

BANK BRADESCO
Form 20-F
April 30, 2019

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report, the terms "Bradesco," the "Company," the "Bank," the "Bradesco Group," "we," the "Organization," "our" and "us" refer to Banco Bradesco S.A. *sociedade anônima* organized under the laws of Brazil and, unless otherwise indicated, its consolidated subsidiaries.

All references herein to "real," "reais" or "R\$" refer to the Brazilian Real, the official currency of Brazil. References herein to "U.S. dollars," "dollar" and "US\$" refer to United States dollars, the official currency of the United States of America ("USA").

Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 and the corresponding notes, which are included under "Item 18. Financial Statements" of this annual report, were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

We use accounting practices adopted in Brazil for financial institutions authorized to operate by the Central Bank of Brazil (*Banco Central do Brasil*, or the "Central Bank") for certain purposes, such as performance assessment, decision-making, preparation of reports for Brazilian shareholders, filings with the Brazilian Securities and Exchange Commission ("CVM"), attendance and observation of limits and requirements of local regulators and determining dividend and federal income tax payments.

Some data related to economic sectors presented in this annual report was obtained from the following sources: B3 (*Brasil, Bolsa, Balcão*) or ("B3"); Brazilian Association of Credit Card Companies and Services (*Associação Brasileira das Empresas de Cartão de Crédito e Serviços*), or ("ABECS"); Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing*), or ("ABEL"); Brazilian Association of Financial and Capital Markets Entities (*Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais*), or ("ANBIMA"); Brazilian Health Insurance Authority (*Agência Nacional de Saúde Suplementar*), or ("ANS"); Central Bank; Brazilian Bank of Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or ("BNDES"); National Association of Private Pension Plans and Life (*Federação Nacional de Previdência Privada e Vida*), or ("FENAPREVI"); Getulio Vargas Foundation (*Fundação Getulio Vargas*), or ("FGV"); and Private Insurance Superintendence (*Superintendência de Seguros Privados*), or ("SUSEP").

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

References in this annual report to the "common shares" and "preferred shares" are to our common shares and preferred shares, respectively, and together our "shares." References to "preferred share ADSs" in this annual report are to preferred share American Depositary Shares, each representing one preferred share. The preferred share ADSs are evidenced by preferred share American Depositary Receipts, or preferred

share ADRs, issued pursuant to an Amended and Restated Deposit Agreement, dated as of December 11, 2015, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of preferred share ADSs evidenced by preferred share ADRs issued thereunder (the "Preferred Share ADS Deposit Agreement").

References to "common share ADSs" in this annual report are related to common share American Depositary Shares, with each common share ADS representing one common share. The common share ADSs are evidenced by common share American Depositary Receipts, or common share ADRs, issued pursuant to an Amended and Restated Deposit Agreement dated as of December 11, 2015, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (the "Common Share ADS Deposit Agreement" and, together with the "Preferred Share ADS Deposit Agreement," the "Deposit Agreements").

References throughout this annual report to "ADSs" are to our preferred share ADSs and common share ADSs, together.

Throughout this annual report, we may indicate that certain information is available at different websites operated by us. None of the information on the websites referred to or mentioned in this annual report is part of or is incorporated by reference herein.

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FORWARD LOOKING STATEMENTS

This annual report contains forward looking statements as defined in Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." These statements are based mainly on our current expectations and projections of future events and financial trends that affect or might affect our business. In addition to the items discussed in other sections of this annual report, there are many significant factors that could cause our financial condition and results of operations to differ materially from those set out in our forward-looking statements, including, but not limited to, the following:

- the current instability in Brazilian macroeconomic conditions, together with political, economic and business uncertainties, as well as instabilities in global markets
- risks of lending, credit, investments and other activities;
- our level of capitalization;
- cost and availability of funds;
- higher levels of delinquency by borrowers, credit delinquency and other delinquency events leading to higher impairment of loans and advances;
- loss of customers or other sources of income;
- our ability to execute our investment strategies, capital expenditure plans and to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse claims, legal or regulatory disputes or proceedings;
- inflation, fluctuations in the value of the *real* and/or interest rates, which could adversely affect our margins;
- competitive conditions in the banking, financial services, credit card, asset management, insurance sectors and related industries;
- any failures in, or breaches of, our operational, security or technology systems;
- the market value of securities, particularly Brazilian government securities; and
- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax matters.

Words such as "believe," "expect," "continue," "understand," "estimate," "will," "may," "anticipate," "should," "intend," and other similar expressions identify forward looking statements. These statements refer only to the date on which they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or any other event.

In light of these risks and uncertainties, the forward looking statements, events and circumstances discussed in this annual report may not be accurate, and our actual results and performance could differ materially from those anticipated in our forward-looking statements. Investors should not make investment decisions based solely on the forward-looking statements in this annual report.

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PART I
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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

We present below our selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, which have been prepared in accordance with IFRS as issued by the IASB and audited by KPMG Auditores Independentes, an independent registered public accounting firm. The data as of and for the years ended December 31, 2018 and 2017 is derived from our consolidated financial statements included in this annual report. The data for the years ended December 31, 2016, 2015 and 2014 is derived from our consolidated financial statements, which are not included herein.

In 2018, we adopted IFRS 9 – Financial instruments, which replaced IAS 39, which established a new approach for the classification and measurement of financial assets and liabilities, impairment, which replaces incurred losses with expected losses and hedge accounting. This adoption had its effects applied as of January 1, 2018, as a result, certain tables containing financial data in this annual report are not comparable with previous periods, as noted in relation to each such applicable table in this annual report. For more details on the transition process from IAS 39 to IFRS 9, see Note 47 of our Financial Statements in "Item 18. Financial Statements."

The following selected financial data should be read together with the "Presentation of Financial and Other Information" and "Item 5. Operating and Financial Review and Prospects."

Selected Financial Data

Year ended December 31, 2018	2017	2016	R\$ in thousands	
			2015	2014
Data from the Consolidated Statement of Income				

Interest and similar income	122,053,139	126,232,328	147,700,375	127,048,252	103,893,096
Interest and similar expenses	(55,244,669)	(75,589,415)	(91,037,386)	(71,412,210)	(53,847,329)
Net interest income	66,808,470	50,642,913	56,662,989	55,636,042	50,045,767
Net fee and commission income	23,831,590	22,748,828	20,341,051	17,820,670	16,739,256
Net gains/(losses) on financial instruments at fair value through profit or loss	(11,676,573)	-	-	-	-
Net gains/(losses) on financial instruments classified as held for trading	-	9,623,108	16,402,770	(8,252,055)	(1,933,003)
Net gains/(losses) on financial instruments at fair value through other comprehensive income	1,073,563	-	-	-	-
Net gains/(losses) on financial instruments classified as available for sale	-	570,358	(1,341,400)	(671,810)	(991,894)
Losses on investments held-to-maturity	-	(54,520)	-	-	-
Net gains/(losses) on foreign currency transactions	1,096,826	1,422,957	150,757	(3,523,095)	(1,244,680)
Net income from insurance and pension plans	7,656,872	6,239,990	4,155,763	5,497,505	5,411,845
Impairment of loans and advances	-	(16,860,835)	(15,350,278)	(14,721,152)	(10,291,386)
Expected credit losses for loans and advances	(15,091,975)	-	-	-	-
Expected losses with other financial assets	(1,172,860)	-	-	-	-
Personnel expenses	(18,871,462)	(20,723,265)	(17,003,783)	(14,058,047)	(13,667,639)
Other administrative expenses	(16,873,962)	(16,882,461)	(16,149,563)	(13,721,970)	(12,971,521)
Depreciation and amortization	(4,808,255)	(4,568,568)	(3,658,413)	(2,942,003)	(2,932,687)
Other operating income/(expenses)	(14,210,594)	(10,133,357)	(14,004,162)	(12,988,553)	(10,223,083)
Income before income taxes and share of profit of associates and joint ventures	17,761,640	22,025,148	30,205,731	8,075,532	17,940,975
Share of profit of associates and joint ventures	1,680,375	1,718,411	1,699,725	1,528,051	1,389,816
Income before income taxes	19,442,015	23,743,559	31,905,456	9,603,583	19,330,791
Income tax and social contribution	(2,693,576)	(6,428,956)	(13,912,730)	8,634,322	(3,914,313)
Net income for the year attributable to shareholders	16,748,439	17,314,603	17,992,726	18,237,905	15,416,478
Controlling shareholders	16,583,915	17,089,364	17,894,249	18,132,906	15,314,943
Non-controlling interest	164,524	225,239	98,477	104,999	101,535

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Year ended December 31,	R\$, except for number of shares				
	2018	2017	2016	2015	2014
Data on Earnings and Dividends per Share ⁽¹⁾					
Earnings per share ⁽²⁾					
Common	2.36	2.43	2.55	2.84	2.39
Preferred	2.60	2.67	2.80	3.12	2.63
Dividends/interest on equity per share ⁽³⁾					
Common	1.04	1.03	0.99	0.94	0.79
Preferred	1.14	1.13	1.09	1.04	0.87
Weighted average number of outstanding shares ⁽¹⁾					
Common	3,354,990	3,354,990	3,354,990	3,050,156	3,050,272
Preferred	3,339,188	3,339,188	3,339,188	3,037,917	3,042,788

⁽¹⁾ Adjusted for corporate events occurred in the periods. For more information about the company events, see "Item 9.A. Offer and Listing Details;"

⁽²⁾ None of our outstanding liabilities are exchangeable for or convertible into equity securities. Therefore, our diluted earnings per share do not differ from our earnings per share. Accordingly, our basic and diluted earnings per share are equal in all periods presented; and

⁽³⁾ Holders of preferred shares are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders. For purposes of calculating earnings per share according to IFRS, we used the same criteria adopted for dividends per share. For a description of our two classes of shares. see "Item 10.B. Memorandum and Articles of Association."

Year ended December 31,	In US\$				
	2018	2017	2016	2015	2014
Dividends/interest on equity per share ⁽¹⁾					
Common	0.27	0.31	0.30	0.24	0.30
Preferred	0.29	0.34	0.33	0.27	0.33

⁽¹⁾ Amounts stated in U.S. dollars have been translated from Brazilian *reais* at the exchange rate disclosed by the Central Bank at the end of each fiscal year.

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As of December 31,	R\$ in thousands				
	2018	2017	2016	2015	2014
Data from the Consolidated Statement of Financial Position					
Assets					
Cash and balances with banks	107,209,743	81,742,951	72,554,651	72,091,764	65,430,300
Financial assets at fair value through profit or loss	246,161,150	-	-	-	-
Financial assets held for trading	-	241,710,041	213,139,846	159,623,449	78,498,311
Financial assets at fair value through other comprehensive income	178,050,536	-	-	-	-
Financial assets available for sale	-	159,412,722	113,118,554	117,695,450	120,961,734
Financial assets at amortized cost	-	-	-	-	-
Loans and advances to banks, net of impairment	105,248,950	32,247,724	94,838,136	35,620,410	72,974,619
Loans and advances to customers, net of impairment	380,387,076	346,758,099	367,303,034	344,868,464	328,064,004
Securities, net of impairment	140,604,738	-	-	-	-
Other financial assets	43,893,309	-	-	-	-
Investments held to maturity	-	39,006,118	43,002,028	40,003,560	25,071,031
Financial assets pledged as collateral	-	183,975,173	155,286,577	144,489,921	152,612,689
Non-current assets held for sale	1,353,330	1,520,973	1,578,966	1,247,106	1,006,461
Investments in associates and joint ventures	8,125,799	8,257,384	7,002,778	5,815,325	3,983,780
Premises and equipment	8,826,836	8,432,475	8,397,116	5,504,435	4,700,518
Intangible assets and goodwill, net of accumulated amortization	16,128,548	16,179,307	15,797,526	7,409,635	7,529,915
Taxes to be offset	13,498,264	10,524,575	7,723,211	6,817,427	6,130,191
Deferred income tax assets	48,682,569	43,731,911	45,116,863	45,397,879	28,388,183
Other assets	7,372,866	50,853,987	47,170,370	40,118,697	35,099,280
Total assets	1,305,543,714	1,224,353,440	1,192,029,656	1,026,703,522	930,451,016
Liabilities					
Liabilities at amortized cost					
Deposits from banks	247,313,979	285,957,468	301,662,682	293,903,391	279,940,227
Deposits from customers	340,748,196	262,008,445	232,747,929	194,510,100	

					210,031,505
Funds from issuance of securities	148,029,018	135,174,090	151,101,938	109,850,047	85,030,399
Subordinated debt	53,643,444	50,179,401	52,611,064	50,282,936	35,821,666
Other financial liabilities	62,598,235	-	-	-	-
Financial liabilities at fair value through profit or loss	16,152,087	-	-	-	-
Financial liabilities held for trading	-	14,274,999	13,435,678	19,345,729	3,315,573
Provision for expected losses	-	-	-	-	-
Loan Commitments	2,551,676	-	-	-	-
Financial Guarantees	719,216	-	-	-	-
Technical provisions for insurance and pension plans	251,578,287	239,089,590	215,840,000	170,940,940	146,559,220
Other reserves	19,802,171	18,490,727	18,292,409	15,364,317	13,864,401
Current income tax liabilities	2,373,261	2,416,345	2,130,286	2,781,104	3,602,333
Deferred income tax assets	1,200,589	1,251,847	1,762,948	772,138	808,178
Other liabilities	34,157,435	97,816,824	96,965,515	78,038,058	69,185,709
Total liabilities	1,180,867,594	1,106,659,736	1,086,550,449	935,788,760	848,159,211
Shareholders' equity					
Capital	67,100,000	59,100,000	51,100,000	43,100,000	38,100,000
Treasury shares	(440,514)	(440,514)	(440,514)	(431,048)	(298,015)
Capital reserves	35,973	35,973	35,973	35,973	35,973
Profit reserves	53,267,584	49,481,227	50,027,816	49,920,020	43,765,349
Additional paid-in capital	70,496	70,496	70,496	70,496	70,496
Other comprehensive income	2,206,718	1,817,659	(398,708)	(4,002,724)	(659,501)
Retained earnings	2,035,198	7,338,990	4,907,381	2,096,710	1,153,439
Equity attributable to controlling shareholders	124,275,455	117,403,831	105,302,444	90,789,427	82,167,741
Non-controlling interest	400,665	289,873	176,763	125,335	124,064
Total equity	124,676,120	117,693,704	105,479,207	90,914,762	82,291,805
Total liabilities and equity	1,305,543,714	1,224,353,440	1,192,029,656	1,026,703,522	930,451,016

3.B. Capitalization and Indebtedness

Not applicable.

3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

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3.D. Risk Factors

Macroeconomic risks

The current weakness in Brazilian macroeconomic conditions and the market perception of certain economic and political risks alongside uncertainties relating to Brazil, including high-profile anti-corruption investigations, may have a material adverse effect on our financial condition and on the results of operations.

The vast majority of our operations are conducted in Brazil and, accordingly, our results are significantly impacted by macroeconomic conditions in Brazil. The reorientation of the Brazilian economic policy, initiated in 2016, enabled the advancement of measures aimed at minimizing imbalances. Some of these actions included: (i) the imposition of a ceiling on public spending; (ii) a change in the management of state-owned enterprises, including financial institutions; (iii) the creation of the Long-term Rate (TLP - *Taxa de Longo Prazo*); (iv) recovery of the credibility of monetary and fiscal policies; (v) a reduction in the information asymmetry in the credit market, with the approval of the compliant debtors; (vi) the strengthening of guarantees, with the passing of the dissolution law (*Lei do Distrato*) and regulation of the Covered Bonds (LIG - *Letras Imobiliárias Garantidas*); and (vii) the labor reform. The anchoring of inflation expectations allowed the Central Bank to reduce the basic interest rate to the lowest level in history, maintaining it at 6.5% over most of 2018. From a fiscal perspective, despite the advances mentioned above and the recovery of revenues, there is still concern regarding the sustainability of Brazil's national debt remained present, especially in light of the lack of progress in relation to the pension reform.

The executive branch of the Brazilian government (the "Federal Government") sought a vote on the pension reform by Congress during the first half of 2018. However, due to the presidential, governors, senators and Congressman elections in October 2018 and the federal intervention in the area of public security in the State of Rio de Janeiro, the pension reform was not voted by the Brazilian Congress.

In October 2018, the then candidate Jair Messias Bolsonaro, a retired military officer and former congressman, was elected President of the Federative Republic of Brazil .

In February 2019, the current government's economic team presented to the National Congress a proposal for a constitutional amendment relative to the pension reform, expecting vote in the first half of 2019. Potential significant changes in economic policy may affect our operating results negatively or positively as well as the market value of our shares, preferred share ADSs and common share ADSs, in addition to the Brazilian economy in general.

In 2014, the Brazilian Federal Police and the Prosecution Office commenced a series of anti-corruption investigations called "Operation Car Wash" ("*Operação Lava Jato*") in which, among other matters, certain officers and employees of *Petróleo Brasileiro S.A. ("Petrobras")*, a Brazilian state-controlled company, were accused of accepting illegal payments in order to wrongly influence commercial decisions of Petrobras. During the course of 2014, 2015 and 2016, these anti-corruption investigations have expanded and have given rise to various criminal proceedings involving not only senior officers and employees of Petrobras but also senior officers of companies in Brazil, notably in the construction sector and some politicians. In the U.S., the SEC and the Department of Justice are also conducting their own investigations into a number of these allegations. The high-profile nature of these investigations may have momentarily harmed the reputation of Brazil, which could reduce investor confidence, making it more difficult for companies located in Brazil to obtain funding. We cannot predict how long the anti-corruption investigations will continue, or how significant the effects of the anti-corruption investigations may be for the Brazilian economy. If uncertainty surrounding the Brazilian economy continues, or if there is a material reduction in investor confidence as a result of these investigations, the results of our operations may be adversely affected.

