	<b>159,671,106</b>
Loans transferred under an assignment with recourse	7,149,860	7,424,110
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(13,650,455)	(13,718,318)
<b>Leases(Notes 3g and 8)</b>	<b>(83,335)</b>	<b>(62,404)</b>
Leases receivables:		
- Private sector	1,104,509	1,210,134
Unearned income from leases	<b>(1,104,285)</b>	<b>(1,209,824)</b>
Allowance for leases losses (Notes 3g, 8f, 8g and 8h)	(83,559)	(62,714)
<b>Other receivables</b>	<b>62,281,616</b>	<b>52,561,358</b>
Receivables	-	2,189
Securities trading	621,558	257,297
Sundry (Note 9b)	61,727,548	52,314,491
Allowance for other loan losses (Notes 3g, 8f, 8g and 8h)	(67,490)	(12,619)
<b>Other assets (Note 10)</b>	<b>256,603</b>	<b>718,206</b>
Prepaid expenses (Notes 3i and 10b)	256,603	718,206
<b>Permanent assets</b>	<b>76,057,124</b>	<b>74,531,257</b>
<b>Investments (Notes 3j and 11)</b>	<b>55,352,831</b>	<b>53,295,293</b>
Earnings of Associates and Subsidiaries:		
- In Brazil	54,974,562	52,962,795
- Overseas	335,109	288,067
Other investments	<b>102,319</b>	<b>175,686</b>
Allowance for losses	(59,159)	(131,255)
<b>Premises and equipment (Notes 3k and 12)</b>	<b>4,644,254</b>	<b>4,547,187</b>
Premises	172,998	543,399
Other premises and equipment	10,507,953	9,257,290
Accumulated depreciation	<b>(6,036,697)</b>	<b>(5,253,502)</b>
<b>Leases premises and equipment (Note 12)</b>	<b>3,542,750</b>	<b>3,876,128</b>
Leased Assets	5,489,242	6,362,591
Accumulated depreciation	(1,946,492)	(2,486,463)
<b>Intangible assets (Notes 3l and 13)</b>	<b>12,517,289</b>	<b>12,812,649</b>
Intangible Assets	<b>27,494,505</b>	<b>25,162,805</b>
Accumulated amortization	<b>(14,977,216)</b>	<b>(12,350,156)</b>
<b>Total</b>	<b>1,061,352,037</b>	<b>987,586,985</b>

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

December 2018

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Financial Position of the Prudential Conglomerate on December 31** *-In thousands of Reais*

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
<b>Current</b>	<b>617,950,592</b>	<b>619,024,457</b>
<b>Deposits (Notes 3n and 14a)</b>	<b>213,932,026</b>	<b>168,495,555</b>
Demand deposits	35,482,198	34,317,789
Savings deposits	111,170,912	103,332,697
Interbank deposits	386,006	1,698,981
Time deposits (Note 14a)	66,892,910	29,146,088
<b>Securities sold under agreements to repurchase (Notes 3n and 14b)</b>	<b>208,546,161</b>	<b>242,437,351</b>
Own portfolio	133,189,778	105,367,187
Third-party portfolio	66,700,064	128,356,541
Unrestricted portfolio	8,656,319	8,713,623
<b>Funds from issuance of securities (Note 14c)</b>	<b>66,217,948</b>	<b>82,709,188</b>
Mortgage and real estate notes, letters of credit and others	64,927,439	81,561,359
Securities issued overseas	786,514	970,705
Structured Operations Certificates	503,995	177,124
<b>Interbank accounts</b>	<b>24,355,267</b>	<b>20,904,697</b>
Unsettled payments and receipts	<b>22,988,512</b>	<b>19,546,537</b>
Correspondent banks	1,366,755	1,358,160
<b>Interdepartmental accounts</b>	<b>5,770,638</b>	<b>5,855,275</b>
Third-party funds in transit	5,770,638	5,855,275
<b>Borrowing (Note 15a)</b>	<b>27,906,561</b>	<b>17,279,622</b>
Borrowing overseas	27,906,561	17,279,622
<b>On-lending in Brazil - official institutions (Note 15b)</b>	<b>7,631,435</b>	<b>11,052,779</b>
National treasury	105,725	97,200
BNDES	2,419,524	5,039,056
FINAME	5,104,742	5,915,013
Other institutions	1,444	1,510
<b>Derivative financial instruments (Notes 3f and 6d II)</b>	<b>15,575,014</b>	<b>13,657,362</b>
Derivative financial instruments	15,575,014	13,657,362
<b>Other liabilities</b>	<b>48,015,542</b>	<b>56,632,628</b>
Payment of taxes and other contributions	512,445	1,003,974
Foreign exchange portfolio (Note 9a)	5,554,384	7,654,624
Social and statutory	4,941,359	4,444,353
Tax and social security (Note 18a)	2,086,429	1,863,868
Securities trading	3,242,839	2,274,148
Financial and development funds	1,299	1,299
Subordinated debts (Note 17)	6,471,550	10,821,546
Sundry (Note 18b)	25,205,237	28,568,816
<b>Long-term liabilities</b>	<b>321,849,952</b>	<b>257,699,337</b>
<b>Deposits (Notes 3n and 14a)</b>	<b>130,117,548</b>	<b>98,186,971</b>



Interbank deposits	24,969	469,750
Time deposits (Note 14a)	130,092,579	97,717,221
<b>Securities sold under agreements to repurchase (Notes 3n and 14b)</b>	<b>939,212</b>	<b>6,120,732</b>
Own portfolio	939,212	6,120,732
<b>Funds from issuance of securities (Note 14c)</b>	<b>96,405,010</b>	<b>64,655,367</b>
Mortgage and real estate notes, letters of credit and others	92,926,316	62,335,983
Securities issued overseas	3,326,073	2,128,023
Structured Operations Certificates	152,621	191,361
<b>Borrowing (Note 15a)</b>	<b>1,808,215</b>	<b>1,240,945</b>
Borrowing overseas	1,808,215	1,240,945
<b>On-lending in Brazil - official institutions (Note 15b)</b>	<b>17,538,623</b>	<b>19,716,515</b>
BNDES	8,315,761	8,753,797
FINAME	9,222,862	10,962,718
<b>Derivative financial instruments (Notes 3f and 6d II)</b>	<b>549,487</b>	<b>439,897</b>
Derivative financial instruments	549,487	439,897
<b>Other liabilities</b>	<b>74,491,857</b>	<b>67,338,910</b>
Tax and social security (Note 18a)	2,396,031	3,104,514
Subordinated debts (Note 17)	12,188,392	16,241,102
Eligible Debt Capital Instruments (Note 17)	34,992,913	23,129,838

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Financial Position of the Prudential Conglomerate on December 31** *-In thousands of Reais*

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
Sundry (Note 18b)	24,914,521	24,863,456
<b>Deferred income</b>	<b>357,364</b>	<b>387,587</b>
Deferred income	357,364	387,587
<b>Non-controlling interests in subsidiaries (Note 19)</b>	<b>73,260</b>	<b>18,128</b>
<b>Shareholders' equity (Note 20)</b>	<b>121,120,869</b>	<b>110,457,476</b>
<b>Capital:</b>		
- Domiciled in Brazil	66,668,912	58,361,598
- Domiciled overseas	431,088	738,402
Capital reserves	11,441	11,441
Profit reserves	53,688,370	49,902,013
Asset valuation adjustments	761,572	1,884,536
Treasury shares (Note 20d)	(440,514)	(440,514)
<b>Total</b>	<b>1,061,352,037</b>	<b>987,586,985</b>

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

\_\_\_\_\_ December 2018

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Income of the Prudential Conglomerate on December 31 - in thousands of Reais**

