

BANK BRADESCO  
Form 6-K  
February 09, 2018

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

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**FORM 6-K**

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

**For the month of February, 2018  
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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### Bradesco

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### **Forward-looking statements**

This economic and financial analysis Report contains forward-looking statements related to our business. Such statements are based on management's current expectations, estimates and projections concerning future events and financial trends that may affect our business. Words such as believe, anticipate, plan, expect, intend, goal, estimate, forecast, predict, project, guidelines, should and other similar expressions are used to indicate predicting statements. However, forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may be beyond our control. Moreover, some forward-looking statements are based on assumptions which, depending on future events, may prove not to be accurate. Therefore, actual results may differ significantly from the plans, goals, expectations, projections and intentions expressed or implied in such statements.

The factors that may impact the actual results include, among others, changes in regional, national and international trade and economic policies; inflation; an increased number of defaults by borrowers in loan operations, with a consequent increase in the allowance for losses from loan operations; loss of ability to receive deposits; loss of customers or revenues; our ability to sustain and improve performance; changes in interest rates which may, among other things, adversely affect our margins; competition in the banking industry, financial services, credit card services, insurance, asset management and other related industries; government regulation and fiscal affairs; disputes or adverse legal proceedings or regulations; and credit and other risks involved in borrowing and investment activities.

As a result, one should not rely excessively on these forward-looking statements. The statements are valid only for the date on which they were drafted. Except as required by applicable law, we do not assume any obligation to update these statements as a result of new information, future developments or any other matters which may arise.

Some numbers included in this Report have been subjected to rounding adjustments.  
As a result, some amounts indicated as total amounts in some charts may not be the arithmetic sum  
of the preceding numbers.

## **Economic and Financial Analysis Report - December 2017**

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## Press Release

### Highlights

The main figures reported by Bradesco in 2017, considering the consolidation, from July 1, 2016, of HSBC Bank Brasil S.A. and its subsidiaries (HSBC Brasil):

1. Recurring Net Income for 2017 stood at R\$19.024 billion (an increase of 11.1% over the R\$17.121 billion in Recurring Net Income in 2016), corresponding to earnings per share of R\$3.13, and return on Average Adjusted Shareholders' Equity of 18.1%.
2. As for the source, the Recurring Net Income is composed of R\$13.490 billion from financial activities, representing 70.9% of the total, and of R\$5.534 billion from insurance, pension plans and capitalization bond operations, which together account for 29.1%.
3. On December 31, 2017, Bradesco's market capitalization stood at R\$200.521 billion, showing a growth of 24.7% over December 2016.
4. Total Assets, in December 2017, stood at R\$1.298 trillion, an increase of 0.4% over December 2016. The annualized return on Average Total Assets was 1.5%.
5. In December 2017, the Expanded Loan Portfolio reached R\$492.931 billion, a 4.3% decrease over December 2016. Operations with individuals totaled R\$175.469 billion (an increase of 2.0% over December 2016), while operations with companies totaled R\$317.462 billion (a 7.4% decrease over December 2016).
6. Assets under Management stood at R\$1.987 trillion, a 4.3% increase over December 2016.
7. Shareholders' Equity totaled R\$110.457 billion in December 2017, 10.0% higher than in December 2016. The Basel III Ratio, based on the Prudential Conglomerate stood at 17.1%, 13.1% of which is Tier I Capital.

9. The Interest-Earning Portion of the NII totaled R\$62.775 billion in 2017, showing a decrease of 0.5% compared to 2016.

10. The 90-day Delinquency Ratio stood at 4.7% in the end of December 2017, a decrease of 0.8 p.p. compared to December 2016.

11. The Efficiency Ratio (ER), excluding the effect of impairment of financial assets was 40.8% in December 2017 (38.9% in December 2016).

12. Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income totaled R\$76.289 billion in 2017, up 6.8% when compared with 2016. Technical provisions stood at R\$246.653 billion, an increase of 10.4% compared with the balance in December 2016.

13. Investments in Information Technology (IT) totaled R\$6.037 billion in 2017.

14. Taxes and contributions paid or recorded in provision, including social security, totaled R\$31.584 billion in 2017, of which R\$15.548 billion was related to taxes withheld and collected from third parties, and R\$16.036 billion, was calculated based on activities developed by the Bradesco Organization, equivalent to 84.3% of the Recurring Net Income.

15. In 2017, Bradesco, in its ongoing resource streamlining efforts, carried out an optimization process of the customer service network, aiming at the continuous improvement and the enhancing of services provided to its customers. Currently, Bradesco offers an extensive Customer Service Network in Brazil, with 73,474 customer service points (PAs), 4,749 Branches, 3,899 Service Branches (PAs), 928 ATMs located on company



premises (PAEs) and 38,708 Bradesco Espresso customer service points (Correspondents). The Bank also offers 35,590 Bradesco ATMs and 21,259 Banco24Horas Network ATMs.

8. A total of R\$7.204 billion was paid and provisioned to shareholders as Interest on Shareholders' Equity for the profit generated in 2017, R\$2.384 billion of which was paid in monthly and interim installments, and R\$4.820 billion was provisioned.

16. Payroll, plus charges and benefits totaled R\$16.874 billion in 2017. Social benefits provided to employees of the Bradesco Organization and their dependents amounted to R\$4.638 billion, while investments in education, training and development programs totaled R\$170.775 million.

**Economic and Financial Analysis Report - December 2017**

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## Press Release

### Highlights

17. Major Awards and Acknowledgments in the period:

- most awarded company for the “Best in People Management” prize (*Valor Carreira*, of *Valor Econômico* newspaper);
- highlighted in the “Top of Mind” survey as the private financial institution most present in the minds of Brazilians (*Folha de S. Paulo* newspaper);

- first place in the general ranking and winner of the “100 Most Innovative in companies in the Use of IT” award (IT Mídia in partnership with PricewaterhouseCoopers – PWC);

- winner of the 2017 IT Leaders award, in the Banks and Insurance categories, and for the second consecutive year won the top position in the 2017 Top 100 IT Leaders ranking (17th edition of Computerworld);
- named the best manager of wholesale and multimarket funds in Brazil (*Exame* magazine, based on a survey conducted by the Getúlio Vargas Foundation); and
- largest private group in the “*Valor Grandes Grupos*” ranking (*Valor Econômico* newspaper).

The Bradesco Organization is committed to the sustainable development of Brazil. We set our business guidelines and strategies with a view of incorporating the best sustainability practices, considering the context and the potential of each region, thus contributing to the generation of shared value in the long-term. To reinforce this position, we emphasized adherence to globally recognized business initiatives, such as: Global Compact, Sustainable Development Goals (SDGs), Equator Principles, CDP (Carbon Disclosure Program), Principles for Responsible Investment (PRI), GHG Protocol Program (Brazilian Greenhouse Gas Emissions Program) and Companies for Climate Change (EPC). The Board of Directors, through the Sustainability Committee, monitors the sustainability deliberations. Excellence in business management is recognized by the main indexes of Sustainability, such as the Dow Jones Sustainability Index (DJSI) – “World and Emerging Markets”, of the New York Stock Exchange, the Corporate Sustainability Index (ISE), and the Carbon Efficient Index (ICO2), both from B3.

With a broad social and educational program put in place 61 years ago, Fundação Bradesco operates 40 schools across Brazil. In 2017, a budget of R\$624.359 million benefited 96,754 students enrolled in its schools at the following levels: Basic Education (from Kindergarten to High School and Higher Secondary Technical-Professional Education), youth and adult education; and preliminary and continued vocational training, focused on creating jobs and income. In addition to the guarantee of free, quality education, the students enrolled in the Basic Education system, numbering over 42 thousand, also receive

uniforms, school supplies, meals, and medical and dental assistance. Fundação also benefited 608 thousand students via distance learning (EaD), through its e-Learning portal “Escola Virtual” (Virtual School), where students completed at least one of more than 90 courses offered in its schedule. Another 15,101 students are taking part in projects and actions in partnership, such as the Program Educa+Ação and in Technology courses.

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**Press Release**

**Main Information**



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**Press Release**

**Main Information**

(1) According to the non-recurring events described on page 8 of this Economic and Financial Analysis Report;

(2) For more information, please see note 4 – Managerial Statement of Financial Position and Statement of Income by Operating Segment, in chapter 6 of this report;

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- (3) Expanded Loan Portfolio: includes sureties, guarantees, credit letters, advances on credit card receivables, debentures, promissory notes, co-obligations in real estate receivable certificates and rural credit;
- (4) Up to December 2016, it included provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, which comprises the concept of “excess provision”. In September 2016, the excess provision totaled R\$7,491 million, partly offset by the result of the consolidation of HSBC Brasil as of the third quarter of 2016. In March 2017, with Resolution No. 4,512/16, referring to the treatment for financial guarantees provided, the balance of the excess provision declined from R\$7,491 million to R\$6,907 million;
- (5) In the last 12 months;
- (6) For comparison purposes, shares were adjusted in accordance with bonuses and stock splits occurred in the periods;
- (7) Excluding mark-to-market effect of available-for-sale Securities recorded under Shareholders’ Equity;
- (8) Year-to-Date Recurring Net Income. As of the first quarter of 2016, the Annualized Returns have been calculated on a linear basis and for the best effect of comparability, the previous periods have been readjusted;
- (9) The Ratio calculation has followed regulatory guidelines set forth in Resolutions No. 4,192/13 (Prudential Conglomerate) and No. 4,193/13 (Basel III);
- (10) Excludes additional provisions;
- (11) Operating efficiency ratio without the effect of impairment of financial assets;
- (12) Number of shares (excluding treasury shares) multiplied by the closing price for common and preferred shares on the period’s last trading day;
- (13) As defined by the Brazilian Central Bank (Bacen);
- (14) Overdue loans;
- (15) PA (Service Branch): a result of the consolidation of PAB (Banking Service Branch), PAA (Advanced Service Branch) and Exchange Branches, according to Resolution No. 4,072/12; and PAEs – ATMs located on a company’s premises;
- (16) Including overlapping Onsite Network Bradesco and customer service points within the Bank’s own network and the Banco24Horas Network, reason for which the ATMs and customer service points of Banco24Horas relating to the consolidation of HSBC Brasil were not segregated;
- (17) This decrease is related to the sharing of the off-site ATM network with the Banco24Horas Network;
- (18) As from this quarter, we started to consider service posts for payroll-deductible loans and dealers/resellers for vehicle financing. For better comparability, the previous periods were adjusted;
- (19) Number of individual customers (National Registry of Legal Entities (CNPJ) and Individual Taxpayer Registry (CPF));



(20) Refer to first and second checking account holders; and

(21) Number of accounts.

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**Press Release**

**Recurring Net Income vs Book Net Income**

The main non-recurring events that affected Book Net Income in the periods below are presented in the following comparative chart:

(1) In addition to contingent liabilities, includes: (i) in 4Q17: (a) special tax regularization program (PERT), in the amount of R\$49 million; and (b) program of incentivized installment (PPI), in the amount of R\$62 million; (ii) in 3Q17: (a) special tax regularization program (PERT), in the amount of R\$192 million, (b) IRB IPO, in the amount of R\$149 million; and (c) reversal of the tax provision related to the social security contribution – Odontoprev, in the amount of R\$101 million; (iii) in 2Q17: regulatory change in Cielo, in the amount of R\$210 million; and (iv) in 2016: (a) gain on the partial sale of investments, in the amount of R\$91 million, (b) migration/merger costs of HSBC Brasil, in the amount of R\$104 million, (c) single salary bonus, in the amount of R\$191 million, (d) impairment of shares of stock, in the amount of R\$77 million, and (e) technical reserves, in the amount of R\$592 million.

**Summarized Analysis of Recurring Income**

To provide a better understanding and for comparison purposes, in chapters 1 and 2 of this report we use the Recurring Income Statement, which is obtained from adjustments made to the Managerial Income Statement, detailed at the end of this Press Release.

It should be noted that, for the accounts of the Recurring Income Statement, effects of the consolidation of HSBC Brasil are covered, from

July 1, 2016, and as additional information, we present, at the end of chapter 2 of this report, a comparison of the Financial Statements, taking into account consolidated "pro forma" financial information, including the consolidation of HSBC Brasil in the periods of 2016, for comparison purposes.

(1) Income from Insurance, Pension Plans and Capitalization Bonds = Retained Premiums from Insurance, Pension Plans and Capitalization Bonds - Variation in technical reserves for Insurance, Pension Plans and Capitalization Bonds - Retained Claims - Capitalization Bond Draws and Redemptions - Insurance Plan, Pension Plan and Capitalization Bond Selling Expenses.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Recurring Net Income and Profitability**

The return on average shareholders' equity (ROAE) registered 18.1% in December 2017.

In the annual comparison, Recurring Net Income was up 11.1%, or R\$1,903 million, totaling R\$19,024 million, mainly due to: (i) the reduction in allowance for loan losses expenses, due to improvement of delinquency indicators; (ii) the increase in (a) fee and commission income and (b) insurance, pension plan and capitalization bond operations; partially impacted by: (iii) the reduction of net interest income, due to the effect of impairment of financial assets; and (iv) higher operating expenses (administrative and personnel), which, combined with the other income statement lines, refer to the effect of the consolidation of HSBC Brasil in the third quarter of 2016, excluding this effect, these expenses decreased 2.9% in the period, even considering the effect of the collective bargaining agreements of 2016/2017 and the contractual adjustments.

Recurring Net Income totaled R\$4,862 million in the fourth quarter of 2017, an increase of 1.1%, or R\$52 million, compared to the previous quarter, due to: (i) the higher result with (a) net interest income, (b) income from insurance, pension plan and capitalization operations, and (c) fees and

commission income; and being impacted by: (ii) higher expenses on (a) allowance for loan losses expenses and (b) administrative expenses.

The Return on Average Assets (ROAA) recorded 1.5%. Total assets recorded R\$1.298 trillion in December 2017, an increase of 0.4% compared to December 2016.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Efficiency Ratio (ER)**

The accumulated ER (Efficiency Ratio) in the twelve months<sup>(1)</sup>, disregarding the effect of the impairment of financial assets, recorded 40.8%, remaining practically stable compared to the previous quarter. We highlight the better performance of: (i) fee and commission income; (ii) operating expenses; and (iii) insurance, pension plan and capitalization operations. Such factors were impacted by the lower net interest income.

The quarterly Efficiency Ratio (ER)<sup>(1)</sup>, excluding the effect of impairment of financial assets reached 41.3% in the fourth quarter of 2017, registering a decrease of 0.2 p.p. compared to the previous quarter, mainly due to the improvement: (i) net interest income; (ii) income from insurance, pension plan and capitalization operations, and (iii) fee and commission income.

The "risk-adjusted" ER<sup>(2)</sup>, which reflects the impact of risk associated with loans, the last twelve months indicator reached 52.4%, an improvement of 0.8 p.p. in comparison with the previous quarter, reflecting lower expenses with allowance for loan losses.

(1) ER = (Personnel Expenses – Employee Profit Sharing + Administrative Expenses)/ (Net Interest Income + Fee and Commission Income + Income from Insurance + Equity in the Earnings (Losses) of Unconsolidated and Jointly Controlled Subsidiaries + Other Operating Income – Other Operating Expenses); and

(2) Including ALL expenses, adjusted for granted discounts, loan recovery and sale of foreclosed assets, among others.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Net Interest Income**

In the annual comparison, net interest income decreased by 2.8%, or R\$1,720 million, due to: (i) the effect of impairment of financial assets, which increased by R\$1,255 million; and (ii) the lower result with of (a) “interest” margins, in the amount of R\$284 million and (b) “non-interest” margins in the amount of R\$181 million.

In the comparison between the fourth quarter of 2017 and the previous quarter, net interest income increased by 2.9%, or R\$426 million, reflecting: (i) the higher income obtained from the “interest” margin, in the amount of R\$225 million, especially the “Securities/Other” margin; and (ii) the lower effect of impairment of financial assets, which decreased by R\$183 million in comparison with the previous quarter.

## Interest-Earning Portion of the NII – 12-Month Average Rates

(1) For the calculation of the average rate of the total interest margin, we used average assets, including other non-remunerated assets.

In the fourth quarter of 2017, the 12-month net interest margin (NII - interest-earning portion - 12-month average rate) was 6.7%, recording a decrease of 0.2 p.p. in the quarterly comparison.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Expanded Loan Portfolio <sup>(1)</sup>**

In December 2017, Bradesco's expanded loan portfolio stood at R\$492.9 billion, with a 4.3% decrease in the last 12 months. Loans to Individuals increased 2.0%, while loans to Companies recorded a decrease of 7.4%. For Individuals, the products that posted the strongest growth in the last 12 months were: (i) payroll-deductible loans; (ii) real estate financing; and (iii) CDC vehicles. For Companies, the reduction of the portfolio was mainly due to the decrease in: (i) operations abroad; (ii) working capital; and (iii) BNDES/Finame onlendings.

In the last quarter of 2017, the portfolio grew by 1.2%. The growth of assets per business segment was: (i) 1.9% for Individuals; (ii) 1.5% for Micro, Small and Medium Corporates; and (iii) 0.6% for Large Corporates.

(1) In addition to Bacen loan portfolio, it includes sureties, guarantees, letters of credit, advances on credit card receivables, debentures, promissory notes, co-obligation in Certificates of real estate receivables, and rural loans.

**Allowance for loan losses (ALL) expenses**

The allowance for loan losses totaled R\$18,276 million in 2017, a reduction of 15.9%, or R\$3,463 million, compared to the same period the previous year, a reflection of: (i) strengthening of the policy and procedures for credit granting and the quality of the guarantees obtained; (ii) the results of the improvement of loan recovery processes, which contributed to higher income from credit recovery for the period; and (iii) improvement of the economic environment, with reduction of delinquency indicators.

Compared to the previous quarter, expenses on allowance for loan losses increased by 20.9%, mainly due to: (i) the increase in the general provision, related in large part to the revision of the ratings of some corporate clients; and (ii) the greater recognition of the provision for guarantees provided, under CMN Resolution No. 4,512/16.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Delinquency Ratio <sup>(1)</sup>**

**90-day Delinquency Ratio**

The delinquency ratio – which includes operations in arrears for more than 90 days in the total portfolio, maintained the downward trend seen in 2017, as can be seen in the graph, especially the segments of Micro, Small and Medium-Sized Enterprises and Individuals, which presented reductions in the balance of non-performing loans of 31.8% and 19.1%, respectively.

**15-90 Day Delinquency Ratio**

Short-term delinquency, encompassing operations past due from 15 to 90 days, closed out December 2017 with a rate of 3.97%, the lowest level in the period analyzed. This positive effect occurred for both Individuals and Large Corporates. In Micro, Small and Medium-Sized Enterprises, the increase observed in this quarter is concentrated in the Medium-Sized Enterprises, not representing a change of trend.



**Provisioning, Delinquency, ALL  
and Effective Coverage Ratio**

It is important to highlight the robustness of the provisioning criteria adopted, which can be demonstrated by: (i) historical data analysis of recorded allowances for loan losses; and (ii) effective losses in the subsequent 12-month period. When analyzed in terms of credit losses, net of recoveries, for an existing provision of 10.4% of the portfolio<sup>(1)</sup>, in December 2016, the net loss in the subsequent 12 months was 5.0%, representing an effective coverage of 208.9%, and based on the estimated net loss for the next 12 months, this indicates an effective coverage ratio of approximately 249% in December 2017.

(1) As defined by Bacen; and

(2) Up to March 2017, includes allowance for guarantees provided.

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**Press Release**

**Summarized Analysis of Recurring Income**

**NPL Creation 90 days x Write-offs**

In the fourth quarter of 2017, the total NPL Creation reached R\$5,118 million, representing 1.4% of the loan portfolio – Bacen concept. It is noteworthy that the NPL Creation on the Loan Portfolio for Individuals presented the lowest historical level in the series below, registering 1.5%, respectively.

The breakdown of the NPL Creation by business segment is shown below.





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**Press Release**

**Summarized Analysis of Recurring Income**

**Income from insurance, pension plans and capitalization bonds**

In 2017, Net Income totaled R\$5.534 billion, in line with the Net Income recorded in the same period of previous year (R\$5.551 billion), with an annualized return on Adjusted Shareholders' Equity of 19.1%.

Net Income for fourth quarter of 2017 totaled R\$1.407 billion, a decrease of 5.1% compared to the previous quarter, and recorded an annualized return on Shareholders' Equity of 19.4%.

(1) Excluding additional provisions; and

(2) In fourth quarter of 2017, consider the latest data available from Susep (November 2017).

Note: For comparison purposes, we disregarded non-recurring events from the calculation.

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**Press Release**

**Summarized Analysis of Recurring Income**

**Income from insurance, pension plans and capitalization bonds**

In 2017, revenues totaled R\$76,289 million, an increase of 6.8% or R\$4,870 million, in comparison with previous year, influenced by the growth in “Life and Pension Plans” (8.7%), “Health” (6.9%) and “Capitalization Bonds” (3.2%).

Compared to the previous quarter, revenues increased by 13.7%, driven by the evolution in “Life and Pension Plan” products (29.9%).

Net income for 2017 is in line with the one presented in the same period the previous year, a reflection of: (i) the growth of 6.8% in revenue; (ii) maintaining the claims ratio; (iii) the improvement of 0.8 p.p. in expense ratio; (iv) the improvement in the administrative efficiency ratio, partially impacted by: (v) the decrease in the financial income, due to the behavior of the interest rate in the period; and (vi) the decrease in equity results.

Net income for the fourth quarter of 2017 recorded a decrease of 5.1% over the previous quarter, primarily due to: (i) the reduction of financial income; (ii) the decrease in equity results; offset, in part, by: (iii) the increase of 13.7% in revenue; (iv) the improvement of 1.0 p.p. in the claims ratio; influenced by the “Health” segment; (v) the decrease of 0.2 p.p. in the expense ratio; and (vi) maintaining the administrative efficiency ratio.

**Economic and Financial Analysis Report - December 2017**

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**Press Release**

**Summarized Analysis of Recurring Income**

**Fee and commission income**

In the annual comparison, fee and commission income totaled R\$30,810 million, recording an increase of 9.9% or R\$2,786 million, due to increase in the volume of operations, due to (a) an advance in the customer segmentation process, which generated a greater offer of products and services in several service channels and (b) consolidation of HSBC Brasil in the third quarter of 2016. This result stems from: (i) the good performance of the card business, as a result of (a) the increase in financial volume traded and (b) the higher volume of transactions; and (ii) increased revenue from: (a) checking account, (b) asset management, (c) consortium management, (d) collections, (e) loans, and (f) custody and brokerage services.

In the fourth quarter of 2017, fee and commission income totaled R\$8,062 million, a growth of 3.1%, or R\$240 million in compared to the previous quarter, due to the increase in the volume of operations, reflecting, in part, the greater offer of products and services to customers, particularly the performance of revenue generated by: (i) cards; (ii) checking account; (iii) loans; (iv) asset management; and (v) underwriting.

## Personnel Expenses

In the annual comparison, the increase of 10.6%, or R\$1,863 million, is justified by variations in the installments: (i) the “structural” portion, due to the increase in expenses with payroll, social security charges and benefits, impacted by (a) the consolidation of HSBC Brasil as of the third quarter of 2016 and (b) higher salaries, in accordance with the 2016/2017 collective bargaining agreements; and (ii) the “non-structural” portion, due to higher expenses with provision for labor claims.

In the fourth quarter of 2017, personnel expenses totaled R\$4,878 million, an increase of 0.9%, or R\$45 million, compared to the previous quarter, as a result of: (i) higher expenses on profit sharing (PLR); which was partially offset by: (ii) lower expenses on provisions for labor claims.

Note: Structural portion = Salaries + Social Security Charges + Benefits + Pension Plans.

Non-Structural Portion = Employee and Management Profit Sharing + Training + Labor Provision + Employment Termination Costs.

It is also worth highlighting the reduction of 5.4%, or R\$232 million, in the “structural” portion, when comparing the fourth quarter of 2017 and the fourth quarter of 2016, reflecting the partial effects of the Special Voluntary Severance Program Scheme (PDVE).

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**Press Release**

**Summarized Analysis of Recurring Income**

**Administrative Expenses**

In the annual comparison, administrative expenses increased by 5.2%, or R\$988 million, reflecting the increase in expenses incurred for: (i) a growth in the volume of business and services for the period; (ii) the consolidation of HSBC Brasil as of the third quarter of 2016; and (iii) contract price adjustments.

Equally important is the fact that the expenses presented during 2017 include the effects of the economies of scale and synergies resulting from the merger and integration of HSBC Brasil's activities, which occurred in October 2016. These effects can be seen in the comparison between the fourth quarter of 2017 and the fourth quarter of 2016, which showed a 1.3% reduction in administrative expenses.

In the fourth quarter of 2017, administrative expenses totaled R\$5,340 million, a growth of 6.2%, or R\$310 million compared to the previous quarter, reflecting the increase in the volume of business and services concentrated in the period, which resulted in higher expenses on (i) advertising and publicity, mainly related to year-end institutional campaigns and brand positioning; (ii) data processing; and (iii) outsourced services.



(1) As from this quarter, we started to consider service posts for payroll-deductible loans and dealers/resellers for vehicle financing. For better comparability, the previous periods have been adjusted.

### **Other Operating Expenses, Net of Income**

In 2017, other operating expenses, net of income totaled R\$7,393 million, registering an increase of 5.4%, or R\$378 million, compared to the same period the previous year, mainly reflecting the effect of the consolidation of HSBC Brasil, which occurred as of the third quarter of 2016.

In the comparison between the fourth quarter of 2017 and the previous quarter, other operating expenses, net of income, increased by 4.2%, or R\$77 million, due to: (i) establishment of civil provisions; (ii) annual actuarial revaluation of the pension plans of merged banks; and (iii) expenses relating to credit card activities.

### **Economic and Financial Analysis Report - December 2017**





**Press Release**

**Summarized Analysis of Recurring Income**

**Income Tax and Social Contribution**

In the annual comparison, income tax and social contribution expenses decreased by 6.6%, or R\$485 million, largely impacted by the deductibility of goodwill amortization in the acquisition of HSBC Brasil.

In the fourth quarter of 2017, income tax and social contribution expenses decreased by 12.9%, or R\$228 million, compared to the previous quarter, basically due to the effect of provisioning of the Complementary Interest on Shareholders' Equity, approved in the period, as well as higher non-taxable income.

**Unrealized Gains**

In December 2017, unrealized gains reached R\$29,779 million, an increase of 72.2%, or R\$12,488 million, compared to December 2016, a reflection of the increase in market value of: (i) loans; (ii) securities linked to fixed income; and (iii) the appreciation of Cielo's shares.

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**Press Release**

**Capital Ratios - Basel III**

**Basel Ratio**

In December 2017, the Reference Equity of the Prudential Conglomerate reached R\$104,673 million, as compared to risk-weighted assets of R\$611,442 million. The Basel Ratio decreased 0.6 p.p., from 17.7% in September 2017 to 17.1% in December 2017, Tier I Capital ratio reached 13.1% in December 2017, a decrease of 0.3 p.p. in relation to September 2017 mainly due to: (i) greater provisioning of Interest on Shareholders' Equity; (ii) the mark-to-market effect of available-for-sale securities; and (iii) the increase in weighted assets; being partially offset by: (iv) the increase in net income for the period.

Tier II presented a reduction in the quarterly comparison, mainly due to the reduction of the inventory of subordinated debt, due to the debt maturities (staggered).