In addition, our subsidiary Banco Bradesco BBI S.A. ("Bradesco BBI") is a party to certain legal and administrative proceedings filed against Petrobras and other defendants, due to its role as underwriter in a note offering of Petrobras. The settlement agreement was authorized by the judge. However, appeals were presented on the merits of the case, which are awaiting trial. We or our subsidiaries may become a party to other legal and/or administrative proceedings against Petrobras or other companies which have not yet been filed. A negative outcome of these ongoing legal proceedings or any new legal proceedings may harm our reputation and may adversely affect our financial condition and our results of operations.

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3.B. Risk Factors

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The progress of the "Lava Jato" investigation and the unfolding events and the possibility of new accusations may significantly change the Brazilian political and economic climate.

The continuation of any of, or combination of, these factors may lead to a further slowdown in GDP growth, which may have an adverse effect on our financial condition and our results of operations.

The government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business.

Our financial condition and results of operations are substantially dependent on Brazil's economy, which in the past has been characterized by frequent and occasionally drastic intervention by the government and volatile economic cycles.

In the past, the Brazilian government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil's economy. We have no control over, and cannot predict, what measures or policies the government may take in response to the current or future Brazilian economic situation or how government intervention and government policies will affect the Brazilian economy and our operations and revenues.

Our operations, financial condition and the market price of our shares, preferred share ADSs and common share ADSs may be adversely affected by changes in certain policies related to exchange controls, tax and other matters, as well as factors such as:

- exchange rate fluctuations;
- base interest rate fluctuations;
- domestic economic growth;
- political, social or economic instability;
- monetary policies;
- tax policy and changes in tax regimes;
- exchange controls policies;
- liquidity of domestic financial, capital and credit markets;
- our customers' capacity to meet their other obligations with us;
- decreases in wage and income levels;

- increases in unemployment rates;
- macroprudential measures;
- inflation;
- allegations of corruption against political parties, public officials, including allegations made in relation to the "Operation Car Wash" investigation, among others; and
- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

Changes in, or uncertainties regarding, the implementation of the policies listed above could contribute to economic uncertainty in Brazil, thereby increasing the volatility of the Brazilian securities market and reducing the value of Brazilian securities traded internally or abroad.

Historically, the country's political scenario has influenced the performance of the Brazilian economy and political crises have affected the confidence of investors and the general public, which resulted in economic deceleration and heightened volatility in the securities issued abroad by companies based in Brazil.

The current government is expected to conduct an economic agenda with actions to reduce government expenditure and stimulate growth. The macroeconomic priorities are: (i) the adoption of measures to reduce the public deficit; (ii) the Pension Reform; (iii) the opening of the economy; and (iv) the generation of more jobs. We cannot guarantee that the current government will maintain the same economic policies adopted by the prior government.

If the current Brazilian government decides to make significant changes to economic policy as of 2019, these changes may adversely affect our operating results and the market value of our shares, preferred shares ADSs and common shares ADSs, as well as the Brazilian economy in general.

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In addition, uncertainties about the current government can influence the perception of risk of investing in Brazil among foreign investors, which in turn may adversely affect the market value of our shares, preferred shares ADSs and common shares ADSs. For example, the market value of Brazilian companies became more volatile during the recent presidential elections.

Currency exchange variations may have an adverse effect on the Brazilian economy and on our results and financial condition.

Fluctuations in the value of the *real* may impact our business. After an extended period of appreciation, interrupted only in late 2008 as a result of the global crisis, the Brazilian *real* started to weaken in mid-2011. This trend accelerated during the following four years and was interrupted in 2016. Weaker currency periods make certain local manufacturers (particularly exporters) more competitive, but also make managing economic policy, particularly inflation, increasingly difficult, even with a slowdown in growth. A weaker *real* also adversely impacts companies based in Brazil with U.S. dollar indexed to and/or denominated debt.

As of December 31, 2018, the net exposure in relation to our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 38.6% of our net asset. If the Brazilian currency devaluates or depreciates, we risk losses on our liabilities denominated in, or indexed to, foreign currencies, such as our U.S. dollar denominated long-term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. Accordingly, if our liabilities denominated in, or indexed to, foreign currencies significantly exceed our monetary assets denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large devaluation or depreciation of the Brazilian currency could materially and adversely affect our financial results and the market price of our shares, preferred share ADSs and common share ADSs, even if the value of the liabilities has not changed in their originated currency. In addition, our lending transactions depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation or depreciation of the U.S. dollar may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

Conversely, when the Brazilian currency appreciates, we may incur losses on our monetary assets denominated in, or indexed to, foreign currencies, mainly, the U.S. dollar, and we may experience decreases in our liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currencies significantly exceed our liabilities denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their originated currency.

If Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced.

Brazil has, in the past, experienced extremely high rates of inflation. Inflation and governmental measures to combat inflation had significant negative effects on the Brazilian economy and contributed to increased economic uncertainty in Brazil and heightened volatility in the Brazilian securities markets, which may have an adverse effect on us.

The memory of, and the potential for inflation, is still present, despite the monetary stability achieved in the mid-1990s, which intensified after 1999 as a result of the adoption of inflation targeting norms. There are still concerns that inflation levels might rise again in the future. Current economic policy in Brazil is premised on a monetary regime which the Central Bank oversees in order to assure that the effective rate of inflation keeps in line with a predetermined and previously announced target. Brazil's rates of inflation reached 3.8% in 2018, 3.0% in 2017 and 6.3% in 2016, as measured by the Extended Consumer Price Index - "IPCA" (*Índice Nacional de Preços ao Consumidor Amplo*).

The recent government measures to combat inflation include maintaining an expansive monetary policy to reduce the interest rates in order to increase the availability of credit and drive the economic growth. Decreases in the base interest rate ("SELIC") set by the Committee of the Central Bank (*Comitê de Política Monetária* – "COPOM") may have an adverse effect on us by reducing the interest income we receive from our interest-earning assets and lowering our revenues and margins. Increases in SELIC rate may also have an adverse effect on us by reducing the demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default.

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3.B. Risk Factors

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Future government actions, including the imposition of taxes, intervention in the foreign exchange market and actions to adjust or fix the value of the *real*, as well as any GDP growth different from expected levels may trigger increases in inflation. If Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be affected and, if investor confidence lags, the price of our securities may fall. Inflationary pressures may also affect our ability to access foreign financial and capital markets and may lead to counter-inflationary policies that may have an adverse effect on our business, financial condition, results of operations and the market value of our shares, preferred share ADSs and common share ADSs.

Changes in base interest rate by the Central Bank may materially adversely affect our margins and results of operations.

The stabilization of inflation allowed the Central Bank to reduce the basic interest rate to the lowest level in history. The base interest rate (SELIC) was 6.5%, 7.0% and 13.75% *per annum* (“*p.a.*”) as of December 31, 2018, 2017 and 2016, respectively. Changes in the base interest rate may affect our results of operations as we have assets and liabilities indexed to the SELIC. At the same time, high base interest rates may increase the likelihood of customer delinquency, due to the deceleration in the economic activity. Similarly, low base interest rates may increase the leverage of borrowers, generating additional risk to financial system.

The COPOM adjusts the SELIC rate in order to keep inflation within the range of targets set by the National Monetary Council (CMN) to manage the Brazilian economy. We have no control over the SELIC rate or how often such a rate is adjusted.

Developments and the perception of risk in Brazil and other countries, especially emerging market countries, may adversely affect the market price of Brazilian securities, including our shares, preferred share ADSs and common share ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of issuers based in Brazil. Crises in other emerging market countries may diminish investor interest in securities of issuers based in Brazil, including ours, which could adversely affect the market price of our shares, preferred share ADSs and common share ADSs.

The exit of the United Kingdom (the “U.K.”) from the European Union could adversely impact global economic or market conditions.

On June 23, 2016, the U.K. electorate voted in a general referendum in favor of the U.K.'s exit from the European Union (so-called “Brexit”). On March 29, 2017, the U.K. gave formal notice under Article 50 of the Treaty on European Union of its intention to leave the European Union. The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations. The ongoing process of negotiations between the U.K. and the European Union will determine the future terms of the

U.K.'s relationship with the European Union, including access to European Union markets, either during a transitional period or more permanently. Brexit could lead to potentially divergent laws and regulations as the U.K. determines which European Union laws to replace or replicate. Uncertainty regarding the terms of Brexit, and its eventual effects once implemented, could adversely affect European or global economic or market conditions and investor confidence. This could, in turn, adversely affect our business and/or the market value of our shares, preferred share ADSs and common share ADSs.

Our investments in debts issued by the Brazilian government expose us to additional risks associated with Brazil.

We invest in debt securities issued by the Brazilian government. The trading price of these securities is affected by, among other things, market conditions in Brazil, the perception of Brazil and the related perception of the Brazilian government's ability to repay principal and/or make interest payments. Accordingly, adverse developments or trends in any of these areas could have a knock-on adverse effect on the value of our securities portfolio, thereby affecting our financial condition and results of operations, which may affect the market value of our shares, preferred share ADSs and common share ADSs.

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Risks relating to us and the Brazilian banking industry***We may be subject to negative consequences of the judicial process arising from Operation Zelotes, including the filing of a class-action lawsuit.***

On May 31, 2016, three members of our Board of Executive Officers have been charged by the Brazilian Federal Police under the so-called Operation Zelotes or "*Operação Zelotes*", which investigates the alleged improper performance of members of CARF - Administrative Council of Tax Appeals. On July 28, 2016, the Public Prosecutor's Office filed charges against three members of our Board of Executive Officers, and a former member of our Board of Directors, which was received by the Federal District Judiciary Section's 10th Federal Court Judge. Currently, only two members of Bradesco's Board of Executive Officers remain in the process. The business executives presented their responses in the criminal case, pointing out facts and evidence demonstrating their innocence. The investigation phase of the process was already completed, and is currently waiting for the decision of the first degree court.

The Company's Management conducted a careful internal evaluation of records and documents related to the matter and found no evidence of any illegal conduct practiced by its representatives. We provide all of the information requested to the competent regulatory bodies, both in Brazil and abroad.

As a result of the news of *Operação Zelotes*, a Class Action was filed against Bradesco and three members of its Board of Executive Officers before the District Court of New York, on June 3, 2016, based on Section 10 (b) and 20 (a) of the Securities Exchange Act of 1934. The action is based on the allegation that investors who purchased our preferred American Depositary Shares between April 30, 2012 and July 27, 2016 had suffered losses caused by alleged violation regarding the American laws of capital markets. On September 29, 2017, the Court limited the proposed class to investors who purchased preferred ADS Bradesco between August 8, 2014 and July 27, 2016, and excluding one of the executives of the action. The Class Action is in the phase of Pre-trial Discovery, and is awaiting a decision regarding the petition of Class Certification by the Lead Plaintiff, which we have already contested.

Also as a result of the news about *Operação Zelotes*, we were summoned by the Corregedoria Geral do Ministério da Fazenda for the opening of an administrative investigation to verify the need to file an Administrative Accountability Process ("PAR"). The Administrative Accountability Process may imply the application of fine against us and/or be mentioned in public lists that may eventually bring restrictions on business with public entities.

Financial institutions can be legally involved in lawsuits originating from actions related to anti-corruption and money laundering to terrorism financing ("PLD/FT").

The anti-corruption agenda of the country, including the prevention of money laundering and the financing of terrorism ("PLD/FT"), may result in new operations and actions on the theme. Financial institutions, including Bradesco, could be involved in legal actions resulting from the actions perpetrated by individuals or legal entities related to inappropriate uses of the financial system for various purposes or unlawful acts, despite Bradesco being in compliance with the current obligations. Involvement in these actions may result

in negative publicity for us, and adverse conclusions may negatively affect our financial condition, our results of operations and the market value of our shares, preferred shares ADSs and common shares ADSs.

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3.B. Risk Factors

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We may experience increases in our level of past due loans as our loans and advances portfolio becomes more seasoned.

Historically, our loans and advances to customer portfolios registered an increase, interrupted in 2017 due to recession in the Brazilian economy experienced during the year, and resuming growth in 2018. Any corresponding rise in our level of non-performing loans and advances may lag behind the rate of loan growth, as loans typically do not have due payments for a short period of time after their origination. Levels of past due loans are normally higher among our individual clients than our corporate clients.

Our delinquency ratios, calculated based on information prepared in accordance with accounting practices adopted in Brazil (“BR GAAP”), which is defined as the total loans overdue for over ninety days in relation to the total portfolio of loans and advances decreased to 3.5% in 2018, compared to 4.7% in 2017 and 5.5% in 2016.

Rapid loan growth may also reduce our ratio of non-performing loans to total loans until growth slows or the portfolio becomes more seasoned. Adverse economic conditions and a slower growth rate for our loans and advances to customers may result in increases in our impairment of loans and advances and our ratio of non-performing loans and advances to total loans and advances, which may have an adverse effect on our business, financial condition and results of operations.

Adverse conditions in the credit and capital markets, just like the value and/or perception of value of Brazilian government securities, may adversely affect our ability to access funding in a cost effective and/or timely manner.

Volatility as well as uncertainties in the credit and capital markets have generally decreased liquidity, with increased costs of funding for financial institutions and corporations. These conditions may impact our ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute our growth strategy.

Part of our funding originates from repurchase agreements, which are largely guaranteed by Brazilian government securities. These types of transaction are generally short-term and volatile in terms of volume, as they are directly impacted by market liquidity. As these transactions are typically guaranteed by Brazilian government securities, the value and/or perception of value of the Brazilian government securities may be significant for the availability of funds. For example, if the quality of the Brazilian government securities used as collateral is adversely affected, due to the worsening credit risk, the cost of these transactions could increase, making this source of funding inefficient for us. For further information about obligations for repurchase agreements, see “Item 4.B. Business Overview – Other funding sources.”

If the market shrinks, which could cause a reduction in volume, or if there is increased collateral credit risk and we are forced to take and/or pay unattractive interest rates, our financial condition and the results of our operations may be adversely affected.

The increasingly competitive environment in the Brazilian banking and insurance segments may have a negative impact on our business prospects.

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our main areas of operation from other large banks and insurance companies, both public and private based in Brazil and abroad, in addition to new players, such as fintechs and startups that begin to operate with a differentiated level of regulation.

This competitive environment combined with the accelerated process of digital innovation in the institutions could result in a lack of specialized labor with an impact on the growth capacity or extraordinary costs for new business models, which may negatively affect our financial condition, the result of our operations and the market value of our shares, preferred share ADSs and common share ADSs.

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Losses in our investments in financial assets at fair value through profit or loss and at fair value through other comprehensive income may have a significant impact on our results of operations and are not predictable.

The fair value of certain investments in financial assets may decline significantly and may fluctuate over short periods of time. As of December 31, 2018, the investments classified at “fair value through profit or loss” and at “fair value through other comprehensive income” represented 32.5% of our assets, and realized and unrealized gains and losses originating from these investments have had and may continue to have a significant impact on the results of our operations. Despite impacting our investment policies, asset liability management (ALM) and risks, the models adopted may not prevent certain more abrupt oscillations in the movements of the market, so that the profitability of the operations is feasible, in certain moments, from effects that negatively affect its contribution in our profit and shareholders’ equity.

We may incur losses associated with counterparty exposures.

We face the possibility that a counterparty will be unable to honor its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, as a result of entering into swap or other derivative contracts under which counterparties have obligations to make payments to us, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in complex markets where the risk of failure of counterparties is higher.

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value. In addition, we enter into derivatives transactions, mainly, to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases or decreases in exchange rates or interest rates.

The government regulates the operations of Brazilian financial institutions and insurance companies. Changes in existing laws and regulations or the imposition of new laws and regulations may negatively affect our operations and revenues.

Brazilian banks and insurance companies are subject to extensive and continuous regulatory review by the government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory deposit/reserve requirements;

- investment limitations in fixed assets;
- lending limits and other credit restrictions;
- earmarked credit transactions, such as housing loans and rural loans;
- accounting and statistical requirements;
- minimum coverage;
- mandatory provisioning policies;
- limits and other restrictions on rates; and
- limits on the amount of interest that banks can charge and the period for which they can capitalize on interest.

The regulatory structure governing banks and insurance companies based in Brazil is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect our operations and our revenues.

In particular, the government has historically enacted regulations affecting financial institutions in an effort to implement its economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil. These changes may adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments. Regulations issued by the Central Bank are not subject to a legislative process. Therefore, those regulations can be enacted and implemented in a very short period of time, thereby affecting our activities in sudden and unexpected ways.

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3.B. Risk Factors

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A majority of our common shares are held, directly and indirectly, by one shareholder and none of our Board members are independent; accordingly, their interests may conflict with those of our other investors.

As of December 31, 2018, Fundação Bradesco directly and indirectly held 59.1% of our common shares. As a result, Fundação Bradesco has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's bylaws, members of our *Diretoria Executiva*, that have been working with us for more than ten years serve as members of the Board of Trustees of Fundação Bradesco. The Board of Trustees has no other members.

Our Board of Directors has eight members, none of whom are considered independent in accordance with the criteria included of Law No. 6,404/76, which states that only individuals may be appointed to a company's Board of Directors. Accordingly, there is no legal or statutory provision requiring us to have independent directors. As a result, the interests of our Board of Directors may not always be aligned with the interests of part of our other shareholders and these holders do not have the same protections they would have if most of the directors were independent. Furthermore, our directors are associated with Fundação Bradesco and circumstances may arise in which the interests of Fundação Bradesco, and its associates, conflict with our other investors' interests.