	2018 2 <sup>nd</sup> semester	2017 Year ended	2017 Year ended
<b>Revenue from financial intermediation</b>	<b>56,367,212</b>	<b>102,366,983</b>	<b>124,909,956</b>
Loans (Note 8j)	36,084,454	70,103,617	72,730,163
Leases (Note 8j)	663,510	1,442,785	1,871,316
Operations with securities (Note 6g)	15,202,621	31,276,145	41,481,779
Income from derivative financial instruments (Note 6g)	1,103,917	(6,079,321)	1,893,815
Foreign exchange operations (Note 9a)	1,108,297	1,637,575	2,287,568
Reserve requirement (Note 7b)	2,135,106	3,966,507	4,935,462
Sale or transfer of financial assets	69,307	19,675	(290,147)
<b>Expenses from financial intermediation</b>	<b>33,152,414</b>	<b>72,754,619</b>	<b>90,355,961</b>
Retail and professional market funding (Note 14e)	20,993,235	41,469,233	59,152,502
Borrowing and on-lending (Note 15c)	2,329,786	11,843,283	4,523,807
Leases (Note 8j)	515,280	1,184,585	1,600,669
Allowance for loan losses (Notes 3g, 8g and 8h)	9,314,113	18,257,518	25,078,983
<b>Gross income from financial intermediation</b>	<b>23,214,798</b>	<b>29,612,364</b>	<b>34,553,995</b>
<b>Other operating income (expenses)</b>	<b>(9,744,298)</b>	<b>(9,232,081)</b>	<b>(19,317,416)</b>
Fee and commission income (Note 21)	12,915,704	25,387,276	24,040,649
Other fee and commission income	9,020,543	17,427,324	16,407,948
Income from banking fees	3,895,161	7,959,952	7,632,701
Payroll and related benefits (Note 22)	(8,778,862)	(17,322,334)	(19,275,625)
Other administrative expenses (Note 23)	(10,915,866)	(21,674,319)	(21,675,359)
Tax expenses (Note 24)	(3,106,428)	(5,017,238)	(4,829,965)
Equity in the earnings (losses) of unconsolidated and jointly controlled companies (Note 11)	4,671,931	16,783,480	7,732,041
Other operating income (Note 25)	3,032,584	6,321,420	8,857,244
Other operating expenses (Note 26)	(7,563,361)	(13,710,366)	(14,166,401)
<b>Operating income</b>	<b>13,470,500</b>	<b>20,380,283</b>	<b>15,236,579</b>
<b>Non-operating income (loss) (Note 27)</b>	<b>(588,555)</b>	<b>(897,974)</b>	<b>(706,063)</b>
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>12,881,945</b>	<b>19,482,309</b>	<b>14,530,516</b>
<b>Income tax and social contribution (Notes 31a and 31b)</b>	<b>(2,787,066)</b>	<b>(384,485)</b>	<b>129,068</b>
Current income tax	(717,164)	(1,094,109)	(1,167,669)
Current Social Contribution	310,342	(875,287)	(934,135)
Deferred Tax	(2,380,244)	1,584,911	2,230,872
<b>Non-controlling interests in subsidiaries</b>	<b>(4,434)</b>	<b>(12,871)</b>	<b>(1,829)</b>
<b>Net income</b>	<b>10,090,445</b>	<b>19,084,953</b>	<b>14,657,755</b>

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

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Changes in Shareholders' Equity** – In thousands of Reais

Events	Capital	Capital reserves Share premium	Profit reserves		Asset valuation adjustments	Treasury shares	Retained earnings	Total
			Legal	Statutory				
<b>Balance on June 30, 2018</b>	<b>67,100,000</b>	<b>11,441</b>	<b>17,989,741</b>	<b>39,341,704</b>	<b>(963,649)</b>	<b>(440,514)</b>		<b>- 113,038,723</b>
Capital increase with reserves								-
Asset valuation adjustments					1,725,221			1,725,221
Net income							10,090,445	10,090,445
Allocations:								
- Reserves			504,522	5,852,403			(6,356,925)	-
- Interest on Shareholders' Equity Paid							(3,733,520)	(3,733,520)
<b>Balance on December 31, 2018</b>	<b>67,100,000</b>	<b>11,441</b>	<b>18,494,263</b>	<b>45,194,107</b>	<b>761,572</b>	<b>(440,514)</b>		<b>- 121,120,869</b>
<b>Balance on January 1st, 2017</b>	<b>51,100,000</b>	<b>11,441</b>	<b>16,807,128</b>	<b>43,641,474</b>	<b>(677,116)</b>	<b>(440,514)</b>		<b>- 100,442,413</b>
Capital increase with reserves	8,000,000	-	-	(8,000,000)	-	-	-	-
Asset valuation adjustments	-	-	-	-	2,561,652	-	-	2,561,652
Net income	-	-	-	-	-	-	14,657,755	14,657,755
Allocations:								
- Reserves	-	-	732,888	6,720,523	-	-	(7,453,411)	-
- Interest on Shareholders' Equity Paid and/or provisioned	-	-	-	-	-	-	(7,204,344)	(7,204,344)
	<b>59,100,000</b>	<b>11,441</b>	<b>17,540,016</b>	<b>42,361,997</b>	<b>1,884,536</b>	<b>(440,514)</b>		<b>- 110,457,476</b>

**Balance on  
December  
31, 2017****Balance on  
December  
31, 2017**

<b>31, 2017</b>	<b>59,100,000</b>	<b>11,4417,540,016</b>	<b>42,361,997</b>	<b>1,884,536(440,514)</b>	<b>- 110,457,476</b>
Capital					
increase with					
reserves	8,000,000	-	(8,000,000)	-	-
Asset					
valuation					
adjustments	-	-	-	(1,122,964)	(1,122,964)
Net income	-	-	-	-	19,084,953 19,084,953
Allocations:					
- Reserves	-	- 954,247	10,832,110	-	(11,786,357) -
- Interest on					
Shareholders'					
Equity Paid					
and/or					
provisioned	-	-	-	-	(7,298,596) (7,298,596)
<b>Balance on December 31, 2018</b>	<b>67,100,000</b>	<b>11,4418,494,263</b>	<b>45,194,107</b>	<b>761,572(440,514)</b>	<b>- 121,120,869</b>

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

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Added Value of the Prudential Conglomerate on December 31** -In thousands of Reais