The table below shows the main events that impacted the Tier I Capital ratio in the fourth quarter of 2017:

### **Full Impact – Basel III**

We calculated a Basel III simulation, considering some of the main future adjustments, which include: (i) deductions of 100% according to the schedule of phase-in arrangements; (ii) the allocation of resources, obtained via payment of dividends, by our Insurance Group; (iii) consumption of tax credits; (iv) the decrease in the market and operational risk multiplier (early adoption), from 9.250% to 8%; and (v) the impact of the acquisition of HSBC Brasil (amortization of goodwill/ intangible assets and synergies in the process of integration), reaching a Tier I Capital ratio of 12.7% at the end of 2018.

- (1) Published (Schedule 80%);
- (2) Effect of the full impact. Also includes, the Goodwill / Intangible assets stock paid for the acquisition of HSBC Brasil, net of amortizations and the allocation of resources, obtained via payment of dividends, by the Insurance Group;
- (3) Considers the decrease in the market and operational risks multiplier (early adoption), from 9.250% to 8% in 2019;
- (4) If the bank exercises the possibility of issuance of additional capital by 2018 (if there were market conditions), the Tier I capital ratio would reach 13.4%; and
- (5) They refer to the minimum required ratio, in accordance with Resolution No. 4,193/13, added to the additional capital installments established by Circular Letters No. 3,768/15 and No. 3,769/15.

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## Press Release

### **Economic Environment**

In the last quarter of 2017, Brazilian economic activity continued presenting a gradual growth, yet disseminated among sectors. The current data and the release of the actual GDP in the third quarter reinforced the diagnosis for recovery. Household consumption grew at a rate of approximately 4.0% in annualized terms in the last two quarters, while investment recorded the first expansion after 15 consecutive quarters of decline. We estimate that this movement will be replicated in the fourth quarter GDP, with a slight acceleration of 0.3% compared to the previous quarter. This information, especially the positive revision in agricultural GDP, made us revise our estimate for 2017, from 0.9% to 1.1%.

Although some isolated factors – such as the sharp fall in food inflation and the release of inactive FGTS accounts – are not present to stimulate economic activity in 2018, labor market improvement (although extremely gradual) and the lagged effect of cuts in interest rates are expected to continue fostering expansion. We project 2.8% growth in the GDP for 2018.

From the viewpoint of inflation, the current data continued to surprise by the downswing. In fact, the IPCA price index ended 2017 at 2.95%, a variation lower than the target regime floor (3.0%). It is worth mentioning that, despite the contribution of food prices (which registered deflation of around 5.0% in the year), the items most associated with the evolution of economic activity also behaved rather benignly, the average of the nuclei closed out the year at 3.3%, one of the lowest levels of the historical series. For 2018, our expectation is a 3.9% increase, representing a slight acceleration vis-à-vis a moderate recovery of growth. We believe that inflation is likely to remain below the center of the National Monetary Council's target throughout the year.

Even if we consider the risks to this year's inflation trajectory, they are mostly related to the supply

In this regard, maintaining a gradual increase in activity and remaining in the benign inflation scenario will likely provide the right conditions to maintain the Selic rate below 7.0% during the year.

As for the credit market, we noticed a more positive trajectory in the granting of credit in the National Financial System. Although the resumption of credit to businesses is more gradual, credit to individuals reveals a sharper dynamic. Prospectively, the favorable scenario of the basic interest rate is expected to continue to contribute to the resumption of credit, investments, and consumption.

Public accounts, in turn, despite the medium-term challenge, have improved in current data. Extraordinary revenue, which has helped in the results of the last months, is expected to continue in the coming months, influenced by concessions and auctions. Added to this scenario is the recovery of payments, linked to the resumption of economic activity. So, for 2018, we believe the goal regarding primary results will be met (we projected a R\$155 billion deficit against the target of a negative balance of R\$159 billion). For the medium term, discussions on the 'golden rule' and social security reform will still remain relevant.

In the external sector, the global conditions and the balance of payments remained favorable to the Brazilian currency. Global growth continued to surprise in a positive way (especially in developed countries) and inflation remained under control, allowing for the continuation of an expansionary monetary policy. By 2018, although we expect a gradual increase in global interest rates (especially in the US), the rise in prices of the main commodities exported by Brazil and the good performance of the volumes shipped are expected to preserve the quotation of our currency. We project an exchange rate of US\$1=R\$3.20 for the end of 2018.

side: agricultural harvest, climatic phenomena (La Niña), hydrological (impact on the electricity sector), pressure on oil prices (especially due to geopolitical issues) and, finally, a depreciated exchange rate in relation to our base scenario, depending on the global or domestic environment. We understand that, given the still high idle capacity, the secondary effects of these shocks tend to be limited.

Thus, the consolidation of the Brazilian economic recovery suggests a constructive scenario for 2018, with advances in the labor market (income and employment) and low inflation and interest rates. In fact, such conditions corroborate Bradesco's benign prospective vision in relation to the segments in which it operates.

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**Press Release**

**Main Economic Indicators**

**Projections up to 2020**

## **Guidance**

### **Bradesco's Perspectives for 2018**

This guidance contains forward-looking statements that are subject to risks and uncertainties, as they are based on Management's expectations and assumptions and information available to the market as of the date hereof.

**Economic and Financial Analysis Report - December 2017**

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**Press Release**

**Managerial Income Statement vs. Recurring  
Income Statement**

**Analytical Breakdown of Managerial Income Statement <sup>(1)</sup> vs. Recurring Income Statement <sup>(3)</sup>**

**Fourth quarter of 2017 and Third quarter of 2017**

(1) For more information, please see note 4 – Managerial Statement of Financial Position and Statement of Income by Operating Segment, in chapter 6 of this report;

(2) Includes reclassifications between the lines of the income statement, which do not affect Net Income, but allow a better analysis of the lines of business, highlighting: (i) tax hedge adjustment, which represents the partial result of the derivatives used for the purpose of hedging investments abroad, which in terms of Net Income simply annuls the tax effect (IR/CS and PIS/COFINS) of this hedge strategy, the amount of

R\$1,810 million in the fourth quarter of 2017 and R\$1,822 million in the third quarter of 2017; and

(3) It refers to Managerial Income Statement <sup>(1)</sup> with the reclassifications between lines, which do not affect the Net Income, and without the non-recurring events of the period.

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**Press Release**

**Managerial Income Statement vs. Recurring  
Income Statement**

**Analytical Breakdown of Managerial Income Statement <sup>(1)</sup> vs. Recurring Income Statement <sup>(3)</sup>**

**2017 and 2016**

(1) For more information, please see note 4 – Managerial Statement of Financial Position and Statement of Income by Operating Segment, in chapter 6 of this report;

(2) Includes reclassifications between the lines of the income statement, which do not affect Net Income, but allow a better analysis of the lines of business, highlighting: (i) the adjustment of the tax hedge, which represents the partial result of the derivatives used for hedging investments abroad, which – in terms of net income – simply cancels the tax effect (IR/CS and PIS/COFINS) of this hedge strategy, in the amount of R\$619 million in 2017 and R\$8,380 million in 2016; and (ii) that, in 2017, it includes reclassification (a) of the reversal of provision for guarantees provided, encompassing sureties, guarantees, credit letters, and



standby letter of credit, in the amount of R\$2,456 million, which was recorded under "Other Operating Income", as described in Note 27 and (b) in this same amount; "excess provision" was formed, being recorded in "ALL Expenses" and not impacting income for the period. It is important to note that, as of December 31, 2016, the "excess provision" concept included the provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, in the amount of R\$3,061 million. In accordance with Resolution No. 4,512/16, in the first quarter of 2017, part of this balance, in the amount of (a) R\$605 million, was allocated to a specific account of provision for guarantees provided encompassing sureties, guarantees and credit letters under "Other Liabilities - Sundry", and the remaining balance, in the amount of (b) R\$2,456 million, as already mentioned, was allocated to "excess provision", and

(3) It refers to Managerial Income Statement <sup>(1)</sup> with the reclassifications between lines, which do not affect the Net Income, and without the non-recurring events of the period.

## **Economic and Financial Analysis Report - December 2017**

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### **Economic and Financial Analysis**

### **Consolidated Statement of Financial Position and Recurring Statement of Income**

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Below is an analysis of Bradesco' statement of financial position and statement of income. From July 2016, we began to consolidate the financial statements of HSBC Brasil.

### **Statement of Financial Position <sup>(1)</sup>**

(1) For more information, please see note 4 – Managerial Statement of Financial Position and Statement of Income, in chapter 6 of this report, and

(2) Up to December 31, 2016, it included provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, which comprises the concept of "excess" provision that totaled R\$3,060,090 thousand. In accordance with Resolution No. 4,512/16, in the first quarter of 2017, part of this balance (R\$604,623 thousand) was allocated to a specific account under "Other Liabilities - Sundry" (Note 19b - chapter 6 of this report), and the remaining balance (R\$2,456,367 thousand) was allocated to "Excess Provision".

**Economic and Financial Analysis Report - December 2017**

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Economic and Financial Analysis

**Consolidated Statement of Financial Position and Recurring Statement of Income**

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**Recurring Statement of Income**

(1) Income from Insurance, Pension Plans and Capitalization Bonds = Retained Premiums from Insurance, Pension Plans and Capitalization Bonds - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds - Retained Claims and Capitalization Bond Draws and Redemptions - Insurance, Pension Plans and Capitalization Bond Selling Expenses.

**Interest-Earning and Non-Interest Earning Portions**

**Net Interest Income Breakdown**

**Bradesco**

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Economic and Financial Analysis

**Interest-Earning and Non-Interest Earning Portions**

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**Average Net Interest Income Rate**

(1) Average Rate in 12 months = (Net Interest Income/ Total Average Assets – Repos – Permanent Assets)

In the annual comparison, net interest income decreased by 2.8%, or R\$1,720 million, due to: (i) effect of impairment of financial assets, which increased by R\$1,255 million; and (ii) lower result with of (a) “interest” margins, in the amount of R\$284 million and (b) “non-interest” margins in the amount of R\$181 million. These increases were partly impacted by the consolidation of HSBC Brasil as of the third quarter of 2016.

In the comparison between the fourth quarter of 2017 and the previous quarter, net interest income increased by 2.9%, or R\$426 million, reflecting: (i) the higher income obtained from the “interest” margin, in the amount of R\$225 million, especially the “Securities/Other” margin, in the amount of R\$248 million; and (ii) the lower effect of impairment of financial assets, which decreased by R\$183 million in comparison with the previous quarter.

**NII Interest Earning Portion**

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**Interest-Earning Portion – Breakdown**

In the annual comparison, the interest-earning portion decreased 0.5%, or R\$284 million, a reflection of: (i) the lower income obtained from the margins of (a) “Credit Intermediation,” in the amount of R\$1,149 million and (b) “Insurance,” in the amount of R\$258 million; and offset by: (ii) the higher margins with “Securities/Other,” in the amount of R\$1,123 million.

The net “interest” margin, in the fourth quarter of 2017, totaled R\$15,661 million, an increase of 1.5%, or R\$225 million, in relation to the previous quarter, driven by higher margins with “Securities/Other”, in the amount of R\$248 million.

**Economic and Financial Analysis Report - December 2017**

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Economic and Financial Analysis

**NII Interest Earning Portion**

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**Interest-Earning Portion – Rates**

In the fourth quarter of 2017, the 12-month net interest margin (NII - interest-earning portion - 12-month average rate) was 6.7%, recording a decrease of 0.2 p.p. in the quarterly comparison.

**Interest-Earning Portion – Average Rates (12 months)**

(1) For the calculation of the average rate of the total interest margin, we used average assets, including other non-remunerated assets.

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Net Interest Income from Credit Intermediation – Breakdown**

In the annual comparison, there was a reduction of 2.3%, or R\$1,149 million, in the net “Interest” margin of “Credit Intermediation,” due to the reduction of: (i) average volume of business, in the amount of R\$715 million; and (ii) average spread, in the amount of R\$434 million. In the annual comparison, the effect of the consolidation of HSBC Brasil as of the third quarter of 2016 is considered.

In the fourth quarter of 2017, the net “Interest” margin of “Credit Intermediation” totaled R\$11,943 million, remaining practically stable compared to the previous quarter.

**Net Credit Intermediation Margin**

The graph to the right presents a summary of “Credit Intermediation” activity. The Gross Margin line refers to interest income from loans, deducted from the customer acquisition costs.

The bar relating to the ALL shows delinquency costs, which are represented by Allowance for Loan Losses (ALL) Expenses, plus discounts granted in net transactions of loan recoveries arising from the sale of non-use assets, among others.

The bar relating to the net margin which presents the result of the net revenue from credit interest of the ALL totaled R\$30,472 million in 2017, an increase of 8.2%, or R\$2,314 million in the same period of the previous year, due to: (i) the reduction of Allowance for Loan Losses (ALL) expenses in the period, a reflection of (a) the strengthening of the policy and procedures for credit granting and the quality of the guarantees obtained, (b) the results of the improvement of loan recovery processes, which contributed to higher income from loan recovery for the period and (c) the improvement of the economic environment, with reduction of delinquency indicators; and partly impacted by: (ii) average volume of business; and (iii) average spread.

When comparing the fourth quarter of 2017 and the previous quarter, the reduction of 9.6%, or R\$780 million, is due mainly to the increase of R\$800 million in ALL expenses due to: (i) the increase in generic provision, largely related to specific

allowance for guarantees provided, under CMN Resolution 4,512/16.

- (1) Without the effect of the leveling of provisioning from one specific corporate customer; and
- (2) If we ignore the effect of the leveling of provisioning from one specific corporate customer, net margin, in the second quarter of 2016 would be R\$6,749 million, and in the first quarter of 2016 would be R\$6,874 million.

corporate customers; and (ii) the larger HSBC Brasil as of the third quarter of 2016 is considered.

**Economic and Financial Analysis Report - December 2017**

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Expanded Loan Portfolio <sup>(1)</sup>**

In December 2017, Bradesco's expanded loan portfolio totaled R\$492.9 billion, an increase of 1.2% over the previous quarter, and a reduction of 4.3% in the last twelve months. Another positive note is the expansion of credit for Individuals in the periods analyzed.

(1) In addition to Bacen loan portfolio, it includes sureties, guarantees, letters of credit, advances on credit card receivables, debentures, promissory notes, co-obligation in certificates of real estate receivables, and rural loans.

**Expanded Loan Portfolio Breakdown by Product and Type of Customer (Individuals and Companies)**

A breakdown of expanded loan portfolio products for the Individuals section is presented below:

Operations for Individuals showed growth of 1.9% in the quarter, and 2.0% in the last twelve months. The categories highlighted in the 12-month period were: (i) "payroll-deductible loans;" (ii) "real estate financing;" and (iii) "CDC vehicles."

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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A breakdown of expanded loan portfolio products for Companies is presented below:

(1) Includes debentures and promissory note operations.

The operations for Companies showed a growth of 0.9% in the quarter, and a decline of 7.4% in the last twelve months. In the annual comparison, the reduction of the portfolio is mainly a result of the downturn in the modalities of: (i) “operations abroad”; (ii) “working capital”; and (iii) “BNDES/Finame onlendings”.

**Expanded Loan Portfolio – Consumer Financing<sup>(1)</sup>**

The graph below shows the types of credit related to Consumer Financing of the Individuals section, which stood at R\$116.1 billion, in December 2017, showing a 3.3% growth in the quarter and 2.9% in the last twelve months.

Note in December 2017, the type of personal loans, including payroll-deductible loans, totaling R\$60.8 billion.

(1) Includes vehicle CDC/Leasing, personal loans, revolving credit card and cash, and installment purchases at merchants' operations.

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**Interest-Earning Portion of Credit Intermediation**

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**Payroll-Deductible Loans**

Payroll-deductible loans totaled R\$43,968 million in December 2017, showing an increase of 13.3% or R\$5,164 million in the comparison of December 2016 and 3.3% or R\$1,417 million in quarterly comparison. Payroll-deductible loans represented, in December 2017, 72.3% of total personal loans.

**Real Estate Financing**

Real estate financing operations totaled R\$60,866 million in December 2017, showing an increase in the “Individuals” portfolio of 4.3%, or R\$1,389 million, in the comparison of December with the last year, and an increase of 1.1%, or R\$382 million in the quarter. Operations with Companies decreased by 7.8%, or R\$2,287 million, compared to December of the previous year, and 1.9%, or R\$533 million, compared to the previous quarter.

In the fourth quarter of 2017, the origination of real estate financing registered R\$1,977 million (R\$1,611 million by borrowers and R\$366 million by builders), representing 8,040 properties in the quarter. In 2017, total origination reached R\$7,888 million, representing 32,976 properties.

**Vehicle financing**

In December 2017, vehicle financing operations totaled R\$31,009 million, a decrease in the annual comparison, and an increase in the quarterly comparison. Of the total vehicle portfolio, 83.2% corresponds to “CDC”, 14.9% to “Finame” and 1.9% to “Leasing”.

The evolution in operations with Individuals is noteworthy, which totaled R\$21,142 million in December 2017, up 4.3% compared to September 2017 and 3.1% compared to December 2016. The decline in operations with Companies was driven by a reduction in “Finame” operations, which declined 43.0% in twelve months and 16.9% in the quarterly comparison.

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**Interest-Earning Portion of Credit Intermediation**

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**Expanded Loan Portfolio Concentration – By Economic Sector**

**Expanded Loan Portfolio – Distribution by Business Sector**

The expanded loan portfolio showed an increase of 1.2% in the quarterly comparison and a decrease of 4.3% in the annual comparison. A positive highlight is the evolution of all segments in the quarter.

(1) It consists, mostly, of non-account holders, originating from the financing activities of vehicles, credit cards and payroll-deductible loans.

**Expanded Loan Portfolio – By Currency**

The balance of borrowings and indexed onlending and/or denominated forms in foreign currency (excluding ACCs) totaled R\$40.9 billion in December 2017, showing a 3.8% increase in the quarter and a 6.8% decrease in the last 12 months.

In December 2017, total loans in reais reached R\$452.1 billion, presenting a 1.0% decrease in the quarterly comparison and a decrease of 4.0% in the last 12 months.

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Changes in the Expanded Loan Portfolio**

New borrowers were responsible for the R\$25.5 billion growth in the loan portfolio over the last 12 months, and accounted for 5.2% in December 2017.

(1) Includes new loans contracted or settled in the last 12 months by customers with operations in December 2016.

**Changes in the Expanded Loan Portfolio – By Rating**

The chart below shows that the majority of new borrowers and customers that have remained in the loan portfolio since December 2016 received ratings between AA and C, demonstrating the suitability and consistency of the loan policy and processes (assignment and monitoring), as well as the quality of guarantees.

**Expanded Loan Portfolio – By Customer Profile and Rating (%)**

The range represented by credits classified between AA and C remained at comfortable levels.

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Expanded Loan Portfolio – By Debtor**

The ranges of concentration showed evolution compared to the previous quarter, except for the largest debtor, which showed stability.

**Loan Portfolio <sup>(1)</sup> – By Type**

All operations carrying credit risk amounted to R\$518.1 billion, showing a growth of 1.5% in the quarter and a decrease of 4.8% in the last 12 months.

(1) In addition to the Expanded Portfolio, it includes other operations bearing credit risk;

(2) As defined by Bacen;

(3) Includes debentures and promissory note operations; and

(4) Includes CDI operations, rural DI, international treasury, swap, non-deliverable forward transaction and investments in FIDC, Certificate of Agribusiness Credit Rights (CDCA) and Certificates of Real Estate Receivables (CRI).

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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The charts below refer to the Loan Portfolio, as defined by Bacen:

**Loan Portfolio (1) – By Flow of Maturities (2)**

The loan portfolio by flow of maturities of operations has, as one of its features, a longer profile, mainly due to the presence of real estate financing and payroll-deductible loans. It must be noted that, due to their guarantees and characteristics, these operations are not only exposed to lower risk, but they also provide favorable conditions to gain customer loyalty.

**Loan Portfolio – Delinquency Ratio<sup>(1)</sup>**

**90-day Delinquency Ratio**

The delinquency ratio – which includes operations in arrears for more than 90 days in the total portfolio – maintained the downward trend seen in 2017, as can be seen in the graph, especially the segments of Micro, Small and Medium-Sized Enterprises and Individuals, which presented reductions in the balance of non-performing loans of 31.8% and 19.1%, respectively.

**15-90 Day Delinquency Ratio**

Short-term delinquency, encompassing operations past due from 15 to 90 days, closed out December 2017 with a rate of 3.97%, the lowest level in the period analyzed. This positive effect occurred for both Individuals and “Large Corporates. In Micro, Small and Medium-Sized Enterprises, the increase observed in this quarter is concentrated in the Medium-Sized Enterprises, not representing a change of trend.

(1) As defined by Bacen; and

(2) Only performing loans.

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**Interest-Earning Portion of Credit Intermediation**

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**Allowance for Loan Losses (ALL) vs. Delinquency vs. Losses <sup>(1)</sup>**

**Composition of the Provision**

In addition to the allowance for loan losses required by Bacen, Bradesco has excess ALL to support potential stress scenarios, as well as other operations/commitments carrying credit risks.

Allowance for Loan Losses totaled R\$36.5 billion in December 2017, representing 9.9% of the total loan portfolio, comprising of: (i) generic provision (customer rating and/or operation); (ii) specific provision (non-performing loans); and (iii) excess provision (internal criteria).

Provisioning levels are deemed appropriate and sufficient to support possible changes in scenarios, such as higher delinquency levels and/or changes in the loan portfolio profile.

**Provisioning, Delinquency, ALL and Effective Coverage Ratio**

It is important to highlight the robustness of the provisioning criteria adopted, which can be demonstrated by: (i) historical data analysis of recorded allowances for loan losses; and (ii) effective losses in the subsequent 12-month period. When analyzed in terms of credit losses, net of recoveries, for an existing provision of 10.4% of the portfolio<sup>(1)</sup>, in December 2016, the net loss in the subsequent 12 months was 5.0%, representing an effective coverage of 208.9%, and based on the estimated net loss for the next 12 months, this indicates an effective coverage ratio of approximately 249% in December 2017.

(1) As defined by Bacen; and

(2) Up to March 2017, includes allowance for guarantees provided.

(1) As defined by Bacen; and

(2) Up to December 2016, included the Allowance for Guarantees Provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, which comprises the concept of excess provision”.

Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Coverage Ratio**

The graph below presents the behavior of the ratios covering the allowance for loan losses in relation to default credits exceeding 60 and 90 days. In December 2017, these ratios showed very comfortable levels, reaching coverages of 175.0% and 211.4%, respectively.

Besides the allowance for loan losses required by Bacen, Bradesco has an excess provision of R\$6.9 billion, to cover possible adverse scenarios, as well as other operations/commitments with credit risk.

**NPL Creation 90 days x Write-offs**

In the fourth quarter of 2017, the total NPL Creation reached R\$5,118 million, representing 1.4% of the loan portfolio – as defined by Bacen.

(1) Effect of a specific corporate customer.

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Loan Portfolio – Portfolio Indicators**

With the aim of facilitating the monitoring of the quantitative and qualitative performance of Bradesco's loan portfolio, a comparative summary of the main figures and indicators is presented below:

(1) As defined by Bacen; and

(2) Up to December 31, 2016, included the constitution of provision for guarantees provided, encompassing sureties, guarantees, credit letters, and standby letter of credit, which comprises the concept of "excess" provision that totaled R\$3,060,090 thousand. In accordance with Resolution No. 4,512/16, in the first quarter of 2017, part of this balance (R\$604,623 thousand) was allocated to a specific account under "Other Liabilities - Sundry" (Note 19b - chapter 6 of this report), and the remaining balance (R\$2,456,367 thousand) was allocated to "Excess Provision".

**Economic and Financial Analysis Report - December 2017**

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Loan x Funding**

In order to analyze Loans in relation to Funding, the following should be deducted from the total customer funding: (i) the amount committed to reserve requirements made at the Central Bank; (ii) the amount of cash and cash equivalents held for the operation of the service units, as well as adding: (iii) resources from domestic and foreign lines, which provide funding to meet the demands of credit and financing.

Bradesco shows low dependency on interbank deposits and foreign lines of credit, given its effective obtainment of funds from customers. This efficiency is a result: (i) of the prominent position of the Customer Service Points; (ii) the broad diversity of products offered; and (iii) the market's confidence in the Bradesco brand.

Note that the use of funds provides a comfortable margin. It proves that Bradesco is capable of meeting demands for loans through its own funding.

- (1) Debentures mainly used as collateral for repo operations; and
- (2) Considers: Letters of credit for real estate, Letters of credit for agribusiness, Financial Bills and Structured Operations Certificates.

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Main Funding Sources**

The following table presents the changes in these sources:

(1) Mostly considers debentures used as collateral for repo operations; and

(2) Includes: Financial Bills, in December 2017, in the amount of R\$93,570 million (September 2017 – R\$96,637 million and December 2016 – R\$108,475 million).

**Demand Deposits**

The balance of demand deposits totaled R\$34,082 million in December 2017, showing an increase not only in the annual comparison, with a variation of 2.0%, or R\$662 million, but also compared to September 2017, with a variation of 12.4%, or R\$3,758 million.

(1) Additional installment is not included.

**Savings Deposits**

Savings deposits totaled R\$103,333 million in December 2017, showing an increase of 6.4% or R\$6,244 million in the annual comparison, and 5.2% or R\$5,109 million, in the comparison with September 2017, mainly due to: (i) an increase in the volume raised; (ii) the evolution of the base of savers, which in the last twelve months showed a net evolution of 1.3 million new savings accounts; and (iii) remuneration of inventory.

(1) Additional installment is not included. Starting in July 2017, the compulsory benefit that allowed the deduction of financing contracted under the conditions of the Housing Financial System (SFH), up to 18% of the Reserve Requirements on Savings Deposits, was terminated.

**Economic and Financial Analysis Report - December 2017**

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Time Deposits**

In December 2017, the balance of time deposits totaled R\$125,615 million, an increase of 21.8% or R\$22,499 million, compared to the previous year.

In the comparison between December 2017 and September 2017, there was a reduction of 2.9% or R\$3,806 million, mainly reflecting the interest rate fluctuations during the period and the investment alternatives offered to customers.

**Debentures**

In December 2017, debentures totaled R\$44,453 million, a reduction of 48.3% or R\$41,611 million, as compared to the same period of previous year, mainly due to the compliance with Resolution No. 4,527/16, which changed the use of these securities issued by institutions linked to the conglomerate as a collateral for repo operations.

Compared to September 2017, the increase of 2.5%, or R\$1,065 million, refers mainly to the placement of these securities, which are also used as backing for repo operations.

**Borrowing and Onlending**

In December 2017, the balance of borrowing and onlendings recorded R\$51,669 million, showing a reduction both in the annual comparison and compared to September 2017. Such changes are explained by the reduction: (i) in the volume of funds raised through borrowing and onlending in Brazil, mainly through Finame operations; and (ii) in the volume of funds raised abroad.

**Bradesco**

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Economic and Financial Analysis

**Interest-Earning Portion of Credit Intermediation**

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**Funds from Issuance of Securities**

In December 2017, funds from issuance of securities totaled R\$135,011 million, a reduction of 10.5% or R\$15,796 million, compared to December 2016, mainly due to: (i) the lower volume of financial bills, in the amount of R\$14,905 million; and (ii) the reduction in the balance of overseas operations, in the amount of R\$2,737 million.

In comparison with September 2017, the reduction of 0.6%, or R\$828 million, was mainly due to the reduction in volume of: (i) financial bills, in the amount of R\$3,067 million; (ii) real estate credit notes, in the amount of R\$1,523 million; and partially offset by: (iii) the growth in operations of letters of credit for agribusiness, in the amount of R\$3,502 million.

**Subordinated Debts**

Subordinated debt totaled R\$50,180 million in December 2017, a decrease of 4.6%, or R\$2,431 million in the annual comparison, and 0.7% or R\$354 million compared to September 2017, mainly reflecting the maturities of debts occurred in the period.