Fundação Bradesco and our Board of Directors could make decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions, which may be contrary to the interests of our shareholders of common shares and have a negative impact on the interests of those shareholders. For more information on our shareholders, see "Item 7.A. Major Shareholders."

Changes in regulations regarding reserve and compulsory deposit requirements may reduce operating margins.

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to abide by.

Compulsory deposits generally yield lower returns than our other investments and deposits because:

- a portion of our compulsory deposits with the Central Bank do not bear interest; and
- a portion of our compulsory deposits must finance a federal housing program, the Brazilian rural sector, low income customers and small enterprises under a program referred to as a "microcredit program."

Rules related to compulsory deposits have been changed from time to time by the Central Bank, as described in "Item 4.B. Business Overview – Deposit-taking activities."

As of December 31, 2018, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R\$87.6 billion. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. For further information on compulsory deposits, see "Item 4.B. Business Overview – Deposit-taking activities."

Changes in taxes and other fiscal assessments may adversely affect us.

The government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. There can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing portfolio of loans and advances.

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The Brazilian Constitution used to establish a ceiling on loan interest rates and if the government enacts new legislation with a similar effect in the future, our results of operations may be adversely affected.

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12.0% *p.a.* ceiling on bank loan interest rates. However, since the enactment of the Brazilian Constitution, this rate had not been enforced, as the regulation regarding the ceiling was pending. The understanding that this ceiling is not yet in force has been confirmed by *Súmula Vinculante* No. 7, a final binding decision enacted in 2008 by the STF, in accordance with such Court's prior understanding on this matter. Since 1988, several attempts were made to regulate the limitation on loan interest, and especially bank loan interest rates, but none of them were implemented nor have been confirmed by Brazilian superior courts.

On May 29, 2003, Constitutional Amendment No. 40 ("EC 40/03") was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian Constitution. This amendment allows the Brazilian Financial System, to be regulated by specific laws for each sector of the system rather than by a single law relating to the system as a whole.

With the enactment of Law No. 10,406/02 (or the "Civil Code"), unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been pegged to the base rate charged by the National Treasury Office (*Tesouro Nacional*). There is currently an uncertainty as to whether such base rate which is referred to in the Civil Code is: (i) the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia*) rate, which we call the SELIC rate, the base interest rate established by COPOM, which was 6.5% *p.a.* as of December 31, 2018 and 7.0% *p.a.* as of December 31, 2017; or (ii) the 12.0% *p.a.* rate established in Article 161, paragraph 1, of Law No. 5,172/66, as amended ("Brazilian Tax Code"), which is the default interest rate due when taxes are not paid on time.

Any substantial increase or decrease in the interest rate ceiling could have a material effect on the financial condition, results of operations or prospects of financial institutions based in Brazil, including us.

Additionally, certain Brazilian courts have issued decisions in the past limiting interest rates on consumer financing transactions that are considered abusive or excessively onerous in comparison with market practice. Brazilian courts' future decisions as well as changes in legislation and regulations restricting interest rates charged by financial institutions could have an adverse effect on our business.

Our losses in connection with insurance claims may vary from time to time. Differences between the losses from actual claims, underwriting and reserving assumptions and the related provisions may have an adverse effect on us.

The results of our operations depend significantly upon the extent to which our actual claims are consistent with the assumptions we used to assess our potential future policy and claim liabilities and to price our insurance products. We seek to limit our responsibility and price our insurance products based on the expected payout of benefits, calculated using several factors, such as assumptions for investment returns, mortality and morbidity rates, expenses, persistency, and certain macroeconomic factors, such as inflation and interest rates. These assumptions may deviate from our prior experience, due to factors beyond our

control such as natural disasters (floods, explosions and fires), man-made disasters (riots, gang or terrorist attacks) or changes in mortality and morbidity rates as a result of advances in medical technology and longevity, among others. Therefore, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities, when these payments will need to be made, or whether the assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for payment of these liabilities. These amounts may vary from the estimated amounts, particularly when those payments do not occur until well in the future, which is the case with certain of our life insurance products. Accordingly, the establishment of the related provisions is inherently uncertain and our actual losses usually deviate, sometimes substantially, from such estimated amounts. To the extent that actual claims are less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our provisions, which may have an adverse effect on our financial condition and results of operations.

We are liable for claims of our customers if our reinsurers fail to meet their obligations under the reinsurance contracts.

The purchase of reinsurance does not hold us harmless against our liability towards our clients if the reinsurer fails to meet its obligations under the reinsurance contracts. As a result, reinsurers' insolvency or failure to make timely payments under these contracts could have an adverse effect on us, given that we remain liable to our policyholders.

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3.B. Risk Factors

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A failure in, or breach of, our operational, security or technology systems could temporarily interrupt our businesses, increasing our costs and causing losses.

We constantly invest in the improvement and evolution of the safety controls, resilience, continuity and management of our information technology systems and as a result have created an environment with a high capacity to process data for our operating systems and our financial and accounting systems.

Our information technology systems could suffer shortages or become unavailable for a given period of time due to external factors, including events which are wholly or partially beyond our control, such as: cyber events, protests which could prevent individuals from entering our buildings, changes to the regulatory framework, electrical or telecommunications outages, systems failures, resulting from human error or not, or other events involving third parties and suppliers.

Due to the nature of our operations as well as the global context, where there is an ever-increasing integration among platforms, dependency on technology and on the internet, the higher exposure to viruses, malicious software and malicious events is a business reality, which may unexpectedly impair the operations and integrity of our systems that manage and store sensitive and/or confidential information for our business and operations.

We and other financial institutions, including governmental entities, have already experienced cyber security events in relation to our information technology systems. Due to the controls, we have in place, we have not experienced any material loss of data from these attacks to date, neither from hardware nor from a data information loss perspective. However, considering the use of new technologies, the increasing dependency on the internet and the changing and sophisticated nature of cyber security events, it is not possible to predict all the means that will be used by individuals or organizations with harmful intent, which could impact our capacity to effectively foresee and/or avoid all security events in the future.

As a result, all the risks mentioned above could result in customer attrition, regulatory fines, penalties and/or intervention, reimbursement or other administrative penalties.

We may incur penalties in case of non-compliance with data protection laws.

In August 2018, Law No. 13,709/18 – General Data Protection Law (“LGPD”, in Portuguese) was enacted, which creates a set of rules for the use, protection and transfer of personal data in Brazil, in the private and public spheres, and establishes responsibilities and penalties in the civil sphere. In addition to including existing rules on the subject, the LGPD followed the global trend of strengthening the protection of personal data, restricting its unjustified use, and guaranteeing a series of rights to holders of data, as well as imposing important obligations on so-called “treatment agents.” In particular, the LGPD was inspired by recent European legislation on the subject, reproducing central points of the Directive No. 95/46/EC and of the General Data Protection Regulation (“GDPR”).

The impact of the law will be significant as any processing of personal data will be subject to the new rules, whether physical or digital, by any entity established in Brazil, any entity who has collected personal data in

Brazil, any individual located in Brazil – even if not residents – or any entity that offers goods and services to Brazilian consumers. In short, the adaptation to the LGPD will require structural changes in virtually all internal areas of Brazilian companies. The LGPD has been in force since December 28, 2018 as regards the creation of the National Data Protection Authority (*Autoridade Nacional de Proteção de Dados* or “ANPD”), with the remaining aspects of the law coming into force from August 2020.

We operate in a preventive, detective and corrective manner in order to protect our own and our clients’ information. As a result, we have evolved our security framework in light of the new digital environment, with a focus on cyber security being key and pillar of our processes to establish data protection for our clients, resiliency, and structure to identify threats, detection, and response and recovery procedures in cases of cyber-attacks.

However, possible failures or attacks on our systems and processes of prevention and/or detection and/or correction may lead to non-compliance with applicable legislation, which may in turn negatively affect our reputation, our financial condition, the result of our operations and the market value of our shares, preferred shares ADSs and common shares ADSs. See “— A failure in, or breach of, our operational, security or technology systems could temporarily interrupt our businesses, increasing our costs and causing losses.”

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The Brazilian Supreme Court is currently deciding cases relating to the application of inflation adjustments which may increase our costs and cause losses.

The STF, which is the highest court in Brazil and is responsible for judging constitutional matters, is currently deciding whether savings account holders have the right to obtain adjustments for inflation related to their deposits due to the economic plans *Bresser*, part of *Verão*, *Collor I* and *Collor II*, implemented in the 1980s and 1990s, before the *Plano Real*, in 1994. The trial began in November 2013 but was interrupted without any pronouncement on the merits of the subject under discussion by its Members. According to the institutions representing the account holders, banks misapplied the monetary adjustments when those economic plans were implemented, and should be required to indemnify the account holders for the non-adjustment of those amounts.

The STF gave a ruling on an individual case, in the sense that the sentences on class actions proposed by associations questioning inflationary purges only benefit consumers who: (i) were associated with the associations at the time of filing of the class action; and (ii) had authorized the filing of the class action. This reduced the number of beneficiaries in class actions because, until then, it was understood that these decisions should benefit all consumers affected by the practices (i.e., all consumers that are current account holders and that had suffered losses related to inflationary purges, were or were not associated with the association, plaintiff of the class action).

In addition, in connection with a related sentence, the Brazilian Supreme Court Justice ("STJ") decided, in May 2014, that the starting date for counting default interest for compensating savings account holders must be the date of summons of the related lawsuit (rather than the date of settlement of the judgment), therefore increasing the amount of possible losses for the affected banks in the event of an unfavorable decision by the STF.

In December 2017, with the mediation of the Executive branch's attorney (*Advocacia Geral da União*), or ("AGU") and the intervention of the Central Bank, the representatives of the banks and the savings account holders entered into an agreement related to the economic plans aiming to finalize the claims and established a timeline and conditions for the savings account holders to accede to such agreement. The STF affirmed the agreement on March 1, 2018. This approval determined the suspension of legal actions in progress for the duration of the collective bargaining agreement (24 months). As this is a voluntary settlement, we are unable to predict how many savings account holders will accede to it.

Our risk management structure may not be fully effective.

We fully incorporate the risk management process into all of our activities, developing and implementing methodologies, models and other tools for the measurement and control of risks, looking to continuously improve them in order to mitigate the risks that we identify. However, there may be limitations to this risk management framework in foreseeing and mitigating all the risks to which we are subject, or may in the future become, subject. If our risk management structure is not completely effective in adequately preventing or mitigating risks, we could suffer material unexpected losses, adversely affecting our financial condition and results of operations. For more information on our risk management structure, see "Item 4.B.

- Business Overview – Risk management."

We may face significant challenges in possessing and realizing value from collateral with respect to loans in default.

If we are unable to recover sums owed to us under secured loans in default through extrajudicial measures such as restructurings, our last recourse with respect to such loans may be to enforce the collateral secured in our favor by the applicable borrower. Depending on the type of collateral granted, we either have to enforce such collateral through the courts or through extrajudicial measures. However, even where the enforcement mechanism is duly established by the law, Brazilian law allows borrowers to challenge the enforcement in the courts, even if such challenge is unfounded, which can delay the realization of value from the collateral. In addition, our secured claims under Brazilian law will in certain cases rank below those of preferred creditors such as employees and tax authorities. As a result, we may not be able to realize value from the collateral, or may only be able to do so to a limited extent or after a significant amount of time, thereby potentially adversely affecting our financial condition and results of operations.

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3.B. Risk Factors

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Eventual dependence on services rendered by outsourced companies and suppliers/partners may negatively impact our business performance.

Due to the complexity of some services, we may be dependent on or have difficulty replacing some outsourced companies or suppliers/partners. We are also subject to operational risks that are beyond our control and may impact negatively our operations, as well cause difficulty in our delivery of products and services to our customers. Possible interruptions in the services and difficulties to replace some suppliers may adversely affect the result of our operations and the market value of our shares, preferred share ADSs and common share ADSs.

We may incur losses due to impairments on goodwill from acquired businesses.

We record goodwill from acquisitions of investments whose value is based on estimates of future profitability pertaining to business plans and budgets prepared by us. Annually, we assess the basis and estimates of profitability of the Cash-Generating Units (“*Unidades Geradoras de Caixa*” “UGC”) in respect of which the premiums are allocated. These evaluations are made through cash flow projections based on growth rates and discount rates, with those projections then being compared to the value of the premiums in order to conclude whether there is a basis to record impairments in relation to these assets. However, given the inherent uncertainty in relation to predictions of future cash flow projections, we cannot provide assurances that our evaluations of premiums will not require impairments to be recorded in future, which may negatively affect, the result of our operations, our financial condition and the market value of our shares, preferred shares ADSs and common shares ADSs.

Social and Environmental Risks

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

We may incur financial loss and damage to our reputation due to the associated socioenvironmental risks originating from our investments and loan and financing activities.

We have a minority shareholding, through preferred shares and, also, loan and financing operations in companies whose operational activities and sectors of activity are subject to significant risks, which include, but are not limited to: fire, explosions, leaking of toxic gases, spillage of polluting substances or other dangerous materials, landslides, dam ruptures, failure of other operational structures, among other accidents. In this context, eventual accidents could affect our reputation negatively, significantly reducing the fair value of these assets, which could adversely affect our financial condition, the result of our operations and the market value of our shares, preferred share ADSs and common share ADSs.

Funding for large projects carried out by clients can generate socioenvironmental impacts that could affect the results and the reputation of the Organization negatively.

We promote credit and financing operations, acting in several sectors, which may significantly affect an entire ecosystem, involving communities and the local flora and fauna. If a client, in the development of their activities, causes environmental impacts, such as the contamination of soil and water pollution above the legally acceptable limit and/or environmental disasters, it has a direct obligation to repair the damage caused financially. Consequently, depending on the magnitude of the socioenvironmental impact, this client can have their economic-financial structure compromised, which could adversely affect our financial status, the result of our operations and the market value of our shares, preferred share ADSs and common share ADSs.

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Risks relating to our shares, preferred share ADSs and common share ADSs.

The Deposit Agreements governing the preferred share ADSs and common share ADSs provide that holders of such ADSs will only receive voting instructions if we authorize the depositary bank to contact those holders to obtain voting instructions; and there are also practical limitations on any ability to vote we may give such holders.

The voting rights of preferred share ADS holders and common share ADS holders are governed by the Deposit Agreements. Those Deposit Agreements provide that the depositary bank shall mail voting instructions to holders only if we authorize and direct the depositary bank to do so. If we do not provide that authorization and direction to the depositary bank, holders of preferred share ADSs and common share ADSs will not be able to vote at our meetings, unless they surrender their preferred share ADSs or common share ADSs and receive the underlying preferred shares or common shares, as applicable, in accordance with the terms of the applicable Deposit Agreement.

In addition, there are practical limits on the ability of preferred share ADS and common share ADS holders to exercise any vote due to the additional procedural steps involved in communicating with such holders. For example, our shareholders will either be notified directly or through notification published in Brazilian newspapers and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. In contrast, preferred share ADS holders and common share ADS holders will not receive notice directly from us and cannot vote in person at the meeting. Instead, in accordance with the Deposit Agreements, the depositary bank will, if authorized and directed by us, send any notice of meetings of holders received by it from us to holders of preferred share ADSs and common share ADSs, together with a statement as to the manner in which voting instructions may be given by holders. To exercise any such ability to vote, preferred share ADS and common share ADS holders must then instruct the depositary bank how to vote with the shares represented by their preferred share ADSs or common share ADSs. Because of this extra step involving the depositary bank, if and when we authorize and direct the depositary bank to mail voting information to preferred share ADS holders and common share ADS holders, the process for voting will take longer for preferred share ADS and common share ADS holders than for holders of our shares. Preferred share ADSs and common share ADSs for which the depositary bank does not receive voting instructions in good time will not be able to vote at a meeting.

Under Brazilian Corporate Law, holders of preferred shares have limited voting rights, accordingly, holders of preferred share ADSs will have similar limitations on their ability to vote.

Under the Brazilian Corporate Law (Law No. 6,404/76, as amended by Law No. 9,457/97 and Law No. 10,303/01, which we refer to collectively as "Brazilian Corporate Law") and our Bylaws, holders of our preferred shares are not entitled to vote at our shareholders' meetings, except in limited circumstances (see "Item 10.B. Memorandum and Articles of Association – Organization – Voting Rights," for further information on voting rights of our shares). As such, in contrast to holders of common shares, holders of preferred shares are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies, among other things.

As discussed above under "*The Deposit Agreements governing the preferred share ADSs and common share ADSs provide that holders of such ADSs will only receive voting instructions if we authorize the depositary bank to contact those holders to obtain voting instructions; and there are also practical limitations on any ability to vote we may give such holders,*" preferred share ADS holders will only be able to vote if we authorize and direct the depositary bank accordingly. As a result of the fact that holders of preferred shares have limited voting rights, any ability to vote that we may extend to holders of preferred share ADSs corresponding to preferred shares pursuant to the applicable Deposit Agreement would be similarly limited.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell shares underlying the preferred share ADSs and common share ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in more developed countries, and these investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller and less liquid than major securities markets, such as the United States, and may be more volatile. Although you are entitled to withdraw our shares, underlying the preferred share ADSs and common share ADSs from the depositary bank at any time, your ability to sell our shares underlying the preferred share ADSs and common share ADSs at a price and time acceptable to you may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets such as the United States or other countries. The ten largest companies in terms of market capitalization, according to B3, accounted for 60.4% of the aggregate market capitalization in December 2018.

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3.B. Risk Factors

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Our shares, preferred share ADSs and common share ADSs are not entitled to a fixed or minimum dividend.