Description	2 <sup>nd</sup> semester	%	2018	%	2017	%
<b>1 – Revenue</b>	<b>54,853,682</b>	<b>124.5</b>	<b>101,220,348</b>	<b>229.8</b>	<b>117,869,034</b>	<b>288.0</b>
1.1) Financial intermediation	56,367,212	127.9	102,366,983	232.4	124,909,956	305.2
1.2) Fees and commissions	12,915,704	29.3	25,387,276	57.6	24,040,649	58.7
1.3) Allowance for loan losses	(9,314,113)	(21.1)	(18,257,518)	(41.4)	(25,078,983)	(61.3)
1.4) Others (Includes Private Social Investment (Note 32b))	(5,115,121)	(11.6)	(8,276,393)	(18.8)	(6,002,588)	(14.7)
<b>2 – Financial intermediation expenses</b>	<b>(23,838,301)</b>	<b>(54.1)</b>	<b>(54,497,101)</b>	<b>(123.7)</b>	<b>(65,276,978)</b>	<b>(159.5)</b>
<b>3 – Inputs acquired from third-parties</b>	<b>(7,501,495)</b>	<b>(17.0)</b>	<b>(14,470,957)</b>	<b>(32.8)</b>	<b>(14,221,890)</b>	<b>(34.7)</b>
Outsourced services	(2,165,103)	(4.9)	(4,240,041)	(9.6)	(4,077,092)	(10.0)
Data processing	(1,271,218)	(2.9)	(2,429,828)	(5.5)	(2,315,538)	(5.7)
Communication	(716,898)	(1.6)	(1,448,900)	(3.3)	(1,578,468)	(3.9)
Asset maintenance	(565,651)	(1.3)	(1,129,485)	(2.6)	(1,148,790)	(2.8)
Financial system services	(487,832)	(1.1)	(934,416)	(2.1)	(1,004,376)	(2.5)
Security and surveillance	(364,901)	(0.8)	(748,577)	(1.7)	(818,221)	(2.0)
Transport	(371,158)	(0.8)	(737,162)	(1.7)	(769,728)	(1.9)
Material, water, electricity and gas	(295,013)	(0.7)	(594,690)	(1.3)	(625,709)	(1.5)
Advertising and marketing	(562,311)	(1.3)	(957,351)	(2.2)	(804,905)	(2.0)
Travel	(124,152)	(0.3)	(228,680)	(0.5)	(194,234)	(0.5)
Others (Includes Private Social Investment (Note 32b))	(577,258)	(1.3)	(1,021,827)	(2.3)	(884,829)	(2.2)
<b>4 – Gross value added (1-2-3)</b>	<b>23,513,886</b>	<b>53.4</b>	<b>32,252,290</b>	<b>73.2</b>	<b>38,370,166</b>	<b>93.7</b>
<b>5 – Depreciation and amortization</b>	<b>(2,301,479)</b>	<b>(5.2)</b>	<b>(4,979,855)</b>	<b>(11.3)</b>	<b>(5,171,507)</b>	<b>(12.6)</b>
<b>6 – Net value added produced by the entity (4-5)</b>	<b>21,212,407</b>	<b>48.1</b>	<b>27,272,435</b>	<b>61.9</b>	<b>33,198,659</b>	<b>81.1</b>
<b>7 – Value added received through transfer</b>	<b>4,671,931</b>	<b>10.6</b>	<b>16,783,480</b>	<b>38.1</b>	<b>7,732,041</b>	<b>18.9</b>
Equity in the earnings (losses) of unconsolidated and jointly controlled companies	4,671,931	10.6	16,783,480	38.1	7,732,041	18.9
<b>8 – Value added to distribute (6+7)</b>	<b>25,884,338</b>	<b>58.7</b>	<b>44,055,915</b>	<b>100.0</b>	<b>40,930,700</b>	<b>100.0</b>
<b>9 – Value added distributed</b>	<b>25,884,338</b>	<b>58.8</b>	<b>44,055,915</b>	<b>100.0</b>	<b>40,930,700</b>	<b>100.0</b>
<b>9.1) Personnel</b>	<b>7,724,126</b>	<b>17.5</b>	<b>15,282,463</b>	<b>34.7</b>	<b>17,194,644</b>	<b>42.0</b>
Salaries	4,006,952	9.1	7,795,742	17.7	8,489,938	20.7
Benefits	1,988,746	4.5	3,954,160	9.0	4,923,102	12.0
Government Severance Indemnity Fund for Employees (FGTS)	368,685	0.8	706,841	1.6	1,207,056	2.9
Other	1,359,743	3.1	2,825,720	6.4	2,574,548	6.3
<b>9.2) Tax, fees and contributions</b>	<b>6,948,230</b>	<b>15.8</b>	<b>7,441,594</b>	<b>16.9</b>	<b>6,781,878</b>	<b>16.6</b>
Federal	6,289,582	14.3	6,225,705	14.1	5,921,328	14.5
State	4,949	-	8,040	-	10,768	-

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Municipal	653,699	1.5	1,207,849	2.7	849,782	2.1
<b>9.3) Remuneration for providers of capital</b>	<b>1,117,103</b>	<b>2.5</b>	<b>2,234,034</b>	<b>5.1</b>	<b>2,294,594</b>	<b>5.6</b>
Rental	824,816	1.9	1,626,564	3.7	1,637,849	4.0
Asset leases	292,287	0.7	607,470	1.4	656,745	1.6
<b>9.4) Value distributed to shareholders</b>	<b>10,094,879</b>	<b>22.9</b>	<b>19,097,824</b>	<b>43.3</b>	<b>14,659,584</b>	<b>35.8</b>
Interest on Shareholders' Equity Dividends paid and/or provisioned	3,733,520	8.5	7,298,596	16.6	7,204,344	17.6
Retained earnings	6,356,925	14.4	11,786,357	26.8	7,453,411	18.2
Non-controlling interests in retained earnings	4,434	-	12,871	-	1,829	-

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

Bradesco



## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Statement of Cash Flow of the Prudential Conglomerate on December 31** -In thousands of Reais

	<b>2018</b>	<b>2017</b>
	<b>2<sup>nd</sup> semester</b>	<b>Year ended</b>
	<b>Year ended</b>	<b>Year ended</b>
<b>Cash flow from operating activities:</b>		
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>12,881,945</b>	<b>19,482,309</b>
<b>Adjustments to net income before income tax and social contribution</b>	<b>15,833,218</b>	<b>48,568,200</b>
Effect of Changes in Exchange Rates in Cash and Cash equivalents	(296,694)	(801,320)
Allowance for loan losses	9,314,113	25,078,983
Depreciation and amortization	2,301,479	5,171,507
Impairment losses of assets	660,608	2,597,726
Expenses/ reversal with civil, labor and tax provisions	1,850,725	2,339,705
Share of profit (loss) of unconsolidated and jointly controlled companies	(4,671,931)	(7,732,041)
(Gain)/loss on sale of fixed assets	43,498	58,603
(Gain)/loss on sale of foreclosed assets	267,699	578,985
Foreign exchange variation of assets and liabilities overseas/Other	<b>6,363,721</b>	<b>21,276,052</b>
<b>Net income before taxes after adjustments</b>	<b>28,715,163</b>	<b>63,098,716</b>
(Increase)/Decrease in interbank investments	3,668,712	(2,669,175)
(Increase)/Decrease in trading securities and derivative financial instruments	(1,741,170)	2,884,798
(Increase)/Decrease in interbank and interdepartmental accounts	3,283,360	19,076,892
(Increase)/Decrease in loans and leases	(13,705,000)	(3,317,016)
(Increase)/Decrease in other receivables and other assets	(2,893,818)	(11,220,492)
(Increase)/Decrease in reserve requirement - Central Bank	(16,196,682)	(8,677,695)
Increase/(Decrease) in deposits	43,440,925	31,210,877
Increase/(Decrease) in securities sold under agreements to repurchase	(12,727,343)	(9,182,363)
Increase/(Decrease) in borrowings and on-lending	3,498,572	(8,910,300)
Increase/(Decrease) in other liabilities	(14,537,350)	(19,995,567)
Increase/(Decrease) in deferred income	(8,548)	(64,499)
Income tax and social contribution paid	<b>(800,251)</b>	<b>(4,867,351)</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>19,996,570</b>	<b>47,366,825</b>
<b>Cash flow from investing activities:</b>		
Maturity of and interest on held-to-maturity securities	786,900	1,716,924
Sale of/maturity of and interest on available-for-sale securities	69,826,151	77,021,457
Proceeds from sale of foreclosed assets	324,385	798,171

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Sale of investments	96,477	179,176	-
Sale of premises and equipment	55,038	296,766	891,316
Purchases of available-for-sale securities	(51,158,729)	(136,643,975)	(104,967,939)
Purchases of held-to-maturity securities	(35,768,558)	(35,768,558)	(33,798)
Investment acquisitions	(277,184)	(279,111)	(5,246,640)
Purchase of premises and equipment	(1,315,798)	(1,747,900)	(1,630,375)
Intangible asset acquisitions	(1,684,989)	(3,875,330)	(1,966,793)
Dividends and interest on shareholders' equity received	<b>5,096,013</b>	<b>5,116,246</b>	<b>3,506,941</b>
<b>Net cash provided by/(used in) investing activities</b>	<b>(14,020,294)</b>	<b>(52,138,499)</b>	<b>(29,910,736)</b>
<b>Cash flow from financing activities:</b>			
Funds from securities issued	42,199,461	95,196,518	70,915,810
Settlement and Interest payments of Funds from issuance of securities	(52,337,462)	(91,035,793)	(100,286,827)
Issuance of subordinated debts	10,890,606	10,890,606	6,594,610
Settlement and Interest payments of subordinated debts	(1,856,477)	(12,947,073)	(14,303,148)
Interest on Shareholders' Equity Paid	(1,690,172)	(6,483,196)	(6,397,874)
Non-controlling interest	<b>(1,312)</b>	<b>42,261</b>	<b>(364)</b>
<b>Net cash provided by/(used in) financing activities</b>	<b>(2,795,356)</b>	<b>(4,336,677)</b>	<b>(43,477,793)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,180,920</b>	<b>(46,516,554)</b>	<b>(26,021,704)</b>
Cash and cash equivalents - at the beginning of the period	106,621,071	155,898,993	181,119,377
Effect of Changes in Exchange Rates in Cash and Cash equivalents	296,694	716,246	801,320
Cash and cash equivalents - at the end of the period	<b>110,098,685</b>	<b>110,098,685</b>	<b>155,898,993</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,180,920</b>	<b>(46,516,554)</b>	<b>(26,021,704)</b>