(1) Considers: Letters of credit for agribusiness, MTN Program Issues, Securitization of Payment Order Flow, Cost of issuances over funding and Structured Operations Certificate.

Economic and Financial Analysis

**Interest-Earning Portion of Insurance - Interest**

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**Interest-Earning Portion of Insurance – Breakdown**

In 2017, the net “interest” margin with “Insurance” totaled R\$5,637 million, a reduction of R\$258 million in the annual comparison, due to: (i) the reduction of the average spread, in the amount of R\$1,306 million, impacted by the interest rate behavior; and offset by: (ii) the increase in the volume of operations, in the amount of R\$1,048 million.

In the comparison between the fourth quarter of 2017 and the previous quarter, there was a reduction in the net “interest” margin with “Insurance” operations, in the amount of R\$43 million, reflecting: (i) the reduction of the average spread, in the amount of R\$86 million, mainly due to the performance of multimarket funds; and partially offset by: (ii) the increase in the volume of operations, in the amount of R\$43 million.

**Interest-Earning Portion of Securities/Other - Interest**

**Interest-Earning Portion of Securities/Other – Breakdown**

In the annual comparison, the net “interest” margin with “Securities/Other,” which includes Asset and Liability Management (ALM), increased by R\$1,123 million, mainly due to the increase in: (i) average spread, in the amount of R\$1,079 million; and (ii) volume of operations amounting to R\$44 million, partially due to HSBC Brasil’s consolidation as of the third quarter of 2016.

In the comparison between the fourth quarter of 2017 and the previous quarter, the net “interest” margin with “Securities/Other” increased by R\$248 million, mainly due to the increase in the average spread, in the amount of R\$244 million, as a result of the management of investments and funding.

**NII Non-Interest Earning Portion**

**Non-Interest-Earning Portion – Breakdown**

Net interest income from non-interest income decreased by R\$181 million in the annual comparison, and an increase of R\$18 million in the quarterly comparison, due to the volatility of earnings from market arbitrage.

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**Bradesco**

Economic and Financial Analysis

**Insurance, Pension and Capitalization**

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Below is an analysis of Grupo Bradesco Seguros' statement of financial position and statement of income. From July 2016, we began to consolidate the financial statements of companies of the insurance segment of HSBC Brasil.

**Consolidated Statement of Financial Position**

(1) Considering the shareholders' equity of Bradesco Seguros S.A, which controls the operating companies (insurance, pension plans and capitalization bonds), it would amount to R\$19,043 million in December 2017.

**Consolidated Statement of Income**

Note: For comparison purposes, effects of non-recurring events are not considered.

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Economic and Financial Analysis**Insurance, Pension and Capitalization****Income Distribution of Grupo Bradesco Seguros e Previdência**

R\$ million	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Life and Pension Plans	885	910	877	733	908	894	644	725
Health	135	94	86	154	180	108	57	208
Capitalization Bonds	117	128	112	124	107	118	111	133
Property & Casualty and Others	271	351	195	363	310	382	352	313
<b>Total</b>	<b>1,407</b>	<b>1,483</b>	<b>1,270</b>	<b>1,374</b>	<b>1,505</b>	<b>1,502</b>	<b>1,164</b>	<b>1,380</b>

**Performance Ratios**

%	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Claims Ratio <sup>(1)</sup>	74.0	75.0	76.6	73.7	72.8	77.1	76.8	72.1
Expense Ratio <sup>(2)</sup>	8.8	9.0	9.6	9.9	10.2	10.2	10.1	9.9
Administrative Expenses Ratio <sup>(3)</sup>	3.9	3.9	3.9	4.0	4.0	4.0	4.0	4.2
Combined Ratio <sup>(4) (5)</sup>	86.1	86.2	86.6	85.2	85.9	90.0	89.6	86.1

(1) Retained Claims/Earned Premiums;

(2) Selling expenses/Earned Premiums;

(3) Administrative Expenses/Net Written Premiums;

(4) (Retained Claims + Selling Expenses + Other Operating Income and Expenses)/Earned Premiums + (Administrative Expenses + Taxes)/Net Written Premiums; and

(5) Excludes additional provisions.

**Written Premiums, Pension Plan Contributions and Capitalization Bond Income**

In 2017, revenues totaled R\$76,289 million, an increase of 6.8% or R\$4,870 million, in comparison with previous year, influenced by the growth in “Life and Pension Plans” (8.7%), “Health” (6.9%) and “Capitalization

Bonds” (3.2%).

Compared to the previous quarter, revenue in the fourth quarter of 2017 increased by 13.7%, driven by the evolution in “Life and Pension Plans” products (29.9%).

**Bradesco**

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Economic and Financial Analysis

**Insurance, Pension and Capitalization**

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**Claims Ratio per Industry**

**Expense Ratio per Industry**

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Economic and Financial Analysis

**Insurance, Pension and Capitalization**

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**Administrative Efficiency Ratio**

General and Administrative Expenses / Billing.

The improvement in the administrative efficiency ratio, compared to the fourth quarter of 2017 and the same period of the previous year, reflects the benefits generated by the streamlining of expenses, reducing administrative expenses by 5.8% in the period. In the comparison between the fourth quarter of 2017 and the previous quarter, the administrative efficiency ratio remained stable.

**Technical Reserves**

(1) It does not include technical reserves for the DPVAT segment.

**Bradesco**

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**Economic and Financial Analysis**

**Life and pension plans**

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(1) Life/VGBl/PGBL/Traditional; and

(2) In the fourth quarter of 2017, considers the latest data available from Susep (November 2017).

Note: For comparison purposes, effects of non-recurring events are not considered.

Net income of 2017 was 7.4% higher compared with the results from the same period of previous year, influenced by the following factors: (i) increase of 8.7% in revenue; (ii) improvement of 4.1 p.p. in the claims ratio; (iii) the 0.3 p.p. downslide in the expense ratio; (iv) improvement of the administrative efficiency ratio; and partially impacted by: (v) the decrease in the financial result, reflecting the behavior of the economic-financial indices in the period.

In December 2017, technical reserves for Bradesco Vida e Previdência, totaled R\$224.3 billion, made up of R\$190.8 billion from "Pension Plans and VGBl" and R\$33.5 billion from "Life, Personal Accidents and other lines", resulting in an increase of 11.6% in December 2016.

The performance of net income for the fourth quarter of 2017 reflects: (i) of increase of 29.9% in revenue; (ii) the decrease of 0.7 p.p. in the claims ratio; (iii) the decrease of 0.3 p.p. in expense ratio; and (iv) the improvement in financial results, which were partially impacted by: (v) higher general and administrative expenses in the quarter.

**Growth of Participants and Life and Personal Accident Policyholders**

In December 2017, the number of Bradesco Vida e Previdência customers exceeded the 2.8 million mark of "Pension Plans and VGBl" participants, and 34.4 million "Life and Personal Accident" policyholders. Such expressive growth is fueled by the strength of the Bradesco brand and the improvement in selling and management policies.

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Economic and Financial Analysis  
**Health**

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(1) In the fourth quarter of 2017, considers the latest data available from ANS (November 2017).

Note: Considers the companies Bradesco Saúde and Mediservice. For comparison purposes, effects of non-recurring events are not considered.

Net income of 2017 recorded a decrease of 15.2% compared with the results calculated in the same period of previous year mainly due to: (i) the increase of 0.6 p.p. in the claims ratio; (ii) the decrease in the financial income, due to the behavior of the economic–financial indices; and partially offset by: (iii) the increase of 7.0% in revenue; (iv) the reduction of 0.6 p.p. in the expense ratio; (v) the improvement of the administrative efficiency ratio; and (vi) the increase in equity income.

Net income for the fourth quarter of 2017 increased by 43.6% in relation to the results calculated for the previous quarter, mainly due to: (i) of increase of 1.2% in revenue; (ii) the improvement of 0.9 p.p. in the claims ratio; (iii) improvement in the expense ratio; (iv) the increase in the financial result; and partially impacted by, (v) the reduction in equity income.

**Number of Bradesco Saúde and Mediservice Policyholders**

The two companies together have approximately 3.7 million customers. The reduction observed throughout the periods is mainly due to the economic scenario of 2017. The large share of corporate insurance in this portfolio (95.9% in December 2017) is proof of its high level of specialization and customization in providing group coverage plans.

In December 2017, Bradesco Saúde and Mediservice maintained a strong market position in the corporate sector (source: ANS).

Approximately 139 thousand companies in Brazil have Bradesco Saúde insurance and Mediservice plans.

Of the 100 largest companies in Brazil in terms of billing, 37 are Bradesco Saúde and Mediservice customers (source: Exame Magazine - “Melhores e Maiores” of August 2017).

Economic and Financial Analysis**Capitalization bonds**

R\$ million (unless otherwise stated)	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Net Income	117	128	112	124	107	118	111	133
Capitalization Bond Income	1,461	1,582	1,563	1,446	1,516	1,579	1,425	1,343
Technical Provisions	7,563	7,420	7,357	7,431	7,502	7,469	6,725	6,820
Customers (in thousands)	2,911	2,966	3,012	3,064	3,011	3,135	2,995	3,076
Premium Income Market Share (%) <sup>(1)</sup>	30.0	30.3	30.8	30.0	27.8	28.0	27.1	27.5

(1) In the fourth quarter of 2017, considers the latest data available from Susep (November 2017).

Net income for 2017 increased by 2.6% compared to the previous year, basically influenced by: (i) growth of 3.2% in revenue; (ii) increase in operating income; and partially impacted by: (iii) the decrease in the financial income, due to the behavior of the economic-financial indices.

Net income for the fourth quarter of 2017 was 8.6% lower than the result recorded in the previous quarter, mainly due to: (i) reduction of 7.6% in sales revenue; and (ii) decrease in the financial result, due to the behavior of the economic-financial indices.

In 2017, Bradesco Capitalização reached a 3.2% growth in revenue in relation to 2016, thanks to its transparency policy and by adjusting its products based on potential consumer demand, consistent with market changes.

Concerned with providing products that better fit the most varied profiles and budgets of its customers, Bradesco Capitalização has a product portfolio, which ranges in payment method (lump sum or monthly), contribution term, periodicity and value of premiums that meet the requirements and expectations of the customers.

The portfolio consists of 23.3 million active securities. Of this total, 31.6% are represented by "Traditional Securities" marketed in the Network of Branches and through the Digital Channels. The other 68.4% of the portfolio is represented by "Incentive" securities (assignment of lottery rights), such as the partnerships with Bradesco Vida e Previdência and Bradesco Auto/RE. The purpose of this type of capitalization bond is to add value to the partner company's product or even encourage customer payment performance. The securities have reduced validity and grace periods and a low marketing unit value.

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Economic and Financial Analysis

**Automobile and Property & Casualty**

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(1) In the fourth quarter of 2017, considers the latest data available from Susep (November 2017).

Note: As of the first quarter of 2017, we are considering Bradesco Auto/RE only.

Net income for 2017 was 65.6% higher than the result recorded in the same period of 2016, due to: (i) the decrease of 3.7 p.p. in the expense ratio; partially impacted by: (ii) the 2.2% decrease in sales revenue; (iii) the increase of 1.3 p.p. in the claims ratio; and (iv) the decrease in the financial result, due to the behavior of the economic–financial indices.

The insured fleet of the automobile insurance line remained stable, confirming the effectiveness of Bradesco Auto/RE retention strategies.

The simplified products of the residential and business lines stand out for the significant contribution to the results of Company.

Net income for the fourth quarter of 2017 recorded a decrease of 5.3% over the previous quarter due to: (i) decrease of 16.6% in revenue; (ii) the 0.4 p.p. rise in the expense ratio; and partially offset by: (iii) the improvement of 1.5 p.p. in the claims ratio; and (iv) the increase in the financial result.

Bradesco Auto/RE is present in 40 of the 100 largest groups in the country, as the insurance company of its equities and, to ensure the retention of customers, the company has invested in the revision of its internal processes, mainly, in the areas dedicated to customer service and the analysis and regulation of claims, in search of greater efficiency and quality in the provision of services.

Mass market insurance is aimed at individuals, self-employed professionals, and small and medium-sized companies.

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**Bradesco**

Economic and Financial Analysis

**Automobile and Property & Casualty**

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***Assistência Dia e Noite Application***

Evolution of the “Assistência Dia e Noite” app, with a new design, centralization of assistance services in the “Request Assistance” option, new Claims Center, quick consultation of policy data, accident notification services, improvements to the search of repair shops and BACs, send photos of pending documents to send to the insurer via cell phone, among others.

***Sinistro Auto Fácil***

Sinister Auto Fácil is aimed at providing Policyholders and Brokers with the most accurate and objective monitoring of claims processes. During this period, there was an increase in the capacity to download document files, and implementation of Integral Indemnity Management, which provides the Policyholder with greater agility in the reimbursement of processes characterized as Integral Indemnity, for the Auto line, through a new integral indemnification system for dispatchers.

***Renove Fácil***

Renove Fácil is an initiative that aims to provide Brokers with the best experience in the process of auto insurance renewal. During this period, the following functionalities were implemented: notification – on the Business Portal – of the policies to be renewed, within 10 business days before the end of the policy term, and anticipation of the choice of the form of payment for the moment of calculating the insurance, as well as improvements of system usability.

***Vistoria e Inspeção Bradesco***

The project aims to become the process of conducting surveys and inspections of insurance risks of Automobile and Property & Casualty Insurance faster and more effective. In its evolution, it presented the inclusion of the risk inspection process for the Nautical sector, automation of inspection requests for the Equipment, Residential, Condominium and Business lines of insurance, for the South region of Brazil and the state of São Paulo, significantly reducing the time for registering the order and scheduling of preliminary inspection for Automobile, in the “fleet” modality, for up to 120 vehicles at a time.

***Serviço Anjo da Guarda (“Guardian Angel” Service)***

Expansion of the “Guardian Angel” service, which consists of sending a duly trained professional to contain emergency situations, provide roadside assistance, and offer company to the insured party, until the arrival of the tow truck in case of mechanical breakdown or accident, to the cities of Rio de Janeiro, Niterói, Porto Alegre, and Curitiba.

***Salvare***

The Salvare cell was created to meet the needs of the Salvaged Goods area, for reducing expenses, increasing operational efficiency, and recovering revenues of Bradesco Auto/RE. In the period, it developed improvements in the system of Automobile Salvage, which will result in monthly savings by reducing vehicle yard daily fees.

***Repare Fácil Program***

Launch of the “Repare Fácil” Program in the Auto Product, which consists of the offer of two new services: the “Super Hammer,” for the recovery of small and medium sized dents where there has been no damage to the paint, and “Quick Repair,” which is the repair of scratches and dents on the external bodywork or bumper, with recovery of the paint finish, in up to four hours.

***Risk Assessment Questionnaires (cargo and Fleet)***

Implantation of the new Risk Assessment Questionnaires in the Automobile line, in the fleet modality and also for cargo vehicles, for the purpose of presenting a better acceptance and more appropriate pricing for this type of risk.

***Bradesco Auto Center (BAC)***

Maintenance of network activity of the automotive centers with 33 units throughout the entire country and offers policyholders access to a varied range of services in a single place.

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Economic and Financial Analysis

**Fee and Commission Income**

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A breakdown of the variation in Fee and Commission Income for the respective periods is presented below:

Explanations of the main items that influenced the variation in Fee and Commission Income between the periods can be found below.

**Card Income**

Card income revenues amounted to R\$11,025 million in 2017, and R\$2,949 million in the fourth quarter of 2017, an increase of 6.3%, or R\$651 million, in the annual comparison, and 5.7% or R\$160 million compared to the third quarter of 2017, mainly reflecting: (i) increased financial volume transacted; and (ii) increased quantity of transactions in the period. Note in the annual comparison, the effect of the consolidation of HSBC Brasil as of the third quarter of 2016.

**Bradesco**

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Economic and Financial Analysis

**Fee and Commission Income**

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**Checking account**

Checking account revenues totaled R\$6,658 million in 2017, and R\$1,727 million in the fourth quarter of 2017, with increases of 10.7%, or R\$646 million, in the annual comparison, and 2.9%, or R\$48 million compared to the third quarter of 2017, originating mainly from the expansion of the portfolio of services and increased business volume. Note in the annual comparison, the effect of the consolidation of HSBC Brasil as of the third quarter of 2016

**Asset Management**

In the annual comparison, revenues from asset management increased 20.7%, or R\$641 million, mostly reflecting: (i) increase in the volume of funds raised and managed, which grew 10.3% over the period, investments in fixed income funds being notable, that increased 7.5%; and (ii) the consolidation of HSBC Brasil as of the third quarter of 2016.

In the fourth quarter of 2017, revenue from asset management totaled R\$944 million, down 3.4% or R\$33 million from the previous quarter, mainly due to the lower number of business days in the quarter.

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Economic and Financial Analysis

**Fee and Commission Income**

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**Loans**

Revenues from loans recorded an increase of 6.2% or R\$173 million in the annual comparison, and 6.0% or R\$43 million compared to the previous quarter, basically stemming from the increase in income from guarantees, which rose 10.1% and 13.7%, respectively, largely reflecting the new operations of sureties and guarantees that occurred in the quarter.

**Cash Management Solutions (Payments and Collections)**

In 2017, revenue from collections and payments totaled R\$2,376 million, an increase of 10.5%, or R\$225 million in the annual comparison, due to: (i) the increase in the volume of documents processed, from 2,430 million in 12 months of 2016 to 2,740 million in the 12 months of 2017; and (ii) the effect of the consolidation of HSBC Brasil, which took place in the third quarter of 2016.

In the fourth quarter of 2017, payments and collections income totaled R\$613 million, an increase of 2.0% or R\$12 million, compared to the previous quarter, reflecting the increase in the volume of documents processed.

**Bradesco**

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Economic and Financial Analysis

**Fee and Commission Income**

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**Consortium Management**

In 2017, income from consortium management totaled R\$1,526 million, an increase of 19.3%, or R\$247 million compared with the same period of previous year, resulting from the increase: (i) the receipt of bids; (ii) average ticket; and (iii) billing of sales, ranging from 1,334 thousand active quotas, in December 2016, to 1,411 thousand active quotas in December 2017, generating an increase of 77 thousand net quotas.

Comparing the fourth quarter of 2017 and the previous quarter, revenues from consortium management remained stable, registering 1,411 thousand active quotas, increase of 16 thousand quotas in the period, ensuring the leadership of Bradesco Consórcios in the segments in which it operates (real estate, cars, trucks, machinery and equipment).

**Custody and Brokerage Services**

In the annual comparison, revenues from custody and brokerage services increased 21.1%, or R\$153 million, reflecting: (i) the increase in the total assets under custody, in the amount of R\$181 billion; and (ii) higher volumes traded on the B3.

In the fourth quarter of 2017, revenues totaled R\$226 million, remaining practically stable compared to the previous quarter.

**Underwriting/Financial Advisory Services**

Revenue from underwriting / financial advisory services totaled R\$801 million in 2017 and R\$245 million in the fourth quarter of 2017, an increase of 7.5% or R\$56 million compared to the same period of previous year, and 10.4% or R\$23 million compared to the third quarter of 2017, mainly due to the greater activity of the capital markets in the period.

It is important to note that variations recorded in these revenues derive from the capital market's volatile performance.

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Economic and Financial Analysis

**Personnel and Administrative Expenses**

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In 2017, personnel and administrative expenses totaled R\$39,622 million, an increase of 7.8%, or R\$2,851 million, in relation to the same period of the year, partially impacted by the effect of the consolidation of HSBC Brasil as of the third quarter of 2016. Taking into account consolidated "pro forma" financial information, in which the income of first semester of 2016 of HSBC Brasil comprise the total expenses, the total amount of personnel and administrative expenses would have reflected a decrease of 2.9% in the annual comparison, even considering the salary adjustments and the contractual adjustments.

In the fourth quarter of 2017, Personnel and Administrative Expenses totaled R\$10,218 million, an increase of 3.6%, or R\$355 million compared to the previous quarter, driven by administrative expenses, which climbed 6.2%.

**Personnel Expenses**

In the annual comparison, the increase of 10.6%, or R\$1,863 million, is justified by variations in the installments: (i) "structural," which increased 11.7%, or R\$1,685 million, brought on by the increase in expenses related to salaries, social charges and benefits, impacted by: (a) the effect of consolidation of HSBC Brasil, starting in the third quarter of 2016; and (b) increase in salary levels, under the 2016/2017 collective bargaining agreements; and (ii) "non-structural," which increased by 5.5% or R\$178 million, a reflection of higher expenses on provision for labor claims.

Considering the "pro forma" information, where the results of the first semester of 2016 for HSBC Brasil compose the total expenses, the amount of expenses on personnel remained stable, noting that the "structural" portion would present a 1.0% reduction even with the impact of salary increases under the 2016/2017 collective bargaining agreements.

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**Bradesco**





Economic and Financial Analysis

**Personnel and Administrative Expenses**

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**Personnel Expenses**

In the fourth quarter of 2017, personnel expenses totaled R\$4,878 million, an increase of 0.9%, or R\$ 45 million, compared to the previous quarter, as a result of: (i) higher expenses on profit sharing (“PLR”), in the amount of R\$113 million; partially offset by: (ii) lower expenses on provisions for labor claims, in the amount of R\$70 million.

Also worth noting was the reduction of 5.4%, or R\$232 million, in the “structural” portion, when comparing the fourth quarter of 2017 and the fourth quarter of 2016, reflecting the partial effects of the Special Voluntary Severance Program Scheme (PDVE).

**Administrative Expenses**

In the annual comparison, administrative expenses increased by 5.2%, or R\$988 million, reflecting the increase in expenses incurred for: (i) a growth in the volume of business and services for the period; (ii) the consolidation of HSBC Brasil as of the third quarter of 2016; and (iii) contract price adjustments. Considering the “pro forma” information, where the results of the first semester of 2016 for HSBC Brasil compose total expenses, the amount of administrative expenses would present a decrease 5.7% compared to the previous year, which shows the effects of economies of scale and synergies resulting from the merger and integration of the activities of HSBC Brasil, which occurred in October 2016.

In the fourth quarter of 2017, administrative expenses totaled R\$5,340 million, up 6.2% or R\$310 million in comparison to the previous quarter, a reflection of the increase in business volume and services concentrated in the period, which resulted in higher expenses on (i) advertising and marketing in the amount of R\$ 136 million, mainly relating to year-end institutional campaigns and brand positioning; (ii) data processing, the amount of R\$ 50 million; and (iii) outsourced services in the amount of R\$45 million.

Economic and Financial Analysis

**Operating Coverage Ratio (1)**

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In the fourth quarter of 2017, the accumulated coverage ratio in the last twelve months was 77.8%, improving 1.9 p.p. compared to the previous quarter.

Improving this indicator during the quarter and maintaining it at high levels stems essentially from the following: (i) the ongoing efforts to control expenses, including (a) actions of our Efficiency Committee, among which we highlight as a target for this year, the capture of synergies and economies of scale resulting from the merger of HSBC Brasil, and (b) investments in Information Technology (IT), which in 2017 totaled R\$6.037 billion; and (ii) actions with focused on increasing the offer of goods and services to the entire customer base. Also noteworthy are the partial effects of the Special Voluntary Severance Program Scheme (PDVE).

(1) Fee and Commission Income/Administrative and Personnel Expenses (in the last 12 months).

**Tax Expenses**

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In the annual comparison, tax expenses increased by 14.8%, or R\$896 million, a reflection of the increase in taxable income in the period, mainly from fees and commission income.

In the quarterly comparison, tax expenses increased by 3.7% or R\$62 million, caused by the increase in revenues from net interest income and fees and commission income.

**Equity in the Earnings (Losses) of Unconsolidated and Jointly Controlled Subsidiaries**

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Equity in the earnings (losses) of unconsolidated and jointly controlled subsidiaries decreased not only in 2017, with a reduction of 11.9% or R\$26 million, but also when comparing the fourth quarter of 2017 and the previous quarter, recording a decrease of 28.6% or R\$12 million.



Economic and Financial Analysis

**Additional Information – HSBC Brasil Historical Series**

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**Statement of Financial Position**

(1) In September 2016, the effect of adjustments to the accounting criteria adopted by Bradesco is included.

**Recurring Statement of Income**

(1) Income from Insurance, Pension Plans and Capitalization Bonds = Retained Premiums from Insurance, Pension Plans and Capitalization Bonds - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds - Retained Claims and Capitalization Bond Draws and Redemptions - Insurance, Pension Plans and Capitalization Bond Selling Expenses.

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Economic and Financial Analysis

**Additional Information – Comparison of December 2017 and 2016 – pro-forma**

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From the third quarter of 2016, HSBC Brasil has been consolidated into our financial statements, and in order to provide comparability of assets/liabilities and income compared regarding December 2017 and 2016, below we present pro forma consolidated financial information, i.e., the combined income of Bradesco and HSBC Brasil for 2016. This pro forma consolidated financial information includes all income statement items from HSBC Brasil, and the income of HSBC Brasil not computed to Bradesco is included under the heading “non-controlling interests/others”, referring to periods prior to the actual acquisition, given that the proposal is to retroactively demonstrate the effect of a transaction that occurred at a later date, and thus, we stress that the data was provided for mere illustrative purposes.

**Recurring Statement of Income**

(1) Income from Insurance, Pension Plans and Capitalization Bonds = Retained Premiums from Insurance, Pension Plans and Capitalization Bonds - Variation in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds - Retained Claims and Capitalization Bond Draws and Redemptions - Insurance, Pension Plans and Capitalization Bond Selling Expenses.

Bradesco

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**Economic and Financial Analysis**

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**Economic and Financial Analysis Report - December 2017**

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Return to shareholders

## Corporate Governance

Bradesco's Management is made up of the Board of Directors, currently comprised of six directors, and its Board of Executive Officers, both with their own regulations, with the accumulation of positions of the Chairman of the Board of Directors and Chief Executive Officer, due to the succession process in October 10, 2017, which shall last until the first meeting of the Board to be held after the 2018 Annual General Meeting, when the Company's new Chief Executive Officer will be elected, in order to comply with the provisions of the Articles of Association, Article 7, § 1, regarding the non-cumulativeness of positions.

The Board of Directors is assisted by eight committees: a) Statutory: (i) Audit; and (ii) Compensation; b) Non-statutory: (iii) Ethical Conduct; (iv) Risks; (v) Internal Controls and Compliance; (vi) Integrated Risk Management and Capital Allocation – COGIRAC; (vii) Sustainability; and (viii) Succession and Appointment. Several executive committees assist the activities of the Board of Executive Officers, all of which are regulated by their own regulations. The Fiscal Council, the permanent supervisory body, is composed of five permanent members and their respective alternates. Two permanent members and their deputy members are appointed by the minority preferred shareholders and by non-controlling shareholders holding common shares. In addition to the Fiscal Council and the Audit Committee, Bradesco has the Internal Audit, subordinated to the Board of Directors.

In 2001, Bradesco voluntarily adhered to Level 1 Corporate Governance of B3, as well as to the Code of Self-Regulation and Best Practices for Publicly Held Companies, issued by the Brazilian Association of Publicly Held Companies (ABRASCA), in 2011.

In compliance with best corporate governance practices, the Bradesco Organization adopts its own integrity program, comprised of a set of policies, standards and procedures aimed at preventing, monitoring, detecting and responding to harmful acts provided for in Law No.12,846/13 and in international legislation, especially the Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

Further information is available on Bradesco's Investor Relations website ([bradescori.com.br](http://bradescori.com.br) – Corporate Governance Section).

## Compliance

Senior Management and all employees are committed to complying with laws and regulations applicable to their activities, and to conduct business observing high standards of conduct and ethics. There are policies, standards, processes and systems in force for monitoring conduct, complaint handling channels and mechanisms, as well as an area designated to respond for the entire program aiming to ensure these commitments.