Holders of our shares and, consequently, our preferred share ADSs and common share ADSs are not entitled to a fixed or minimum dividend. Pursuant to the Deposit Agreements, if the depository (as holder of the common shares and preferred shares underlying the common share ADSs and preferred share ADSs) receives any cash dividend or distribution from us, it shall distribute a corresponding U.S. dollar amount, net of depository fees and certain withholding tax adjustments as described in the Deposit Agreements, to holders of our common share ADSs and preferred share ADSs as promptly as practicable. However, if we do not pay dividends to holders of our common shares or preferred shares then there will be no payment of dividends to holders of our common share ADSs or preferred share ADSs.

Pursuant to our Bylaws, our preferred shares are entitled to dividends 10.0% higher than those of our common shares. Although under our current Bylaws we are obligated to pay our shareholders at least 30.0% of our annual adjusted net income, the shareholders attending our Annual Shareholders' Meeting may decide to suspend this mandatory distribution of dividends if the Board of Directors advises that payment of the dividend is not compatible with our financial condition. Neither our Bylaws nor Brazilian law specify the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, Brazilian law provides that a company need not pay dividends if such payment would endanger the existence of the company or harm its normal course of operations.

In March 2013, CMN Resolution No. 4,193/13 was issued in an effort to further implement the Basel III Accord in Brazil. Pursuant to such rule, a restriction of dividend and interest payments on equity may be imposed by the Central Bank in the event of non-compliance with the additional capital requirements established by the Central Bank, as further described in "Item 5.B. Liquidity and Capital Resources – Capital adequacy and leverage."

As a holder of preferred share ADSs and common share ADSs you will have fewer and less well defined shareholders' rights than in the United States and certain other jurisdictions.

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Brazil. Under Brazilian Corporate Law, you and the holders of our shares may have fewer and less well defined rights to protect your interests relative to actions taken by our Board of Directors or the holders of our common shares than under the laws of other jurisdictions outside Brazil.

Although Brazilian Corporate Law imposes restrictions on insider trading and price manipulation, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in certain other jurisdictions. In addition, self dealing and the preservation of shareholder interests may be less heavily regulated and what regulations are in place may not be as strictly enforced in Brazil as in the United States, which could potentially disadvantage you as a holder of our shares underlying preferred share ADSs and common share ADSs. For example, compared to Delaware general corporation

law, Brazilian Corporate Law and practices have less detailed and well established rules and judicial precedents relating to review of Management decisions under duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Delaware companies must hold 5.0% of the outstanding share capital of a corporation to have valid standing to bring shareholder derivative suits, while shareholders in companies based in Brazil do not normally have valid standing to bring a class action.

It may be difficult to bring civil liability causes against us or our directors and executive officers.

We are organized under the laws of Brazil, and all of our directors and executive officers reside outside the United States. In addition, a substantial portion of our assets and most or all of the assets of our directors and executive officers are located in Brazil. As a result, it may be difficult for investors to effect service of process within the United States or other jurisdictions outside of Brazil on such persons or to enforce judgments against them, including any based on civil liabilities under the U.S. federal securities laws.

If we issue new shares or our shareholders sell shares in the future, the market price of your preferred share ADSs and common share ADSs may be reduced.

Sales of a substantial number of shares, or the belief that this may occur, could decrease the market price of our shares, preferred share ADSs and common share ADSs, by diluting their value. If we issue new shares or our existing shareholders sell the shares they hold, the market price of our shares and therefore the market price of our preferred share ADSs and common share ADSs, may decrease significantly.

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The payments on the preferred share ADSs and common share ADSs may be subject to U.S. withholding under the Foreign Account Tax Compliance Act ("FATCA").

The United States has enacted rules, commonly referred to as FATCA, that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including interest and dividends), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an Intergovernmental Agreement regarding the implementation of FATCA with Brazil (the "IGA"). Under the current terms and conditions of the IGA, we do not expect payments made on or with respect to the preferred share ADSs or common share ADSs to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the preferred share ADSs or common share ADSs in the future. Similar to the FATCA, the Common Reporting Standard ("CRS") is the instrument developed by the Convention on Mutual Assistance in Tax Matters of the Organization for Economic Cooperation and Development ("OECD") and the Multilateral Competent Authority Agreement, applicable to the countries signatory to the norm. The financial institutions and entities subject to it should ensure the identification, investigation and reporting of information to the competent bodies. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA and CRS. For more information about FATCA and CRS, see "Item 4.B. Business Overview – Regulation and Supervision."

You may be unable to exercise preemptive rights relating to our shares.

You will not be able to exercise preemptive rights relating to our shares underlying your preferred share ADSs and common share ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the preferred share ADSs and common share ADSs unless the rights are either registered under the Securities Act or are subject to an exemption from the registration requirements. We are not obligated to file a registration statement with respect to the shares or other securities relating to these rights, and we cannot assure you that we will file any such registration statement. Accordingly, you may receive only the net proceeds from the sale by the depositary bank of the rights received in respect of the shares represented by your preferred share ADSs and common share ADSs or, if the preemptive rights cannot be sold, they will be allowed to lapse. You may also be unable to participate in rights offerings by us, and your holdings may be diluted as a result.

If you exchange your preferred share ADSs or common share ADSs for their underlying shares, you risk losing Brazilian tax advantages and the ability to remit foreign currency abroad.

Brazilian law requires that parties obtain registration with the Central Bank in order to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the shares must obtain the necessary registration with the Central Bank for payment of dividends or other cash distributions relating to the shares or after disposal of the shares. If you exchange your preferred share ADSs or common share ADSs for the underlying shares, however, you may only rely on the custodian's certificate for five business days from the date of exchange. Thereafter, you must obtain your own registration in accordance with the rules of the

Central Bank and the CVM, in order to obtain and remit U.S. dollars abroad after the disposal of the shares or the receipt of distributions relating to the shares. If you do not obtain a certificate of registration, you may not be able to remit U.S. dollars or other currencies abroad and may be subject to less favorable tax treatment on gains with respect to the shares. For more information, see "Item 10.D. Exchange Controls."

If you attempt to obtain your own registration, you may incur expenses or suffer delays in the application process, which could delay your receipt of dividends or distributions relating to the shares or the return of your capital in a timely manner. The custodian's registration and any certificate of foreign capital registration you may obtain may be affected by future legislative changes. Additional restrictions applicable to you, to the disposal of the underlying shares or to the repatriation of the proceeds from disposal may be imposed in the future.

ITEM 4. INFORMATION ON THE COMPANY

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ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

We are a *sociedade anônima* organized under the laws of Brazil. Our headquarters are in Cidade de Deus, Vila Yara, 06029 900, Osasco, São Paulo, Brazil, and our telephone number is (55-11) 3684-4011. Our investor relations website is located at bradescori.com.br. Our New York Branch is located at 450 Park Avenue, 32nd and 33rd floors, New York 10022.

We were founded in 1943 as a commercial bank under the name "Banco Brasileiro de Descontos S.A." In 1948, we began a period of aggressive expansion, which led to our becoming the largest private sector (non government controlled) commercial bank in Brazil by the end of the 1960s. We expanded our activities nationwide during the 1970s and became well established in both urban and rural markets in Brazil. In 1988, we merged with our real estate finance, investment bank and consumer credit subsidiaries to become a multiple service bank and changed our name to "Banco Bradesco S.A."

Since 2009, we operate in all Brazilian municipalities, and our large banking network enables us to be closer to our customers, thereby enabling our managers to develop knowledge as to economically active regions and other important conditions for our business. This knowledge helps us assess and mitigate risks in credit transactions, among other risks, as well as to meet the specific needs of our customers.

Currently, we are one of the largest banks in Brazil in terms of total assets. We offer a wide range of banking and financial products and services in Brazil and abroad to individuals, large, mid sized, small and micro enterprises and major local and international corporations and institutions. Our products and services comprise of banking operations such as loans and advances and deposit taking, credit card issuance, purchasing consortiums, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

As of December 31, 2018, we had, on a consolidated basis:

- R\$1.3 trillion in total assets;
- R\$411.5 billion in total loans and advances to customers;
- R\$340.7 billion in deposits from customers;
- R\$124.6 billion in shareholders' equity, including non-controlling interest;
- R\$251.6 billion in technical reserves for our insurance and pension plan business;

- R\$58.6 billion in foreign trading financing;
- 46.5 million insurance policyholders;
- 28.3 million checking account holders;
- 63.5 million savings accounts;
- 38.4 million non-account holders;
- 2.7 million capitalization bonds holders;
- 3.0 million pension plan holders;
- an average of 52.0 million daily transactions, including 1.2 million in our physical branches, 1.4 in our Bradesco Expresso and 49.4 million through Digital Channels, such as Bradesco Celular, Internet, Automatic Teller Machines, or ATMs, and telephone (*Fone Fácil*);
- a nationwide network consisting of 4,617 physical branches and 4,731 service centers and electronic in-company service centers, located on the premises of selected corporate customers, 34,997 active ATMs. In addition, our customers can use 23,102 ATMs available under the Banco24Horas network for cash withdrawals, account balance information, obtaining statements and, taking out loans, performing collections, transfers between Bradesco accounts, DOC/TED (types of bank transfer), pre-paid card and "proof of life" for INSS (physical proof of the existence of the old age pensioner or survivor to maintain the right to social benefit);
- 98,605 employees. For more information on our employees, see "Item 6.D. Employees;" and

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- a total of three branches, nine subsidiaries located in New York, London, the Cayman Islands, Buenos Aires, Luxembourg, Hong Kong and Mexico and a representative office located in Miami.

Recent acquisitions and other strategic alliances

In July 2016, we announced to the market the acquisition of 100% of the share capital of HSBC Brasil.

In July 2015, we signed a purchase contract for the acquisition of 100% of the share capital of HSBC Brasil. The acquisition was approved by the Central Bank in December 2015 and by the Administrative Council for Economic Defense (“CADE”) in June 2016, subject to an Agreement on Concentration Control, and therefore approved by all relevant regulatory bodies. The purchase was completed in July 2016, for R\$16 billion. In October 2016, a Shareholders’ Meeting approved the spin-off of HSBC Brasil and the integration of its staff and operational and technological platforms, resulting in the replacement of the HSBC brand in then-existing service network and providing greater synergy in its operations. With the acquisition, we took over operations of HSBC in Brazil, including retail, insurance and asset management, as well as all branches and clients. The acquisition allowed us to grow in scale and optimize our platforms, while increasing national coverage, consolidating our leadership in a number of branches in several states, and strengthening our presence in the high-income segment. The acquisition also enabled us to expand our operations, increasing the range of products offered in Brazil, especially in the insurance, credit card and asset management segments.

In July 2017, we announced that Bradesco Seguros S.A. (“Bradesco Seguros”) and Swiss Re Corporate Solutions Ltd. (“Swiss Re Corso”) completed the transaction announced in October 2016, by signing a shareholders’ agreement pursuant to which: (i) Swiss Re Corporate Solutions Brasil Seguros S/A (“Swiss Re Corporate Solutions Brasil”) assumed part of the insurance operations of Bradesco Seguros, the property and casualty (P&C) and the transport (together “Large Risk Insurance”), having exclusive access to Bradesco clients to market Large Risk Insurance solutions; and (ii) Bradesco Seguros became the holder of 40.0% of Swiss Re Corporate Solutions Brasil’s shares and the other 60% remained with its controller Swiss Re Corso. The transaction was approved by the SUSEP, by the CADE and by the Central Bank.

In May 2017, Bradesco, together with the other shareholders of IRB Brasil RE (“IRB”), authorized IRB to request to the CVM: (i) registration as a publicly-traded company and authorization to conduct the Initial Public Offer (IPO) of IRB, in accordance with CVM Instructions No. 400/03 and No. 480/09; and (ii) registration to perform a secondary offering of common shares, in accordance with CVM Instruction No. 400/03. In July 2017, the book building procedure of the offer ended and Bradesco sold part of its shares. Bradesco Seguros now holds 15.23% stake in the share capital of IRB (stake calculated excluding shares held in treasury).

In June 2017, Bradesco entered into agreements with Banco do Brasil S.A., Banco Santander (Brasil) S.A., Caixa Econômica Federal and Itaú Unibanco S.A. to create a company to manage credit intelligence (“GIC”). The company will develop a database to add, reconcile and handle the profile and credit information of individuals and legal entities who authorize their inclusion in the database, as required by the applicable rules. The control of the company will be shared between the banks and each of them will hold 20% of its share capital.

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

In October 2018, we formalized a strategic partnership with RCB Investimentos S.A. ("RCB"), one of the principal credit management and recovery companies in Brazil, and with its controlling company PRA Group Brazil Investimentos e Participações, a company of the PRA Group Inc. ("PRA Group"), a global leader in the acquisition and management of non-performed credits. The operation encompasses: (i) our acquisition of 65% of the shares issued by RCB, in which the founding members will remain as partners and directors RCB, together with us; and (ii) the constitution of two FDICs (Investment Funds in Credit Rights) for the acquisition of non-performing credit portfolios, where the management of the recovery of these credits remains with RCB. The FIDCs will continue to be held by the PRA Group and its the founders, with our minority participation. The transaction was approved by the CADE and by the Central Bank.

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4.A. History and Development of the Company

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BRAM has developed important alliances as part of its internationalization strategy. Through personal management and investment advisory agreements, we offer Brazilian investors the opportunity to invest in global equity funds, with a focus on the U.S., Europe and Asia, besides the global funds. In Europe, BRAM offers to overseas investors funds domiciled in Luxemburg with different strategies under the Bradesco Global Funds family, launched in 2009. In Japan, Mitsubishi Kosukai UFJ Asset Management (“MUKAM”), our partner, offers fixed income funds and equity funds managed by BRAM since 2008 to retail investors wishing to invest in the Brazilian market.

Business strategy

The key elements of our strategy are: (i) consolidating and expanding our position as one of the leading financial institutions and insurance providers in Brazil; (ii) maximizing shareholder value; and (iii) maintaining high corporate responsibility and sustainability standards.

We intend to pursue the following strategies to reach these goals:

Consolidate and build upon our service network and brand as one of the leading financial institutions and insurance providers in Brazil, which offers a complete portfolio of products and services to all levels of society.

We believe that our position as one of the leading financial institutions in Brazil, with a presence in all Brazilian regions through a broad network of distribution channels and with exposure to individuals of all income levels as well as large, mid sized and small businesses, will allow us to maintain the organic growth strategy. We will also continue to expand the insurance, pension and capitalization bonds business segment, in order to consolidate our leadership in this sector. As part of this strategy, we intend to increase the sales of our traditional banking, insurance, pension and capitalization bonds products through our wide branch network, our internet distribution services and other distribution channels. We are committed to investing significantly in our IT platform to support such growth. In addition, we intend to continue to leverage our relationships with corporate clients and high-income individuals to further develop our investment banking, private banking and asset management operations through Bradesco BBI, Banco Bradesco Europa, Bradesco Securities and other subsidiaries in Brazil and other key financial centers such as London, New York and Hong Kong.

Maintain asset quality and operational risk levels.

We are focused on sustainable growth to ensure our standards in relation to our asset quality and risk levels. We intend to maintain the quality of our loan portfolio by continuously improving our delinquency risk models, ensuring better results in credit granting and appropriate provisions for incurred losses. Our strategy involves maintaining our existing policy for our insurance business of careful evaluation of risk spreads through robust actuarial analysis, while entering into reinsurance agreements with well-known reinsurers to reduce exposure to large risks.

With respect to risk management, we intend to continue our integrated approach that utilizes a centralized method for identifying, measuring, controlling, monitoring and mitigating credit, market, liquidity and

Consolidate and build upon our service network and brand as one of the leading financial institutions and insurance

operational risks. We intend to continue to use specialized risk management committees in relation to the adoption of institutional policies, operational guidelines and the establishment of limits for risk exposure in accordance with best international practices, with the aim of maintaining operational risk levels within adequate boundaries.

Complement organic growth with strategic alliances and pursue selective acquisitions.

To complement our organic growth strategy, we constantly seek opportunities for strategic alliances and selective acquisitions to consolidate our position as one of the leading financial institutions in Brazil and to expand our presence in growth markets such as consumer financing, investment banking, broker dealing and insurance. The acquisition of HSBC Brasil was the largest ever in our history and we expect an expansion of our operations, in particular, of profitable businesses and with low capital needs. In addition, we believe our strategic partnership with Banco do Brasil and Caixa in relation to credit, debit and pre-paid cards for checking account holders and non-account holders is an example of such a growth opportunity. Similarly, our merger with Odontoprev S.A. has increased our presence in the segment of dental care plans enabling us to consolidate our leadership position in the insurance market. We will continue to focus on asset quality, potential operating synergies, sale and acquisition of know-how to maximize return for our shareholders.

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Focus on corporate responsibility and sustainability as core principles of our business.

We believe that corporate responsibility and sustainability are fundamental to our operations and have incorporated the following three principles into our overall strategy: a sustainable financial position, responsible management and investments in social and environmental projects. We are always seeking to develop and incorporate sustainable finance concepts into the process of designing and managing our products and services and in our relationships with clients and suppliers. We believe our admission to the sustainability indexes of both the New York Stock Exchange and B3 represents strong recognition of our success in implementing sustainability principles. As part of this strategy, we will continue to apply social-environmental risk analysis in financing and investment activities in accordance with international practices, including the Equator Principles which we signed up to in 2004. Corporate responsibility has always been one of our core principles as evidenced by the significant investments we have made in education since 1956 through Fundação Bradesco, which is present in every state in Brazil and the Federal District, with [40] schools primarily located in regions of high socioeconomic deprivation. Fundação Bradesco offers quality formal education, free of charge, to children and young people from early childhood to high school as well as professional high school education for young people and adults, as well as initial and continuing education for employment and income.

4.B. Business Overview

We operate and manage our business through two segments: (i) the banking segment; and (ii) the insurance, pension plans and capitalization bond segment.