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

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Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

Notes to Financial Statements of the Prudential Conglomerate are as follows:

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



Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

**1) OPERATIONS**

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

**2) PRESENTATION OF THE FINANCIAL STATEMENTS**

The Financial Statements of the Prudential Conglomerate were prepared to comply with the requirements of Resolution No. 4,280/13 of the National Monetary Council (CMN) and additional rules of the Brazilian Central Bank (Bacen). Thus, specific requirements were applied when consolidating the financial statements of Bradesco, its foreign branches, subsidiaries and investment funds. These requirements are not necessarily the same as those established by corporate law.

For the preparation of these consolidated financial statements, equity interests, balances of balance sheet accounts, revenues, expenses and unrealized gains were eliminated and net income and shareholders' equity attributable to the non-controlling shareholders were accounted for in a separate line. Investments in companies in which shareholding control is shared with other shareholders are accounted for using the equity method. Goodwill on acquisitions of investments in subsidiaries / affiliates and jointly controlled companies is presented in investments and intangible assets (Note 13a).

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

Bradesco's financial statements of the Prudential Conglomerate were approved by the Board of Executive Officers on March 21, 2019.

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

	Activity	On December 31	
		Equity interest 2018	2017
<b>Financial Institutions</b>			
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	100.00%	100.00%
Banco Alvorada S.A. (1)	Banking	100.00%	99.99%
Banco Bradescard S.A.	Cards	100.00%	100.00%
Banco Bradesco Argentina S.A.U (2) (3)	Banking	100.00%	99.99%
Banco Bradesco BBI S.A. (4)	Investment bank	99.96%	99.85%
Banco Bradesco BERJ S.A.	Banking	100.00%	100.00%
Banco Bradesco Cartões S.A.	Cards	100.00%	100.00%
Banco Bradesco Europa S.A. (3)	Banking	100.00%	100.00%
Banco Bradesco Financiamentos S.A.	Banking	100.00%	100.00%
Banco Bradesco S.A. New York Branch (3)	Banking	100.00%	100.00%
Banco Bradesco S.A. Grand Cayman Branch (3) (5)	Banking	100.00%	100.00%
Banco Losango S.A.	Banking	100.00%	100.00%
Bradesco-Kirton Corretora de Câmbio S.A. (6)	Exchange Broker	99.97%	99.97%
Bradesco Leasing S.A. Arrendamento Mercantil	Leases	100.00%	100.00%
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Brokerage	100.00%	100.00%
Bradesco Securities Hong Kong Limited (3)	Brokerage	100.00%	100.00%
Bradesco Securities, Inc. (3)	Brokerage	100.00%	100.00%
Bradesco Securities, UK. Limited (3)	Brokerage	100.00%	100.00%

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate**

	Activity	On December 31	
		Equity interest 2018	2017
Bradescard México, sociedad de Responsabilidad Limitada (7)	Cards	100.00%	100.00%
BRAM - Bradesco Asset Management S.A. DTVM	Asset management	100.00%	100.00%
BEC - Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset management	100.00%	100.00%
BEM - Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset management	100.00%	100.00%
BMC Asset Management - DTVM Ltda. (8)	Asset management	-	100.00%
Cidade Capital Markets Ltd. (3)	Banking	100.00%	100.00%
Crediare S.A. Crédito, Financiamento e Investimento (9)	Banking	50.00%	50.00%
Kirton Bank Brasil S.A.	Banking	100.00%	100.00%
Nova Marília Administração de Bens Móveis e Imóveis Ltda.	Asset management	100.00%	100.00%
Serel Participações em Imóveis S.A.	Asset management	100.00%	100.00%
<b>Consortium Management</b>			
Bradesco Administradora de Consórcios Ltda.	Consortium management	100.00%	100.00%
<b>Payment Institutions</b>			
Alvorada Administradora de Cartões Ltda.	Services	100.00%	100.00%
Bankpar Consultoria e Serviços Ltda.	Services	100.00%	100.00%
BCN - Consultoria, Adm. Bens, Serv. e Publicidade Ltda.	Services	100.00%	100.00%
Tempo Serviços Ltda.	Services	100.00%	100.00%
<b>Securitization Companies</b>			
Alvorada Cia. Securitizadora de Créditos Financeiros	Credit acquisition	100.00%	100.00%
Alvorada Serviços e Negócios Ltda.	Credit acquisition	100.00%	100.00%
Cia. Securitizadora de Créditos Financeiros Rubi	Credit acquisition	100.00%	100.00%
<b>Investment Funds (10)</b>			
Bradesco F.I. Referenciado DI Performance	Investment Fund	100.00%	100.00%
Bradesco F.I. Referenciado DI Uniao	Investment Fund	79.15%	66.09%
Bradesco F.I.C.F.I. Referenciado DI Galáxia	Investment Fund	100.00%	100.00%
Bradesco F.I. Mult. Cred. Priv. Inv. Exterior Pioneiro	Investment Fund	100.00%	100.00%
Alpha F.I. Mult. Créd. Priv. Inv. no Exterior	Investment Fund	100.00%	100.00%

Bradesco F.I. Mult. Cred. Priv. Inv. Exterior			
Andromeda	Investment Fund	100.00%	100.00%
Fundo de Investimento Referenciado DI GJ	Investment Fund	100.00%	100.00%
FIP Multisetorial Plus	Investment Fund	100.00%	100.00%
FII - F.I.R.F. Cred. Privado	Investment Fund	100.00%	100.00%
Bradesco F.I. Mult. Cr�d. Priv. Inv. no Exterior - CDI Mais	Investment Fund	100.00%	100.00%

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

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

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

(4) In November, 2017, Banco Boavista Interatl ntico S.A. was merged into Banco Bradesco BBI S.A. increasing the interest by means of subscription of shares and in May, 2018, there were acquisition of shares held by minority shareholders by Banco Bradesco S.A.;

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

(6) In November 2018, there was a change in the corporate name of Bradesco-Kirton Corretora de T tulos e Valores Mobili rios S.A. to Bradesco-Kirton Corretora de C mbio S.A.;

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

(8) Company incorporated in August, 2018, by the company Banco Bradesco Financiamentos S.A.;

(9) At the request of the Central Bank of Brazil, from March 2018 we started to consolidate the Crediare S.A. Cr dito, Financiamentos e Investimentos; and

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

Bradesco



Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

**3) SIGNIFICANT ACCOUNTING PRACTICES**

**a) Functional and presentation currencies**

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

**b) Income and expense recognition**

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

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

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

**c) Cash and cash equivalents**

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

Cash and cash equivalents detailed balances are presented in Note 4.

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

Unrestricted repurchase and reverse repurchase agreements are stated at their fair value. All other interbank investments are stated at cost, plus income earned up to the end of the reporting period, net of any devaluation allowance, if applicable.

The breakdown, terms and proceeds relating to interbank investments are presented in Note 5.

#### **e) Securities – Classification**

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

Securities classified as trading and available-for-sale, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their fair value. Fair value is generally based on quoted market prices or quotations for assets or liabilities with similar characteristics. If market

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Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

prices are not available, fair values are based on traders' quotations, pricing models, discounted cash flows or similar techniques to determine the fair value and may require judgment or significant estimates by Management.

Classification, breakdown and segmentation of securities are presented in Note 6.