Such components are backed by Committees linked to the Board of Directors, such as the Ethical Conduct, Integrated Management of Risks and Allocation of Capital, Internal Controls and Compliance, and supported by training actions developed by UniBrad – Bradesco Corporate University for all professionals, covering the issues of Conduct, Controls and Compliance.

## Investor Relations Area – IR

The commitment to transparency, democratization of information, punctuality and the pursuit of the best practices are essential factors and are constantly reinforced by Bradesco's Investor Relations area.

In the fourth quarter of 2017, there were 58 events promoted with national and international investors,

through conferences, meetings, conference calls and institutional presentations, assisting 385 investors. It also held two teleconferences of results to institutional investors.

This quarter, we organized the fourth edition of Insurance Day, which took place at the headquarters of Bradesco Seguros.

### Economic and Financial Analysis Report – December 2017

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## Return to shareholders

### Sustainability

#### **Bradesco is part of the 2018 Corporate Sustainability Index**

For the 13th consecutive year, Bradesco is included in the B3's Corporate Sustainability Index (ISE), as part of a select group of companies with consistency in financial results coupled with the adoption of sustainable management principles. The Index is developed through a rigorous process of assessing the performance of companies regarding economic-financial, social, environmental, and corporate governance aspects. Being part of the ISE ratifies Bradesco's strategy to promote the alignment of its business to the corporate sustainability agenda, as a way to strengthen the outlook for creating value in the long run.

#### **Bradesco Advances to the Leadership Category in the CDP**

Bradesco was rated with the second best concept of "A-" (Leadership) in the CDP, having advanced in relation to 2016, when it received a rating of "B" (Management).

CDP is an initiative created in 2000 aimed at disseminating global information about climate strategy and environmental impacts related to companies and local governments. Organizations respond to a questionnaire that addresses issues relating to governance, risk management, opportunities and emissions, among others, and receive a rating according to their performance. This information can be used by investors, shareholders, and leaders in their decision-making processes.

#### **For the first time ever, Bradesco is part of the Vigeo Eiris Best EM Performers Ranking**

For the first time ever, Bradesco was selected for the "Best Emerging Markets Performers Ranking" by Vigeo Eiris, a European agency at the forefront of ESG (Environmental, Social and Governance) analysis. To compose the ranking, 850 companies from 31 different countries were evaluated, listed in developing

The new portfolio, which will be in effect from January 2018 to January 2019, consists of 30 companies from 12 sectors, amounting to R\$1.3 trillion in market capitalization, equivalent to 41.5% of the total worth of companies whose shares are traded on the B3.

Bradesco participates in the CDP 2006 climate change program and, since then, has been working toward the improvement of its management strategy. This year, roughly 300 companies in the financial sector participated in the process of responding to the CDP, nine of which are Brazilian.

Released every six months since June 2015, the latest edition of the ranking listed the 100 companies that have obtained the highest scores for indicators such as human rights, decent jobs, environmental protection, corporate governance, business ethics and contribution to economic and social development in the areas in which they operate, belonging to 27 different sectors and responsible for the employment of more than five million people.

markets, which have shown advanced approaches to social responsibility.

**Bradesco is recognized in Exame magazine's 2017 Sustainability Guide**

Bradesco was selected as one of the most sustainable companies in Brazil by Exame's 2017 Sustainability Guide, in the segment of Financial Institutions, Banks and Insurance Companies. The Bank obtained more than 70% performance in all dimensions evaluated by the survey, and showed above-average performance in the key indicator of waste management.

Currently in its 18th edition, the EXAME Sustainability Guide is a survey conducted by Exame magazine, which features the best sustainable practices that make up companies' business strategies. It is prepared annually and uses a methodology developed by the Center for Sustainability Studies of the Getulio Vargas Foundation (GVCes), which analyzes the three dimensions of sustainability (economic, environmental and social) to select the best performances.

Bradesco

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**Return to shareholders**

**Sustainability**

**Bradesco's Education and Christmas Program**

Since 2016, Bradesco acts as the manager of the "Education Program" social project, which promotes free educational activities, supplementary to regular schooling, to roughly 400 children and adolescents from eight host institutions in Curitiba and the surrounding metropolitan area. In partnership with local suppliers, and with government support, Bradesco offers medical care, supplementary education in Portuguese Language and Math, as well as music initiation and choral singing classes. For this last activity, students from Curitiba public schools also participate. At the end of the year, 110 children who take part in the music classes starred in Bradesco's Christmas show, in the windows of the historic Palácio Avenida building.

With performances spanning a nine-day period, the show attracted more than 260,000 spectators in 2017. To put on the show, more than 400 people were involved in the production, including 150 Bradesco employees and trainees and their family members, who acted as "Christmas Angels," voluntarily accompanying the children during the rehearsals and performances.

## Bradesco Shares

### Number of Shares – Common and Preferred Shares

Note: All periods presented, for comparison purposes, include effect of bonus of shares.

In December 2017, Bradesco's capital stood at R\$59.1 billion, composed of 6,108,962 thousand shares, made up of 3,054,481 thousand common

shares and 3,054,481 thousand preferred shares, as book entries and without par value.

## Number of Shareholders – Domiciled in Brazil and Abroad

In December 2017, Bradesco had 358,051 shareholders, 356,767 residing in Brazil, representing 99.6% of the total number of shareholders holding 65.9% of its capital.

The amount of shareholders domiciled abroad was 1,284, representing 0.4% of the number of shareholders with 34.1% of its capital.

**Economic and Financial Analysis Report – December 2017**

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Return to shareholders

## Bradesco Shares

### Daily Average Trading Volume of Shares

During 2017, the average daily trading volume of our shares reached R\$684 million, down 2.8% over the previous year, driven by the loss of volume on the NYSE, being 6.3% lower on the NYSE and 0.6% higher on the B3.

- (1) BBDC3 “Common Shares” and BBDC4 “Preferred Shares”; and
- (2) BBD “Preferred Shares” and BBDO “Common Shares” (as of March 2012).

#### Appreciation of Preferred Shares – BBDC4

The graph shows the change in Bradesco's preferred shares, taking into account the reinvestment of dividends (it includes Interest on Shareholders' Equity), compared to the Ibovespa. If, in late December 2007, R\$100 were invested in Bradesco's shares, they would be worth approximately R\$258 at the end of December 2017,

which is an appreciation 2.0x higher compared to that which was presented by the Ibovespa within the same period.

Bradesco

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Return to shareholders

## Bradesco Shares

### Share and ADR Performance <sup>(1)</sup>

(1) Adjusted for corporate events in the periods; and

(2) Number of shares (excluding treasury shares) vs. closing price for common and preferred shares on the last trading day of the period.

### Recommendation of Market Analysts – Target Price

Market analysts issue periodical recommendations on Bradesco's preferred shares (BBDC4). In January 2018, we analyzed eleven reports prepared by these analysts.

Their recommendations and general consensus on the target price for December 2018 can be found below:

For more information on the target price and the recommendations of each market analyst that monitors the performance of Bradesco's shares.

Such information is available at: [bradescori.com.br](http://bradescori.com.br) > Services > Analysts Consensus.

### Economic and Financial Analysis Report – December 2017

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Return to shareholders

## Main Capitalization

In December 2017, Bradesco's market capitalization, in view of the closing prices of Common and Preferred shares, was R\$200.5 billion,

an increase of 24.7% compared with December 2016, and in the same period, Ibovespa had an increase of 26.9%.

Bradesco

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Return to shareholders

## Main Indicators

### Price/Earnings Ratio <sup>(1)</sup>:

Indicates the possible number of years within which the investor would recover the capital invested, based on the closing prices of common and preferred shares.

(1) Market capitalization/recurring net income, twelve-month accumulated.

### Price to Book Ratio:

Indicates the multiple by which Bradesco's market capitalization exceeds its shareholders' equity.

### Dividend Yield <sup>(1)</sup> <sup>(2)</sup>:

The ratio between share price and dividends and/or interest on shareholders' equity paid to shareholders in the last 12 months, which indicates the return on investment represented by the allocation of net profit.

(1) Source: Economatica; and

(2) Calculated by the share with highest liquidity.and

## Economic and Financial Analysis Report – December 2017

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Return to shareholders

## Dividends/Interest on Shareholders' Equity – JCP

In 2017, R\$7,204 million was assigned to shareholders as interest on shareholders' equity (JCP). The total JCP assigned to shareholders accounted for 51.7% of the net income for the

12- month period and, considering income tax deduction and JCP allocations, it was equivalent to 44.0% of the net income.

(1) In the last 12 months.

## Weight on Main Stock Indexes

Bradesco shares are listed on Brazil's main stock indexes, including IBrX-50 and IBrX-100 (indexes that measure the total return of a theoretical portfolio composed of 50 and 100 shares, respectively, selected from among the most traded shares on B3 in terms of liquidity), IBrA (Broad Brazil Index), IFNC (Financial Index, composed of banks, insurance companies and financial institutions), ISE (Corporate Sustainability Index), IGCX (Special Corporate Governance Stock Index), IGCT (Corporate Governance Trade Index), ITAG (Special Tag-Along Stock Index), ICO2 (index composed of shares

of the companies listed on the IBrX-50 index and that choose to adopt transparent greenhouse gas emission practices in order to take part in this initiative) and the Mid-Large Cap Index – MLCX (which measures the return of a portfolio composed of the highest capitalization companies listed).

Abroad, Bradesco shares are listed on the NYSE's Dow Jones Sustainability Index (DJSI), in the Dow Jones Sustainability World and Emerging Markets portfolios and on the Madrid Stock Exchange's FTSE Latibex Brazil Index.

(1) Represents Bradesco shares' weight on Brazil's main stock indexes.

### Bradesco

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**Return to shareholders**

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**Economic and Financial Analysis Report - December 2017**

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Additional Information

## Market Share of Products and Services

Market shares held by Bradesco in the Banking and Insurance industries and in the Customer Service Network are presented below:

- (1) Reference date: November/17; and
  - (2) Reference date: October/17.
- N/A – Not available.

Economic and Financial Analysis Report – December 2017

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Additional Information

## Market Share of Products and Services

### Ratings

- (1) In January 2018, there was a review of Brazil's rating (sovereign), resulting in a downgrade in the ratings on a long-term global scale, affecting Brazilian banks and insurance companies that are rated at the sovereign level, from "BB" to "BB-"; and
- (2) In August 2017, there was an implementation in the ratings on a national scale, leading to a short-term national rating upgrade from "brA-1" to "brA-1+".

### Reserve Requirements

- (1) Collected in cash and not remunerated;
- (2) At Bradesco, reserve requirements are applied to Rural Loans;
- (3) Collected in cash with the Reference Interest Rate (TR) + interest of 6.17% p.a. for deposits made until May 03, 2012, and TR + 70% of the Selic rate for deposits made as of May 4, 2012, when the Selic rate is equal to or lower than 8.5% p.a.;
- (4) Collected in cash with the Selic rate; and
- (5) As of May 8, 2017, the rate for compulsory deposit collection on time deposits was unified to 36%, i.e., there will be no additional rate.

Bradesco

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Additional Information

## Investments in Information Technology (IT)

Bradesco seeks to broaden the experience of its customers, diversifying and enhancing the ways in which they relate to the Bank. In 2017, we highlight the following:

- The possibility for customers themselves to update their registration data, such as personal information, contact information and work information, through Internet Banking and Bradesco Celular, without the need to go to a branch;
- New service options on Bradesco Celular, such as travel warnings directly through the app; sharing receipts via WhatsApp, Dropbox, Google Drive, etc., registration of favorite mobile phone numbers for recurring top-ups of prepaid minutes, and other features that offer convenience to our customers;
- For Bradesco Visa Credit Card customers, we launched an innovative, secure and practical to pay bills in shops without the need to use the card, through the Samsung Pay app;
- Evolution of BIA (Bradesco Artificial Intelligence), which now clarifies doubts about investments of branch network employees. The tool answers questions about 61 products in all, thus streamlining customer service;
- Bradesco Seguros also innovated and launched – in partnership with Waze – a pioneering service on the market: in an “emergency situation” such as a traffic accident, vehicle breakdown or flat tire, app users can trigger the Bradesco Seguros’ “Assistência Dia e Noite” roadside service, whether they are insured or not;
- Corporate customers were afforded greater autonomy, allowing the provision of new services
- Available initially to some commercial partners, yet another exclusive service channel – transactional site – offering more autonomy for requesting services such as debt transfer, second copies of outstanding bills, and copies of contracts. The site is prepared to attend to other partners as well;
- At ATMs, acquisition of installment credit is now available, enabling greater credit limits to customers and flexible operation deadlines;
- In the Banco24Horas network, now customers can activate the M-Token safety device and pay utility bills (water, electricity, telephone and gas); and
- We launched the fourth edition of “inovaBra startups” program, aimed at discovering innovative projects that have applicable solutions or the possibility of adapting financial products and services.

The period was also marked by recognitions:

- Bradesco was the most innovative company in the ranking of The 100 Most Innovative Companies in the use of IT, promoted by IT Mídia; and
- For the second year in a row, we placed first in the IT Leaders ranking, which recognizes the highlights focusing on positioning and actions on the digital transformation scene.

Seeking greater agility in customer service and continuing the process of ongoing improvements in our infrastructure, our data processing capabilities were expanded with the acquisition of five new mainframe computers and upgrading of the equipment at branches and in the internet environment.

such as consulting the status of unpaid bills; spreadsheet with details of the contracted operation; physical location of checks returned and/or linked to the checking account; Second copy of payment receipts, collections, wire transfer, DOC and TED; among others, directly through the Net Empresa platform;

Also in this quarter, a new record in online transactions was set, with Bradesco Celular having reached more than 1,000 transactions/second.

As a necessary condition for its continuous growth, in 2017 Bradesco invested a total of R\$6,037 million in Information Technology (IT).

**Economic and Financial Analysis Report – December 2017**

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Additional Information

## Risk Management

Bradesco carries out a corporate risk control in an integrated and independent manner, preserving and giving value to a collective decision-making environment, developing and implementing methodologies, models and tools for measurement and control. It also provides training for employees at every level of the Organization, from business areas to the Board of Directors.

The risk management activity structure has policies, standards and procedures, ensuring that the Organization maintains control compatible with the nature of its operations and the complexity of its products, services, activities, processes and systems, as well as the extent of its exposure to risk. It is also composed of committees, commissions and departments that support the Board of Executive Officers and the Board of Directors in decision making.

The most notable amongst these are the Integrated Risk Management and Capital Allocation Committee (COGIRAC) and Risk Committee, whose purpose is to advise the Board of Directors in the performance of its duties in the management and control of risks and capital.

Detailed information regarding to risk management process, capital adequacy as well as Bradesco's risk exposures, can be found in the Risk Management Report - Pillar 3 available on the Investors Relations website at [bradescori.com.br](http://bradescori.com.br).

## Capital Management

Bradesco has a department responsible for capital management centralization, named Capital Management, Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan, subordinated to the Department of Planning, Budget and Control, which acts jointly with the Integrated Risk Control Department, associated companies, business areas and Bradesco's supporting areas.

Additionally, this Governance is comprised of Executive Committees and one Non-Statutory Committee, which assist the Board of Directors and Board of Executive Officers in the decision-making process.

With the implementation of the capital management (ICAAP) Recovery Plan structure, a Capital Adequacy Assessment Internal Process (ICAAP), which provides conditions to assess capital sufficiency in accordance with the base and stress and extreme crisis scenarios, in a prospective outlook to identify capital and contingency actions to be taken in the respective scenarios. Capital adequacy and sufficiency information represent fundamental tools to manage and support the decision-making process.

Additional information on the capital management structure is available in the Risk Management Report – Pillar 3, and in the Integrated Report, on

The Capital Management structure, through adequate capital sufficiency planning, aims to provide conditions for capital monitoring and control, contributing to the achievement of goals set in the strategic objectives defined by Bradesco. In addition to the Committee structure, on an annual basis, the capital plan is devised by Bradesco, which is approved by the Board of Executive Officers and Board of Directors. It is also aligned with the strategic plan and encompasses a prospective outlook of at least three years. The process of developing this plan considers threats and opportunities, market share and development goals, capital requirement projections based on risks, as well as capital held by Bradesco. Such projections are constantly monitored and controlled by the capital management area.

the Investor Relations website: [bradescori.com.br](http://bradescori.com.br).

Bradesco

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Additional Information

## Basel Ratio

In December 2017, the Reference Equity of the Prudential Conglomerate reached R\$104,673 million, as compared to risk-weighted assets of R\$611,442 million. The Basel Ratio decreased 0.6 p.p., from 17.7% in September 2017 to 17.1% in December 2017, Tier I Capital ratio reached 13.1% in December 2017, a decrease of 0.3 p.p. in relation to September 2017 mainly due to: (i) greater provisioning of Interest on Shareholders' Equity; (ii) the mark-to-market effect of available-for-sale securities;

and (iii) the increase in weighted assets; being partially offset by: (iv) the increase in net income for the period. Tier II presented a reduction in the quarterly comparison, mainly due to the reduction of the inventory of subordinated debt, due to the debt maturities (staggered).

(1) In September 2016, considers subordinated debt authorized by Central Bank, in November 2016, to compose Tier I Capital.

### Economic and Financial Analysis Report – December 2017

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Additional Information

## Minimum Capital Required – Grupo Bradesco Seguros

According to CNSP Resolution No. 321/15, amended by Resolution No. 360/17, corporations should have an adjusted shareholders' equity (ASE) equal to or higher than the minimum capital required (MCR). MCR is equivalent to the base capital or the risk capital, whichever is higher. According to CNSP Resolution No. 343/16, the Adjusted Shareholders' Equity is valued economically, and should be calculated based on shareholders' equity or net assets, considering the accounting adjustments and adjustments associated with changes in economic values. For companies regulated by the ANS, Normative Resolution No. 373/15 establishes that corporations should have adjusted shareholders' equity (ASE) equal to or higher than the Solvency Margin.

The capital adjustment and management process is continuously monitored and aims to ensure that Grupo Bradesco Seguros keeps a solid capital base to support the development of activities and cope with the risks in any market situation, in compliance with regulatory requirements and/or Corporate Governance principles.

Companies must permanently maintain capital compatible with the risks for their activities and operations, according to the characteristics of each company belonging to Grupo Bradesco Seguros, represented by adequate capital levels. Grupo Bradesco Seguros permanently observes the limits required by the respective regulatory entities. The Minimum Capital Required in November 2017 was R\$10.5 billion.

Bradesco

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**Additional Information**

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**Economic and Financial Analysis Report – December 2017**

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Independent Auditors' Report

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

To

Directors of

Banco Bradesco S.A.

Osasco – SP

We were engaged by Banco Bradesco S.A. ("Bradesco") to report on the supplementary accounting information of Banco Bradesco S.A. for the year ended as at December 31, 2017 in the form of reasonable assurance conclusion that based on our work, described within this report, the supplementary accounting information included within the Economic and Financial Analysis Report is presented, in all material respects, based on the information referred to in the "Criteria for preparing the supplementary accounting information" paragraph.

**Responsibilities of the Management of Bradesco**

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

**Independent Auditor's Responsibility**

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

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

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

### **Economic and Financial Analysis Report - December 2017**

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#### **Independent Auditors' Report**

### **Independent Reasonable Assurance Report on the Supplementary Accounting Information included within the Economic and Financial Analysis Report**

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

### **Criteria for Preparing the Supplementary Accounting Information**

The supplementary accounting information disclosed within the Economic and Financial Analysis Report, for the year ended December 31, 2017 has been prepared by the Management of Bradesco, based on the information contained in the consolidated financial statements on December 31, 2017 and the accounting information adjusted to the criteria described in Note 4 of such financial statements, in order to facilitate additional analysis, without, however, being part of the consolidated financial statements disclosed on that date.

### **Conclusion**

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

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

Osasco, January 31, 2018

KPMG Auditores Independentes

CRC 2SP028567/O-1 F SP

*Original report in Portuguese signed by*

Rodrigo de Mattos Lia

Accountant CRC 1SP252418/O-3

Bradesco

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Independent Auditors' Report

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Economic and Financial Analysis Report - December 2017

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

### ***Message to Shareholders***

Dear Shareholders,

2017 was a challenging year, but it revealed a perceptible resumption of Brazil's economic activity.

The year's achievements are the fruit of the dedicated work of our employees and other collaborators, whom we thank, as well as our shareholders and customers, for their support, trust and preference.

At Bradesco, even in an environment of uncertainty, we wrote yet another chapter of major achievements and advances in our history, the result of a balanced strategy of actions, with different sources for generating business and results, thus diversifying the risks intrinsic to our activity. Also, driven by our vocation as a pioneering company and the determination to be contemporary, at all times, our technological framework is constantly evolving, in synergy with the advances and society's new ways of interacting with digital media and mobility, coupled with technical and professional improvement of our staff – fundamental pillars of our Organization.

With more than 75 years of professional life dedicated exclusively to the Bradesco Organization, and magnificent examples of effort, integrity and ethics," Mr. Lázaro de Mello Brandão submitted his letter of resignation from the position of Chairman of Bradesco's Board of Directors on 10/10/2017, remaining as Chairman of the Board of Parent Companies of Bradesco. Originating at Casa Bancária Almeida & Cia., a financial institution that in 1943 became Banco Brasileiro de Descontos S.A., today known as Banco Bradesco S.A., over the years he masterfully lead the principles and values that served as the foundation for our Organization.

Inherent in the Bank's culture, the forte of our social responsibility is the work developed by Fundação Bradesco, one of the largest private socio-educational programs in Brazil. With more than six decades investing in education, at its 40 own schools, it provides quality education for children, youths and adults, free of charge, and also provides school supplies, uniforms, meals, and medical/dental care. In 2017, Fundação Bradesco boasted around 96,754 students.

Overcoming obstacles with constructive attitudes and investments, we have recorded a net income of R\$14.658 billion, of which R\$7.204 billion was reserved for shareholders in the form of Interest on Shareholders' Equity, corresponding to 51.7% (net of withheld Income Tax 44.0%) of adjusted income. In this result, Grupo Bradesco Seguros' 37.8% share was expressive. Total Assets amounted to R\$1.211 trillion, a 2.7% increase over the previous year. Equity totaled R\$110.457 billion, and the Operational Efficiency Ratio reached 40.8%. The good performance demonstrates the solidity and renews the Organization's future vision, always committed to globally recognized initiatives in sustainability and corporate governance.

For the Organization, there are reasons for optimism about tomorrow's Brazil, and, in this context, we reiterate the positive outlooks regarding the Nation's capacity for growth. Confident in 2018, we will be attentive to the business opportunities that arise, in the face of an increasingly fierce market. Thus, in order to exceed expectations and maintain sustainable growth, Bradesco continues to seek to integrate its principles into its strategic planning, aiming to increasingly offer diversified products and services, as well as an extensive and well-distributed network of qualified and modern banking services.

Cidade de Deus, January 31, 2018  
Luiz Carlos Trabuco Cappi  
Chairman of the Board of Directors and CEO

Economic and Financial Analysis Report - December 2017

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

## **Management Reports**

We hereby present the Consolidated Financial Statements of Banco Bradesco S.A. related to the year ended on December 31, 2017, prepared in accordance with the accounting practices used in Brazil and applicable to institutions authorized to operate by the Brazilian Central Bank.

Among the major events at Bradesco Organization during the year, the following are the most noteworthy:

- **again selected to join the Dow Jones Sustainability Index** (DJSI) of the New York Stock Exchange, in the Dow Jones Sustainability World and Emerging Markets portfolios;
- **for the 13th consecutive year, it is included on the Corporate Sustainability Index** (ISE) of the São Paulo stock exchange (B3 S.A. *-Brasil, Bolsa, Balcão*); and
- **for the first time ever, Bradesco is part of the "Best Emerging Markets Performers Ranking"** by Vigeo Eiris, Europe's pioneering ASG analysis agency, which covers environmental, social and governance factors.

### **Economic Comment**

2017 was highlighted by the resumption of Brazilian economic activity. Favorable signs on the labor market and advances in consumer confidence helped make household consumption

### **1. Result for the Year**

The results achieved by Bradesco in 2017 and the remuneration to shareholders have confirmed that the strategic planning developed for the period was as expected. The detailed analysis of these figures is available online at [banco.bradesco/ri](http://banco.bradesco/ri) website, in the Economic and Financial Analysis Report.

R\$14.658 billion was the taxable Net Income in the financial year, equivalent to R\$2.41 per share and profitability of 13.9% over the average Shareholders' Equity (\*). The return on Average Total Assets was 1.2%.

R\$7.204 billion was allocated to shareholders, as Interest on Own Capital, intermediaries and supplementary, computed in the calculation of mandatory dividends. Thus, R\$1.25 (R\$1.06 net of Income Tax withheld at the source), which includes an additional 10.0% was attributed to every preferred share, and R\$1.13 (R\$0.96 net of Income Tax withheld at the source) for every common share. Distributed interest represents 51.7% (net of Income Tax withheld at the source 44.0%) of the year's adjusted income.

### **Taxes and Contributions**

During the year, Bradesco allocated a significant portion of its earnings to the public coffers, in direct

more dynamic. Cuts in the basic interest rate stimulated activity and investments. Although economic reestablishment is evident, its pace is still shown to be gradual. Accordingly, one can see an economy that is operating below its potential, a factor that helps to anchor inflation expectations, even in a scenario of expansion (in the short term), guided by demand. Although it remains challenging and requires additional efforts, the government has managed to move forward with key measures to stabilize the debt-to-GDP ratio. For 2018, in light of the stimuli in place, we expect activity to resume more intensively.

In the external scenario, the relevant economic growth worldwide, combined with an extremely moderate inflationary context, have allowed global liquidity to be maintained, especially in developed economies, keeping high attractiveness for investments in emerging countries.

proportion to the volume of its business activities.

R\$16.036 billion totaled the own taxes and contributions, including pensions, paid or provisioned.

R\$15.548 billion totaled the withheld taxes and those collected from third parties equivalent to financial intermediation.

In all, resources in the significant amount of R\$31.584 billion originated in the Organization or transited through it.

(\*) Excluding mark-to-market effect of available-for-sale Securities recorded under Shareholders' Equity.

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**Management Report**

**2. Business Strategy**

With the steadfast purpose of expanding its outstanding position among private financial institutions and increasing operational efficiency vis-à-vis an increasingly competitive market, Bradesco carries out its activities to provide quality services, with the most modern technology tools, commitment to customers and shareholders, and a nationwide presence.

In this context, underpinned by ethical values, respect and transparency, Bradesco is able to face today's challenges, stimulating investments and the democratization of credit. To do so, it seeks to increase its offer of products, services and solutions, and, as a priority, it promotes banking inclusion and social mobility, through its broad-based Service Network that includes Branches, Service Points, Bradesco Espresso Correspondents and ATMs, as well as through digital channels such as Internet Banking, Bradesco Celular, Fone Fácil, and social media.

Regarding the financial aspect, from a perspective of more realistic growth, the Bank will continue to seek to expand its credit portfolio in 2018, with an emphasis on consumer credit, payroll loans, support to entrepreneurship (especially for small businesses), and real estate lending, as well as its strong performance in open supplementary pension plans. To this end, it will continue to adopt effective security criteria, which includes a rigorous evaluation of the processes of concession and efficient daily collection of overdue amounts. The strategic focus on secure dissemination and in the results of the business it conducts, such as, for example, investment banking, corporate, private

Respect for the consumer, socio-environmental responsibility, security, and credibility are part of Bradesco's corporate culture. Three vectors of greater magnitude underpin strategic planning:

- to grow organically without losing sight of potential acquisitions, associations, and partnerships, provided they are committed to the quality of service, to security of the products, solutions, and services, and with the effective improvement of financial and operational efficiency indexes;
- to maintain strict controls in order to identify, assess, and mitigate risks intrinsic to the activities, as well as to define acceptable levels in each operation; and
- to conduct business with full transparency, ethics, and adequate compensation to investors.