The data for these segments was compiled from reports prepared for Management to assess performance and make decisions on allocating funds for investments and other purposes. Our Management uses various data, including financial data in conformity with BR GAAP and non-financial metrics compiled on different bases. For further information on differences between the results on a consolidated basis and by segment, see "Item 5.A. Operating Results – Results of operations for the year ended December 31, 2018 compared with the year ended December 31, 2017" and "Item 5.A. Operating Results – Results of operations for the year ended December 31, 2017 compared with the year ended December 31, 2016."

As of December 31, 2018, according to the sources cited in parentheses below, we were:

- one of the leading banks in terms of savings deposits, with R\$111.1 billion, accounting for 13.8% of Brazil's total savings deposits (Central Bank);
- the leader in BNDES onlendings, with R\$6.3 billion in disbursements (BNDES);
- one of the leaders in automobile financing loans, with a market share of 13.8% (Central Bank);
- the leading bank in payments for over 11.1 million benefits to INSS retirees and beneficiaries, accounting for 31.6% of the total number of payments made by the INSS;

- one of the leaders in leasing transactions in Brazil, with an outstanding amount of R\$2.1 billion; through our subsidiary Bradesco Leasing S.A. Arrendamento Mercantil, or “Bradesco Leasing” (ABEL);
- one of Brazil’s largest private fund and investment managers, through our subsidiary BRAM, with R\$667.6 billion in assets under management (ANBIMA), taking into account managed portfolios;
- one of the leaders in the third-party asset management business, with R\$1.4 trillion in assets, of which R\$429.9 billion are managed through our subsidiary and BEM DTVM (ANBIMA);
- the leader in number of outstanding purchasing consortium quotas, through our subsidiary Bradesco Administradora de Consórcios Ltda., or “Bradesco Consórcios,” with 1,503,817 quotas in three segments, including: (i) automobiles and motorcycles, with 1,190,115 quotas; (ii) real estate, with 256,898 quotas; and (iii) trucks, with 56,804 quotas (Central Bank);
- the leading position amongst the banks that operate in the exchange market (Central Bank);
- the leader in the export, import and consolidated primary market ranking (Central Bank), additionally, leader in “foreign trade – trade finance”; and

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- the largest company operating in the Brazilian insurance market, operating in all lines of this segment, with a 24.5% market share (SUSEP/ANS), through Grupo Bradesco Seguros, which mainly comprises: Bradesco Seguros S.A., or “Bradesco Seguros” and its subsidiaries: (i) Bradesco Vida e Previdência S.A., or “Bradesco Vida e Previdência;” (ii) Bradesco Capitalização S.A., or “Bradesco Capitalização;” (iii) Bradesco Auto/RE Companhia de Seguros S.A., or “Bradesco Auto/RE;” and (iv) Bradesco Saúde S.A., or “Bradesco Saúde.” The Group’s total revenues were R\$72.6 billion in insurance premiums, pension plan contributions and capitalization bond income.

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The main awards and acknowledgments that we received in 2018 are as follows:

Among the best

- Bradesco was elected the best bank in Brazil by the English magazine The Banker. The magazine highlighted the profit growth and the efficiency of the Organization in 2018;
- Another institution that referenced Bradesco as the best bank in the Country was the North American Latin Finance. The choice is based on the evaluation of indicators such as performance, profitability, growth, presence and pioneering spirit, among others;
- Bradesco led the Latin America Best Managed Banks 2018 Brazil, a survey conducted by the Euromoney magazine, which lists the best managed banks in Latin America;
- The share of Bradesco (BBDC4) is among the ten most recommended for investment in 2019 by *Guia Exame Onde Investir* (Where to Invest). In the same survey, BRAM was singled out as the Best Management Company of Variable-Income Funds and the Best Retail Manager;
- Bradesco is the leading private bank in the survey Top of Mind 2018, of the *Folha de S. Paulo* newspaper, in the categories of bank and savings. We are also the most recognized brand on the market in the Bank App category. Bradesco Seguros featured in the Insurance category;
- Bradesco BBI is elected, for the fourth time – and third consecutive – as the Best Investment Bank in Brazil and, for the first time as the Best Bank of M&A in Latin America in 2018, in the nineteenth edition of the Best Investment Bank Awards in the Global Finance magazine;
- BRAM - Bradesco Asset Management was classified with the highest rating of quality investment management, receiving the highest score by the agency Fitch Ratings;
- Best & Largest Yearbook, of the *Exame* magazine: first of the 200 Largest Groups and integrates the list of 50 Largest Banks by Assets and the Largest Banks by Profit;
- The Best of *Dinheiro* 2018, of the *IstoÉ Dinheiro* magazine: Best company in Corporate Governance; best Bank in people management policy; and leader of the ranking of banks by revenue in the 1,000 largest. The Insurance Group was the best company in the segment;
- Global Finance's 25th Annual Best Bank Awards, of the Global Finance magazine: Best Brazilian Bank, Best Investment Bank in Brazil and Best Bank of Mergers and Acquisitions in Latin America; and
- Bradesco BBI was elected for the third consecutive time, as the Most Innovative Investment Bank in Latin America by The Banker magazine.

Digital transformation

- Next received one of the most relevant recognitions in the world for the financial industry, with the International Award of Global Finance for Best Consumer Digital Bank in Brazil. Also by Global Finance, the Next case was elected as the Best Digital Bank of Brazil in 2018 in the nineteenth Annual Digital World Awards;
- Bradesco Seguros was elected as the most digital insurer in Brazil by consultancy firm DOM Strategy Partners; and
- Bradesco received the award for Connected Bank from the Brazilian Association of Companies and Professionals of Communication and Infrastructure/IT Engineering – Aberimest.

Human Resources

- Best Companies to Work for in Brazil, of the *Época* magazine and Great Place to Work;
- For the twentieth time, the Organization also integrates the list of 150 Best Companies to Work for by the *Você S/A* magazine;
- UniBrad was featured in the international award for Best Corporate Universities – Cubic Awards 2018. The recognition is granted by the Corporate University Best in Class (Cubic), of the United States;

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- Elected as the Company of the Year in corporate citizenship, in a study conducted by *Grupo Gestão RH* (HR Management Group); and
- Learning & Performance Award Brazil 2018, by MicroPower: Recognition for the protagonism of Bradesco in the 20 years of the program of Training and Employability of People with Visual Impairment.

Revenues per business segment

The following table summarizes our main gross revenues by segment for the periods indicated:

Years Ended December 31,	R\$ in thousands		
	2018	2017	2016
Banking			
Interest and similar income from loans and advances ⁽¹⁾	70,965,137	69,157,397	77,141,672
Fees and commissions	25,496,171	24,143,561	20,696,785
Insurance and pension plans			
Premiums retained from insurance and pension plans	66,270,095	70,046,635	65,027,122

⁽¹⁾ Includes industrial loans, financing under credit cards, overdraft loans, trade financing and foreign loans. For further details of our segments, see Note 5 of our consolidated financial statements in "Item 18. Financial Statements."

We do not break down our revenues by geographic regions within Brazil, and less than 4.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

Complete Investment Platform

We operate a complete investment platform with a value proposition supported by three pillars: broad portfolio of products, investment portfolios and specialized consultancy, whose role is to generate value to the client through a complete offer of products and investment solutions, as well as meet the needs of our investor clients, account holders and non-account holders, according to their age, equity and profile, through different service channels.

The investment management platform, in addition to using the services of the branch network managers, also comprises a specialist team providing advice on the demands of banking products, investment funds, capital market products, broker and private pension. The clients also benefit from suggested portfolios, that combine a diversity of financial products and are established monthly, based on national and international

market perspectives. For more information on pension products, see “Item 4.B. Business Overview – Insurance, pension plans and capitalization bonds.”

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Banking

In our banking segment, we offer a range of banking products and services to our clients including deposit-taking, granting of loans and advance payments, debit and credit card services and capital market solutions, through our extensive distribution network.

We have a diverse customer base that includes individuals and small, midsized and large companies in Brazil. Historically, we have cultivated a strong presence among the broadest segment of the Brazilian market, middle- and low-income individuals.

The following table shows selected financial data for our banking segment for the periods indicated.

Year ended December 31,	Banking - R\$ in thousands		
	2018	2017	2016
Statement of Income data			
Net interest income	53,582,872	46,997,327	49,156,109
Impairment of loans and advances	(11,078,383)	(17,895,929)	(18,829,460)
Other income/(expenses) ⁽¹⁾	(28,263,677)	(18,939,329)	(13,034,164)
Income before income taxes	14,240,812	10,162,069	17,292,485
Income tax and social contribution	(206,385)	(887,289)	(7,995,420)
Net income for the year	14,034,427	9,274,780	9,297,065
Net income attributable to controlling shareholders	14,034,093	9,272,962	9,293,766
Net income attributable to non-controlling interest	334	1,818	3,299
Statement of Financial Position data			
Total assets	1,057,484,986	988,063,541	921,916,290
Selected results of operations data			
Interest and similar income			
Loans and advances to banks	9,546,878	5,073,435	8,689,347
Loans and advances to customers	61,418,259	64,083,962	68,452,325
Financial assets	23,487,684	34,194,879	35,709,708
Compulsory deposits with the Central Bank	3,916,299	4,881,319	5,667,516
Other financial interest income	63,829	68,553	66,210
Interest and similar expenses			
Deposits from banks	(19,208,706)	(29,397,587)	(30,542,950)
Deposits from customers	(10,884,664)	(13,279,231)	(15,462,989)
Funds from securities issued	(11,239,640)	(13,527,986)	(17,124,503)
Subordinated debt	(3,517,067)	(5,100,017)	(6,298,555)
Net interest income	53,582,872	46,997,327	49,156,109
Net fee and commission income	25,496,171	24,143,561	20,696,785

Note: Inter segment transactions have not been eliminated.

(1) For additional information, see "Item 5.A. Operational Results".

Products and banking services

In order to meet the needs of each client, we offer the following range of banking products and services:

- deposit accounts, including checking accounts, savings accounts and time deposits;
- loans and advances (individuals and companies, housing loans, microcredit, onlending BNDES/Finame, rural loans, leasing, among others);
- credit cards, debit cards and pre-paid cards;
- cash management solutions;

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- public authority solutions;
- asset management;
- services related to capital markets and investment banking activities;
- intermediation and trading services;
- capital markets solutions;
- international banking services;
- import and export financing; and
- consortiums.

Deposit accounts

We offer a variety of deposit accounts to our customers, including:

- checking accounts, such as:
 - **Easy Account** (*Conta Fácil*) – Target market: Individuals and companies that have a checking account and a savings account under the same bank account number, using the same card for both accounts;
 - **Click Account** (*Click Conta*) – Target market: checking accounts for young people from 11 to 17 years of age, with exclusive website and debit card, automatic pocket money service and free online courses, among other benefits; and
 - **Academic Account** (*Conta Universitária*) – Target market: low fee checking account for college students, with subsidized credit conditions, exclusive website and free online courses, among other benefits.
- traditional savings accounts, which currently earn the Brazilian reference rate, or *taxa referencial*, known as the "TR," plus 6.2% annual interest in the case the SELIC rate is higher than 8.5% *p.a.* or TR plus 70.0% of the SELIC rate if the SELIC rate is lower than 8.5% *p.a.*; and
- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* – or "CDBs"), and earn interest at a fixed or floating rate.

As of December 31, 2018, we had 28.3 million checking account holders, 26.7 million of which were of individuals and 1.6 million of which were of legal entities. As of the same date, we had 63.5 million savings accounts.

The following table shows a breakdown of our deposits from customers by type of product on the dates indicated:

December 31,	R\$ in thousands, except %					
	2018	2017		2016		
Deposits from customers						
Demand deposits	34,178,563	10.0%	33,058,324	12.6%	32,521,234	14.0%
<i>Reais</i>	32,605,941	9.6%	30,392,388	11.6%	30,936,451	13.3%
Foreign currency	1,572,622	0.5%	2,665,936	1.0%	1,584,783	0.7%
Savings deposits	111,170,912	32.6%	103,332,697	39.4%	97,088,828	41.7%
<i>Reais</i>	111,170,912	32.6%	103,332,697	39.4%	97,088,828	41.7%
Time deposits	195,398,721	57.3%	125,617,424	47.9%	103,137,867	44.3%
<i>Reais</i>	181,698,519	53.3%	115,684,855	44.2%	87,286,295	37.5%
Foreign currency	13,700,202	4.0%	9,932,569	3.8%	15,851,572	6.8%
Total	340,748,196	100.0%	262,008,445	100.0%	232,747,929	100.0%

For more information on our deposit accounts, see "Deposit-taking activities."

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Loans and advances to customers

The following table shows loans and advances to customers broken down by type of product on the indicated dates:

	R\$ in thousands		
	December 31, 2018	2017	2016
Loans and advances to individuals outstanding by type of operation			
Other loans and advances to individuals	72,906,750	64,152,166	60,465,377
Housing loans	60,594,386	59,963,375	60,458,038
Vehicle financing	31,075,027	24,741,298	23,699,948
Onlending BNDES/Finame	25,170,115	30,655,666	35,816,560
Other corporate loans and advances	112,144,399	97,248,815	107,951,154
Rural loans	13,353,943	13,642,478	14,422,799
<i>Leasing</i>	2,089,862	2,249,859	2,738,611
Credit cards	39,553,374	37,568,984	37,407,733
Import and export financings	54,604,799	43,591,024	49,123,653
Total	411,492,655	373,813,665	392,083,873

The following table summarizes concentration for our outstanding loans and advances to customers by borrower on the dates shown:

	December 31, 2018	2017	2016
Borrower size			
Largest borrower	2.2%	2.5%	2.3%
10 largest borrowers	9.1%	8.2%	8.5%
20 largest borrowers	12.9%	12.2%	12.6%
50 largest borrowers	18.6%	17.8%	18.5%
100 largest borrowers	22.9%	22.2%	23.0%

Other loans and advances to individuals

Our significant volume of individual loans enables us to avoid concentration on any individual loans on the performance of our portfolio and helps build customer loyalty. They consist primarily of:

- personal loans with pre-approved overdraft facilities to be obtained through our branches, ATM network, call center, mobile and internet banking, with average repayment terms of five months and an average interest rate of 8.6% per month as of December 31, 2018. It also includes payroll-deductible loans to Social Security National Service (INSS) pension plan beneficiaries and retirees and public servants and private sector employees; and

- special overdraft limit (revolving credit limit) linked to a current account with automatic renewal, which allows our customers to perform various financial transactions, such as transfers and withdrawals even when there is no balance available, at interest rates varying from 2.9% to 13.3% per month as of December 31, 2018.

As of December 31, 2018, we had outstanding personal loans, and overdraft loans totaling R\$72.9 billion or 17.7% of our portfolio of loans and advances to customers.

Banco Bradesco Financiamentos ("Bradesco Financiamentos") offers payroll-deductible loans to INSS retirees and pensioners and public-sector employees (federal, state and municipal) through companies specialized in payroll-deductible loans.

Housing loans

As of December 31, 2018, we had 192.6 thousand active financing contracts under mortgage or fiduciary disposal of real estate. The aggregate outstanding amount of our housing loans amounted to R\$60.6 billion, representing 14.7% of our portfolio of loans and advances to customers.

Housing loans are carried out for the purpose of: (i) acquisition of residential and commercial real estate, and urban plots; and (ii) construction of residential and commercial developments.

Financing for the acquisition of residential real estate has a maximum term of up to 30 years and annual interest rates of 8.9% to 12.0% *per annum*, plus TR, while commercial real estate has a maximum term of up to ten years and annual interest rates of 13.0% to 15.0% *p.a.* plus TR.

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Financing for construction, also known as the Businessman Plan, has a construction term of up to 36 months and interest rate of 12.0% to 16.0% *per annum*, plus TR, and a six-month grace period for the realization of transfers to borrowers.

Central Bank regulations require us to provide at least 65.0% of the balance of savings accounts in the form of housing loans; 20.0% in compulsory deposit requirement and the remaining resources, in financial and other transactions according to the law and regulations in force.

Vehicle financings

We are acting, including through partnerships, in the consumer financing of the purchase of new and used vehicles for individuals and corporations in the chain, which comprises assembler, dealers and consumers. In addition to offering these services through our extensive branches network, Bradesco Financiamentos also offers lines of loans and leasing for the acquisition of vehicles.

As of December 31, 2018, we had vehicle financing totaling R\$ 31.1 billion, or 7.6% of our portfolio of loans and advances to customers.

BNDES onlending/Finame

The Brazilian Bank of Economic and Social Development – BNDES (*Banco Nacional de Desenvolvimento Econômico e Social*) is the main instrument of the Federal Government to support entrepreneurs of all sizes, including individuals, in carrying out their plans for modernization, expansion and implementation of new business, always with the potential of generating jobs, income and social inclusion in Brazil, its portfolio has certain products and programs to provide government-funded long-term loans with below-market or subsidized interest rates, focusing on economic development. We are one of the structuring agents of BNDES funds, to borrowers in several sectors of the economy. We determine the margin of return on the loans based on the borrowers' credit. Although we bear the risk for these BNDES and Finame onlending transactions, these transactions are always secured.

According to BNDES, in 2018, we disbursed R\$6.3 billion, 87.0% of which were loaned to micro, small and medium-sized companies. Our BNDES onlending portfolio totaled R\$25.1 billion as of December 31, 2018, and accounted for 6.1% of our portfolio of loans and advances to customers at that date.