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

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

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

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

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

- Market risk hedge: the gains and losses, realized or not, of the financial instruments classified in this category as well as the financial assets and liabilities, that are the object of the hedge, are recognized in the Statement of Income; and

- Cash flow hedge: the effective portion of valuation or devaluation of the financial instruments classified in this category is recognized, net of taxes, in a specific account in shareholders' equity. The ineffective portion of the hedge is recognized directly in the Statement of Income; and
- Hedge of net investment in foreign operations - the financial instruments classified in this category are intended to hedge the exchange variation of investments abroad, whose functional currency is different from the national currency, and are accounted for in accordance with the accounting procedures applicable to the hedge category of cash flow, that is, with the effective portion recognized in shareholders' equity, net of tax effects, and the non-effective portion recognized in income for the period.

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

A breakdown of amounts included as derivative financial instruments, in the statement of financial position and off-balance-sheet accounts, is disclosed in Note 6.

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

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

Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate**

<b>Past-due period (1)</b>	<b>Customer rating</b>
from 15 to 30 days	B
from 31 to 60 days	C
from 61 to 90 days	D
from 91 to 120 days	E
from 121 to 150 days	F
from 151 to 180 days	G
more than 180 days	H

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

Interest and inflation adjustments on past-due transactions are only recognized in the Statement of Income up to the 60<sup>th</sup> day that they are past due.

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

Renegotiated operations are maintained at least at the same rating in which they were classified.

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

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

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

to the nature, value, purpose of the loan and characteristics of the guarantees.

Type, values, terms, levels of risk, concentration, economic sector of client's activity, renegotiation and income from loans, as well as the breakdown of expenses and statement of financial position accounts for the allowance for loan losses are presented in Note 8.

## **Leasing**

The portfolio of leasing operations consists of contracts firmed with the support of Decree No. 140/84, of the Ministry of Finance, which contains clauses of: (a) non-cancellation; (b) purchase option; and (c) post-fixed or fixed restatement and are accounted for in accordance with the standards established by Bacen, as follows:

### **I- Leases receivable**

Reflect the balance of installments receivable, restated according to the indexes and criteria established by contractual agreement.

### **II- Unearned income from leasing and Guaranteed Residual Value (GRV)**

Recorded at the contractual amount, conversely to adjusted accounts of unearned revenues from leasing and Residual value to balance, both submitted through negotiated conditions. The GRV received in advance is recorded in Other Liabilities – Creditors by Anticipation of the Residual Value until the date of contractual termination. The adjustment at present value of the lease payments and the GRV receivable from the financial leasing operations is recognized as excessive/insufficient depreciation on leased assets, in order to reconcile the accounting practices. In operations whose delays are equal to or greater than 60 days, the appropriation to the result occurs upon receipt of contractual installments, in accordance with CMN Resolution No. 2,682/99.

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Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

**III- Leased fixed assets**

It is recorded at acquisition cost, minus the accrued depreciations. The depreciation is calculated using the linear method, with the benefit of a 30% reduction in the normal life cycle of the asset, provisioned in the current legislation. The main annual rates of depreciation used, as base for this reduction, are the following: vehicles and the like, 20%; furniture and utensils, 10%; machinery and equipment, 10%; and other assets, 10% and 20%.

**IV- Losses on leases**

The losses recorded in the sale of leased assets are deferred and amortized over the remaining normal life cycle of assets, and are shown along with the Leased Fixed Assets (Note 8k).

**V- Excessive (insufficient) depreciation**

The accounting records of leasing operations are maintained as legal requirements, specific for this type of operation. The procedures adopted and summarized in items "II" to "IV" above differ from the accounting practices provisioned in Brazilian corporate law, especially concerning the regime of competence in the record of revenues and expenses related to lease contracts. As a result, in accordance with Bacen Circular No. 1,429/89, the present value of outstanding leasing installments was calculated, using the internal rate of return of each contract, recording a leasing revenue or expenditure, conversely to the entries of excessive or insufficient depreciation, respectively, recorded in Permanent Assets, with the objective of adapting the leasing operations to the regime of competence (Note 8k).

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



Deferred tax assets, calculated on income tax losses, social contribution losses and temporary differences, are recognized in "Other Receivables - Sundry" and the deferred tax liabilities on tax differences in leasing depreciation (applicable only for income tax), fair value adjustments on securities, inflation adjustment of judicial deposits, among others, are recognized in "Other Liabilities - Tax and Social Security", in which for the differences in leasing depreciation only the income tax rate is applied.

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

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

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

The breakdown of income tax and social contribution, showing the calculations, the origin and expected use of deferred tax assets, as well as unrecognized deferred tax assets, is presented in Note 31.

#### **i) Prepaid expenses**

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

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



Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

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

Prepaid expenses are shown in detail in Note 10b.

**j) Investments**

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

Tax incentives and other investments are stated at cost, impairment, where applicable.

The composition of unconsolidated companies, as well as other investments, are disclosed in Note 11.

**k) Premises and equipment**

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

Premises and equipment are stated at acquisition cost, net of accumulated depreciation, calculated by the straight-line method based on the assets' estimated economic useful life, using the following rates: real

estate – 4% per annum; installations, furniture, equipment for use, security systems and communications – 10% per annum; transport systems – 10% to 20% per annum; and data processing systems – 20% to 40% per annum, and adjusted for impairment, when applicable.

The breakdown of asset costs and their corresponding depreciation, as well as the unrecognized surplus value for real estate and the fixed asset ratios, are disclosed in Note 12.

### **l) Intangible assets**

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

Intangible assets comprise:

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

Intangible assets and the movement in these balances by class are presented in Note 13.

### **m) Impairment**

Financial and non-financial assets are tested for impairment.

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

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

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Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

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

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

A breakdown of the contracts recognized in deposits and securities sold under agreements to repurchase, as well as terms and amounts recognized in the statement of financial position and statement of income, is presented in Note 14.

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

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

- **Contingent Assets:** these are not recognized in the financial statements, except to the extent that there are real guarantees or favorable judicial decisions, to which no further appeals are applicable, and it is considered virtually certain that cash inflows will flow to Bradesco. Contingent assets with a chance of probable success are disclosed in the notes to the financial statements;
- **Provisions:** these are recognized taking into consideration the opinion of legal counsel, the nature of the lawsuits, similarity with previous lawsuits, complexity and positioning of the courts, whenever an entity has a present obligation (legal or constructive) as a result of a past even, it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably measured;

- **Contingent Liabilities:** according to CPC 25, the term “contingent” is used for liabilities that are not recognized because their existence will only be confirmed by the occurrence of one or more uncertain future events beyond Management’s control. Contingent liabilities do not meet the criteria for recognition because they are considered as possible losses should only be disclosed in the notes when relevant. Obligations deemed remote are not recognized as a provision nor disclosed; and
- **Legal Obligations – Provision for Tax Risks:** results from judicial proceedings, which contest the applicability of tax laws on the grounds of legality or constitutionality, which, regardless of the assessment of the probability of success, are fully provided for in the financial statements.

Details on lawsuits, as well as segregation and changes in amounts recognized, by type, is presented in Note 16.

**p) Funding expenses**

Expenses related to funding transactions involving the issuance of securities reduce the corresponding liability and are recognized in the profit or loss over the term of the transaction, according to Notes 14c and 17.

**q) Other assets and liabilities**

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

Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate**

**r) Subsequent events**

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

They comprise the following:

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

Subsequent events, if any, are described in Note 32.