**3. Capital, Reserves and Subordinated Debt**

Regarding Banco Bradesco, at the closing of the financial year:

R\$59.100 billion totaled the Capital Stock subscribed and paid in;

R\$51.357 billion totaled the Equity Reserves; and

banking, and the management of third-party funds, in addition to investments in the credit card, consortium, insurance, private pension, and capitalization markets, equally relevant, will remain active in the Organization.

Present in strategic markets abroad, Bradesco provides support to Brazilian companies, clients residing abroad, as well as foreign companies and investors with interests in Brazil. Bradesco Securities in New York, London, and Hong Kong are essential to securing funds and distributing securities in these financial centers, as well as to Banco Bradesco Europe in Luxembourg and London, with financing services to corporate and private banking clients.

The growth that is continually pursued by the Bank implies substantial investments (in infrastructure) in Information Technology, and Human Capital, all of which are indispensable pillars for the banking market. R\$6.037 billion were invested to innovate, update, and maintain the IT environment, which is a highlight in the market, with the best practices and existing technologies, and R\$163.9 million were invested in staff training programs through the Bradesco Corporate University - UniBrad, in order to ensure motivation, innovation, and focus on the client.

R\$100.457 billion was the Shareholders' Equity with a growth of 10.0% in the year. In relation to Consolidated Assets, that amount to R\$1.211 trillion, the Managed Shareholders' Equity was equivalent to 9.2%. The Net Asset Value per share was of R\$18.15.

The solvency index was 17.1%, higher than the minimum of 10.8% regulated by Resolution No. 4,193/13 of the National Monetary Council, according to the Basel Committee. Regarding Reference Equity, the immobilization index reached 43.4% in the Prudential Conglomerate, within the maximum limit of 50%, established by the Brazilian Central Bank.

Subordinated Debt amounted, at the end of the financial year, to R\$50.179 billion (Abroad, R\$11.638 billion and in Brazil, R\$38.542 billion), of which R\$29.593 billion were considered eligible as regulatory capital and included the Reference Equity, and included in the calculation of indexes recorded in the previous paragraph.

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### **Securities classified to held-to-maturity securities**

As provided by Article 8 of the Brazilian Central Bank Circular Letter No. 3,068/01, the Bank declares that it has the financial capacity and the intention of holding to maturity the securities classified under "held to maturity securities". During year 2017, there were no sales or reclassifications of securities classified in this category. It also states that the operations of Banco Bradesco S.A., its subsidiary, are adjusted to the strategic objectives defined in the Business Plan, in accordance with Article 11 of the Regulation, Appendix I to Resolution No. 4,122/12, of the National Monetary Council.

### **Capital Management**

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

## **4. Operating performance**

### **4.1. Funding and fund management**

R\$246.653 billion in Technical Provisions for Insurance, Pension Plans and capitalization bonds, up by 10.4%.

R\$33.235 billion in Foreign Funding, through public and private issues, Subordinated Debt Overseas, Securitization of Future Financial Flows and Borrowings and On-lendings Overseas, equivalent to US\$10.047 billion.

### **4.2. Loan Operations**

Bradesco, attentive to the challenging scene of the credit market, constantly monitors its loan portfolios in order to keep its policy up to date and in line with the current economic situation, preserving the expansion and diversification of the supply in channels of distribution, which cover the Network of Branches, Banking Correspondents, and Digital Channels. These differentials have contributed to the achievement of loans and direct financing or in strategic partnerships with the various business chains.

R\$492.931 billion was the balance at the end of the year, of consolidated loan operations, in the expanded concept, which includes Sureties, Guarantees, Letters of Credit, Anticipation of Credit Card Receivables, Debentures, Promissory Notes, Co-obligation in Certificates of Real Estate Receivables, and Rural Loans.

R\$36.424 billion was the consolidated balance of allowance for loan losses, considering an additional allowance of R\$6.895 billion, above what's required by Resolution No. 2,682/99, of the National Monetary Council.

In the end of the year, the resources funded and managed amounted to R\$1.903 trillion, 5.9% higher than the previous year. Overall, the Bank manages 25.810 million account holders, 63.403 million savings accounts with a balance of R\$103.333 billion, representing 18.3% of the SBPE – Brazilian Savings and Loan System.

R\$498.675 billion in Demand Deposits, Time Deposits, Interbank Deposits, Savings Accounts and Securities Sold Under Agreements to Repurchase.

R\$834.646 billion in assets under management, comprising Investment Funds, Managed Portfolios and Third-Party Fund Quotas, a 10.3% increase.

R\$290.035 billion in the Exchange Portfolio, Borrowings and Onlendings in Brazil, Working Capital, Tax Payments and Collection and Related Charges, Funds From Issuance of Securities in Brazil, and Subordinated Debt in Brazil.

### **Consumer Credit**

Consumer Credit is one of the most highly representative components of the credit portfolio, contributing to the growth of small, medium and large businesses, financing acquisitions of goods produced and offered by the various production chains, through its diversified portfolio. Among the Lines of Credit are Personal Loans, Payroll-deductible loans, and Vehicle Financing.

R\$116.066 billion was the balance of operations designated to the consumer credit.

### **Payroll-Deductible Loans**

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Payroll-Deductible Loans continue to be one of the most relevant components of the individual credit portfolio. At Bradesco, the distribution of the product is carried out by the Network of Branches, Bradesco Expresso, Bradesco Financiamentos, and its partner Correspondents, in addition to digital channels: Bradesco Celular, Internet Banking, ATMs, Banco24Horas, and Fone Fácil.

Bradesco's offer of payroll loans is targeted mainly at Social Security (INSS) pensioners and retirees, public servants, and employees of companies having agreements with Bradesco.

R\$43.968 billion was the balance of the Portfolio at the closing of 2017, with 9,656,304 active contracts.

### **Real Estate Credit**

Maintaining a strong commitment to meeting the demands of the real estate sector, financing both the construction industry as well as real estate acquisition by final borrowers, Bradesco constantly seeks to improve its loan granting processes in the different originating channels, with the aim of making them more streamlined and practical for customers. On the [banco.bradesco](http://banco.bradesco) website the products available, partnerships firmed with real estate companies, among other information, can be consulted.

R\$60.866 billion was the balance of the Real Estate Credit Portfolio, whereby R\$33.687 billion was intended for Individuals and R\$27.179 billion for Legal Entities, and a total of 170,241 units financed.

R\$23.725 billion amounted to the balance of transfer portfolios, with 239,634 contracts registered.

### **Credit Policy**

The Credit Policy aims at guiding the rapid implementation of diversified pulverized businesses, sustained by appropriate guarantees and intended for people and companies and of proven solvency. Carried out quickly and securely, these operations seek to ensure the adequate profitability and liquidity of invested assets.

Specialized systems for Credit Scoring allow the speediness and backing of the decision-making process with specific standards of safety and assertiveness in the environment of the Branches. The Credit Department and the Executive Committee of Credit, installed in the Head Office, are responsible for the decisions about loans that exceed the levels of authority of the Branches.

### **Loan portfolio quality**

The quality of the credit portfolio showed improvement, returning to levels close to those observed in the period prior to the economic crisis in Brazil, supported by favorable signs in the labor market and by the resumption of economic growth at a gradual pace, but mostly due to the constant improvement of models and policies for loan granting and monitoring, as well as the option of safer credit modalities, such as payroll lending and home lending.

### **4.3. Collection and Loan Recovery**

Debt collection and recovery are promoted with the involvement of all Segments, Management and Legal Departments, aiming to reduce default and

## **Agribusiness**

Bradesco is the largest private bank in Assets in Agribusiness, with a strong presence in the productive chain, offering solutions for the development of production, processing and marketing of agricultural products. Maintains agreements with the main manufacturers of machinery and equipment in the Country, contributing to the expansion of business and growth in productivity. Detailed information about agribusiness, credit products and services can be obtained at the web site

[bradescoagronegocio.com.br](http://bradescoagronegocio.com.br).

R\$20.588 billion was the balance of investments at the end of the financial year.

## **Onlending Operations**

One of the main onlenders of BNDES funds, Bradesco maintained this important positioning by reaching a total disbursement of R\$5.255 billion, equivalent to 14.0% of the Market Share, maintaining a focus on releases to micro, small, and medium companies, which absorbed R\$3.773 billion, or 14.6% of the total amount disbursed. Also highlight, the excellent performance of the BNDES FINAME line, focused on funding machinery and equipment, which reached the amount of R\$2.793 billion, corresponding to 15.9% of the total disbursement of the modality.

maintain the relationship with clients. To this end, Bradesco uses its own statistical models, updated periodically, which separate debtors according to levels of risk and propensity to pay, making collection strategies more assertive and efficient.

Collection occurs sequentially through the Network of Branches, Call Centers, and Friendly and Judicial Collection Offices, also counting on regional teams specialized in debt recovery, that tailor their operations on the most significant cases.

R\$7.035 billion in loans were recovered, 27.7% higher than in the previous year.

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**5. International Area**

Abroad, the Bradesco Organization offers an extensive line of products and services by means of units of Banco Bradesco in New York and Grand Cayman; Bradesco Securities in London, Hong Kong and New York; Banco Bradesco Europa in Luxembourg and London; Banco Bradesco Argentina in Buenos Aires; and Bradescard in Mexico, in addition to an extensive network of international correspondents. In Brazil, it is present in the main regions, with 12 specialized operating units in foreign exchange and foreign trade business and 18 service points within the “Bradesco Empresas” (Corporate) segment. This structure enables a position of leadership among private banks in the foreign exchange market and in the financing of foreign trade in Brazil, as the following highlights below:

R\$9.430 billion in Advances on Foreign Exchange Contracts, for an Export Financing portfolio of US\$12.684 billion;

US\$1.706 billion in Import Finance in Foreign Currency;

US\$44.026 billion in Export Purchases, with a market share of 22.4%;

US\$30.095 billion in Imports contracted, with a market share of 21.4%; and

US\$5.477 billion in public and private placements, of medium and Long-terms, in the international market.

**6. Bradesco Shares**

US\$25.936 billion were negotiated as ADRs, in the North American market (New York Stock Exchange - NYSE), equivalent to 1.910 million common shares and 2.605 billion preferred shares.

EUR 4.445 million were negotiated as DRs, on the European market (Latibex – Madrid), equivalent to 0.514 million preferred shares.

**7. Segmentation of the Market**

Bradesco, present throughout Brazil, maintains its vocation as an open-door bank, with the aim to reach the greatest number of customers, democratizing access to banking products and services, favoring the process of financial inclusion, increasing access to and usage of banking services and entrepreneurship, as well as social mobility. To welcome all classes of the population, with quality and commitment, its segmentation strategy brings together groups of customers having the same profile, with differentiated service and increased gains in productivity and speed. Thus, Bradesco improves the quality of customer relationships, as well as adjusts and scales its operations based on each customer's demands, giving the Bank greater flexibility and competitiveness in conducting business.

**7.1. Bradesco Corporate**

Offers specialized services to large economic groups, with an annual revenue of more than R\$250 million. The principle of long-term relationship is an important differential, because it creates the best solutions for clients and the best results for the Organization, by means of business units in the main Brazilian cities.

“Ações Bradesco,” with a high level of liquidity, maintained its presence in all trading sessions of the B3 – Brasil, Bolsa, Balcão stock exchange. They represented 9.4% of the Ibovespa index at the end of 2017. They are also traded abroad, on the New York Stock Exchange, by means of ADR – American Depositary Receipts – Tier 2, and on the Stock Exchange of Madrid, Spain, through DRs, which integrate the Latibex Index.

To shareholders, as minimum mandatory dividend, is guaranteed 30% of the adjusted net income, in addition to the Tag Along of 100% for the common shares and 80% for the preferred shares. Still, granted to the preferred shares are dividends 10% higher than those given to the common shares.

R\$87.159 billion was the amount negotiated in Bradesco Shares during the year, on B3, composed of 354.695 million common shares and 2.394 billion preferred shares.

R\$452.159 billion were the total resources administered by the area, comprising 2,198 economic groups.

## **7.2. Bradesco Empresas**

With a high degree of specialization, it is responsible for the management of economic groups with annual revenues between R\$30 million and R\$250 million, offering structured operations and a complete portfolio of products and services.

R\$102.012 billion was the total amount of resources managed by the segment, serving companies operating in all sectors of the economy.

## **7.3. Bradesco Private Bank**

“Private Banking” specializes in attending to individuals, family-based holding s, and larger holding companies, which have net availability for investments of R\$5 million. It offers clients an exclusive line of products and services within the Tailor-Made concept and open architecture, including advice, in Brazil and Abroad, in the allocation of financial and non-financial assets, as well as advising on wills, foreign exchange and structured operations.

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### **7.4. Bradesco Prime**

Focusing on asset management, through financial advisory specialists, "Bradesco Prime" offers a broad portfolio of differentiated products and services to individuals with monthly income over R\$10,000, or availability of investment of at least R\$100,000. Respecting the profile of each customer, the segment offers tailored service at the Exclusive Branches, Prime Spaces at our Retail Branches and on the customer service platforms for those investing more than R\$1 million up to R\$5 million, promoting comfort, privacy, and ongoing attention to all the customers' needs.

### **7.5. Bradesco Varejo**

The Retail segment focuses on individuals with a monthly income of up to R\$9,999.99, and businesses with annual revenues of up to R\$30 million. For individual clients, with a monthly income between R\$4 thousand and R\$9,999.99 thousand or availability of investment greater than R\$40,000, denominated as Exclusive Clients, provides personalized service, customized solutions, exclusive spaces in Branches and preferential service at the cashiers. For corporate customers, called "*Empresas e Negócios*," it offers financial solutions suited to the needs of these customers through a specialized team of Managers. At the close of the financial year, the segment served more than 23.5 million account holders.

### **7.6. Bradesco Expresso**

R\$6.849 billion in Revenue from Provision of Services, with a growth, mainly in revenue from commissions on purchases made with Credit/Debit Cards and miscellaneous charges.

### **8.2. Investment Products**

Bradesco's customers have at their disposal a complete investment platform, with solutions structured to meet their needs, moment in life, and profile, identified through the Suitability process (IPA – Investor Profile Analysis).

Assets Management, in addition to having the assistance of the Branch Network Managers, has a team of investment specialists. Customers also have the convenience of investing through Internet Banking, Bradesco Celular, and other channels. The Portfolio consists of banking products, as well as Investment Funds, Capital Market products, Brokerage and Private Pension Funds. With this range of offers, customers optimize the risk–return ratio in their strategies, from the suggested Portfolios, prepared monthly based on the events of the financial markets of Brazil and the world.

### **8.3. Cash Management Solutions**

Bradesco offers customized solutions to Companies, Government Agencies and Utilities Companies, in the administration of Accounts Receivable and Payable, as well as in the collection of fees and taxes.

According to the respective profiles and needs, clients from specific market niches, such as Franchising, Education, Condominiums, among others, count on the support of a qualified team to

Bradesco Expresso expands its share in the correspondent segment through a partnership with various commercial establishments, such as Supermarkets, Pharmacies, Department Stores, Bakeries and other retail chains, delivers to customers and the community in general the convenience of services near their residence or workplace, in extended hours, including weekends. On December 31, 2017, 38,708 establishments had been accredited.

## 8. Products and Services

### 8.1. Bradesco Cards

Bradesco offers its customers the most complete line of credit cards in Brazil, such as Elo, American Express, Visa, MasterCard and various Private Labels. The Bank also has a debit/credit card business unit abroad – Bradescard México – which has a strong partnership with retail chains C&A, LOB, and Bodega Aurrera, as well as with Suburbia stores in that country.

R\$176.893 billion was the volume of transactions by Credit Cards.

structure solutions that add value to their business.

The Global Cash Management area aims to structure solutions for international companies operating in the Brazilian market and domestic companies operating abroad, through partnerships with 48 international banks and access to the Swift network. Among the services provided, we highlight the opening of accounts of companies indicated by partner banks and the structuring of proposal for the centralization of the companies' cash.

171.917 million documents collected during the year in federal, state, municipal taxes and other contributions.

337.436 million documents received from electric, water, gas and telephone bills, of which 61.168 million of them settled by Direct Debit from Current Account and Savings Accounts, a system that provides comprehensive convenience to the client;

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1.120 billion receipts processed by means of Cobrança Bradesco (Collection), Custody of Checks, Identified Deposit and OCT – Ordem de Crédito por Teleprocessamento (Tele-processed Credit Order);

1.012 billion of transactions carried out by payment systems for businesses, which encompass payments of the main Accounts Payable commitments (suppliers, wages/salaries, taxes, and utility bills).

124.919 million of benefits payments to retirees and pensioners of the INSS (Social Security).

92.499 million in Payroll Processing from the public and private sectors.

**8.4. Solutions of Products and Services to the Public Authorities**

Bradesco provides, through its Bradesco Government Authority Department and its exclusive Public Sector service platforms, located throughout the country, Business Managers capable of providing products, services, and solutions with quality and security to Public Entities and Agencies of the Executive, Legislative and Judicial Authorities, in the Federal, State and Municipal spheres, in addition to the Local Authorities, Public Foundations, Public and Mixed Economy Companies, the Armed Forces (Army, Navy and Air Force), and Auxiliary Troops (Federal, Military and Civil Police).

In 2017, six Platforms specializing in top-level public agencies were created, to attend to

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

R\$1.5 trillion in custodied assets of clients;

R\$2.2 trillion in assets under controllership; and

R\$118.3 billion in fair value, referring to 26 American Depositary Receipts (ADR) programs and 4 GDR (Global Depositary Receipts) programs.

**Fiduciary Management for Funds**

R\$359.3 billion in shareholders' equity of investment funds managed by BEM – Distribuidora de Títulos e Valores Mobiliários, a company of Grupo Bradesco.

**Bookkeeping of Securities**

241 companies belonging to the Bradesco System of Book-Entry Shares, with 4.4 million shareholders;

384 companies with 557 releases integrate the Bradesco System of Book Entry Debentures, with the amount of R\$375.9 billion;

823 Investment Funds integrate the Bradesco System of Book Entry Quotas, with the amount of R\$81.9 billion; and

36 BDR programs (*Brazilian Depositary Receipts*), with a market value of R\$513.9 million.

**Depository (Escrow Account – Trustee)**

Governments, Capitals, Courts, Professional Boards, Assemblies, Public Prosecutors, Public Defenders, and the 100 Largest Municipalities of Brazil's GDP.

Monthly, more than 10.700 million retirees and pensioners of the INSS receive their benefits from Bradesco, which gives it the position of highest payer among all the banks in the country.

With exclusive space for public servants and the military, the site [bradescopoderpublico.com.br](http://bradescopoderpublico.com.br) presents Corporate Solutions of Payments, Receipts, HR and Treasury.

### **8.5. Solutions for the Capital Market**

Bradesco, with modern infrastructure and specialized professionals, is at the forefront of the capital markets, offering a broad range of solutions and services. Among the main ones, are the following:

13,176 contracts, with a financial volume of R\$14.5 billion.

### **9. Organizational Structure – Bradesco Service Network**

The Service Network of the Bradesco Organization is present, with an extensive and modern structure, throughout the national territory and in some localities Abroad, offering convenience and excellence in services in all the segments in which it has operations.

At the end of the financial year, with 73,474 points of service, the Service Branches were distributed as:

8,648 Branches and PAs (Service Branches) in Brazil (Branches: Bradesco – 4,743, Banco Bradesco Cartões - 1, Banco Bradesco Financiamentos – 2, Banco Bradesco BBI – 1, Banco Bradesco BERJ - 1 and Banco Alvorada - 1; and PAs: 3,899);

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3 Branches abroad, with one Bradesco in New York, one Bradesco in Grand Cayman and one subsidiary Banco Bradesco Europa in London;

9 Overseas Subsidiaries (Banco Bradesco Argentina S.A., in Buenos Aires; Banco Bradesco Europa S.A., in Luxembourg; Bradesco North America LLC and Bradesco Securities, Inc., in New York; Bradesco Securities UK Limited, in London; Bradesco Securities Hong Kong Limited and Bradesco Trade Services Limited in Hong Kong; Cidade Capital Markets Ltd. in Grand Cayman, and Bradescard Mexico, Sociedad de Responsabilidad Limitada in Jalisco);

14,002 Service points of Bradesco Financiamientos, with 941 posts for Payroll Loans and 13,061 dealer/reseller posts for Vehicle Financing;

38,708 Bradesco Expresso service points;

928 In-company electronic service branches;

63 Losango service points;

63 External Terminals in the Bradesco Network; and

11,050 ATMs in the Banco24Horas Network, with 32 terminals shared by both networks.

At the same time, the Service Network consisted of 35,590 ATMs, strategically distributed nationwide, and also has recycling machines with an unprecedented benefit of immediate deposit, aside from the 21,259 ATMs of the Banco24Horas network. Through this channel, Bradesco joins the

At [banco.bradesco](http://banco.bradesco), customers can carry out consultations and various bank transactions in a practical and secure manner, offering a broad portfolio of services and products through Internet Banking for individuals and Net Empresa for corporate customers, including a new homebroker that is modern and intuitive. In this environment, it is also possible to understand the functioning of each customer's navigation, accompanying their behavior to build and enhance an even more genuine and fluid experience of relationship with people.

For cellular phones, Bradesco has the most complete and practical set of solutions on the market, offering – in a pioneering way on the financial market and in partnership with mobile operators – access to the user's account without spending their mobile data package, contributing toward financial inclusion and social mobility. In 2017, new services were added, such as the investment fund app, sharing of receipts through WhatsApp, and credit card password viewing. It is also present on major social platforms, seeking to establish and strengthen, with relevant content, the relationship with clients and the public in general.

It is also present on the main social platforms, using social media language to establish and strengthen relationships with customers and the general public, in an uninterrupted way, through relevant content and partnership with digital content creators. Through Social Networks, it brings the brand's DNA closer to people, with conversations that translate the mission, the values and the beliefs that the Bank has in "Brazilianness," democracy, and capillarity as the brand's pillars.

physical world to the digital world. For example, it uses palm biometrics, which makes it possible to safely use the machine for various actions without the physical card, Token registration on one's cell phone, as well as Scheduled Withdrawal, where Android users with NFC (Near Field Communication) can schedule withdrawals through the Bank's app; to withdraw funds, suffice it to hold one's phone close to the sensor.

In a pioneering way, Bradesco offers widest range of accessibility solutions in banking products and services, free-of-charge, which contributes toward the autonomy and independence of customers with disabilities, such as desktop and mobile screen reading software, machines adapted with earphone inputs, virtual assistant for service in sign language, and braille keypads.

Available day and night, Fone Fácil Bradesco is the client's telephone banking service, focused on business and the implementation of financial transactions. In addition to personalized service, which has a team certified for investments and serves more than one million calls per day through voice command, it is possible to carry out consultations and various banking services electronically, in a fast and efficient manner.

And rounding out its Network, Bradesco currently has two major Digital Platforms, which serve customers in the "Exclusive" and "Prime" segments invited by the Bank, and those who have requested migration to the units because their relationship profiles are primarily digital. The service is performed by highly qualified managers, via chat, SMS, telephone or videoconferencing, as well as financial consulting services, during extended hours from 7:00 a.m. to midnight. Digital customers also count on an exclusive 24-hour telephone call center every day of the week. It also has the Bradesco Private Bank Digital Branch, enabling customers in all regions of Brazil to centralize their relationship both in their investments and in the banking account in a single segment.

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**Next**

The “*next*” platform – Bradesco’s 100% stand-alone digital platform, launched in 2017 – interactively relates to users based on their behavior, and transforms money management into smart journeys toward achieving goals, with the best usage experience. Its language, design and content have been carefully designed to offer customers an innovative solution that is completely integrated with their objectives.

Available to the hyperconnected public, it enables integrated solutions – through mobile applications – ensuring users the freedom to carry out account transactions spontaneously. If necessary, the customer is served by an online, 24 hours a day, including weekends, and by social networks. Also, during the week, it offers telephone service via “*next*” branch. For withdrawals, consultations and other services, it is supported by the Retail Branches, ATMs and the Banco24Horas network.

**10. Bradesco companies**

**10.1. Insurance, Pension and Capitalization**

Grupo Bradesco Seguros, with a path associated to financial soundness and innovation in various products in the areas of Insurance, Supplementary Open Pensions and Capitalization, remains in the lead among the conglomerates that operate in the sector in Brazil.

R\$5.534 billion was the Net Profit of the Insurance segment, Supplementary Pensions and Capitalization in the year, with a profitability of 19.1% on the average Shareholders’ Equity.

R\$32.665 billion in Shareholders’ Equity;

Minimum Capital Required – Grupo Bradesco Seguros

**10.2. BEM – Distribuidora de Títulos e Valores Mobiliários (Securities Dealer)**

BEM operates in the capital market by providing Fiduciary Management services for investment funds.

R\$222.225 billion, on December 31, 2017, distributed into 1,841 Investment Funds, totaling 42,436 investors.

**10.3. Bradesco Leasing – Commercial Lease**

Bradesco Leasing, working together with the Branch Network and in partnership with major manufacturers and representatives in the automotive, executive aircraft, naval and machinery and equipment industries, is among the leaders of the commercial lease business, with 18.1% of the market. This result has come from the diversification strategy of businesses in several segments of the market.

R\$2.250 billion was the balance of portfolio on December 31, 2017, with 2,427 operations contracted during the year.

12.243 contracts in the lease portfolio, characterizing the high level of business fragmentation.

**10.4. Bradesco Administradora de Consórcios**

“*Bradesco Consórcios*” manages consortium groups (of account holders or non-account holders), offering a complete portfolio of products. It is a leader in the segments in which it operates: real estate, automobiles and trucks, as a result of planning and synergy with the Bank’s Network of Branches.

R\$289.368 billion in Total Assets;

1,410,736 active quotas at year-end, with 451,252 new quotas sold.

R\$272,612 billion in free investments and the cover of Technical Provisions.

R\$66.266 billion in accrued revenue.

R\$246.653 billion totaled technical provisions for insurance, pension plans and capitalization bonds

### **10.5. Banco Bradesco Financiamentos**

R\$76.289 billion represented the Revenue from Insurance Premiums, Pension Contributions and Revenue from Capitalization.

“*Bradesco Financiamentos*” – acting as the financial institution of the Bradesco Organization – offers lines of credit in the modalities of Direct Consumer Credit (CDC) and Leases for the acquisition of light-duty vehicles, heavy-duty vehicles and motorcycles, and Payroll loans for Social Security pensioners and retirees and Federal, State and Municipal civil servants, as well as aggregated products such as insurance and debit/credit cards, among others.

R\$55.714 billion in indemnities, draws and redemptions paid by Grupo Bradesco Seguros in the financial year.

R\$1.118 billion in Net Profit in the year.

R\$44.353 billion in Consolidated Assets.

R\$30.041 billion represented the balance of loan operations.

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13,061 active commercial partners in the country, in an extensive Accredited Network formed by vehicle resellers and dealers.

941 correspondents act in the consigned loan segment, in all the Brazilian states, in the capture of clients.

### **10.6. Banco Bradesco BBI**

Bradesco BBI is engaged in Investment Bank of the Organization, advising clients in primary and secondary issuing of shares, merger transactions, purchase and sale of assets, structuring and distributing debt instruments, such as debentures, promissory notes, CRIs, CRAs, real estate funds, FIDCs and bonds, among others, besides structured corporate finance operations and the financing of projects under the modality of Project Finance.

R\$ 179,031 billion was the total from 176 investment banking transactions advised in the period from January to November 2017.