Other corporate loans and advances

We provide traditional loans for the ongoing needs of our corporate customers. As of December 31, 2018, we had R\$112.1 billion of other outstanding loans to corporate clients, accounting for 27.3% of our portfolio of loans and advances to customers. We offer a range of loans to our corporate customers based in Brazil, including:

- short-term loans of 29 days or less;
- working capital loans to cover our customers' cash needs;
- guaranteed checking accounts and corporate overdraft loans;
- discounting trade receivables, promissory notes, checks, credit card and supplier receivables, etc.;
- financing for purchase and sale of goods and services; and
- investment lines for acquisition of assets and machinery.

These lending products generally bear interest at a rate of 1.1% to 13.9% per month.

In addition to these loans, we also offer guarantees, which are a contractual commitment, in which we guarantee the fulfilment of the obligations of our customers (debtors) before third parties (beneficiaries).

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Rural loans

We extend loans to the agricultural sector by compulsory deposits, or the Amount Subject to Compulsory Deposit Requirement (“VSR”), BNDES onlending operations and our own funds, in accordance with Central Bank regulations. As of December 31, 2018, excluding BNDES onlending operations, we had R\$13.3 billion in outstanding rural loans, representing 3.2% of our portfolio of loans and advances to customers. In accordance with Central Bank regulations, loans arising from compulsory deposits are paid a fixed rate. The annual fixed rate was 7.0%, on average, as of December 31, 2018. Repayment of these loans generally coincides with agricultural harvest and principal is due when a crop is sold. For BNDES onlending for rural investment the term is no more than ten years with repayments on a semi-annual or annual basis. The security for such loans, we generally obtain a mortgage or chattel mortgage on the land where the agricultural activities being financed are conducted.

Central Bank regulations require us to use at least 30.0% of the annual average of the VSR of the previous harvest to provide loans to the agricultural sector.

Leasing

According to ABEL, as of December 31, 2018, our leasing companies were among the sector leaders, with a 19.9% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2018 was R\$10.4 billion.

As of December 31, 2018, we had 8,451 outstanding leasing agreements totaling R\$2.1 billion, representing 0.5% of our portfolio of loans and advances to customers.

The Brazilian leasing market is dominated by financial institutions, including companies affiliated with Brazilian and foreign manufacturers. Brazilian lease contracts generally relate to motor vehicles, computers, industrial machinery and other equipment.

Most of our leasing transactions are financial (as opposed to operational). Our leasing transactions primarily involve the leasing of trucks, cranes, aircraft, ships and heavy machinery. As of December 31, 2018, 45.9% of our outstanding leasing transactions were for vehicles.

We conduct our leasing transactions through our primary leasing subsidiary, Bradesco Leasing and also through Bradesco Financiamentos.

We obtain funding for our leasing transactions primarily by issuing debentures and other securities in the domestic market.

As of December 31, 2018, Bradesco Leasing had R\$8.9 billion of debentures outstanding in the domestic market. These debentures will mature in 2028 and bear monthly interests at the interbank interest rate (“CDI

rate”).

Terms of leasing agreements

Financial leases represent a source of medium and long-term financing for Brazilian customers. Under Brazilian law, the minimum term of financial leasing contracts is 24 months for transactions relating to products whose average useful life of five years or less, and 36 months for transactions for those with an average useful life of five years or more. There is no legal maximum term for leasing contracts. As of December 31, 2018, the remaining average maturity of contracts in our lease portfolio was approximately 56 months.

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Targeted Production Microcredit

We offer a product named “targeted production microcredit” (*microcrédito produtivo orientado*) to formal and informal entrepreneurs, in accordance with Central Bank regulations requiring banks to use 2.0% of their cash deposits to provide microcredit loans. As of December 31, 2018, we had 42,818 microcredit loans outstanding, totaling a portfolio of R\$114.0 million.

In accordance with Central Bank regulations, consumer microcredit transactions are charged up to a maximum effective interest rate of 2.0% per month. However, microcredit loans for certain types of business or specific products (“targeted production microcredit”) have a maximum effective interest rate of up to 4.0% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R\$2,000 for low income individuals in general (consumer microcredit); (ii) R\$5,000 for individuals or legal entities engaged in a productive activity of professional, commercial or industrial nature, provided that the sum of the value of the transaction and the balance of other credit transactions does not exceed R\$40,000; and (iii) R\$15,000 for our targeted production microcredit transactions. In addition, microcredit loans may not be for less than 120 days, and the origination fee must be up to 2.0% of the loan value for individuals and up to 3.0% for micro entrepreneurs. The Federal Government updated some rules of the National Program of Targeted Productive Microcredit (PNMPO) through Provisional Measure No. 802/17, subsequently converted into Law No. 13,636/18 providing special conditions for concession of credit to individuals and legal entities that are entrepreneurs of urban and rural productive activities and have income and annual gross revenues under R\$200,000.00.

In March 2019, CMN issued the Resolution No. 4,713/19, which will come into force on June 30, 2019, with the new guidelines about the microcredit operations, which includes targeted production microcredit and the direction of resources for those operations.

Credit cards

We offer a range of credit cards to our clients including Elo, American Express, Visa, MasterCard brands and private label cards, which stand out due to the extent of benefits and convenience offered to associates.

We earn revenues from our credit card operations through:

- fees on purchases carried out in commercial establishments;
- issuance fees and annual fees;
- interest on credit card balances;
- interest and fees on cash withdrawals through ATMs; and

- fees on cash advances to cover future payments owed to establishments that accept credit cards.

We offer our customers a complete line of credit cards and related services, including:

- cards issued for use restricted to Brazil;
- credit cards accepted nationwide and internationally;
- credit cards directed toward high net worth customers, such as Gold, Platinum, Infinite/Black and Nanquim from Elo, Visa, American Express and MasterCard brands;

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- multiple cards that combine credit and debit features in a single card, which may be used for traditional banking transactions and shopping;
- co-branded credit cards, which we offer through partnerships with companies;
- "affinity" credit cards, which we offer through associations, such as sporting clubs and non-governmental organizations; and
- private label credit cards, which we only offer to customers of retailers, designed to increase business and build customer loyalty for the corresponding retailer, which may or may not have a restriction on making purchases elsewhere, among others.

We hold 50.01% of the shares of Elopár, an investment holding company which investments include Alelo (benefit cards, pre-paid and money card), Liveló (coalition loyalty program), Stelo (digital portfolio for online purchases), as well as participations in Elo Serviços (brand) and Banco CBSS (credit card issuance and other financial products). We hold 30.06% of the shares of Cielo S.A.

We also have a card business unit abroad, Bradescard Mexico, one of the highlights of which is a partnership with C&A.

We initiated a partnership with Apple in 2018 for the use of Bradesco cards in the Apple Pay App for payments in commercial establishments.

We also launched another product in 2018, called the Pre-paid Bradesco DIN card. It can be used to pay for purchases in Brazil and abroad, to make transfers to another Bradesco DIN, to receive money from Bradesco account holders and to make withdrawals in the Bradesco self-service network, Banco24Horas and Bradesco Expresso.

As of December 31, 2018, we had several partners with whom we offered co-branded, affinity and private label/hybrid credit cards. These relationships have allowed us to integrate our relationships with our customers and offer our credit card customers banking products, such as financing and insurance.

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The following table shows our volume of transactions and total number of transactions of credit cards for the years indicated:

	In millions		
	2018	2017	2016
Volume traded - R\$	189,155.0	176,893.5	159,172.5
Number of transactions	2,104.8	1,991.0	1,784.0

With the mission of providing security solutions aligned to our business and creating, implementing, and maintaining preventive rules, processes and technologies, we have a department to prevent credit card fraud. This department acts strategically in the security of the use and service channels, systems and processes of the product, assessing, treating, and suggesting improvements. The department also issues technical opinions in connection with strategic security issues and implementation of products, services or processes.

Among the main "Corporate Security Global Vision" responsibilities, we highlight the following:

- the strategy area to prevent credit card fraud has the mission of identifying and mitigating risks of financial losses and negative impacts to the image of the Bank. It develops prevention strategies to documental and transactional fraud, monitoring and alerting in real time the onboarding of the product as well as all transactions made through the customer service and use channels. The actions are based on behavioral analyses of fraud, supported by statistical methodologies and predictive models of fraud, in order to ensure controls aligned to the business. The area also works on the diagnosis of losses to identify systemic and operational weaknesses, recommending preventive actions and the alignment with the current strategy when necessary;
- the projects and processes area establishes controls for the identified risks and is responsible for evaluating the risk of fraud and issuing recommendations on new projects, processes and products. The area proposes to the managers of the business and technical areas solutions that aim to balance the use and the security of the products and access to service channels, as well as corporate and strategic actions, which envisage the best practices of the market focused on preventive actions; and
- the portfolio analysis area is responsible for managing and providing information from the fraud prevention area to the other areas of the organization.

Import and Export Financing

For information on Import and Export Financing, see "Item 4.B. Business Overview – Foreign branches and subsidiaries."

Cash Management Solutions

Management of accounts payable and receivable – In order to meet the cash management needs of our customers in both public and private sectors, we offer many solutions for managing accounts payable and receivable, supported by our network of branches, bank correspondents and electronic channels, all of which aim to improve speed and security for customer data and transactions. The solutions provided include: (i) receipt and payment services; and (ii) resource management, enabling our customers to pay suppliers, salaries, and taxes and other levies to governmental or public entities. These solutions, which can also be customized, facilitate our customers' day-to-day tasks and help to generate more business. We also earn revenues from fees and investments related to collection and payment processing services, and by funds in transit received up to its availability to the related recipients.

Solutions for receipts and payments – In 2018, we settled 1.0 billion invoices through the services of *Cobrança Bradesco* and 579 million of receipts by the tax collection systems and utility bills (such as water, electricity, telephone and gas), checks custody service, identified deposits and credit orders. The legal entity systems processed 1.1 billion documents related to payments to suppliers, salaries and taxes.

Global Cash Management – Global Cash Management aims at structuring solutions to foreign companies operating in the Brazilian market and Brazilian companies making business in the international market. By way of customized solutions, partnerships with international banks and access to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, we offer products and services for carrying out the cash management of these companies.

Niche Markets – We operate in various niche markets, such as education, health, condominiums, country clubs, Individual Micro Entrepreneur (MEI), expeditors and driving schools, transportation, franchising, and religion, among others, where our clients have the support of a specialized team with the mission of structuring custom solutions that add value to their business.

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As an example, the Franchising & Business niche has a team of franchising specialists that, through their relationship with franchising companies, identify opportunities for financing and providing services to all franchisees and their employees. The partnership with the franchise networks occurs through structured commercial activities in synergy with the managing departments, commercial segments, and affiliated companies. The focus on the peculiarities of this sector creates a competitive and sustainable position by structuring appropriate solutions and, in particular, through the strategy of providing differentiated and specialized service. We have approximately 450 agreements in place with franchising companies, generating numerous opportunities to open new current accounts and leveraging business with the respective franchisees.

Another important feature in this area is the support we provide towards the development of Local Production Arrangements (“APLs”), by providing service to businesses and assistance to these clients. Participating in an APL strengthens the companies, because together they can form an articulated and important group for local development, allowing for greater competitive and sustainable advantages for micro and small businesses. Currently, we service 423 APLs throughout the country.

Public authority solutions

We have a specific area dedicated to serving public administration, which offers specialized services aimed at identifying business opportunities and structuring customized solutions to entities and bodies of the Executive, Legislative and Judiciary branches at federal, state and municipal levels, in addition to independent governmental agencies, public foundations, state-owned and mixed companies, the armed forces (army, navy and air force) and the auxiliary forces (federal and state police forces).

Our exclusive website developed for our customers offers corporate solutions for federal, state and municipal governments for payments, receipts, human resources and treasury services. The website also features exclusive facilities for public employees and the military, showing all of our products and services for our customers.

Our relationships with such public authorities are developed and maintained by specialized business managers located in distribution platforms throughout the country, which can be identified on our website. We have six specialized platforms to assist governments, capitals, courts, class councils, chambers, prosecutors, public defenders and 100 largest municipalities according to the Brazilian GDP.

In 2018, we took part and were successful in bidding processes sponsored by the Brazilian government. Furthermore, according to INSS, we continue to be leaders in payments of INSS benefits, with more than 11.0 million retirees and pensioners.

Management and administration of third-party funds

BRAM manages third-party funds through:

- mutual funds;

Focus on corporate responsibility and sustainability as core principles of our business.

- managed portfolios;
- exclusive funds; and
- receivable funds (FIDCs –*Fundos de Investimento em Direitos Creditórios*) and FIIs (Real Estate Investment Funds).

Management of funds and portfolios – On December 31, 2018, BRAM managed 1,230 funds and 300 portfolios, providing services to 3.4 million investors. Among its biggest customers are all the main segments of Bradesco, like Prime, Corporate One, Corporate, Large Corporate, Private and *Varejo* (Retail) (for more information on our segmentation, see “Segmentation of clients”) and Grupo Bradesco Seguros, in addition to institutional investors in Brazil and abroad. These funds comprise a wide group of fixed-income, non-fixed income, investments abroad and multimarket funds, among others.

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4.B. Business Overview

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The following tables show the equity of funds and portfolios, which are under our management, the number of investors and the number of investment funds and managed portfolios for each period:

Equity under Management by Type of Investment as of December 31,	R\$ in thousands	
	2018	2017
Investment Funds		
Fixed income	548,781,839	550,505,210
Variable income	9,498,103	9,122,195
Multimarket	48,565,323	54,106,357
Total	606,845,265	613,733,762
Managed Portfolios		
Fixed income	53,121,126	45,038,875
Variable income	7,591,523	7,880,085
Total	60,712,649	52,918,960
Overall Total	667,557,914	666,652,722

As of December 31, Number	2018		2017	
	Quotaholders	Number	Quotaholders	Number
Investment Funds	1,230	3,468,304	1,187	3,295,332
Managed Portfolios	300	1,138	216	216
Overall Total	1,530	3,469,442	1,403	3,295,548

Administration of third-party funds – On December 31, 2018, BEM and Bradesco administered 3,043 funds, 300 portfolios and 90 investment clubs, providing services to 3.5 million investors.

The following tables show the equity of funds and portfolios, which are under administration, the number of investors, investment funds, portfolios and investment clubs for each period.

Equity under Administration by Type of Investment as of December 31	R\$ in thousands	
	2018	2017
Investment Funds		
Fixed income	745,188,895	719,817,674
Variable income	51,958,073	41,006,035
Third party share funds	59,262,618	47,146,765
Total	856,409,587	807,970,474
Investment Clubs and Managed Portfolios		
Fixed income	53,121,193	45,038,875
Variable income	7,591,523	7,880,085
Third party share funds	23,415,776	9,812,127
Total	84,128,491	62,731,086
Overall Total	940,538,078	870,701,560

As of December 31, Number	2018		2017	
	Quotaholders	Number	Quotaholders	Number
Investment Funds	3,043	3,510,515	2,845	3,266,973
Managed Portfolios	300	-	216	-
Investment Clubs	90	841	89	852
Overall Total	3,433	3,511,356	3,150	3,267,825

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Services related to capital markets and investment banking activities

As our investment bank, “Bradesco BBI” is responsible for (i) originating and executing project financing operations; (ii) originating and executing mergers and acquisitions; (iii) originating, structuring, syndicating and distributing fixed income transactions of securities in Brazil and abroad; and (iv) originating, structuring, syndicating and distributing issuances of securities of equity in Brazil and abroad.

In 2018, Bradesco BBI received the following top awards: “Best Investment Bank in Brazil” by Global Finance, “Most Innovative Investment Bank from Latin America” by The Banker and “LatAm M&A Firm of the Year and Brazil M&A Firm of the Year” by Global M&A Network.

In 2018, Bradesco BBI advised customers in a total of 190 transactions across a range of investment banking products, totaling approximately R\$162.9 billion.

Project finance – Bradesco BBI is the advisor and structuring agent in the areas of “Project” and “Corporate Finance,” seeking to optimize financing solutions for projects across various industries through both credit and capital markets operations. In 2018, Bradesco BBI successfully participated in the launching of 19 projects, totaling R\$8.4 billion in investments.

Mergers and acquisitions – Bradesco BBI provides advisory services in merger and acquisition and corporate sale transactions, including the sale of companies and assets, private placements, creation of joint ventures, financial and corporate restructuring, and privatizations. In 2018, Bradesco BBI advised on 25 disclosed transactions that amounted to R\$60.8 billion. Bradesco BBI ended the year as number one in the ranking of volume in mergers and acquisitions in Brazil according to Merger Market.

Structured operations – Bradesco BBI structures customized financial solutions for its customers in terms of their needs such as: investments, acquisitions, corporate reorganization, share repurchase, improved financial ratios, capital structure streamlining, and assets and risk segregation, by offering a number of funding tools to companies. Additionally, Bradesco BBI has a strong presence in the acquisition finance segment.

Fixed income – Bradesco BBI coordinates public offerings of securities of fixed income in local and international capital markets and international debt. In 2018, Bradesco BBI coordinated 127 local capital markets debt offerings that amounted to more than R\$46.1 billion. In the same period, Bradesco BBI coordinated 13 international capital markets debt offerings that amounted to more than US\$8.7 billion. Bradesco BBI ended the year in first position in the rankings of volume and number of international capital market transactions, and in second position in the rankings of origination and distribution of fixed income locally, according to data published by ANBIMA.

Equity – Bradesco BBI coordinates public offerings of shares in the national and international markets. In 2018, Bradesco BBI coordinated 4 local capital markets equity offerings that amounted to more than R\$7.3 billion. In the same period, Bradesco BBI coordinated 2 international capital markets equity offerings that amounted to more than R\$8.5 billion.