**4) CASH AND CASH EQUIVALENTS**

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Cash and due from banks in domestic currency	14,604,346	12,858,488
Cash and due from banks in foreign currency	4,880,713	2,014,413
Investments in gold	823	375
<b>Total cash and due from banks</b>	<b>19,485,882</b>	<b>14,873,276</b>
Interbank investments (1)	90,612,803	141,025,717
<b>Total cash and cash equivalents</b>	<b>110,098,685</b>	<b>155,898,993</b>



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

## 5) INTERBANK INVESTMENTS

### a) Breakdown and maturity

	On December 31 - R\$ thousand					2018	2017
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days			
<b>Securities purchased under agreements to resell:</b>							
<b>Own portfolio position</b>	<b>6,934,652</b>	<b>19,170,537</b>	-	-	<b>26,105,189</b>	<b>12,880,529</b>	
Financial treasury bills	5,604,716	-	-	-	5,604,716	605,335	
National treasury notes	659,028	6,369,513	-	-	7,028,541	10,104,097	
National treasury bills	322,927	12,801,024	-	-	13,123,951	2,133,622	
Other	347,981	-	-	-	347,981	37,475	
<b>Funded position</b>	<b>23,154,078</b>	<b>42,929,820</b>	-	-	<b>66,083,898</b>	<b>128,293,877</b>	
National treasury notes	523,787	26,683,117	-	-	27,206,904	61,691,772	
Financial treasury bills	13,973,377	-	-	-	13,973,377	21,736,942	
National treasury bills	8,656,914	16,246,703	-	-	24,903,617	44,865,163	
<b>Unrestricted position</b>	<b>250,216</b>	<b>3,766,819</b>	-	-	<b>4,017,035</b>	<b>3,558,414</b>	
National treasury bills	250,216	3,766,819	-	-	4,017,035	3,558,414	
<b>Subtotal</b>	<b>30,338,946</b>	<b>65,867,176</b>	-	-	<b>96,206,122</b>	<b>144,732,820</b>	
<b>Interest-earning deposits in other banks:</b>							
Interest-earning deposits in other banks:	2,187,396	2,463,590	1,677,056	1,397,869	7,725,911	9,615,731	
Provision for losses	(28)	(2,120)	(220)	-	(2,368)	(5,893)	
<b>Subtotal</b>	<b>2,187,368</b>	<b>2,461,470</b>	<b>1,676,836</b>	<b>1,397,869</b>	<b>7,723,543</b>	<b>9,609,838</b>	
<b>Total in 2018</b>	<b>32,526,314</b>	<b>68,328,646</b>	<b>1,676,836</b>	<b>1,397,869</b>	<b>103,929,665</b>		
%	31.3	65.7	1.7	1.3	100.0		
<b>Total in 2017</b>	<b>33,952,366</b>	<b>115,882,685</b>	<b>3,262,266</b>	<b>1,245,341</b>		<b>154,342,658</b>	
%	22.0	75.1	2.1	0.8		100.0	

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate****b) Income from interbank investments**

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

	Year ended December 31 - R\$ thousand	
	2018	2017
<b>Income from investments in purchase and sale commitments:</b>		
• Own portfolio position	1,357,213	1,064,822
• Funded position	5,622,852	16,016,339
• Unrestricted position	1,809,839	747,625
<b>Subtotal</b>	<b>8,789,904</b>	<b>17,828,786</b>
<b>Income from interest-earning deposits in other banks</b>	<b>507,817</b>	<b>527,887</b>
<b>Total (Note 6g)</b>	<b>9,297,721</b>	<b>18,356,673</b>

**6) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS**

Information on securities and derivative financial instruments is as follows:

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

	2018		2017	
		%		%
<b>Trading securities</b>	<b>47,565,943</b>	<b>16.1</b>	<b>48,217,917</b>	<b>19.9</b>
- Government securities	26,808,530	9.1	24,116,495	9.9
- Corporate securities	6,035,362	2.0	9,919,753	4.1
- Derivative financial instruments (1) (5)	14,722,051	5.0	14,181,669	5.9
<b>Available-for-sale securities (2)</b>	<b>182,282,394</b>	<b>61.7</b>	<b>181,767,575</b>	<b>75.0</b>
- Government securities	116,586,269	39.5	126,630,718	52.3

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- Corporate securities	65,696,125	22.2	55,136,857	22.7
<b>Held-to-maturity securities (2)</b>	<b>65,475,387</b>	<b>22.2</b>	<b>12,277,210</b>	<b>5.1</b>
- Government securities	53,930,505	18.3	17,645	-
- Corporate securities	11,544,882	3.9	12,259,565	5.1
<b>Total</b>	<b>295,323,724</b>	<b>100.0</b>	<b>242,262,702</b>	<b>100.0</b>
- Government securities	197,325,304	66.8	150,764,858	62.2
- Corporate securities	97,998,420	33.2	91,497,844	37.8
<b>Total</b>	<b>295,323,724</b>	<b>100.0</b>	<b>242,262,702</b>	<b>100.0</b>

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate****b) Consolidated classification by category, maturity and operating segment****I) Trading securities**

Securities	On December 31 - R\$								
	2018				2017				
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Fair/book value (3) (4)	Amortized cost	Fair Value Adjustment	Fair/book value (3) (4)	Fa Adj
Financial treasury bills	-	319,444	-	14,104,478	14,423,922	14,422,969	953	15,052,479	
National treasury notes	69,261	224,201	-	6,637,103	6,930,565	6,689,680	240,885	7,635,052	
Financial bills	40,417	224,899	214,092	251,521	730,929	734,297	(3,368)	799,623	
Debentures	48,289	-	178,575	758,104	984,968	1,183,263	(198,295)	1,999,785	
National treasury bills	298,740	464,377	225,921	3,331,964	4,321,002	4,263,824	57,178	1,074,842	
Brazilian foreign debt securities	-	-	-	659,602	659,602	645,523	14,079	307	
Derivative financial instruments (1) (5)	10,716,945	2,357,250	730,302	917,554	14,722,051	15,853,855	(1,131,804)	14,181,669	(4)
Other	2,562,851	528,130	24,748	1,677,175	4,792,904	4,839,124	(46,220)	7,474,160	
<b>Total</b>	<b>13,736,503</b>	<b>4,118,301</b>	<b>1,373,638</b>	<b>28,337,501</b>	<b>47,565,943</b>	<b>48,632,535</b>	<b>(1,066,592)</b>	<b>48,217,917</b>	<b>(4)</b>
<b>Derivative financial instruments (liabilities) (5)</b>	<b>(15,038,965)</b>	<b>(373,896)</b>	<b>(162,153)</b>	<b>(549,487)</b>	<b>(16,124,501)</b>	<b>(12,487,343)</b>	<b>(3,637,158)</b>	<b>(14,097,259)</b>	<b>(3)</b>

**II) Available-for-sale securities**

On December 31 -

Securities (2) (6)	2018				Fair/book value (3) (4)	Amortized cost	Fair Value Adjustment	Fair/book value (3) (4)	20
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days					
National treasury bills	14,228,693	40,551,096	13,678,225	32,589,626	101,047,640	100,094,000	953,640	109,550,759	
Debentures	843,075	1,668,834	724,845	41,311,358	44,548,112	45,725,023	(1,176,911)	34,988,998	
National treasury notes	-	1,620,743	-	10,409,252	12,029,995	11,530,425	499,570	10,077,566	
Foreign corporate securities	-	1,169,626	404,280	7,902,658	9,476,564	9,561,158	(84,594)	10,034,235	
Shares	6,175,793	-	-	-	6,175,793	7,503,170	(1,327,377)	7,328,787	
Foreign government bonds	-	-	-	-	-	-	-	3,202,547	
Certificates of real estate receivables	21,680	2,741	-	1,571,974	1,596,395	1,565,015	31,380	1,041,845	
Promissory Notes	13,233	201,567	-	-	214,800	214,265	535	495,528	
Other	2,472,386	879,247	72,422	3,769,040	7,193,095	7,172,536	20,559	5,047,310	
<b>Subtotal</b>	<b>23,754,860</b>	<b>46,093,854</b>	<b>14,879,772</b>	<b>97,553,908</b>	<b>182,282,394</b>	<b>183,365,592</b>	<b>(1,083,198)</b>	<b>181,767,575</b>	
Accounting Hedge (Note 6f)	-	-	-	-	-	-	(409,784)	-	
Securities reclassified to "Held-to-maturity securities"	-	-	-	-	-	-	(491,064)	-	
<b>Total</b>	<b>23,754,860</b>	<b>46,093,854</b>	<b>14,879,772</b>	<b>97,553,908</b>	<b>182,282,394</b>	<b>183,365,592</b>	<b>(1,984,046)</b>	<b>181,767,575</b>	