### **10.7. BRAM – Bradesco Asset Management**

BRAM, the country's largest private investment fund manager, offers differentiated investment solutions tailored to all customer profiles, ensuring the highest standard of service quality. Its main customers include the key segments of Bradesco, such as Prime, Corporate, Private, Varejo (Retail), Empresas (Corporate), and Bradesco Seguros Group (Insurance), as well as Institutional Investors in Brazil and abroad, and various Family Offices.

R\$666.6 billion in Third Party Resources under Management, on December 31, 2017, distributed into 1,187 Investment Funds and 216 Managed

With wide coverage of companies and sectors, they offer investment analysis and economic analysis services. Also represent non-resident investors in the country in operations carried out on the financial and capital markets, in the management of investment clubs and in the custody for non-institutional individuals and legal entities.

R\$ 292.352 billion is the total negotiated by the Broker on the trading sessions of variable income markets of B3, corresponding to 18,798,008 orders for the purchase and sale of shares transacted, catering to the needs in the year of 156,112 investors;

38,778 thousand of contracts traded on B3's derivatives markets, representing a financial volume of R\$3.781 trillion.

74,086 clients were registered on December 31, 2017 in the Fungible Custody Portfolio.

### **10.9. Brokerage Firms Abroad (Bradesco Securities, Inc., Bradesco Securities UK Limited and Bradesco Securities Hong Kong Limited)**

Bradesco Securities, Inc. operates in the North American market, in New York, Bradesco Securities UK Limited, in the European market, in London, and Bradesco Securities Hong Kong Limited, in the Chinese market, in Hong Kong, mediating shares, through ADRs as well as shares listed on the local Stock exchanges. As broker-dealers, these brokers operate in the distribution of public and private securities for international investors.

## **11. Corporate Governance**

Portfolios, reaching 3.2 million investors.

### **10.8. Bradesco Corretora de TVM and Ágora Corretora de TVM**

The Bradesco Corretora and Ágora Corretora securities brokers have significant participation in the markets of Variable Income, Fixed Income and Futures, such as Stock, Investment Funds, Government Bonds, Private Securities, and Debentures. They are highlighted among the most active brokerage firms in this sector because of the operational support offered to customers – Bradesco Corretora through the national presence of Bradesco's platforms distributed in several cities throughout Brazil, Operations Tables, and Electronic Systems of Operations: Home Broker and the Bradesco Trading app for iPhone and iPad, – and Ágora Corretora through its modern and high-performance trading tools: Home Broker, Home Broker 2.0, AE Broadcast and Ágora Mobile.

Since its foundation, in 1943, corporate governance practices are present in the management of Banco Bradesco.

As of 1946, its shares are traded on Brazilian Stock Exchange, being traded in the US capital market, as of 1997, negotiating initially Tier I ADRs backed by preferred shares and, from 2001 to 2012, Tier II ADRs backed, respectively, by preferred and common shares. Since 2001, also negotiating DRs (Depository Receipts) on the European market.

Among the adopted practices, listing of the Bank to Level 1 Corporate Governance of B3 - Brasil, Bolsa, Balcão since 2001, and as of 2011, the adhesion of the Code of Self-Regulation and Best Practices for Publicly Held Companies of Abrasca. Ethics is present in Bradesco's day-to-day since its foundation, and when the Bank's Rules of Procedure were established in 1944, from which the Bradesco Organization Code of Conduct originated in 2003.

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With regard to its governance structure, Bradesco's Management is made up of the Board of Directors and the Statutory Board of Executive Officers. The Board is composed of 6 members, of whom 5 are external and 1 is internal, elected at the Annual General Meeting, and re-election is permitted.

On October 10, 2017, after 75 years of dedicated and flawless work, Mr. Lázaro de Mello Brandão presented his letter of resignation to the position of Chairman of Bradesco's Board of Directors, remaining as the Chairman of the Board of the Bank's parent companies. Mr. Luiz Carlos Trabuco Cappi, Chief Executive Officer, was appointed to replace him, holding both positions until the first meeting of the Board to be held after the Annual Shareholders' Meeting scheduled for March 2018, when the new Chief Executive Officer of the company will be elected. Mr. Carlos Alberto Rodrigues Guilherme, member since 2009, was appointed as the Vice-Chairman of the Board of Directors.

Eight committees advise the Board of Directors, whereby two are statutory (Audit and Remuneration) and six non-statutory (Ethical Conduct, Internal Controls and Compliance, Integrated Management of Risks and Allocation of Capital, Succession and Appointment, Risks and Sustainability), and various executive committees assist the activities of the Board of Executive Officers. The Fiscal Council, as an Oversight Body, has been acting since 2015 and is currently composed of 5 permanent members and their respective alternates.

In accordance with Instruction No. 381/03 of the Brazilian Securities and Exchange Commission, the Bradesco Organization states that, in 2017, contracted services provided by KPMG Auditores

### **11.2. Policies of Transparency and Disclosure of Information**

On the [banco.bradesco/ri](http://banco.bradesco/ri) website, the Report on Economic and Financial Analysis is available, where Bradesco's financial information can be found, as well as the Bradesco Integrated Report, which presents institutional, financial and business information, and sustainability, in a single document. The Bank also makes available to the market its Quarterly Report, a document prepared by the Investor Relations department, which presents the main financial highlights of the period.

### **11.3. Investor Relations – RI**

The commitment to transparency, democratization of information, punctuality and the pursuit of the best practices are essential factors and are constantly reinforced by Bradesco's Investor Relations area.

There were 288 events promoted with national and international investors, through conferences, meetings, conference calls and institutional presentations, assisting over 1,767 investors. It also held two teleconferences of results to institutional investors.

During the period, Bradesco APIMEC Meetings were held in Brasília, São Paulo, Rio de Janeiro, Porto Alegre, and Belo Horizonte, encompassing a total of 669 attendees, where Bradesco's main numbers, strategies and perspectives were presented.

### **11.4. Bradesco Ombudsman**

In 2005, with the premise of ensuring the quality of service as well as customer and user satisfaction,

Independentes that were not related to the external audit, at a level greater than 5% of the total fees related to external audit services. Other services provided by the external auditors were: i) the issue of due diligence reports; ii) Assurance Report; and iii) reports on previously agreed procedures. The contracted amount totaled, approximately, R\$2.3 million, which represents around 5.6% of the total audit fees for the 2017 financial statements of the Bradesco Organization. The Bank's policy is in line with the principles of preserving the auditors' independence, which is based on generally accepted international criteria, i.e. the auditors should not audit their own work, perform managerial duties for their clients or promote their customers' interests. It is noteworthy that any eventual services not related to the external audit are submitted prior to the authorization of the Audit Committee.

#### **11.1. Internal Audit**

The purpose of the Inspectorate-General (Internal Audit) is to evaluate the Bradesco Organization's processes, independently, in order to contribute to the mitigation of risks and to the adequacy of the Processes and the effectiveness of the Internal Controls, in compliance with the Policies, Rules and Standards as well as Internal and External Regulations. The Institute of Internal Auditors of Brazil, which considers in its premises the technical recommendations of The Institute of Internal Auditors (IIA), certifies the Methodology and Execution of Works of the area.

Bradesco created its Ombudsman's Office, two years before the requirement established by Resolution No. 3,477/07 issued by the National Monetary Council. Always a pioneer regarding innovations for the benefit of consumers, the same thing happened with the creation "*Alô Bradesco*" in 1985, five years before the Consumer Protection Code, being the financial market's first channel of communication with the public.

The role of the Ombudsman's Office lies in the recognition of an indispensable and proactive partnership in the decisions that affect customers, as well as a benchmark of quality and efficiency in the handling of complaints. Its creation ratifies the commitment to transparency in relations with customers and users, declared in the mission to represent customers with impartiality, transforming complaints into an experience that strengthens customers' relationships with the Organization and drives ongoing improvements in processes, products and services.

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**12. Integrated Risk Control**

**12.1. Risk Management**

Due to the complexity and variety of products and services and, also, globalization of Organization's business, risk management activity is highly strategic. Thus, the Organization controls corporate risk management in an integrated and independent manner, preserving and valuing the Board's decisions, developing and implementing methodologies, models and measurement and control tools. It also provides training for employees at every level of the Organization, from business areas to the Board of Directors.

In light of the broad-based performance and options available to its customers, in all market segments, the Organization is exposed to several types of risks. Therefore, it is crucial to adopt continuous monitoring of all the risks in order to give security and comfort to all the interested parties. Among the risks, we highlight: Credit, Counterpart Credit, Market, Operational, Subscription, Liquidity, Concentration, Social and environmental, Strategy, Legal or Compliance, Reputation, Model and Contagion.

In addition to the aforementioned risks, it has mechanisms for identifying and monitoring emerging risks, enabling the Organization to anticipate the development and implementation of actions that minimize any adverse impacts to its positions. These risks can be derived from several factors, and are assessed by means of consistent processes and a solid framework of corporate governance, being reported to the Integrated Risk Management and Capital Allocation Committee, subordinate to the Board of Directors.

The existence, implementation and effectiveness of the controls that ensure acceptable levels of risk in the processes of the Organization are certified by the Internal Control area, and the results are reported to the Audit Committee and Internal Controls and Compliance Committee, as well as to the Board of Directors, with the purpose of providing security for the running of the business and to reach the objectives established in accordance with applicable laws and regulations, external policies, internal standards and procedures, in addition to codes of conduct and of self-regulation applicable.

**Compliance and Integrity Program**

Senior Management and all employees are committed to complying with laws and regulations applicable to their activities, and to conduct business observing high standards of conduct and ethics. There are policies, standards, processes and systems in force for monitoring conduct, complaint handling channels and mechanisms, as well as an area designated to respond for the entire program aiming to ensure these commitments. Such components are backed by Committees linked to the Board of Directors, such as the Ethical Conduct, Integrated Management of Risks and Allocation of Capital, Internal Controls and Compliance, and supported by training actions developed by UniBrad – Bradesco Corporate University for all professionals, covering the issues of Conduct, Controls and Compliance.

**Prevention against Illicit Acts**

At Bradesco, ethics and integrity and transparency are values and principles that permeate the organizational culture and are ratified in the Codes of Conduct and supported by Senior Management.

## 12.2. Internal controls

The effectiveness of the internal controls is sustained by qualified professionals, well defined and implemented processes and technology compatible with the business needs. The methodology applied is in line with the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – version 2013, which has the purpose of supplying a model for internal controls, management of corporate risks and fraud, in order to improve the performance and organizational supervision.

Prevention and combat against illicit acts are exercised continuously. These risks are mitigated through policies, standards, procedures, training programs for professionals and controls that seek to promptly detect any operations and situations with indications of links to illegal activities, aimed at the adoption of appropriate measures and actions.

This system of control mechanisms is subject to constant evaluation and improvement in accordance with current and applicable laws and regulations, as well as with the best market practices, in Brazil and in countries where the Organization has business units. In this regard, we emphasize training activities on ethical conduct and money laundering prevention, financing of terrorism, corruption and bribery, in addition to the development and review of procedures and strengthening of controls related to public agents and politically exposed persons.

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**Independent Validation of Models of Management and Measurement of Risks and Capital**

Bradesco uses internal models, developed from statistical, economic, financial, and mathematical theories, and the knowledge of experts, whose purpose is to support and facilitate the structuring of subjects, to standardize and speed up decisions, and to manage risks and capital.

In order to detect, mitigate and control risks inherent in our internal models, which are associated with potential adverse consequences, there is the process of independent validation that stringently evaluates all aspects, challenging the methodology, the assumptions adopted, the data used, the use of the models, as well as the robustness of the environment in which they are implemented, reporting their results to managers, internal audit, and Internal Controls and Internal Control and Compliance Committees and Integrated Risk and Capital Allocation Management.

**Information Security**

The Information Security in the Bradesco Organization is composed of a set of controls, procedures, processes, organizational structures, policies, standards, qualified personnel and information technology solutions. It intends to meet the principles of information security related to confidentiality, integrity and availability.

The Management Bodies are involved in decisions on Information Security, by means of a Security Commission and the Executive Committee of Corporate Security.

**12.3. Risk factors and Critical Accounting Policies**

The risk factors of the company and of the industry in which it operates, and Bradesco's critical accounting policies are disclosed in the 20-F Form and Reference Form, that feature a significant qualitative and quantitative information on the Bank, including consolidated and audited annual financial statements, in accordance with IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board). The documents are filed annually on the website of regulatory agencies, namely: Form 20-F for the US Securities and Exchange Commission (SEC), and the Reference Form for the CVM – Comissão de Valores Mobiliários (Brazil's securities and exchange commission), both of which can be accessed in the Portuguese and English versions, at [banco.bradesco/ri](http://banco.bradesco/ri) (Market Information – Reports and Spreadsheets – SEC and/or CVM).

**13. Intangible Assets**

On December 31, 2017, based on the price of its shares on the stock exchange, the Market Value of Bradesco reached R\$200.521 billion, equivalent to 1.8 times the Accounting Shareholders' Equity that was of R\$110.457 billion. A difference driven by the magnitude of the intangible assets, which, although not reflected in the statement of financial position accounts, are perceived and evaluated by investors.

Through realistic goals, the entire strategic planning developed in the Organization relies on factors of varied nature, inseparable from Sustainability, such as: (i) Bradesco brand value; (ii) the best practices of corporate governance and corporate culture; (iii) the scale to be achieved in

## **Integrated Management System**

Bradesco adopts the Integrated Management System – ERP, one of the most modern concept of integration of organizational processes. The system provides the standardization of processes, greater agility in decision making, security in operations, minimization of operating costs, and increased productivity.

The processes provided for were Human Resources, Training, Purchases of Materials and Services, Accounts Payable, Physical and Tax Receipt, Fixed Asset, Bank Accounting, Control of Availability, Management of Works, Maintenance, Real Estate, Audit and Commissioning on Loans. The continuous training of the tool's users is guided by means of classroom training and e-learning.

the business; (iv) the large number of existing relationship channels with different publics; (v) a policy of innovative Information Technology; (vi) broad diversification of products, services and solutions offered and the capillarity of the Service Network, present in the entire national territory and in some locations Abroad; (vii) a policy of dynamic and responsible socio-environmental responsibility; and (viii) a robust policy of Human Resources that: a) provides the most solid relationship between all employees and, consequently, a higher level of confidence among them; b) signals opportunities of valuation and professional development; c) reduces, substantially, the index of staff turnover and the costs associated with it; and d) fomenting, at all levels, a long-term vision.

### **13.1. Bradesco brand**

In terms of Brand, Bradesco has obtained significant recognition:

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- Bradesco is the most valuable brand on the Brazilian financial market, according to a ranking compiled by IstoÉ Dinheiro magazine in partnership with Kantar Vermeer, a consulting firm affiliated with the British group WPP.

### **13.2. Human Resources**

People are a key asset in the value creation process of the Bradesco Organization which, at the end of the financial year, counted on 98,808 employees, of whom 86,101 in Banco Bradesco and 12,707 in Affiliated Companies.

Guided by a solid internal culture, characterized by respect and transparency in all relations, the Human Resources Management ensures the equality of conditions for the full development of its professionals.

In this sense, UniBrad – Bradesco Corporate University, stands out, created in 2013 as part of a larger strategy to emphasize individual skills, stimulating self-development, and offering learning paths and solutions that favor planning and continuing education. In addition, implements a constant improvement in the educational resources, means and practices, following the technological innovation and the access to digital levels, stimulating the collaborative construction of knowledge.

As an acknowledgment of this work, UniBrad received the GlobalCCU Awards 2017 in Paris, at the Global Council of Corporate Universities, which elects, every two years, the best practices and programs of corporate education in the world.

- Hospital and Medical Assistance Health Insurance;

- Dental Health Insurance;

- Supplementary retirement and pension plan;

- Group life and personal accident insurance policies; and

- VIVA BEM Program, a set of actions that seeks to collaborate with an improvement in quality of life among the company employees - Healthy Pregnancy, Physical Activities, Nutrition Guidance and LIG VIVA BEM.

As reputable and independent evaluation of its Human Capital management, in 2017, Bradesco was among the best companies to work in according to the various rankings of renowned magazines, like Época, Você S/A and Valor Carreira, and has counted on the support of reputable specialized consultancies, highlighting the Great Place to Work Institute, Aon and Fundação Instituto de Administração – FIA.

R\$163.949 million applied, in 2017, in Corporate Education Programs, with 954,771 participations.

Internal communication also deserves special attention within the Organization. Through the Corporate Portal, employees can access and search a wide range of content, from in-house publications (“*Interação*” magazine and “*Sempre em Dia*” newsletter) to policies, guidelines and operational procedures. Interactive channels are also used, such as the President’s Blog and Direct Connection, which allow for the exchange of information and opinions between the Bank’s employees and its President. The Video Portal reinforces and amplifies these communication actions, joining the other outlets to make the content even more visible and dynamic.

The assistance benefits, which contribute towards the quality of life, well-being and safety of employees and their dependents, at the end of the quarter, comprised 238,653 people. Among them, we highlight:

R\$1.689 billion invested in Food Program, with the supply of 121,525 daily snacks, besides the meal vouchers and food vouchers.

9.053 million assisted under the Hospital and Medical Assistance Health Insurance Plan.

620,967 assisted under the Dental Health Insurance Plan during the year.

On July 13, 2017, aiming at the readjustment of workforce and gain of synergy, the Bank launched the Special Voluntary Retirement Plan (PDVE), in which employees who fulfilled the requirements of the regulation were able to submit their interest in taking part in the program until the end of August. The implementation of the Plan, covering 7.4 thousand employees, was carried out aiming to maintain the high standard of service quality and of services provided to customers and users.

### **13.3. Information Technology**

With a history of pioneering efforts in technology and innovation in the financial universe, Bradesco reaches its 74th anniversary focused on the user experience. Based on interactions on all relationship fronts, from the extensive Branch Network to Social Media, it captures feedback from customers and turns this feedback into actions to deliver an increasingly practical, efficient and cutting-edge bank.

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Bradesco also pioneered the development of Bradesco Artificial Intelligence (BIA), which uses Watson – IBM's cognitive computing platform for business. BIA relates with users, answering questions about the Bank's products and services in natural language, through a chat room designed for desktop and mobile. The entire Network of Branches has a solution, enabling faster daily services, convenience to the employees and greater autonomy to managers. In 2017, BIA began to serve customers through the Bradesco Celular, Exclusive and Prime apps, by voice or text.

The Bank's ATM network is also constantly evolving, such as touch-screen navigation, personalization by customer segment and provision of services, a service for purchasing foreign currencies (Euro and US Dollar), and cash deposits with no envelope, for immediate credit in the recipient's account.

Focusing on the digitalization of processes, we highlight our Digital Real Estate Credit, which allows customers to simulate and submit applications for real estate financing directly through the Internet Banking and Bradesco Celular channels, streamlining the customer service process; and Virtual Credit Card, which allows users to request a temporary number associated with their physical card to use for e-commerce purchases in an even more secure way, initially available in the Bradesco Cartões app for ELO-card flag customers.

For the development of solutions, we have extended the adoption of streamlined methodologies, enabling innovation and digital acceleration in the Organization, adding value and agility in the provision of new services in the customer care channels, increasing the customer's

**13.4. Research, innovation and new technologies**

Bradesco – always attentive to market changes – actively conducts research and testing with state-of-the-art technologies, such as Blockchain, built under the logic of network and sharing. To do so, it has an interdepartmental working group that seeks to understand the technologies, ecosystem, opportunities, risks, applications and possible business models, evaluating solutions and cases, and studying the main platforms available on the market. Since 2016, it has been a member of the R3 global consortium, which includes the world's largest financial institutions.

The "inovaBra" program promotes innovation within and outside Bradesco. A mission carried out through an ecosystem of programs based on collaboration between the bank and companies, startups, investors and mentors, to address the challenges and long-term sustainability of business. And, seeking innovation wherever it may be, the organization created "inovaBra Internacional," with an office in New York City, to be attentive to the strategic themes and innovations from around the world.

An open innovation program, "inovaBra Startups" was created to establish strategic partnerships with startups that act as a technological arm in the materialization of the Bank's innovations, resulting in the brand's reinforcement as a pioneer and the organizational acculturation for intrapreneurship. In its fourth year, it will reach 40 startups and more than 2,000 participations.

journey.

Our data processing capabilities were increased through the acquisition of five new central computers and upgrading of the equipment at our bank branches and the internet environment, aimed at greater agility in customer care. Also, we provide Wi-Fi internet connection at 4,647 points within the network of Branches, for serving customers in the use of Bradesco apps.

In the fourth quarter, it reached record levels, such as in the Bradesco Celular channel, which achieved more than 46 million transactions carried out by the app in a single day. In December, the total number of transactions through digital channels increased by one percentage point, with mobile phones accounting for 51% of this volume.

R\$6.037 billion were the investments made in Information Technology (IT), in 2017, as a necessary condition for its continuous growth.

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Bradesco also instituted “inovaBra Ventures,” a fund with R\$100 million in capital to invest in startups, helping them to grow and carry out operations of sale, merger or IPO in the future.

The development of internal innovation takes place through “inovaBra Polos” and “inovaBra Lab,” broadening the Bank’s vision for the present and the future.

Inaugurated in December 2017, “inovaBra Habitat” is the Brazilian co-innovation space, which allows large companies to find startups for shared innovation.

All these fronts seek to foster collaborative innovation, which is the pathway to transformation and longevity in an increasingly connected universe. In order to unite all of them, Bradesco developed “inovaBra Hub,” a digital space where all participants of this ecosystem can meet, exchange experiences and content, and do business. This space can be accessed at the website [inovabrahub.com.br](http://inovabrahub.com.br).

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**14. Marketing**

In 2017, one of the main challenges of the Marketing division was to establish a new communication position. The “*Pra Frente*” program, launched in April with an extensive advertising campaign for various media and audiences, synthesizes Bradesco’s commitment to remain side-by-side with Brazilians and support them in their needs and objectives, even in the face of uncertainties.

Throughout the year, the Bank launched several campaigns aligned to this concept, reflecting its new position in the offer of products, services and segments. Among them, we highlight: The film “*Conquistas*,” an invitation for people to advance toward the acquisition of new goods; the “*Pra Frente com seus negócios*” campaign, which presented the products and services to help entrepreneurs take the decisive step in their activities; and the advertisements for the Bradesco App reinforce the ease and convenience of the application, highlighting the convenience of using it for several services, without using up the customer’s internet data package.

Bradesco Prime, in the second half of the year, presented the interpretation of “*Pra Frente*” program to the segment. “*Seu Caminho é Prime*” addressed the topic of making choices, a time when doubts and questions arise about decisions that impact the future, conveying the message that it is important to move ahead and forge your path.

One of the year’s most highly anticipated actions, which had great repercussions, was the campaign to launch “next” – Bradesco’s digital platform. The production, which featured US actor Ken Jeong, used cinematographic language to show all the

248 regional, sector-based and/or professional events throughout the country, including business fairs, seminars, congresses, cultural and community events, counted on the participation of Bradesco in 2017.

**15. Sustainability in the Bradesco Organization**

Sustainability has always been present in the Bradesco Organization's way of doing business. Committed to the Country's development, it seeks to grow in a continuous and sustainable way, respecting the public with which it relates, communities, and the environment.

Business guidelines and strategies are oriented in such a way as to promote the incorporation of the best practices of corporate sustainability in the Organization, taking into account each region’s characteristics and potential, contributing to the concept of shared value. We highlight its voluntary commitment to initiatives such as the Global Compact, CDP, Principles for Responsible Investment (PRI), GHG Protocol Program and Empresas pelo Clima (EPC - Business for the Climate Platform), and more recently, the Sustainable Development Goals (SDG).

The extensive work in business management is recognized and Bradesco is once again present in the DJSI (Dow Jones Sustainability Indices) of the New York Stock Exchange and in other important Sustainability indices such as the ISE - Corporate Sustainability Index and the ICO2 - Carbon Efficient Index, both part of B3 – Brasil, Bolsa, Balcão. In 2017, Bradesco was also selected as one of the outstanding companies in Sustainability in Brazil, by the EXAME Sustainability Guide, in the segment of Financial Institutions, Banks and Insurance Companies.

characteristics of the “next” platform.

At the same time, the Bank extended the sponsorship of the Brazilian Confederations of Sailing, Judo, and Rugby through 2020, completing a 10-year cycle of support for these sports.

Bradesco, as it has traditionally done, sponsored various cultural events, such as Carnival in Rio de Janeiro, São Paulo, Salvador, and Recife; Círio de Nazaré, in Belém, PA; the Folklore Festival of Parintins, in Amazonas; Oktoberfest, in Blumenau, SC; ArtRio - International Art Fair of Rio de Janeiro, RJ; Natal Luz (Christmas of Lights), in Gramado, RS; and Natal do Bradesco (Bradesco Christmas), a traditional event at Palácio Avenida, in Curitiba, PR. It also supported the musicals Les Misérables, the Man of La Mancha and Ayrton Senna, plus exhibitions such as those of Steve Jobs, Yoko Ono, Julio Le Parc, Anita Malfatti, and Di Cavalcanti.

For more information about Bradesco’s initiatives, visit [bradescosustentabilidade.com.br](http://bradescosustentabilidade.com.br) and [banco.bradesco/ri](http://banco.bradesco/ri).

### **Fundação Bradesco**

Fundação Bradesco has been investing in education for more than six decades, providing quality education for children, youths and adults. Its activities are based on the principle that education is at the origin of equal opportunities, personal and collective fulfillment, and contribute to the construction of a transformative, productive and dignified society.

With 40 own Schools installed mainly in regions of high socio-economic deprivation, being present in all the Brazilian states and Federal District. From January to December, 2017, the Foundation propitiated free and formal quality education to 96,754 students enrolled in its schools at the following levels: Basic Education (Kindergarten to High School) and Vocational Training (High School level); Youth and Adult Education; and Preliminary and Continuing Vocational Training, focused on creating jobs and income. More than 42,000 Basic Education students were provided with free uniforms, school supplies, meals, and medical and dental assistance.

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## **Management Report**

Fundação also expects to benefit more than 608 thousand students via distance learning (EaD), through its e-Learning portal "*Escola Virtual*" (Virtual School), where students can complete at least one of the courses offered in its schedule. Another 15,101 students are taking part in projects and actions in partnership, such as the Program Educa+Ação and in Technology courses.

The Computer Program for the Visually Impaired, first introduced in 1998, has met and trained since then 12,663 students, promoting the social inclusion of thousands of people.

Fundação Bradesco, the Organization's main pillar of social action, positively influences the quality of life of the communities where it operates, which characterizes it as a "socially responsible investment", in the best meaning of the term.

R\$624.359 million was the total of the investment budget of Fundação Bradesco applied in 2017, of which R\$85.459 million were for investments in Infrastructure and Educational Technology, already budgeting for 2018 the amount of R\$664.717 million to defray the educational benefits for: a) 97 thousand students in its own Schools, in Basic Education (Kindergarten to High School); Youth and Adult Education; and Preliminary and Continuing Vocational Training; b) 630 thousand students who will complete at least one of the distance-learning courses on offer (EaD); and c) 11,987 people who will benefit through partnership projects and actions in partnership and Technology courses.

R\$6.492 billion, in restated values, was the amount of resources invested by Fundação Bradesco to defray the cost of its activities, in the last ten years.

### **Bradesco Sports and Education Program (Programa Bradesco Esportes e Educação)**

The Bradesco Sports Program, which has 30 years, supports the development of children and teenagers through the teaching of women's volleyball and basketball. The Bank has Training and Specialist Centers in the Municipality of Osasco, São Paulo and also, activities are held in their own Sports Development Center, in all Fundação Bradesco's schools, in Municipal and State Sports Centers, private schools in a Unified Center of Arts and Sports - CEU and in a leisure club. Annually, two thousand girls take part, from 8 years old, reaffirming the Organization's social commitment and displaying how it values talent, citizenship, as well as education, sport and health.