Intermediation and trading services

Bradesco Corretora

Bradesco S.A. CTVM, or "Bradesco Corretora," operates in the financial market, and has as its objective the mediation of the purchase and sale of shares, commodities futures contracts, financial assets, indexes, options, share rental, and forward contracts, in the primary and secondary market. It also offers a wide range of products such as Investment Clubs, government securities through *Tesouro Direto* (Treasury Direct), and is admitted to negotiations in B3 and in the organized over-the-counter market, which are tailored to the needs of high net-worth individuals, major corporations and institutional investors.

In 2018, Bradesco Corretora traded R\$353.6 billion in the B3 equities market and ranked fifth in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded 56.3 million futures, forwards, swaps and options totaling R\$6.2 trillion on the B3. In 2018, Bradesco Corretora ranked tenth in the Brazilian market, in relation to the number of futures contracts, terms, swaps and options executed.

Bradesco Corretora was awarded by B3, within the Operational Qualifying Program (PQO), five excellence seals (Agro Broker, Carrying Broker, Execution Broker, Retail Broker and Nonresident Investor Broker), indicating the high quality of its future market transactions. Bradesco Corretora is also certified by CETIP (Clearing House for the Custody and Financial Settlement of Securities, currently "B3").

Bradesco Corretora offers its clients the possibility to trade securities on the Internet through its "Home Broker" service. In 2018, "Home Broker" trading totaled R\$14.4 billion.

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4.B. Business Overview

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Bradesco Corretora has a full range of services in investment analysis with coverage of the main sectors and companies of the Brazilian market. With a team composed of 50 sector specialists who fairly disclose their opinions to the customers by way of follow-up reports and instruction guides, with a wide range of projections and comparison multiples. Bradesco Corretora also has a team of its own economists dedicated to the customers' specific demands, focused on the stock market. Over 500 reports, in English and Portuguese, are forwarded on a monthly basis to the most important investors domiciled in Brazil, the United States, Europe and Asia.

Ágora Investimentos

Ágora CTVM S.A., or "Ágora Investimentos," as well as Bradesco Corretora, operates in the financial market, and has as its objective the mediation of the purchase and sale of shares, commodities futures contracts, financial assets, indexes, options, share rental, and forward contracts, in the primary and secondary market traded on the B3 and in the organized over-the-counter market, including both our checking account holders and non-account holders. It also offers a wide range of products such as Fixed Income, Investment Funds, Investment Clubs, government securities through *Tesouro Direto* (Treasury Direct), all of which render advisory services that are segmented and aligned to the customer's profile.

In 2018, Ágora Investimentos traded R\$43.2 billion in the B3 equities market and ranked fifth in Brazil in terms of total trading volume.

In addition, in the same period, Ágora Investimentos traded 56.3 million futures, forwards, swaps and options totaling R\$6.2 trillion on the B3 to individuals. Ágora Investimentos offers its clients the possibility to trade securities on the Internet through its "Home Broker" service. In 2018, "Home Broker" trading totaled R\$38.7 billion.

Ágora Investimentos was awarded by B3, within the Operational Qualifying Program (PQO), three excellence seals (Carrying Broker, Execution Broker and Retail Broker), indicating the high quality of the operational services rendered the market and customers investors. Ágora Investimentos also has the seal Certifies propitiating safety and transparency in the investments registered in B3.

Ágora Investimentos has a full range of services in investment analysis with coverage of the main sectors and companies of the Brazilian market. With a team composed of sector specialists who fairly disclose their opinions to the customers by way of follow-up reports and instruction guides, with a wide range of projections and comparison multiples.

Capital market solutions

In 2018, we were one of the main providers of capital markets services and we maintained our leadership position in the domestic and global market according to the ANBIMA's ranking of custody of assets.

Among the main services we offer in this segment, we highlight: qualified custody of securities for investors and issuers, administrators of investment funds, clubs and managed portfolios; bookkeeping of securities

Focus on corporate responsibility and sustainability as core principles of our business.

(shares, BDRs - Brazilian Depositary Receipts, quotas of investment funds, CRIs and debentures); custody of shares backed by DR - Depositary Receipts, loan of shares, liquidating bank, depositary (Escrow Account - Trustee), clearing agent, tax and legal representation for non-resident investors, and fiduciary administration for investment funds.

We have Quality Management System ISO 9001:2015 certifications and GoodPriv@cy certifications. We also hold an ISAE 3402 (International Standard on Assurance Engagements) certification, which comprises assurance reports on controls at a service organization under international standards. These certifications expand our structures of controls, increasing the level of effectiveness and quality of processes.

As of December 31, 2018, the set of the services provided by us, which we call “Bradesco Custódia” was composed of:

- custody and controllership services for investment funds and managed portfolios involving:
 - R\$1.6 trillion in assets under custody;
 - R\$2.3 trillion in assets under controllership; and
 - R\$127.6 billion in market value, related to 25 ADR (American Depositary Receipts) programs and 4 GDR (Global Depositary Receipts) programs.
- fiduciary administration for funds:

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- R\$429.9 billion total shareholders' equity of investment funds under fiduciary administration by BEM.
- securities bookkeeping:
 - 239 member companies of the Bradesco Book-entry Stock System, with 5.0 million shareholders;
 - 391 companies with 613 issues in the Bradesco's Book-Entry debentures system, with a market value of R\$437.7 billion;
 - 924 investment funds in the Bradesco Book-Entry Quotas System (value of R\$95.1 billion); and
 - 36 BDR (Brazilian Depositary Receipts) programs managed, with a market value of R\$704.8 million.
- depositary (Escrow Account - Trustee):
 - 19,253 contracts, with a financial volume of R\$17.8 billion.

International banking services

As a private commercial bank, we offer a wide range of international services, such as foreign trade finance and foreign currency loans, foreign exchange operations and international sureties, lines of credit and banking. As of December 31, 2018, our international banking services included:

Branches:

- one in New York City;
- one in the Cayman Islands; and
- one in London.

Subsidiaries:

- one in London: Bradesco Securities U.K., named "Bradesco Securities U.K.;"
- one in the Cayman Islands: Cidade Capital Markets Ltd., or "Cidade Capital Markets;"
- one in Argentina: Banco Bradesco Argentina S.A., or "Bradesco Argentina;"
- one in Luxembourg: Banco Bradesco Europa S.A., or "Bradesco Europa;"
- one in Mexico: Bradescard México, Sociedad de Responsabilidad Limitada, or "Bradescard México;"

- two in Hong Kong: (i) Bradesco Trade Services Ltd. or "Bradesco Trade;" and (ii) Bradesco Securities Hong Kong or "Bradesco Hong Kong;" and
- two in New York: (i) Bradesco Securities Inc. or "Bradesco Securities U.S." and (ii) Bradesco North America LLC or "Bradesco North America."

Representative office:

- one in the city of Miami.

Our International and Exchange Area in Brazil coordinates our international transactions with support from twelve operational units specialized in foreign exchange and 18 points of service which are part of the Bradesco Corporate Segment (*Segmento Bradesco Corporate*). This structure is located at major exporting and importing areas nationwide.

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4.B. Business Overview

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Revenues from Brazilian and foreign operations

The table below breaks down revenues (interest and similar income, and fee and commission income) from our Brazilian and foreign operations for the periods shown:

For the years ended December 31,	2018		2017		2016	
	R\$ in thousands	%	R\$ in thousands	%	R\$ in thousands	%
Brazilian operations	141,319,794	96.9%	146,014,854	98.0%	164,975,062	98.2%
Overseas operations	4,564,935	3.1%	2,966,302	2.0%	3,066,400	1.8%
Total	145,884,729	100.0%	148,981,156	100.0%	168,041,462	100.0%

Foreign branches and subsidiaries

Our foreign branches and subsidiaries principally provide financing in foreign currency (particularly foreign trade finance operations) to Brazilian and non-Brazilian customers. Total assets of the foreign branches, considering the elimination of intra-group transactions, were R\$50.9 billion, as of December 31, 2018, denominated in currencies other than the *real*.

Funding required for financing of Brazilian foreign trade is primarily obtained from the international financial community, through credit lines granted by correspondent banks abroad. We issued debt securities in international capital markets as an additional source of funding, which amounted to R\$7.3 billion (US\$1.9 billion) during 2018.

The following is a brief description of our subsidiaries abroad:

Bradesco Europa – Through its unit in Luxembourg and its branch in London, it is also dedicated to providing additional services to clients of the private banking segment.

Bradesco Argentina – It was set up with the purpose of granting financing, largely to companies based in Brazil with local establishments and, to a lesser extent, to companies based in Argentina doing business with Brazil.

Cidade Capital Markets – In February 2002, Bradesco acquired Cidade Capital Markets in Grand Cayman, through to the acquisition of its parent company in Brazil, Banco Cidade.

Bradesco Securities (U.S., U.K. and H.K.) - Bradesco Securities, our wholly owned subsidiary, is a broker dealer in the United States, England and Hong Kong:

- Bradesco Securities U.S. focuses on facilitating the purchase and sale of shares, primarily in the form of ADRs and common shares. It is also an authorized dealer in bonds, commercial paper and deposit certificates, among other securities, and may provide investment advisory services;

- Bradesco Securities U.K. focuses on the intermediation of equities and fixed income operations for Brazilian companies with global institutional investors; short-term fund-raising activities for Banco Bradesco S.A. in Euro Certificate of Deposit (Euro CD) and Medium-Term Note (MTN) programs; and sale of research reports and services of corporate access by subscriptions to institutional investors in Europe; and
- Bradesco Securities H.K. focuses on the trading of ADRs and public and private securities issued by Brazilian companies to global institutional investors.

Bradesco North America LLC – It serves as a holding company for our investments in non-bank businesses in the United States.

Bradesco Trade Services – A non-financial institution and a subsidiary of our branch in the Cayman Islands, which we incorporated in Hong Kong in January 2007, in partnership with the local Standard Chartered Bank.

Bradescard Mexico – The business unit of credit cards issuance.

Banking operations in the United States

In January 2004, the United States Federal Reserve Bank authorized us to operate as a financial holding company in the United States. As a result, we may do business in the United States directly or through a subsidiary and, among other activities, may sell insurance products and certificates of deposit, provide underwriting services, act as advisors on private placements, provide portfolio management and merchant banking services and manage mutual fund portfolios.

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Import and export financing

Our Brazilian foreign-trade related business consists of giving finance services to our clients in their export and import activities.

In import financing/refinancing, we directly transfer funds in foreign currency to foreign exporters, fixing the payment in local currency for Brazilian importers. In export finance, exporters obtain advances in *reais* on closing an export forex contract for future receipt of foreign currency on the contract due date. Export finance arrangements prior to shipment of goods/performance of services are known locally as Advances on Exchange Contracts or "ACCs," and the sums advanced are used to manufacture goods or provide services for export. If advances are paid after goods/performance of services have been delivered, they are referred to as Advances on Export Contracts, or "ACEs."

There are other forms of export financing, such as Export Prepayments, onlendings from BNDES-EXIM funds, Export Credit Notes and Bills (referred to locally as "NCEs" and "CCEs"), and Export Financing Program with rate equalization – "PROEX."

Our foreign trade portfolio is funded primarily by credit lines from correspondent banks. We maintain relations with various American, European, Asian and Latin American financial institutions for this purpose, using our network of approximately 1,303 correspondent banks abroad, 44 of which extended credit/guarantee lines as of December 31, 2018.

As of December 31, 2018, our international unit had a balance of R\$49.1 billion in export financing and R\$7.2 billion and R\$2.4 billion in import financing and international guarantees. The volume of our foreign exchange contracts for exports reached US\$55.0 billion in 2018. In the same period, the volume of our foreign exchange contracts for imports reached US\$42.8 billion. In 2018, based on Central Bank data, we reached a 24.1% market share of trade finance for Brazilian exports and 24.4% for imports.

The following table shows the composition of our foreign trade asset portfolio as of December 31, 2018. This portfolio includes transactions with credit features and off-balance sheet transactions (import credit opened and international guarantees):

2018	R\$ in thousands
Export financing	
Advance on foreign exchange contracts – undelivered bills	15,146,180
Advance on foreign exchange contracts – delivered bills	582,961
Export prepayment	10,975,694
Onlending of funds borrowed from BNDES/EXIM	236,711
Proex - Rate Equalization Program	32,783
NCE/CCE (Exports Credit Note/Exports Credit Certificates)	22,077,273

International banking services

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Total export financing	49,051,602
Import financing	
Import financing – foreign currency	3,200,932
Exchange discounted in advance for import credit	3,599,264
Import credit opened	361,593
Total import financing	7,161,789
International guarantees	2,359,042
Total foreign trade portfolio	58,572,433
<i>Foreign exchange products</i>	

In addition to import and export financing, our customers have access to a range of services and foreign exchange products such as:

- foreign loans to customers (Decree-Law No. 4,131/62);
- working capital abroad;
- WEB exchange contracts;
- collecting import and export receivables;

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4.B. Business Overview

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- cross border money transfers;
- advance payment for exports;
- accounts abroad in foreign currency;
- domestic currency account for foreign domiciled customers;
- cash holding in other countries;
- structured foreign currency transactions: through our overseas units;
- service agreements – receiving funds from individuals abroad via money orders;
- prepaid cards with foreign currency (individual and legal entities);
- purchasing and selling of foreign currency paper Money;
- cashing checks denominated in foreign currency; and
- clearance certificate (international financial capacity certificate).

Consortia

In Brazil, persons or entities that wish to acquire certain goods may set up a group known as a "consortium." Consortia in Brazil are made up of pooled funds for the purpose of financing an acquisition. Consortia that are formed for the purchase of real estate, vehicles, motorcycles and trucks have a fixed term and quota, both previously determined by its members and are run by an administrator.

Bradesco Administradora de Consórcios manages groups of consortia and, as of December 31, 2018, registered total sales of 1,503,817 outstanding quotas; net income of R\$1.3 billion; and fees from consortiums of R\$1.7 billion. The company also administers a total volume of transactions of over R\$73.5 billion.

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Insurance, pension plans and capitalization bonds

We offer a range of products and services to our clients, including life, health, accident and vehicles and property insurance, both to individuals and companies; supplementary pension plans, individual and legal entities, as well as the capitalization securities, through our extensive distribution network.

The following table shows selected financial data for our insurance, pension plans and capitalization bonds segment for the periods indicated.

As of and for the year ended December 31,	Insurance, pension plans and capitalization bonds - R\$ in thousands		
	2018	2017	2016
Statement of Income data			
Net interest income	12,291,357	1,857,926	5,374,229
Other income and expenses ⁽¹⁾	(1,519,588)	7,335,891	4,190,317
Income before income taxes	10,771,769	9,193,817	9,564,546
Income tax and social contribution	(4,382,847)	(4,156,153)	(3,915,822)
Net income for the year	6,388,922	5,037,664	5,648,724
Net income attributable to controlling interest	6,224,398	4,812,425	5,550,662
Net income attributable to non-controlling interest	164,524	225,239	98,062
Statement of Financial Position data			
Total assets	305,112,189	295,699,951	266,642,197
Selected results of operations data			
Income from insurance and pension plans			
Written premiums	62,736,288	65,864,591	62,470,571
Pension plan contributions	4,441,813	5,090,043	3,679,922
Coinsurance premiums ceded	(47,232)	(49,715)	(70,862)
Premiums returned	(769,311)	(667,196)	(746,244)
Reinsurance premiums	(91,463)	(191,088)	(306,265)
Premiums retained from insurance and pension plans	66,270,095	70,046,635	65,027,122
Changes in the insurance technical provisions and pension plans	(29,409,222)	(34,805,771)	(32,781,918)
Retained claims	(26,024,370)	(25,594,962)	(24,542,433)
Selling expenses for insurance and pension plans	(3,179,631)	(3,405,912)	(3,547,008)
Income from insurance and pension plans	7,656,872	6,239,990	4,155,763

Note: Inter segment transactions have not been eliminated.

(1) For additional information, see "Item 5.A. Operational Results".

Insurance products and services, pension plans and capitalization bonds

We offer insurance products, pension plans and capitalization bonds through different legal entities, which we refer to collectively as "Grupo Bradesco Seguros." Grupo Bradesco Seguros is leader in the Brazilian insurance market. The insurance products, pension plans and capitalization bonds offered in our service channels are:

- life and personal accident insurance;
- health insurance;
- automobiles, property/casualty and liability insurance;
- reinsurance;
- pension plans; and
- capitalization bonds.

Life and personal accident insurance

We offer life and personal accident insurance, as well as insurance against miscellaneous events, such as job loss, through our subsidiary Bradesco Vida e Previdência. As of December 31, 2018, there were 32.6 million life insurance policyholders.

4.B. Business Overview

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Health insurance

The health insurance policies cover medical/hospital expenses. We offer health insurance policies through Bradesco Saúde and its subsidiaries for small, medium or large companies wishing to provide benefits for their employees.

On December 31, 2018, Bradesco Saúde and its subsidiary Mediservice Administradora de Planos de Saúde S.A. (Mediservice) had more than 3.6 million beneficiaries covered by company plans and individual/family plans. Approximately 139 thousand companies in Brazil pay into plans provided by Bradesco Saúde and its subsidiaries, including 38 of the top 100 largest companies in the country.

Bradesco Saúde currently has one of the largest networks of providers of health services in Brazil. As of December 31, 2018, it included 10,703 laboratories, 16,438 specialized clinics, 14,798 physicians and 2,045 hospitals located throughout the country.

Automobiles and property/casualty insurance

We provide automobile and property/casualty insurance through our subsidiary Bradesco Auto/RE.

The automobile insurance covers losses arising from damage caused to the insured vehicle in cases of collision, larceny, theft and fire, in addition to damages to passengers and third parties. In automobile insurance, intended for individuals, "Bradesco Seguro Auto Correntista" is featured for being a product that offers discounts, benefits and exclusive coverage to account holders of Banco Bradesco.