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate****III) Held-to-maturity securities**

Securities (2) (6)	2018				2018		On December 31 - R\$ thousand		
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Amortized cost (3)	Fair value (4)	Gain (loss) not accounted for	Amortized cost (3)	Gain (loss) not accounted for
National treasury bills	-	-	-	53,109,511	53,109,511	54,743,449	1,633,938	-	-
Certificates of real estate receivables	-	29,857	-	11,514,177	11,544,034	11,357,496	(186,538)	12,259,565	(295,783)
National treasury notes	133	1,101	1,077	815,718	818,029	880,974	62,945	7,115	-
Other	-	-	-	3,813	3,813	3,813	-	10,530	(420)
<b>Total</b>	<b>133</b>	<b>30,958</b>	<b>1,077</b>	<b>65,443,219</b>	<b>65,475,387</b>	<b>66,985,732</b>	<b>1,510,345</b>	<b>12,277,210</b>	<b>(296,203)</b>

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

Securities	2018				2017		On December 31 - R\$ thousand	
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	Total in 2018	Total in 2017	(3)	(4)
<b>Own portfolio</b>	<b>26,773,248</b>	<b>7,098,701</b>	<b>1,610,795</b>	<b>105,074,117</b>	<b>140,556,861</b>	<b>146,153,605</b>		
<b>Fixed income securities</b>	<b>19,751,087</b>	<b>7,098,701</b>	<b>1,610,795</b>	<b>105,074,117</b>	<b>133,534,700</b>	<b>137,982,552</b>		
National treasury notes	69,394	1,135	1,077	1,982,233	2,053,839	8,563,144		
Financial treasury bills	-	627,427	-	12,286,768	12,914,195	14,043,257		
National treasury bills	14,527,433	3,740,378	819,601	32,583,996	51,671,408	47,730,251		
Debentures	891,364	1,668,833	468,532	37,125,911	40,154,640	36,988,782		
Financial bills	40,417	224,899	214,092	355,725	835,133	799,623		
Certificates of real estate receivables	21,680	32,598	-	13,240,985	13,295,263	13,404,917		
Foreign corporate securities	171,014	336,339	10,323	3,735,894	4,253,570	5,604,804		
Brazilian foreign debt securities	-	-	-	1,818,063	1,818,063	736,048		

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Bank deposit certificates	97,603	253,068	-	10	350,681	332,055
Promissory Notes	13,233	201,567	-	-	214,800	2,863,290
Other	3,918,949	12,457	97,170	1,944,532	5,973,108	6,916,381
<b>Equity securities</b>	<b>7,022,161</b>	-	-	-	<b>7,022,161</b>	<b>8,171,053</b>
Shares of listed companies	7,022,161	-	-	-	7,022,161	8,171,053
<b>Restricted securities</b>	<b>1,303</b>	<b>37,712,708</b>	<b>12,816,447</b>	<b>85,099,083</b>	<b>135,629,541</b>	<b>76,916,412</b>
<b>Subject to repurchase agreements</b>	-	<b>35,704,868</b>	<b>12,386,268</b>	<b>78,306,944</b>	<b>126,398,080</b>	<b>65,760,819</b>
National treasury bills	-	32,648,316	11,557,423	56,404,319	100,610,058	56,213,201
Foreign corporate securities	-	1,095,893	393,956	4,714,900	6,204,749	5,729,357
National treasury notes	-	1,844,910	-	11,246,552	13,091,462	2,816,750

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate**

Securities	On December 31 - R\$ thousand					Total in	
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2018	2017	
					(3) (4)	(3) (4)	
Financial treasury bills	-	115,749	-	591,416	707,165	287,956	
Other	-	-	434,889	5,349,757	5,784,646	713,555	
<b>Privatization rights</b>	-	-	-	<b>39,273</b>	<b>39,273</b>	<b>44,127</b>	
<b>Given in guarantee</b>	<b>1,303</b>	<b>2,007,840</b>	<b>430,179</b>	<b>6,752,866</b>	<b>9,192,188</b>	<b>11,111,466</b>	
National treasury notes	-	-	-	4,389,414	4,389,414	4,066,134	
National treasury bills	-	1,552,326	430,179	42,786	2,025,291	3,946,983	
Financial treasury bills	572	455,514	-	2,253,425	2,709,511	3,035,421	
Other	731	-	-	67,241	67,972	62,928	
<b>Derivative financial instruments (1) (5)</b>	<b>10,716,945</b>	<b>2,357,250</b>	<b>730,302</b>	<b>917,554</b>	<b>14,722,051</b>	<b>14,181,669</b>	
<b>Securities sold under repurchase agreements - unrestricted</b>	-	<b>3,074,454</b>	<b>1,096,943</b>	<b>243,874</b>	<b>4,415,271</b>	<b>5,011,016</b>	
National treasury bills	-	3,074,454	1,096,943	-	4,171,397	2,735,165	
National treasury notes	-	-	-	243,874	243,874	2,273,706	
Financial treasury bills	-	-	-	-	-	2,145	
<b>Total</b>	<b>37,491,496</b>	<b>50,243,113</b>	<b>16,254,487</b>	<b>191,334,628</b>	<b>295,323,724</b>	<b>242,262,702</b>	
<b>%</b>	<b>12.7</b>	<b>17.0</b>	<b>5.5</b>	<b>64.8</b>	<b>100.0</b>	<b>100.0</b>	

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

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

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

(4) The fair value of securities is determined based on the market price available at the end of the reporting



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

(5) Includes hedge for protection of assets and liabilities, denominated in or indexed to foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities. For a better analysis of these items, consider the net exposure (Note 6d II); and

(6) In the year ended on December 31, 2018, there were impairment losses on financial assets (mostly debentures), net of reversals, related to securities classified as "Available-for-Sale" and "Held-to-Maturity" in the amount of R\$ 979,765 thousand (R\$ 2,517,178 thousand in 2017).

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Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

***Notes to the Financial Statements of the Prudential Conglomerate***

**d) Derivative financial instruments**

Bradesco carries out transactions involving derivative financial instruments, which are recognized in the statement of financial position or in off-balance-sheet accounts, to meet its own needs in managing its global exposure, as well as to meet its customer's requests, in order to manage their exposure. These operations involve a range of derivatives, including interest rate swaps, currency swaps, futures and options. Bradesco's risk management policy is based on the utilization of derivative financial instruments mainly to mitigate the risks from operations carried out by the Bank and its subsidiaries.

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

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

Derivative financial instruments in Brazil mainly refer to swaps and futures and are registered at B3.

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

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

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

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

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

Bradesco

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate****I) Amount of derivative financial instruments recognized by index**

	Nominal value	Net amount value	2018 Original amortized cost	Mark-to-market adjustment	Fair value	Nominal value	Net amount value	2018 Original amortized cost
<b>Futures contracts</b>								
<b>Purchase commitments:</b>	<b>227,726,255</b>		<b>1,308</b>	<b>-</b>	<b>1,308</b>	<b>127,891,433</b>		<b>8</b>
- Interbank market	174,849,777	110,937,866	912	-	912	79,771,752	24,366,908	5
- Foreign currency	52,576,329	-	393	-	393	47,956,458	-	1
- Other	300,149	11,525	3	-	3	163,223	49,452	1
<b>Sale commitments:</b>	<b>129,283,059</b>		<b>(6,026)</b>	<b>-</b>	<b>(6,026)</b>	<b>122,185,585</b>		<b>(90)</b>
- Interbank market (1)	63,911,911	-	(5,995)	-	(5,995)	55,404,844	-	(79)
- Foreign currency (2)	65,082,524	12,506,195	(21)	-	(21)	66,666,970	18,710,512	
- Other	288,624	-	(10)	-	(10)	113,771	-	(10)
<b>Option contracts</b>								
<b>Purchase commitments:</b>	<b>34,094,128</b>		<b>1,365,520</b>	<b>108,423</b>	<b>1,473,943</b>	<b>9,175,002</b>		<b>1,056,0</b>
- Interbank market	18,526,773	507,784	512,578	29,882	542,460	1,425,013	429,323	414,6
- Foreign currency	14,764,233	3,216,607	822,075	72,814	894,889	7,306,564	-	630,3
- Other	803,122	88,633	30,867	5,727	36,594	443,425	215,284	10,9
<b>Sale commitments:</b>	<b>30,281,104</b>		<b>(1,648,053)</b>	<b>13,854</b>	<b>(1,634,199)</b>	<b>11,477,775</b>		<b>(990,04)</b>
- Interbank market	18,018,989	-	(990,383)	(29,966)	(1,020,349)	995,690	-	(508,01)
- Foreign currency	11,547,626	-	(603,269)	31,513	(571,756)	10,253,944	2,947,380	(459,13)