## **16. Acknowledgments**

**2017 Ratings** – To Bradesco, in the period, among the assessment indexes assigned to Banks in the country by Branches and national and international Entities, we recorded that:

- Fitch Ratings credit rating agency affirmed all the Organization's ratings, on the international scale: (i) viability bb+, (ii) support 3, (iii) local currency – long term BB+ and short-term B; (iv) foreign currency – long-term BB+ and short-term B; and on the domestic scale: national currency – long-term AAA (bra) and short-term F1+ (bra);

- Moody's Investors Service credit rating agency affirmed all the Organization's ratings, on the global scale: (i) local currency deposit –

R\$243.288 million were the remaining investments made in 2017 by Bradesco Organization in social projects for the communities, focused on education, arts, culture, sports, health, sanitation, combating hunger and food security.

long-term Ba2 and short-term NP; (ii) foreign currency deposit – long-term Ba3 and short-term NP; and on the domestic scale: local currency – long-term Aa1.br and short-term BR-1;

- S&P Global credit rating agency upgraded its issuer credit rating – short-term, from “brA-1” to “brA-1+”. This action reflects the upgrade carried out by the agency in its criteria for attributing ratings on a national scale. The other ratings were all affirmed, being global scale issuer credit: (i) foreign currency – long-term BB, and short-term B; (ii) local currency – long-term BB, and short-term B; and domestic scale: issuer credit – long-term brAA-; and
- Austin Rating credit rating agency affirmed all the Organization’s ratings, being on the domestic national: long-term brAAA and short-term brA-1.

Bradesco

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## **Management Reports**

**Rankings** – In addition to what was mentioned herein in item 13.1. – Bradesco Brand, renowned publications (domestic and international) highlighted the Organization in several ways in 2017, including:

- **Bradesco Organization is the largest private group in “Valor Grandes Grupos” ranking**, prepared by financial newspaper Valor Econômico. Also, it placed first in the ranking of the 20 largest banks in revenue, as the private retail bank that grew most in variable revenue and stood out in terms of net profit;
  - **Banco won the 1st place in the Financial Industry category** and was featured among the 10 most innovative companies in Brazil, in the 3rd Valor Inovação Brasil yearbook, of the Valor Econômico newspaper and in the consultancy firm Network PwC;
  - **Winner in the “As Melhores da Dinheiro 2017” guide**, of IstoÉ Dinheiro - Editora Três Magazine, in the category “Corporate Governance.” **Bradesco Vida e Previdência** was elected the best company in the industry;
  - **Bradesco is a highlight in Folha’s Top of Mind**, as the private financial institution most present in the minds of Brazilians, according to the “Top of Mind” survey by the newspaper Folha de S. Paulo, which examines the brands most remembered by consumers in various categories;
- Awards** – The Organization, from independent opinions, has won several awards in 2017, emphasizing the quality of its products and services, highlighting:
- **Winner of the “Empresas Mais” award**, in the “Banks” category, third edition of Estado de S. Paulo newspaper award, in partnership with Fundação Instituto de Administração - FIA and Austin Rating;
  - **Bradesco Organization is highlighted in the Conarec 2017 Award**, granted by the National Congress for the Company-Customer Relationships, being recognized as the Best Company in the Banking category. The **Grupo Bradesco Seguros** won the award in the categories: “Insurance”, “Health”, “Pension Plans” and “Capitalization Bonds”;
  - **Bradesco won the efinance 2017 award**, promoted by the magazine Executivos Financeiros, in the categories CIO of the Year, Back Office, Project Management, Byod Security, Business Integration, IT Governance, Foreign Currency in ATMs and Credit APP. Bradesco Seguros was featured in the categories of Infrastructure Management, Contact Center and Health APP;
  - **It is also the most innovative company in the use of IT**, having been won the award for the 100 Most Innovative Companies in the Use of IT, with the case of the “next” platform, produced by IT Media in partnership with PricewaterhouseCoopers

(PwC);

- **Bradesco BBI was considered Brazil's Best Investment Bank in 2017**, in the edition of Global Finance magazine's World's Best Investment Banks;
- **Bram – Bradesco Asset Management led the "Best Institutional Funds"** ranking, with 31 excellent funds, where its performance in fixed income, multimarket and variable income funds is highlighted, published in Investidor Institucional magazine; and
- **Grupo Bradesco Seguros** is the leader among the "*Melhores & Maiores*" yearbook published by the Exame magazine for the eighth consecutive year, being among the largest companies in the insurance industry in Brazil.
- **It received the award for quality of life management**, in the Gold category, for excellence in management, given by the Brazilian Association of Quality of Life. The Award reflects its care with employees, which translates into attention to the health, safety and well-being of each one;
- **Bradesco is the most awarded company by Valor Carreira**, according to the ranking that highlights the best in people management, in the special publication Valor Carreira, published by Valor Econômico newspaper;
- **Bradesco BBI won the triple crown and became the only Brazilian bank to win three of the sector's top international awards two years in a row, namely:** The Most Innovative Investment Banking Latin America by The Banker magazine, edited by the Financial Times; The Best Investment Bank Brazil, by Global Finance; and Brazil's Best Investment, by Euromoney;

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## **Management Report**

- **BRAM – Bradesco Asset Management won the Leadership in Responsible Investment Award**, reaching first place. It also ranks among the best financial institutions in the categories Corporate Governance Leadership and Sustainability Research. Also received the level AMP-1 (very strong) from Standard & Poor's, which is the highest in the scale of quality management and *Moody's Investor Service*, the maximum rate MQ1 – Excellent; and

- **Bradesco Seguros wins the Outstanding Companies award** in the Insurance, Health, Pension Plan and Capitalization Bond segments. It also stands out in the Value dimension, being awarded by the Centro de Inteligência Padrão (CIP), in partnership with the Consumidor Moderno magazine.

**Certifications** – The Management System is the inter-relationship of the parties, of the elements or the units that provide the operation and management of an organized structure, contributing towards achieving operational excellence and the desired results.

Thus, Bradesco Organization counts on the following certifications to its Management System: Corporate Social Responsibility, a new proprietary regulatory standard, audited by an independent certification body; Occupational Health and Safety Management System – OHSAS 18001; Environmental Management – ISO 14001; Data Protection and Privacy – GoodPriv@cy; Service Organization Control Reports (international standard) – ISAE 3402; Quality Management – ISO 9001 – Standardization Rules; Information Security Management – ISO 27001; and Management of IT services - ISO 20000.

## **17. Acknowledgments**

The achievements and results presented at the end of the period reaffirm the Organization's outstanding presence in the various segments of the market in which it operates, and are incentives to exceed expectations and to motivate increasingly consistent advances. Our achievements in 2017 highlight our optimism and willingness to contribute toward building a modern and inclusive nation. In this regard, the support and confidence of our shareholders and customers have been decisive, as well as the excellent work of our employees and other collaborators. We would like to thank you all.

Cidade de Deus, January 31, 2018

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

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

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

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current</b>	<b>803,792,092</b>	<b>749,250,364</b>
<b>Cash and due from banks (Note 5)</b>	<b>15,028,725</b>	<b>14,518,120</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>153,101,283</b>	<b>176,855,235</b>
Securities purchased under agreements to resell	144,736,786	169,906,737
Interbank investments	8,370,390	6,948,498
Allowance for losses	(5,893)	-
<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 34a)</b>	<b>342,647,431</b>	<b>269,012,437</b>
Own portfolio	266,827,130	223,403,755
Securities sold under repurchase agreements – Repledge only	44,445,387	14,899,855
Derivative financial instruments (Notes 3f, 7d II and 34a)	13,559,969	16,848,033
Given in guarantee to the Brazilian Central Bank	-	174,207
Given in guarantee	17,226,111	11,802,783
Securities sold under repurchase agreements – unrestricted	588,834	1,883,804
<b>Interbank accounts</b>	<b>66,738,383</b>	<b>58,071,469</b>
Unsettled payments and receipts	-	12,773
Reserve requirement (Note 8):		
- Reserve requirement - Brazilian Central Bank	66,714,226	58,036,531
- SFH - housing finance system	21,760	14,388
Correspondent banks	2,397	7,777
<b>Interdepartmental accounts</b>	<b>262,954</b>	<b>157,089</b>
Internal transfer of funds	262,954	157,089
<b>Loans (Notes 3g, 9 and 34a)</b>	<b>129,923,666</b>	<b>145,315,534</b>
Loans:		
- Public sector	158,168	424,233
- Private sector	149,449,544	167,136,576
Loans transferred under an assignment with recourse	1,031,500	806,649
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(20,715,546)	(23,051,924)
<b>Leases (Notes 2, 3g, 9 and 34a)</b>	<b>1,034,188</b>	<b>1,345,404</b>
Lease receivables:		
- Private sector	2,054,501	2,708,379
Unearned income from leases	(936,215)	(1,245,088)
Allowance for losses on leases (Notes 3g, 9f, 9g and 9h)	(84,098)	(117,887)
<b>Other receivables</b>	<b>91,624,860</b>	<b>80,091,668</b>
Receivables on sureties and guarantees honored (Note 9a-3)	128,392	1,377,161
Foreign exchange portfolio (Note 10a)	17,469,600	17,620,910
Receivables	1,819,461	1,494,478
Securities trading	1,484,227	1,476,194
Specific receivables	24,483	13,339
	3,916,828	5,145,653

Insurance and reinsurance receivables and reinsurance assets – technical provisions		
Sundry (Note 10b)	68,607,667	56,100,996
Allowance for losses on other receivables (Notes 3g, 9f, 9g and 9h)	(1,825,798)	(3,137,063)
<b>Other assets (Note 11)</b>	<b>3,430,602</b>	<b>3,883,408</b>
Other assets	2,933,208	2,868,138
Allowance for losses	(1,388,899)	(1,256,681)
Prepaid expenses (Notes 3i and 11b)	1,886,293	2,271,951
<b>Long-term receivables</b>	<b>376,478,540</b>	<b>399,256,934</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>1,245,341</b>	<b>780,394</b>
Interbank investments	1,245,341	780,394
<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 34a)</b>	<b>157,961,633</b>	<b>170,997,668</b>
Own portfolio	139,513,854	110,936,200
Securities sold under repurchase agreements – Repledge only	10,827,575	48,044,597
Derivative financial instruments (Notes 3f, 7d II and 34a)	679,455	112,912
Privatization rights	44,127	48,706
Given in guarantee	2,474,440	6,125,523
Securities sold under repurchase agreements – unrestricted	4,422,182	5,729,730
<b>Interbank accounts</b>	<b>1,195,577</b>	<b>778,254</b>
Reserve requirement (Note 8):		
- SFH - housing finance system	1,195,577	778,254

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

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

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Loans (Notes 3g, 9 and 34a)</b>	<b>157,376,898</b>	<b>164,730,056</b>
Loans:		
- Public sector	4,000,000	3,000,000
- Private sector	159,674,868	164,934,373
Loans transferred under an assignment with recourse	7,424,110	7,955,849
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(13,722,080)	(11,160,166)
<b>Leases (Notes 2, 3g, 9 and 34a)</b>	<b>1,068,859</b>	<b>1,251,358</b>
Lease receivables:		
- Private sector	2,341,397	2,686,460
Unearned income from leases	(1,209,824)	(1,366,395)
Allowance for losses on leases (Notes 3g, 9f, 9g and 9h)	(62,714)	(68,707)
<b>Other receivables</b>	<b>56,795,094</b>	<b>59,326,025</b>
Receivables	23,130	64,763
Securities trading	257,297	478,290
Sundry (Note 10b)	56,528,298	58,800,589
Allowance for losses on other receivables (Notes 3g, 9f, 9g and 9h)	(13,631)	(17,617)
<b>Other assets (Note 11)</b>	<b>835,138</b>	<b>1,393,179</b>
Prepaid expenses (Notes 3i and 11b)	835,138	1,393,179
<b>Permanent assets</b>	<b>31,001,086</b>	<b>31,099,817</b>
<b>Investments (Notes 3j, 12 and 34a)</b>	<b>8,022,587</b>	<b>7,038,394</b>
Equity investment in unconsolidated and jointly controlled companies:		
- In Brazil	7,874,416	6,885,706
- Overseas	-	3,347
Other investments	402,906	403,571
Allowance for losses	(254,735)	(254,230)
<b>Premises and equipment (Notes 3k and 13)</b>	<b>7,744,649</b>	<b>7,722,638</b>
Premises	2,601,161	2,619,176
Other premises and equipment	13,252,095	12,316,106
Accumulated depreciation	(8,108,607)	(7,212,644)
<b>Intangible assets (Notes 3l and 14)</b>	<b>15,233,850</b>	<b>16,338,785</b>
Intangible assets	29,709,180	28,563,084
Accumulated amortization	(14,475,330)	(12,224,299)
<b>Total</b>	<b>1,211,271,718</b>	<b>1,179,607,115</b>

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



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

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

<b>Liabilities</b>	<b>2017</b>	<b>2016</b>
<b>Current</b>	<b>823,737,283</b>	<b>794,781,421</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>167,187,129</b>	<b>163,468,262</b>
Demand deposits	34,088,616	33,420,111
Savings deposits	103,332,697	97,088,828
Interbank deposits	1,698,875	527,715
Time deposits (Notes 15a and 34a)	28,066,941	32,431,608
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>227,346,812</b>	<b>213,799,155</b>
Own portfolio	94,879,329	118,740,171
Third-party portfolio	123,753,860	86,117,804
Unrestricted portfolio	8,713,623	8,941,180
<b>Funds from issuance of securities (Notes 15c and 34a)</b>	<b>83,107,043</b>	<b>92,432,728</b>
Mortgage and real estate notes, letters of credit and others	81,959,214	88,688,899
Securities issued overseas	970,705	3,331,680
Structured operations certificates	177,124	412,149
<b>Interbank accounts</b>	<b>20,823,027</b>	<b>18,305,158</b>
Unsettled payments and receipts	19,464,867	17,047,118
Correspondent banks	1,358,160	1,258,040
<b>Interdepartmental accounts</b>	<b>5,855,275</b>	<b>5,830,963</b>
Third-party funds in transit	5,855,275	5,830,963
<b>Borrowing (Notes 16a and 34a)</b>	<b>17,278,885</b>	<b>19,808,555</b>
Borrowing in Brazil - other institutions	936	4,624
Borrowing overseas	17,277,949	19,803,931
<b>On-lending in Brazil - official institutions (Notes 16b and 34a)</b>	<b>11,052,779</b>	<b>11,211,567</b>
National treasury	97,200	166,565
BNDES	5,039,056	3,800,239
FINAME	5,915,013	7,243,182
Other institutions	1,510	1,581
<b>Derivative financial instruments (Notes 3f, 7d II and 34a)</b>	<b>13,835,102</b>	<b>13,242,787</b>
Derivative financial instruments	13,835,102	13,242,787
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>218,409,626</b>	<b>194,886,201</b>
<b>Other liabilities</b>	<b>58,841,605</b>	<b>61,796,045</b>
Payment of taxes and other contributions	1,114,068	731,281
Foreign exchange portfolio (Note 10a)	7,654,625	8,749,458
Social and statutory	4,524,457	4,631,237
Tax and social security (Note 19a)	3,897,930	3,741,990
Securities trading	2,317,155	2,569,881
Financial and development funds	1,299	3,672
Subordinated debts (Notes 18 and 34a)	10,808,461	11,399,544

Sundry (Note 19b)	28,523,610	29,968,982
<b>Long-term liabilities</b>	<b>276,103,825</b>	<b>283,457,287</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>98,020,233</b>	<b>70,767,416</b>
Interbank deposits	469,750	61,157
Time deposits (Notes 15a and 34a)	97,550,483	70,706,259
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>6,120,732</b>	<b>28,179,776</b>
Own portfolio	6,120,732	28,179,776
<b>Funds from issuance of securities (Notes 15c and 34a)</b>	<b>51,904,265</b>	<b>58,374,630</b>
Mortgage and real estate notes, letters of credit and others	49,605,520	55,858,173
Securities issued overseas	2,107,384	2,483,438
Structured operations certificates	191,361	33,019
<b>Borrowing (Notes 16a and 34a)</b>	<b>1,242,828</b>	<b>2,356,860</b>
Borrowing in Brazil - other institutions	1,883	2,831
Borrowing overseas	1,240,945	2,354,029
<b>On-lending in Brazil - official institutions (Notes 16b and 34a)</b>	<b>19,716,515</b>	<b>24,819,020</b>
BNDES	8,753,797	10,914,430
FINAME	10,962,718	13,904,590
<b>Derivative financial instruments (Notes 3f, 7d II and 34a)</b>	<b>439,897</b>	<b>192,892</b>
Derivative financial instruments	439,897	192,892

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

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

<b>Liabilities</b>	<b>2017</b>	<b>2016</b>
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>28,242,939</b>	<b>28,455,956</b>
<b>Other liabilities</b>	<b>70,416,416</b>	<b>70,310,737</b>
Tax and social security (Note 19a)	4,547,409	3,194,326
Subordinated debts (Notes 18 and 34a)	16,241,102	26,251,948
Eligible debt capital instruments (Notes 18 and 34a)	23,129,838	14,959,571
Sundry (Note 19b)	26,498,067	25,904,892
<b>Deferred income</b>	<b>409,733</b>	<b>477,185</b>
Deferred income	409,733	477,185
<b>Non-controlling interests in subsidiaries (Note 21)</b>	<b>563,401</b>	<b>448,809</b>
<b>Shareholders' equity (Note 22)</b>	<b>110,457,476</b>	<b>100,442,413</b>
Capital:		
- Domiciled in Brazil	58,361,598	50,461,644
- Domiciled overseas	738,402	638,356
Capital reserves	11,441	11,441
Profit reserves	49,902,013	50,448,602
Asset valuation adjustments	1,884,536	(677,116)
Treasury shares (Notes 22d and 34a)	(440,514)	(440,514)
<b>Attributable to equity holders of the Parent Company</b>	<b>111,020,877</b>	<b>100,891,222</b>
<b>Total</b>	<b>1,211,271,718</b>	<b>1,179,607,115</b>

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

Bradesco

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

**Consolidated Statements of Accumulated Income on December 31 – In thousands of Reais**

	<b>2017</b>	<b>2016</b>
<b>Revenue from financial intermediation</b>	<b>148,262,127</b>	<b>162,203,853</b>
Loans (Note 9j)	72,677,322	75,345,464
Leases (Note 9j)	270,647	379,628
Operations with securities (Note 7g)	41,269,647	43,833,650
Financial income from insurance, pension plans and capitalization bonds (Note 7g)	28,345,353	33,140,993
Derivative financial instruments (Note 7g)	(1,232,602)	7,019,958
Foreign exchange contracts (Note 10a)	2,286,446	(2,996,375)
Reserve requirement (Note 8b)	4,935,461	5,717,559
Sale or transfer of financial assets	(290,147)	(237,024)
<b>Expenses from financial intermediation</b>	<b>104,141,295</b>	<b>108,866,146</b>
Retail and professional market funding (Note 15d)	56,531,408	65,871,529
Adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds (Note 15d)	18,174,550	21,395,550
Borrowing and on-lending (Note 16c)	4,351,078	(2,567,297)
Allowance for loan losses (Notes 3g, 9g and 9h)	25,084,259	24,166,364
<b>Gross income from financial intermediation</b>	<b>44,120,832</b>	<b>53,337,707</b>
<b>Other operating income (expenses)</b>	<b>(23,617,093)</b>	<b>(25,356,934)</b>
Fee and commission income (Note 23)	24,027,966	21,577,407
Other fee and commission income	16,395,265	14,660,337
Income from banking fees	7,632,701	6,917,070
Retained premium from insurance, pension plans and capitalization bonds (Notes 3o and 20c)	76,098,164	70,890,331
Net written premiums earned	76,289,252	71,196,596
Reinsurance premiums paid	(191,088)	(306,265)
Variation in technical provisions for insurance, pension plans and capitalization bonds (Note 3o)	(34,810,947)	(32,788,545)
Retained claims (Note 3o)	(25,588,167)	(24,541,957)
Capitalization bond prize draws and redemptions (Note 3o)	(5,459,287)	(5,372,329)
Selling expenses from insurance, pension plans and capitalization bonds (Note 3o)	(3,447,688)	(3,594,724)
Payroll and related benefits (Note 24)	(21,010,157)	(17,271,076)
Other administrative expenses (Note 25)	(19,275,756)	(18,344,649)
Tax expenses (Note 26)	(5,960,618)	(6,331,651)
Share of profit (loss) of unconsolidated and jointly controlled companies (Note 12b)	1,505,270	1,665,170

Other operating income (Note 27)	10,177,120	5,726,760
Other operating expenses (Note 28)	(19,872,993)	(16,971,671)
<b>Operating income</b>	<b>20,503,739</b>	<b>27,980,773</b>
<b>Non-operating income (loss) (Note 29)</b>	<b>(474,715)</b>	<b>(821,095)</b>
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>20,029,024</b>	<b>27,159,678</b>
<b>Income tax and social contribution (Notes 33a and 33b)</b>	<b>(5,144,212)</b>	<b>(11,974,739)</b>
Current income tax	(4,698,894)	(5,480,117)
Current social contribution	(2,636,272)	(3,325,251)
Deferred tax	2,190,954	(3,169,371)
<b>Non-controlling interests in subsidiaries</b>	<b>(227,057)</b>	<b>(101,361)</b>
<b>Net income</b>	<b>14,657,755</b>	<b>15,083,578</b>

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

Economic and Financial Analysis Report - December 2017

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

**Statements of Changes in Shareholders' Equity -In thousands of Reais**

Events	Capital		Capital reserves	Profit reserves		Asset valuation	Treasury shares	Retained earnings	Total
	Paid in Capital	Unpaid Capital	Share premium	Legal	Statutory	adjustments			
<b>Balance on December 31, 2015</b>	<b>46,100,000</b>	<b>(3,000,000)</b>	<b>11,441</b>	<b>6,052,949</b>	<b>44,287,857</b>	<b>(4,114,555)</b>	<b>(431,048)</b>	<b>-</b>	<b>88,906,</b>
Cancellation of capital increase by subscription of shares	(3,000,000)	3,000,000	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(9,466)	-	(9,466)
Capital increase with reserves	8,000,000	-	-	-	(8,000,000)	-	-	-	-
Asset valuation adjustments	-	-	-	-	-	3,437,439	-	-	3,437,439
Net income	-	-	-	-	-	-	-	15,083,578	15,083,578
Allocations:									
- Reserves	-	-	-	754,179	7,353,617	-	-	(8,107,796)	
- Interest on Shareholders' Equity Paid	-	-	-	-	-	-	-	(6,975,782)	(6,975,782)
<b>Balance on December 31, 2016</b>	<b>51,100,000</b>	<b>-</b>	<b>11,441</b>	<b>6,807,128</b>	<b>43,641,474</b>	<b>(677,116)</b>	<b>(440,514)</b>	<b>-</b>	<b>100,442,</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>Balance on December 31, 2017</b>	<b>59,100,000</b>	<b>-</b>	<b>11,441,754,016</b>	<b>42,361,997</b>	<b>1,884,536</b>	<b>(440,514)</b>	<b>-</b>	<b>110,457,000</b>

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

Bradesco

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

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

Description	2017	%	2016	%
<b>1 – Revenue</b>	<b>147,288,425</b>	<b>305.9</b>	<b>153,990,275</b>	<b>297.3</b>
1.1) Financial intermediation	148,262,127	307.9	162,203,853	313.1
1.2) Fees and commissions	24,027,966	49.9	21,577,407	41.7
1.3) Allowance for loan losses	(25,084,259)	(52.1)	(24,166,364)	(46.7)
1.4) Other	82,591	0.2	(5,624,621)	(10.9)
<b>2 – Financial intermediation expenses</b>	<b>(79,057,036)</b>	<b>(164.2)</b>	<b>(84,699,782)</b>	<b>(163.5)</b>
<b>3 – Inputs acquired from third-parties</b>	<b>(15,519,966)</b>	<b>(32.2)</b>	<b>(14,917,783)</b>	<b>(28.8)</b>
Outsourced services	(4,952,746)	(10.3)	(5,034,120)	(9.7)
Data processing	(2,117,085)	(4.4)	(1,612,454)	(3.1)
Communication	(1,684,153)	(3.5)	(1,653,055)	(3.2)
Asset maintenance	(1,158,840)	(2.4)	(1,060,856)	(2.0)
Financial system services	(1,033,017)	(2.1)	(1,047,654)	(2.0)
Advertising and marketing	(942,851)	(2.0)	(1,124,659)	(2.2)
Security and surveillance	(818,221)	(1.7)	(736,547)	(1.4)
Transport	(782,444)	(1.6)	(719,842)	(1.4)
Material, water, electricity and gas	(669,042)	(1.4)	(705,578)	(1.4)
Travel	(261,911)	(0.5)	(174,772)	(0.3)
Other	(1,099,656)	(2.3)	(1,048,246)	(2.0)
<b>4 – Gross value added (1-2-3)</b>	<b>52,711,423</b>	<b>109.5</b>	<b>54,372,710</b>	<b>105.0</b>
<b>5 – Depreciation and amortization</b>	<b>(6,068,631)</b>	<b>(12.6)</b>	<b>(4,236,273)</b>	<b>(8.2)</b>
<b>6 – Net value added produced by the entity (4-5)</b>	<b>46,642,792</b>	<b>96.9</b>	<b>50,136,437</b>	<b>96.8</b>
<b>7 – Value added received through transfer</b>	<b>1,505,270</b>	<b>3.1</b>	<b>1,665,170</b>	<b>3.2</b>
Share of profit (loss) of unconsolidated and jointly controlled companies	1,505,270	3.1	1,665,170	3.2
<b>8 – Value added to distribute (6+7)</b>	<b>48,148,062</b>	<b>100.0</b>	<b>51,801,607</b>	<b>100.0</b>
<b>9 – Value added distributed</b>	<b>48,148,062</b>	<b>100.0</b>	<b>51,801,607</b>	<b>100.0</b>
<b>9.1) Personnel</b>	<b>18,760,255</b>	<b>39.0</b>	<b>15,177,419</b>	<b>29.3</b>
Salaries	9,264,618	19.2	8,322,222	16.1
Benefits	5,430,419	11.3	3,660,775	7.1
Government Severance Indemnity Fund for Employees (FGTS)	1,302,270	2.7	797,810	1.5
Other	2,762,948	5.7	2,396,612	4.6
<b>9.2) Tax, fees and contributions</b>	<b>13,354,732</b>	<b>27.7</b>	<b>20,400,047</b>	<b>39.4</b>
Federal	12,411,498	25.8	19,593,727	37.8
State	11,744	-	11,716	-
Municipal	931,490	1.9	794,604	1.5
<b>9.3) Remuneration for providers of capital</b>	<b>1,148,263</b>	<b>2.4</b>	<b>1,039,202</b>	<b>2.0</b>
Rental	1,142,166	2.4	1,027,561	2.0
Asset lease	6,097	-	11,641	-

<b>9.4) Value distributed to shareholders</b>	<b>14,884,812</b>	<b>30.9</b>	<b>15,184,939</b>	<b>29.3</b>
Interest on Shareholders' Equity Dividends paid and/or provisioned	7,204,344	15.0	6,975,782	13.5
Retained earnings	7,453,411	15.5	8,107,796	15.7
Non-controlling interests in retained earnings	227,057	0.5	101,361	0.2