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- Other	714,489	-	(54,401)	12,307	(42,094)	228,141	-	(22,89)
<b>Forward contracts</b>								
<b>Purchase commitments:</b>	<b>13,597,633</b>		<b>731,145</b>	<b>-</b>	<b>731,145</b>	<b>10,486,497</b>		<b>(114,83)</b>
- Interbank market	213,196	213,196	15,577	-	15,577	-	-	
- Foreign currency	12,488,148	-	135,002	-	135,002	10,372,477	-	(113,80)
- Other	896,289	292,399	580,566	-	580,566	114,020	-	(1,03)
<b>Sale commitments:</b>	<b>19,213,840</b>		<b>(164,382)</b>	<b>-</b>	<b>(164,382)</b>	<b>15,582,794</b>		<b>324,7</b>
- Foreign currency (2)	18,609,950	6,121,802	(188,371)	-	(188,371)	14,947,271	4,574,794	(27,17)
- Other	603,890	-	23,989	-	23,989	635,523	521,503	351,8
<b>Swap contracts</b>								
<b>Assets (long position):</b>	<b>73,300,586</b>		<b>13,411,279</b>	<b>(1,240,227)</b>	<b>12,171,052</b>	<b>62,796,097</b>		<b>17,199,7</b>
- Interbank market	4,439,901	2,845,083	319,859	89,857	409,716	6,286,693	3,427,373	508,3
- Fixed rate	51,759,240	23,444,731	11,671,420	(1,910,637)	9,760,783	48,791,015	23,275,888	15,958,3
- Foreign currency	15,551,428	-	1,296,270	461,908	1,758,178	6,161,641	-	696,0
- IGPM	753,483	7,483	55,731	54,099	109,830	652,450	-	2,4
- Other	796,534	-	67,999	64,546	132,545	904,298	-	34,5

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate**

	Nominal value	Net amount value	2018 Original amortized cost	Mark-to-market adjustment	Fair value	Nominal value	Net amount value	On 2017 Original amortized cost
<b>Liabilities (unrestricted position):</b>	<b>56,095,194</b>		<b>(10,324,279)</b>	<b>(3,651,012)</b>	<b>(13,975,291)</b>	<b>45,733,215</b>		<b>(8,805,334)</b>
- Interbank market	1,594,818	-	(17,713)	(27,358)	(45,071)	2,859,320	-	(116,128)
- Fixed rate	28,314,509	-	(6,187,481)	(3,397,316)	(9,584,797)	25,515,127	-	(7,016,419)
- Foreign currency	23,368,048	7,816,620	(3,751,368)	25,542	(3,725,826)	14,288,568	8,126,927	(1,476,907)
- IGPM	746,000	-	(117,080)	(75,724)	(192,804)	728,000	75,550	(36,205)
- Other	2,071,819	1,275,285	(250,637)	(176,156)	(426,793)	2,342,200	1,437,902	(159,675)
<b>Total</b>	<b>583,591,799</b>		<b>3,366,512</b>	<b>(4,768,962)</b>	<b>(1,402,450)</b>	<b>405,328,398</b>		<b>8,670,165</b>

Derivatives include operations maturing in D+1.

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

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

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

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

	On December 31								
	Original amortized cost	Mark-to-market adjustment	Fair value	%	2018				Total
1 to 90 days					91 to 180 days	181 to 360 days	More than 360 days		
Adjustment receivable - swaps	13,411,279	(1,240,227)	12,171,052	83.0	12,140,572	-	-	30,480	12,171,052
Adjustment receivable - future	1,308	-	1,308	-	1,308	-	-	-	1,308
Receivable forward purchases	882,677	-	882,677	6.0	201,434	123,425	544,004	13,814	882,677
Receivable forward sales (1)	193,071	-	193,071	1.0	44,060	26,997	118,992	3,022	193,071
Premiums on exercisable options	1,365,520	108,423	1,473,943	10.0	527,205	9,194	67,306	870,238	1,473,943
<b>Total assets (A)</b>	<b>15,853,855</b>	<b>(1,131,804)</b>	<b>14,722,051</b>	<b>100.0</b>	<b>12,914,579</b>	<b>159,616</b>	<b>730,302</b>	<b>917,554</b>	<b>14,722,051</b>
Adjustment payables - swaps	(10,324,279)	(3,651,012)	(13,975,291)	87.0	(13,945,102)	-	-	(30,189)	(13,975,291)
Adjustment payables - future	(6,026)	-	(6,026)	-	(6,026)	-	-	-	(6,026)
Payable forward purchases	(151,532)	-	(151,532)	1.0	(71,237)	(50,792)	(22,432)	(7,071)	(151,532)
Payable forward sales	(357,453)	-	(357,453)	2.0	(168,047)	(119,813)	(52,914)	(16,679)	(357,453)
	(1,648,053)	13,854	(1,634,199)	10.0	(1,010,667)	(41,177)	(86,807)	(495,548)	(1,634,199)

Premiums  
on written  
options  
**Total  
liabilities**

**(B)** (12,487,343) (3,637,158) (16,124,501) 100.0 (15,201,079) (211,782) (162,153) (549,487) (16,124,501)

**Net Effect**

**(A-B)** 3,366,512 (4,768,962) (1,402,450) (2,286,500) (52,166) 568,149 368,067 (1,402,450)

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

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

	On December 31 - R\$ thousand					
	1 to 90	91 to 180	181 to 360	More than	2018	2017
	days	days	days	360		
	days	days	days	days		
Futures contracts (1)	199,908,795	30,528,629	22,092,725	104,479,165	357,009,314	250,077,018
Option contracts	12,045,860	3,259,021	38,680,422	10,389,929	64,375,232	20,652,777
Forward contracts (1)	19,008,660	8,405,385	4,195,332	1,202,096	32,811,473	26,069,291
Swap contracts	4,388,287	12,029,281	35,170,283	77,807,929	129,395,780	108,529,312
<b>Total in 2018</b>	<b>235,351,602</b>	<b>54,222,316</b>	<b>100,138,762</b>	<b>193,879,119</b>	<b>583,591,799</b>	
<b>Total in 2017</b>	<b>156,288,398</b>	<b>39,749,826</b>	<b>30,830,564</b>	<b>178,459,610</b>		<b>405,328,398</b>

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

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## Financial Statements of the Prudential Conglomerate and Independent Auditor's Report

**Notes to the Financial Statements of the Prudential Conglomerate****IV) Types of margin offered in guarantee of derivative financial instruments, mainly futures contracts**

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

**V) Revenues and expenses, net**

	Years ended December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
Swap contracts	(1,880,402)	85,043
Forward contracts (1)	(140,362)	(193,436)
Option contracts	(166,403)	(231,423)
Futures contracts (1)	(3,892,154)	2,233,631
<b>Total (Note 6g)</b>	<b>(6,079,321)</b>	<b>1,893,815</b>

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

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

	On December 31 - R\$ thousand	
	<b>2018</b>	<b>2017</b>
B3 (stock exchange)	373,784,215	225,585,190