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

Economic and Financial Analysis Report - December 2017

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

**Consolidated Statement of cash flows accrued on December 31 - In thousands of Reais**

	2017	2016
<b>Cash flow from operating activities:</b>		
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>20,029,024</b>	<b>27,159,678</b>
<b>Adjustments to net income before income tax and social contribution</b>	<b>53,396,909</b>	<b>60,937,472</b>
Effect of changes in exchange rates in cash and cash equivalents	(806,312)	5,617,747
Allowance for loan losses	25,084,259	24,166,364
Depreciation and amortization	6,068,631	4,236,273
Impairment losses of assets	2,658,923	1,654,961
Expenses/ reversal with civil, labor and tax provisions	2,471,287	2,518,761
Expenses with adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds	18,174,550	21,395,550
Share of profit (loss) of unconsolidated and jointly controlled companies	(1,505,270)	(1,665,170)
(Gain)/loss on sale of investments	(270,977)	(201,485)
(Gain)/loss on sale of fixed assets	106,722	24,791
(Gain)/loss on sale of foreclosed assets	577,212	442,251
Foreign exchange variation of assets and liabilities overseas/Other	837,884	2,747,429
<b>Net income before taxes after adjustments</b>	<b>73,425,933</b>	<b>88,097,150</b>
(Increase)/Decrease in interbank investments	(2,397,585)	6,613,272
(Increase)/Decrease in trading securities and derivative financial instruments	(23,446,469)	(47,228,658)
(Increase)/Decrease in interbank and interdepartmental accounts	2,029,774	14,817,209
(Increase)/Decrease in loans and leases	(2,983,398)	17,348,434
(Increase)/Decrease in insurance and reinsurance receivables and reinsurance assets	1,228,825	(665,644)
(Increase)/Decrease in other receivables and other assets	(11,953,132)	13,072,460
(Increase)/Decrease in reserve requirement - Central Bank	(8,677,695)	(2,582,533)
Increase/(Decrease) in deposits	30,971,684	(19,133,693)
Increase/(Decrease) in securities sold under agreements to repurchase	(8,511,387)	18,171,400
Increase/(Decrease) in funds from issuance of securities	(15,796,050)	1,073,705
Increase/(Decrease) in borrowings and on-lending	(8,904,995)	(17,602,395)
Increase/(Decrease) in technical provisions for insurance, pension plans and capitalization bonds	5,135,858	9,118,117
Increase/(Decrease) in other liabilities	2,195,677	(8,629,960)
Increase/(Decrease) in deferred income	(67,452)	(46,360)
Income tax and social contribution paid	(8,575,438)	(9,771,075)
<b>Net cash provided by/(used in) operating activities</b>	<b>23,674,150</b>	<b>62,651,429</b>

**Cash flow from investing activities:**

Maturity of and interest on held-to-maturity securities	7,617,240	4,218,101
Sale of/maturity of and interest on available-for-sale securities	89,338,138	124,080,962
Proceeds from sale of foreclosed assets	802,722	629,768
Sale of investments	441,849	67,323
Sale of premises and equipment	445,347	543,122
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(7,188,659)
Purchases of available-for-sale securities	(128,557,960)	(124,810,463)
Purchases of held-to-maturity securities	(204,557)	(7,187,255)
Investment acquisitions	(525,665)	(10,548)
Purchase of premises and equipment	(1,897,645)	(3,015,682)
Intangible asset acquisitions	(3,743,708)	(2,129,067)
Dividends and interest on shareholders' equity received	845,134	510,285
<b>Net cash provided by/(used in) investing activities</b>	<b>(35,439,105)</b>	<b>(14,292,113)</b>

**Cash flow from financing activities:**

Increase of subordinated debts	6,594,610	7,108,426
Maturity and interest in subordinated debt	(14,301,613)	(10,244,779)
Interest on shareholders' equity paid	(6,397,874)	(5,561,036)
Non-controlling interest	(112,465)	(65,721)
Acquisition of own shares	-	(9,466)
<b>Net cash provided by/(used in) financing activities</b>	<b>(14,217,342)</b>	<b>(8,772,576)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(25,982,297)</b>	<b>39,586,740</b>
Cash and cash equivalents - at the beginning of the period	181,230,427	147,261,434
Effect of changes in exchange rates in cash and cash equivalents	806,312	(5,617,747)
Cash and cash equivalents - at the end of the period	156,054,442	181,230,427
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(25,982,297)</b>	<b>39,586,740</b>

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

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

***Index of Notes to the Consolidated Financial Statements***

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

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

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

**Notes to the Consolidated Financial Statements**

**1) OPERATIONS**

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

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

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

Management states that as disclosures made in the consolidated financial statements of Bradesco, all relevant information in its management is evidenced and that the accounting practices described above have been applied in a consistent manner between the years.



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

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

Bradesco's consolidated financial statements were approved by the Board of Directors on January 31, 2018.

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

**Notes to the Consolidated Financial Statements**

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

	Activity	On December 31	
		Equity interest 2017	2016
<b>Financial Sector – Brazil</b>			
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	100.00%	100.00%
Banco Alvorada S.A.	Banking	99.99%	99.99%
Banco Boavista Interatlântico S.A.(1)	Banking	0.00%	100.00%
Banco Bradescard S.A.	Cards	100.00%	100.00%
Banco Bradesco BBI S.A.(1)	Investment bank	99.85%	99.81%
Banco Bradesco BERJ S.A.	Banking	100.00%	100.00%
Banco Bradesco Cartões S.A.	Cards	100.00%	100.00%
Banco Bradesco Financiamentos S.A.	Banking	100.00%	100.00%
Banco Losango S.A.	Banking	100.00%	100.00%
	Consortium		
Bradesco Administradora de Consórcios Ltda.(2)	management	100.00%	100.00%
Bradesco Leasing S.A. Arrendamento Mercantil	Leasing	100.00%	100.00%
Bradesco Kirton Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	99.97%	99.97%
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Brokerage	100.00%	100.00%
	Asset		
BRAM - Bradesco Asset Management S.A. DTVM	management	100.00%	100.00%
Kirton Bank Brasil S.A.	Banking	100.00%	100.00%
Tempo Serviços Ltda.	Services	100.00%	100.00%
<b>Financial Sector – Overseas</b>			
Banco Bradesco Argentina S.A.	Banking	99.99%	99.99%
Banco Bradesco Europa S.A.	Banking	100.00%	100.00%
Banco Bradesco S.A. Grand Cayman Branch (3)	Banking	100.00%	100.00%
Banco Bradesco S.A. New York Branch	Banking	100.00%	100.00%
Bradesco Securities, Inc.	Brokerage	100.00%	100.00%
Bradesco Securities, UK.	Brokerage	100.00%	100.00%
<b>Insurance, Pension Plan and Capitalization Bond Sector</b>			
Atlântica Companhia de Seguros	Insurance	100.00%	100.00%
Bradesco Argentina de Seguros S.A. (4)	Insurance	99.98%	99.98%

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Bradesco Auto/RE Companhia de Seguros	Insurance	100.00%	100.00%
	Capitalization		
Bradesco Capitalização S.A.	bonds	100.00%	100.00%
Bradesco Saúde S.A.	Insurance/health	100.00%	100.00%
Bradesco Seguros S.A.	Insurance	100.00%	100.00%
	Pension		
Bradesco Vida e Previdência S.A.	plan/Insurance	100.00%	100.00%
	Capitalization		
Kirton Capitalização S.A. (5)	bonds	100.00%	99.97%
Kirton Seguros S.A. (6)	Insurance	98.54%	98.08%
	Pension		
Kirton Vida e Previdência S.A.	plan/Insurance	100.00%	100.00%
Odontoprev S.A. (4)	Dental care	50.01%	50.01%
<b>Other Activities</b>			
Andorra Holdings S.A.	<i>Holding</i>	100.00%	100.00%
Bradseg Participações S.A.	<i>Holding</i>	100.00%	100.00%
	Insurance		
Bradescor Corretora de Seguros Ltda.	Brokerage	100.00%	100.00%
Bradesplan Participações Ltda.	<i>Holding</i>	100.00%	100.00%
BSP Empreendimentos Imobiliários S.A.	Real estate	100.00%	100.00%
Cia. Securitizadora de Créditos Financeiros Rubi	Credit acquisition	100.00%	100.00%
Columbus Holdings S.A.	<i>Holding</i>	100.00%	100.00%
Kirton Participações e Investimentos Ltda. (7)	<i>Holding</i>	0.00%	100.00%
Nova Paiol Participações Ltda.	<i>Holding</i>	100.00%	100.00%
União Participações Ltda.	<i>Holding</i>	100.00%	100.00%
<b>Investment Funds (8)</b>			
Bradesco FI RF Toucan II	Investment Fund	100.00%	100.00%
Bradesco FI Referenciado DI União	Investment Fund	99.92%	99.94%
Bradesco FI Referenciado DI Performance	Investment Fund	100.00%	100.00%
Bradesco FIC FI Renda Fixa V-A	Investment Fund	100.00%	100.00%
Bradesco FIC FI RF PGBL/VGBL Ativo	Investment Fund	100.00%	100.00%
Bradesco Private FIC FI RF PGBL/VGBL Ativo	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. PGBL F10	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F10	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F15	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL Fix	Investment Fund	100.00%	100.00%

(1) In November, 2017, Banco Boavista Interatlântico S.A. was merged into Banco Bradesco BBI S.A. increasing the interest by means of subscription of shares;

(2) In May 2017, Kirton Administradora de Consórcios Ltda. was merged into Bradesco Administradora de Consórcios Ltda.;

(3) 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;

(4) Based on financial information from the previous month;

(5) Increase in interest, by means of acquisition of shares held by minority shareholders;

(6) Increase in interest by means of subscription of shares in July 2017;

- (7) Company merged into Kirton Seguros S.A., in July 2017; and
- (8) The investment funds in which Bradesco assumes or substantially retains the risks and benefits were consolidated.

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

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

**3) SIGNIFICANT ACCOUNTING PRACTICES**

**a) Functional and presentation currencies**

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

**b) Income and expense recognition**

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

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

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

Insurance and coinsurance premiums, net of premiums paid for coinsurance and related commissions, are recognized upon the issue of the related policies/certificates/endorsements and invoices, or upon the beginning of the exposure to risk in cases in which the risk begins before the policy issuance, and is recognized on a straight-line basis over the policies' effective period through the upfront recognition and subsequent reversal through the statement of income of the unearned premium reserve and the deferred acquisition costs. Revenues from premiums and the corresponding deferred acquisition costs, relating to existing risk for which no policy has been issued, are recognized in the statement of income at the beginning of the risk exposure, based on estimated figures.

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

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

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

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

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

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

Revenue from capitalization bonds is recognized in the month in which they are issued, according to the types of collection, which may be in monthly payments or in a single payment. Each security has a nominal value, which is indexed to the Reference Rate (TR) + 0.5% interest per month. Technical provisions are recognized when the respective revenues are recognized.

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

**c) Cash and cash equivalents**

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

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

**d) Interbank investments**

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

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

**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.

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

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

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

Derivative instruments are classified based on the objective for which the underlying instrument was acquired at the date of purchase, taking into consideration its use for possible hedging purposes.

The bank enters into derivatives in order to manage its risk exposures as well as to service client demand. The gains or losses are recognized in the statement of income or shareholders' equity.

Derivative financial instruments used to mitigate risk deriving from exposure to variations in the fair value of financial assets and liabilities are designated as hedges when they meet the criteria for hedge accounting and are classified according to their nature:

- 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.

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

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

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

<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.

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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.

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

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

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

Deferred tax assets on temporary differences are realized when the difference between the accounting treatment and the income tax treatment reverses. Deferred tax assets on income tax and social contribution

losses are realizable when taxable income is generated, up to the 30% limit of the taxable profit for the period. Deferred tax assets are recognized based on current expectations of realization considering technical studies and analyses carried out by Management.

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

Due to the amendment of the rate, the Organization recognized, in September 2015, an incremental amount to the deferred tax of social contribution, considering the annual expectations of realization and their respective rates in force in each period, according to the technical study produced.

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

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

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

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

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

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recognized in the Statement of Income when the corresponding assets or rights are no longer part of the institution's assets or when future benefits are no longer expected.

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

Prepaid expenses are shown in detail in Note 11b.

**j) Investments**

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

Tax incentives and other investments are stated at cost, less allowance for losses/impairment, where applicable.

Subsidiaries are consolidated – the composition of the main companies are disclosed in Note 2. The composition of unconsolidated and jointly controlled companies, as well as other investments, are disclosed in Note 12.

**k) Premises and equipment**

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

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

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 13.

#### **l) Intangible assets**

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

Intangible assets comprise:

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

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



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**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. Impairment losses are presented in Notes 7, 12, 13 and 14.

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

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

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 15.

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

- Damage, health and group insurance lines, except life insurance with survival coverage (VGBL):



- The unearned premium reserve (PPNG) is calculated on a daily pro-rata basis, using premiums net of coinsurance, including amounts ceded through reinsurance, and is comprised of the portion corresponding to the remaining period of coverage less initial contracting costs, except for health and personal insurance. The portion of these reserves corresponding to the estimate for risks in effect but not yet contracted is designated 'PPNG-RVNE';
  
- The unearned premium or contribution reserve (PPCNG) is calculated on a daily pro-rata basis based on the portion of health insurance premiums corresponding to the remaining period of coverage, of the currently effective contracts;
  
- The mathematical reserve for unvested benefits (PMBaC) is calculated as the difference between the current value of future benefits and the current value of future contributions, on obligations already assumed by Bradesco;
  
- Regarding individual health care plan portfolio, as to the remittance coverage of five years for dependents of the holder, in the event of death of the holder, the mathematical reserve is constituted for unvested benefits (PMBaC) which is calculated using a 4.5% annual discount rate (5.1% in 2016), the time holders are expected to remain in the plan up to their death, and the projected costs of the five-year-period cover, excluding payment of premiums;
  
- For health insurance, the mathematical reserve of benefits granted (PMBC) is constituted by the obligations arising from the contractual clauses of remittance of installments, regarding the coverage of health assistance and by the premiums paid by insured participating in the Bradesco Saúde Insurance Plan - "GBS Plan" considering a discount rate of 4.5% (5.1% in 2016) per annum;
  
- The reserve for events incurred but not reported (PEONA) is calculated from the final estimate of claims already incurred and still not reported, based on the run-off triangles, monthly that consider the historical development of claims advised in the last 12 months for health insurance and last 18 months for dental care to establish a future projection per period of occurrence;
  
- For non-life insurance, the reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid' (IBNP) claims less the balance of the reserve for 'unsettled' claims (PSL) on the calculation date. A final estimate of IBNP is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the previous 10 semesters and in last 11 quarters to extended warranty segments to determine a future projection per occurrence period, and considers the estimated claims 'incurred but not sufficient' reported (IBNER), reflecting the changing expectation of the amount provisioned along the regulatory process;

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- For life insurance, the provision of 'incurred but not reported claims (IBNR) is calculated based on semi-annual run-off triangles, which consider the historical development of claims paid and outstanding in the prior 10 semesters, to establish a future projection per period of occurrence; A residual cause study is performed to forecast the claims reported after 10 semesters that the event occurred;
- The reserve for unsettled claims (PSL), for life and health insurance, considers all claim notifications received up to the end of the reporting period, updated monetarily and includes all claims in litigation;
- For non-life insurance, the reserve for unsettled claims (PSL) is determined based on the indemnity payment estimates, considering all administrative and judicial claims existing at the reporting date, restated monetarily, net of the expected payments to be received;
- The technical surplus reserve (PET) corresponds to the difference between the expected value and the observed value for events occurred in the period for insurance of policyholders with a clause of participation in the technical surplus;
- The reserve for related expenses (PDR) for insurance of persons is recognized to cover expenses related to estimated claims and benefits for products structured in self-funding and partially regimes, the reserve covers claims incurred. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future;
- For damage insurance, the reserve for related expenses is (PDR) calculated on a monthly basis to cover the expenses related to indemnity payment, and it covers the expenses allocated individually to each claim, as well as expenses related to claims that have not been itemized, that is, those at the level of the portfolio;

- The reserve for redemptions and other amounts to be settled (PVR) comprises figures related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer;
  
- The complementary reserve for coverage (PCC) for damage insurance shall be recorded when there is an insufficiency in the technical provisions, as calculated in the Liability Adequacy Test (LAT), pursuant to the determinations specified in the regulations in force. As of the base date, there is no need to record complementary reserve for coverage;
  
- The complementary reserve for coverage (PCC) for life insurance, refers to the amount necessary to complement technical provisions, as calculated in the LAT. The LAT, which is prepared using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, adjusted as per longevity development criteria in compliance with the last versions disclosed (improvement), claims ratio obtained from analysis based on Company's triangles of claim development generated based on 2017 information and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy;
  
- The other technical provisions for damage insurance correspond to the provision for administrative expenses (PDA) arising from Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations; and
  
- Other technical provisions are recognized for the individual health portfolio to address the differences between the expected present value of future premiums and the expected present value of indemnities and related expenses, using an annual discount rate of 4.5% (5.1% in 2016) per annum.

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**Notes to the Consolidated Financial Statements**

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

- The complementary reserve for coverage (PCC) refers to the amount necessary to complement technical provisions, as calculated in the LAT. The LAT, which is prepared semi-annually using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, improvement and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy;
  
- The reserve for related expenses (PDR) is recognized to cover expenses related to estimated claims and benefits, for products structured in self-funding and partially regimes. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future. The projections are performed through the liability adequacy test (TAP);
  
- The reserve for financial surplus (PEF) corresponds to the financial income exceeding the minimum assured profitability, transferred to contracts with a financial surplus participation clause;
  
- The provision for claims incurred but not reported (IBNR) is calculated based on semi-annual run-off triangles, which consider the historical development of claims paid and outstanding in the last 16 semesters for the creation of a new future projection by period of occurrence. As to acquired portfolios, a history of 10 semesters is used;
  
- The reserve for unsettled claims (PSL) considers all loss notices received up to the end of the reporting period. The provision is updated for inflation and includes all claims in litigation; and
  
- The financial charges credited to technical provisions, and the recording and/or reversal of the financial surplus, are classified as financial expenses, and are presented under “Financial income from insurance, pension plans and capitalization bonds”.

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- Capitalization bonds:

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

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

- Reserve for 'draws to be held' (PSR) is recognized to cover premiums for future prize draws, and the balance represents the present value of the draws that have already been funded but have not yet been held. The calculation methodology consists of the accumulation of the prize draw percentage applicable to each payment, as established in the plan, less the amounts related to prize draws that have already occurred. The percentages of payments designated for the prize draws is defined in advance in the actuarial technical note, and is not modified during the term of the bond;

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

- Reserve for administrative expense (PDA) is recognized to cover the cost for maintaining capitalization bonds.

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

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

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

- **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 the Organization 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 in which Bradesco is contesting the applicability of tax laws on the grounds of legality or constitutionality, which, regardless of the assessment of the probability of success, are fully provided for in the financial statements.

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

**q) Funding expenses**

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

**r) Other assets and liabilities**

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

**s) 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:

Minimum Capital Required – Grupo Bradesco Seguros

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

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

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

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

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

	2017			On De 2016			
	Accounting Statement of Financial Position	Proportionately consolidated Companies (1)	Adjustments of Consolidation (2)	Managerial Statement of Financial Position	Accounting Statement of Financial Position	Proportionately consolidated Companies (1)	Adj Con
<b>Assets</b>							
<b>Current and long-term assets</b>	<b>1,180,270,632</b>	<b>9,443,861</b>	<b>78,178,606</b>	<b>1,267,893,099</b>	<b>1,148,507,298</b>	<b>8,654,972</b>	<b>10</b>
Cash and due from banks	15,028,725	195,287	-	15,224,012	14,518,120	178,510	
Interbank investments	154,346,624	(72,186)	(4,424)	154,270,014	177,635,629	566,852	
Securities and derivative financial instruments	500,609,064	5,747,276	78,293,692	584,650,032	440,010,105	3,980,138	10
	68,196,914	-	-	68,196,914	59,006,812	-	

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Interbank and interdepartmental accounts						
Loans and leases	323,988,049	451,097	-	324,439,146	347,041,036	447,516
Allowance for Loan Losses (ALL)	(36,423,867)	(103,085)	-	(36,526,952)	(37,553,364)	(99,583)
Other receivables and assets	154,525,123	3,225,472	(110,662)	157,639,933	147,848,960	3,581,539
<b>Permanent Assets</b>	<b>31,001,086</b>	<b>(565,907)</b>	<b>-</b>	<b>30,435,179</b>	<b>31,099,817</b>	<b>185,097</b>
Investments	8,022,587	(5,840,951)	-	2,181,636	7,038,394	(5,260,652)
Premises and equipment	7,744,649	204,157	-	7,948,806	7,722,638	242,316
Intangible assets	15,233,850	5,070,887	-	20,304,737	16,338,785	5,203,433
<b>Total</b>	<b>1,211,271,718</b>	<b>8,877,954</b>	<b>78,178,606</b>	<b>1,298,328,278</b>	<b>1,179,607,115</b>	<b>8,840,069</b>

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	2017			On De 2016			
	Accounting Statement of Financial Position	Proportionately consolidated Companies (1)	Adjustments of Consolidation (2)	Managerial Statement of Financial Position	Accounting Statement of Financial Position	Proportionately consolidated Companies (1)	Adj Con
<b>Liabilities</b>							
<b>Current and long-term liabilities</b>	<b>1,099,841,108</b>	<b>7,744,166</b>	<b>78,178,606</b>	<b>1,185,763,880</b>	<b>1,078,238,708</b>	<b>7,742,386</b>	<b>10</b>
Deposits	265,207,362	69,559	-	265,276,921	234,235,678	(22,647)	
Securities sold under agreements to repurchase	233,467,544	(128,206)	80,223,012	313,562,350	241,978,931	-	10
Funds from Issuance of Securities	135,011,308	-	-	135,011,308	150,807,358	-	
Interbank and interdepartmental accounts	26,678,302	3,355,992	-	30,034,294	24,136,121	(4,553,128)	
Borrowing and on-lending	49,291,007	2,378,005	-	51,669,012	58,196,002	-	
Derivative financial instruments	14,274,999	(11,863)	(178,643)	14,084,493	13,435,679	-	(
Technical provisions for insurance, pension plans and capitalization bonds	246,652,565	-	-	246,652,565	223,342,157	-	
Other liabilities	129,258,021	2,080,679	(1,865,763)	129,472,937	132,106,782	12,318,161	
<b>Deferred income</b>	<b>409,733</b>	<b>-</b>	<b>-</b>	<b>409,733</b>	<b>477,185</b>	<b>-</b>	
<b>Non-controlling interests in subsidiaries' Shareholders' equity</b>	<b>563,401</b>	<b>1,133,788</b>	<b>-</b>	<b>1,697,189</b>	<b>448,809</b>	<b>1,097,683</b>	
<b>Total</b>	<b>1,211,271,718</b>	<b>8,877,954</b>	<b>78,178,606</b>	<b>1,298,328,278</b>	<b>1,179,607,115</b>	<b>8,840,069</b>	<b>10</b>

	2017			2016			
	Accounting Statement of Income	Proportionately consolidated Companies (1)	Adjustments of Consolidation (2)	Managerial Statement of Income	Accounting Statement of Income	Proportionately consolidated Companies (1)	Adjustments of Consolidation (2)
Revenue from financial intermediation	148,262,127	1,321,024	2,928,359	152,511,510	162,203,853	539,432	5,721,000
Expenses from financial intermediation	(79,057,036)	(66,672)	(5,464,307)	(84,588,015)	(84,699,782)	-	(7,851,000)
<b>Financial margin</b>	<b>69,205,091</b>	<b>1,254,352</b>	<b>(2,535,948)</b>	<b>67,923,495</b>	<b>77,504,071</b>	<b>539,432</b>	<b>(2,130,000)</b>
Allowance for loan losses	(25,084,259)	(125,761)	-	(25,210,020)	(24,166,364)	(209,879)	
<b>Gross income from financial intermediation</b>	<b>44,120,832</b>	<b>1,128,591</b>	<b>(2,535,948)</b>	<b>42,713,475</b>	<b>53,337,707</b>	<b>329,553</b>	<b>(2,130,000)</b>
Income from insurance, pension plans and capitalization bonds	6,792,075	-	-	6,792,075	4,592,776	-	
Fee and commission income	24,027,966	4,443,914	2,390,311	30,862,191	21,577,407	4,498,393	2,003,000
Personnel expenses	(21,010,157)	(797,306)	-	(21,807,463)	(17,271,076)	(707,134)	
Other administrative expenses	(19,275,756)	(917,548)	60,812	(20,132,492)	(18,344,649)	(1,475,973)	496,000
Tax expenses	(5,960,618)	(534,145)	-	(6,494,763)	(6,331,651)	(492,768)	
Equity in the earnings (losses) of unconsolidated and jointly controlled companies	1,505,270	(1,312,974)	-	192,296	1,665,170	(1,447,603)	
Other operating income / expenses	(9,695,873)	(1,067,313)	84,825	(10,678,361)	(11,244,911)	(88,299)	(370,000)
<b>Operating income</b>	<b>20,503,739</b>	<b>943,219</b>	<b>-</b>	<b>21,446,958</b>	<b>27,980,773</b>	<b>616,169</b>	
Non-operating income	(474,715)	(4,084)	-	(478,799)	(821,095)	(15,223)	
IT/SC (Income Tax/Soc. Contrib.) and	(5,371,269)	(939,135)	-	(6,310,404)	(12,076,100)	(600,946)	

non-controlling  
interests

<b>Net income</b>	<b>14,657,755</b>	-	-	<b>14,657,755</b>	<b>15,083,578</b>	-
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(1) Refers to the effects of the consolidation adjustments arising from the undertakings consolidated proportionally (Grupo Cielo, Grupo Alelo, Crediare, etc.); and

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

Economic and Financial Analysis Report - December 2017

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

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

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

	On December 31 - R\$ thousand						
	Financial (1) (2)		Insurance Group (2) (3)		Other Activities (2)	Eliminations (4)	Managerial Accounting Statement of Financial Position
	Brazil	Overseas	Brazil	Overseas			
<b>Assets</b>							
<b>Current and long-term assets</b>	<b>937,972,844</b>	<b>97,507,145</b>	<b>283,337,569</b>	<b>17,371</b>	<b>4,859,969</b>	<b>(55,801,799)</b>	<b>1,267,893,099</b>
Cash and due from banks	13,763,279	1,580,853	319,595	7,781	145,007	(592,503)	15,224,012
Interbank investments	152,151,681	2,118,333	-	-	-	-	154,270,014
Securities and derivative financial instruments	298,524,271	14,567,490	271,976,532	1,983	3,991,179	(4,411,423)	584,650,032
Interbank and interdepartmental accounts	68,196,914	-	-	-	-	-	68,196,914
Loans and leases	293,772,305	79,878,107	-	-	-	(49,211,266)	324,439,146
Allowance for Loan Losses (ALL)	(35,035,466)	(1,491,486)	-	-	-	-	(36,526,952)
Other receivables and assets	146,599,860	853,848	11,041,442	7,607	723,783	(1,586,607)	157,639,933
<b>Permanent assets</b>	<b>111,022,664</b>	<b>33,861</b>	<b>6,103,677</b>	<b>2,795</b>	<b>755,863</b>	<b>(87,483,681)</b>	<b>30,435,179</b>
Investments	87,010,313	-	2,602,781	-	52,223	(87,483,681)	2,181,636
	6,198,963	22,107	1,695,718	194	31,824	-	7,948,806



Premises and equipment							
Intangible assets	17,813,388	11,754	1,805,178	2,601	671,816	-	20,304,737
<b>Total in 2017</b>	<b>1,048,995,508</b>	<b>97,541,006</b>	<b>289,441,246</b>	<b>20,166</b>	<b>5,615,832</b>	<b>(143,285,480)</b>	<b>1,298,328,278</b>
<b>Total in 2016</b>	<b>1,063,587,868</b>	<b>117,468,410</b>	<b>266,716,451</b>	<b>8,377</b>	<b>3,712,910</b>	<b>(157,935,076)</b>	<b>1,293,558,940</b>

**Liabilities**