Retail property/casualty insurance is for individuals, particularly those with residential and/or equipment related risks and small- and medium-sized companies whose assets are covered by multi-risk business insurance. Of the various property/casualty lines for individuals, our residential policy (*Bilhete Residencial*) is a relatively affordable and highly profitable product. For legal entities, Bradesco Auto/RE offers Bradesco Seguro Empresarial (business insurance), which is adapted to meet our customers' and business needs, according to their industry sector.

As of December 31, 2018, Bradesco Auto/RE had 1.4 million insured automobiles and 1.3 million property/casualty policies and notes, making it one of Brazil's main insurers.

Supplementary Pension plans

We have managed individual and corporate pension plans since 1981 through our wholly-owned subsidiary Bradesco Vida e Previdência, which is now one of the leading pension plan manager in Brazil, as measured by investment portfolio and technical provision criteria, based on information published by FENAPREVI and SUSEP.

Bradesco Vida e Previdência offers and manages a range of individual and group pension plans. Our largest individual plans in terms of contributions known as VGBL and PGBL are exempted from paying

taxes on income generated by the fund portfolio.

As of December 31, 2018, Bradesco Vida e Previdência accounted for 25.2% of the pension plan and VGBL market in terms of contributions, according to SUSEP. On December 31, 2018, Bradesco Vida e Previdência accounted for 26.7% of all supplementary pension plan assets under management, 25.6% of VGBL, 24.6% of PGBL and 44.9% of traditional pension plans, according to FENAPREVI.

Brazilian law currently permits the existence of both "open" and "closed" private pension entities. "Open" private pension entities are those available to all individuals and legal entities wishing to join a benefit plan by making regular contributions. "Closed" supplementary pension plan entities are those available to discrete groups of people such as employees of a specific company or a group of companies in the same sector, professionals in the same field, or members of a union. Private pension entities grant benefits on the basis of periodic contributions from their members, or their employers, or both.

We manage pension and VGBL plans covering 3.0 million participants, 63.4% of whom have individual plans, and the remainder of whom are covered by company plans. The company plans account for 26.2% of technical reserves.

Under VGBL and PGBL plans, participants are allowed to make contributions either in installments or in lump-sum payments. Participants in pension plans may deduct the amounts contributed to PGBL up to 12.0% of the participant's taxable income when making their annual tax declaration. Under current legislation, redemptions and benefits are subject to withholding tax. VGBL plan participants may not deduct their contributions when declaring income tax. At the time of redemption, or when benefits are paid out, tax will be levied on the income accrued, pursuant to current legislation.

VGBL and PGBL plans may be acquired by companies in Brazil for the benefit of their employees. In December 2018, Bradesco Vida e Previdência managed R\$166.2 billion in VGBL and R\$36.8 billion in PGBL plans. Bradesco Vida e Previdência also managed R\$24.5 billion in pension plans.

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Bradesco Vida e Previdência also offers pension plans for corporate customers that are in most cases negotiated and adapted to the specific needs for this type of customer.

Bradesco Vida e Previdência earns revenues primarily from:

- pension and PGBL plan contributions, life insurance and personal accidents premiums and VGBL premiums;
- revenues from management fees charged to participants in accordance with mathematical provisions; and
- interest income.

Capitalization bonds

Bradesco Capitalização is the leader among private sector capitalization bond companies, according to SUSEP and offers its customers capitalization bonds with the option of a lump-sum or monthly contributions. Plans vary in value (from R\$20 to R\$50,000), form of payment, contribution period, and periodicity of draws for cash prizes of up to R\$1.4 million (net premiums). Plans are adjusted based on the Reference Rate (TR) plus interest over the value of the mathematical provision, which may be redeemed by the shareholder at the end of the grace period. As of December 31, 2018, we had around 7.2 million "traditional" capitalization bonds and around 16.0 million incentive capitalization bonds. Given that the purpose of the incentive capitalization bonds is to add value to the products of a partner company or even to provide an incentive for its customer to avoid delinquency, the plans are for short-terms and grace periods with low unit sales value. At the end of 2018, Bradesco Capitalização had approximately 23.2 million capitalization bonds and 2.7 million customers.

The investment grade rating of Bradesco Capitalização on a domestic scale is "brAA-/Stable/--," assigned by S&P Global rating agency.

Distribution channels of insurance products, pension plans and capitalization bonds

We sell our insurance products, pension plans and capitalization bonds through our website, through exclusive brokers based in our network of bank branches, and non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis. Our capitalization bonds are offered through our branches, the Internet, our call center, ATMs and external distribution channels.

The following table shows the distribution of sales of these products through our branches and outside our branches:

% of total sales, per product

	2018	2017	2016
Insurance products			
Sales through the branches	38.0%	38.5%	38.3%
Sales outside the branches	62.0%	61.5%	61.7%
Pension plans products			
Sales through the branches	87.1%	88.1%	89.2%
Sales outside the branches	12.9%	11.9%	10.8%
Capitalization bonds			
Sales through the branches	85.7%	86.1%	92.7%
Sales outside the branches	14.3%	13.9%	7.3%

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Distribution channels

The following table shows our main distribution channels as of the dates indicated below:

Distribution Channels ⁽¹⁾ - Units	2018	2017	2016
Service Stations	76,173	73,474	72,604
- Branches	4,617	4,749	5,314
- PAs - Service Points	3,824	3,899	3,821
- PAEs - ATMs located on a company's premises	907	928	1,013
- External ATM Network - Bradesco ⁽²⁾ ⁽³⁾	43	63	186
- Banco24Horas Network ⁽²⁾	12,697	11,050	10,972
- Bradesco Espresso (Banking Correspondents)	39,100	38,708	38,430
- Bradesco Financiamentos ⁽⁴⁾	14,912	14,002	12,791
- Losango Customer Service Points	60	63	63
- Branches/Subsidiaries abroad	13	12	14
ATMs	58,099	56,849	56,110
- Bradesco Network	34,997	35,590	36,119
- Banco24horas Network	23,102	21,259	19,991

⁽¹⁾ We offer products and services also through digital channels such as: (i) contact center; (ii) mobile app; and (iii) internet banking;

⁽²⁾ Including overlapping ATMs within Bradesco's own network and Banco24Horas network; and

⁽³⁾ This decrease is related to the sharing of external network ATMs by the Banco24Horas network ATMs.

⁽⁴⁾ As from 2017, we started to consider service posts for payroll-deductible loans and dealers/resellers for vehicle financing. For better comparability, the previous periods were adjusted.

Partnerships with retail companies – Bradesco Espresso

“Bradesco Espresso” enables us to expand our share of the correspondent bank segment through partnerships with supermarkets, drugstores, grocery stores, department stores and other retail chains. These companies provide basic banking services like the receipt of utility bills, payment vouchers, withdrawals from current and savings accounts and social security benefits, and deposits, among others. The services are provided by employees at the relevant establishments, while decisions regarding granting of credit or opening of accounts are made by us.

The main services we offer through Bradesco Espresso are:

- receipt and submission of account application form;
- receipt and submission of loans, financing and credit card application form;
- withdrawals from checking accounts and savings accounts;

- Social Security National Service (INSS) benefit payments;
- checking accounts, savings accounts and INSS balance statements;
- receipt of utility bills, bank charges and taxes; and
- prepaid mobile recharge.

As of December 31, 2018, the Bradesco Expresso network totaled 39,100 service stations, of which 6,611 were new service stations, with an average of 42.1 million monthly transactions or 2.0 million transactions per business day.

Digital Channels

The Digital Channels offer mobility and autonomy to customers so that they may use the Bank from wherever they are and expand their businesses with us.

Mobile phones and tablets have become part of people's day-to-day lives, which reinforces our role of creating new features adapted to the user and, thus, engage our clients to make easier and more secure transactions.

In addition to traditional and consolidated service channels, such as Automatic Teller Machines (ATMs), telephone service, and Internet Banking, clients have access to an extensive portfolio of products and services through Bradesco Celular, available from the simplest to the most sophisticated devices.

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Below is a brief description of our digital channels:

Social Networks – Since 2004, we have had a strong presence on Social Networks, monitoring our brand and our products and services, providing service to clients and non-clients 24 hours a day, seven days a week, with a 5-minute response time and a dedicated team, specialized in social media.

We maintain relationship with digital content creators in Brazil, such as bloggers, vloggers, and other publishers 2.0. The goal of this activity is to open a direct dialogue with them and their audiences, significantly expanding the dissemination of products, services, and channels, and above all, to encourage the production of digital content in Brazil, strengthening this ecosystem and enhancing our profile in these networks.

BIA – Bradesco Artificial Intelligence (*BradescoInteligência Artificial*) interacts with the user, answers questions about products and services and assists with transactions. In 2018, BIA, which recorded 73.2 million interactions, started assisting via WhatsApp. It is integrated with Google Wizard and already answers questions on more than 83 products and services of the bank. It is available for employees and clients, and provides faster, practical and autonomous services. We were a pioneer in Brazil in the use of IBM's cognitive computing platform, Watson.

Bradesco Celular – Our presence on mobile phones has been growing exponentially. Through apps for individuals and legal entities, we make payment transactions, transfers, balance inquiries, loans, and many other conveniences available. Clients that access their accounts through their mobile phone are not charged by their data package due to an agreement made with Brazil's major mobile network operators.

Products and services available through Bradesco Celular include:

- **Opening Accounts:** available in the Bradesco Applications (Classic), it allows new clients to open an account through their mobile phone, without going to the branch, including the sending of documents by mobile phone;
- **Sharing Proof of Payment:** the client is able to share the proof of payment by e-mail or instant message applications, to save and even print it, in a practical manner through the client's smartphone;
- **Real Estate Credit Simulator:** the client can request a quote for a real state financing through the application and receive it within one hour;
- **Check Deposit via Mobile:** revolutionary in Brazil, this service allows customers to deposit checks in a simple and innovative manner, through the capture of images by their smartphone cameras;
- **Security Key (M-Token) integrated with the mobile device:** is a security device store inside the phone that generates random combinations for the validation of transactions made through our digital channels;

- **Payment with a barcode reader:** to pay a bill, the client points the camera at the barcode, automatically accessing relevant payment information;
- **Touch ID and Fingerprint:** this allows the client to associate their digital finger-print to the four-digit password and to the security key, enabling faster and more practical access to the account using these apps;
- **Bradesco Net Empresa Celular (Bradesco Net Company Mobile Banking):** allows legal entities to manage their corporate banking at anytime and anywhere;
- **DDA Authorization via SMS:** service that enables paying or scheduling payments registered in the DDA by simply replying to an SMS;
- **SMS Pay Bradesco:** clients can pay or schedule utility bills of affiliated networks by replying via SMS;
- **InfoCelular:** sending alerts via SMS with information on current and savings accounts, as chosen by the client; and
- **SMS Banking:** through interactive messages, enables the client to make balance enquiries, check latest entries, credit limits, and refill prepaid mobile phones.

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4.B. Business Overview

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Internet –We were the first financial institution in Brazil to have an electronic address on the internet and provide financial services to our clients through this channel, transforming our websites into business tools and important sources of information for clients and non-clients.

This structure has two main areas of access and dissemination of content:

- **Bradesco Institutional Website:** simplified content and language adapted for digital media which provides clients and the public at large a wide range of information on various financial products and services. Currently, we have 40 institutional websites, where the public has access to content, can clarify doubts and have access to information about how to open a checking account, services available in our branch network and remote channels, guidance on security, disclosure of social and environmental actions, specific investor publications, content on financial education, simulators, and responsible credit, among others; and
- **Bradesco Internet Banking for Financial Services:** our web portal includes 16 operational sites that enable banking transactions for our account holders, in a “secure access” environment that enables the execution of services and financial transactions. We provide various products and services that enable our clients to conveniently, quickly, and securely conduct transactions such as the payment of bills, transfers between accounts, payment of taxes and obtaining personal credit and a homebroker for the purchase, sale and management of assets.

Currently, we use the “banco.bradesco,” top-level domain or generic top-level domain (“gTLDs”), an initiative of the Internet Corporation for Assigned and Numbers (“ICANN”), a body responsible for internet protocols and which regulates addresses on the worldwide internet. Our new website addresses make the access to our content more practical and intuitive.

Self-service – Our self-service channel provides convenience to clients, giving access to transactions outside the branch’s internal environment and enabling the marketing of our products with the challenge of consolidation as a business channel.

Our Self-service Network has 34,997 machines, of which 10,000 are ATMs 3.0 that have a customizable screen, very similar to the application interface of a mobile phone, facilitating the operation by the user. We also have a further 2,300 machines with immediate deposit with the recycling of bank notes and a further 153 that allow for withdrawals in U.S. dollar and Euro. In addition to 23,102 ATMs available under the Banco24Horas network to make withdrawals, check balances, obtain statements, contract loans, pay bills, make transfers between Bradesco accounts and use DOC/TED (types of bank transfers), Prepaid Card, and “proof of life” for INSS.

Our ATMs have highly advanced security technology: biometric reading that identifies customers and authenticates ATM transactions works through a sensor/invisible light beam that captures the image of the vascular pattern of the palm of the hand.

The biometric reading enables our customers to, for example, carry out transactions without a card, by simply using the palm of their hand and their six-digit password, providing convenience and speed without compromising security. In our own network it is possible to carry out all transactions without a card, while the Banco24Horas network allows clients to make withdrawals, check balances, make transfers, contract loans, obtain proof of payment and make other inquiries.

This security and speed resulted in a partnership with the INSS, allowing our retirees and pensioners to carry out the “Proof of Life” (*Prova de Vida*) automatically through the use of biometrics on ATM machines belonging to our network and to the Banco24Horas network, without the need to present a document to a teller, thus speeding up the process. Biometrics is available in 100% of ATM machines belonging to our own network and those of the Banco24Horas network.

Telephone services - *Fone Fácil* (Contact Center) –*Fone Fácil* Bradesco allows clients to bank by telephone, which can be accessed by choosing electronic service or personalized service.

In the electronic service, we provide a sophisticated service system powered by voice command, which provides clients the experience of doing what they want to do through simple voice commands, without the need for listening to various service options and having to choose them by typing the option on the telephone. The client can request the desired service directly.

In the personalized service, on the other hand, clients can rely on our financial specialists and digital convergence agents 24 hours a day, seven days a week, specializing in relations and business.

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Through this channel we offer our main financial services, such as payments, transfers between Bradesco accounts, DOC/TED, investments, credit contracting, support and registration of the security device in the mobile phone, among others.

By calling *Fone Fácil*, clients can access other relationship centers, such as for credit cards, private pensions, capitalization, credit, private and internet banking, among others.

In 2018, 95.9% of our banking transactions were performed through digital channels. The tables below show the number of transactions carried out through digital channels, the credit authorized through these channels and the quantity of current accountholders:

Year ended December 31,	In millions of transactions		% Change
	2018	2017	
Internet Individuals + Companies - with WebTA ⁽¹⁾	5,670	5,449	4.1%
ATMs	1,939	2,052	(5.5)%
Mobile Banking (Bradesco Celular)	10,259	7,783	31.8%
Telephone Banking (Fone Fácil)	156	195	(20.0)%
Total	18,024	15,479	16.4%

⁽¹⁾ WebTA is an internet file transmission service, to the Bank, carried out by corporate customers using Net Empresa.

In the Digital Channels, authorized credit grew in 2018 as a result of the implementation of new functionality including the option to receive the "13th month" salary in advance, and to conduct transactions relating to Income Tax, working capital and deduction of receivables. The base of digital clients has shown continuous growth, reaching 15.3 million clients as of December 31, 2018.

Year ended December 31,	2018	2017	2016
Loans authorized in the Digital Channels - In R\$ billion			
Individuals	15.5	11.5	10.3
Companies	21.6	16.8	13.9
Total	37.1	28.3	24.2
Digital Account Holders - In million			
Individuals	14.1	12.6	11.2
Companies	1.2	1.1	1.0
Total	15.3	13.7	12.2
Next			

On October 30, 2017, we officially launched Next, to complement the ecosystem of solutions of the Bradesco Organization. It was developed as a 100% digital platform and is accessed by the client through an app for iOS and Android. Our goal is for Next to cater to a new range of clients between 18-35 years old.

Next interacts with the user based on his or her behavior using interactive and innovative tools (Analytics platform), offering the best experience of use and relationship with the client.

For the year ended December 31, 2018, Next ended with an average of 5 thousand accounts open per day and 18.4 million transactions, totaling 500,000 accounts. Almost 77% of these clients were not current accountholders of Bradesco, proving the potential of the attractiveness of a new profile of client.

inovabra

The Ecosistema inovabra was set up with the aim to promote innovation inside and outside the Organization through programs based on collaborative work between the Organization, companies, startups, investors and mentors in order to solve challenges, meet the needs of our clients and ensure the sustainability of the business in the long term.

The platform provides favorable conditions to share future visions for business, collaborate on the innovation for the financial market, foster partnerships and accelerate the search for disruptive solutions. When you combine all of this in a single formula, inovabra quickly consolidates itself as a powerful strategic driver of the Organization's efforts concerning innovation, accelerating advances and further extending the range of benefits to the participants of this ecosystem. It is comprised of eight programs:

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- **inovabra centers:** an internal innovation program, which encourages our employees to practice creativity and entrepreneurship, spreading the culture of innovation inside the Organization. The innovation projects are prioritized, structured and conducted from the stage of conception, passing through the whole process of construction and validation of the business model, until they are launched in the market;
- **inovabra startups:** the program is an open innovation program, intended to enable strategic partnerships between us and startups that have applicable solutions or with the possibility of adaptation to financial and non-financial services that may be offered or used by us;
- **inovabra ventures:** it is a proprietary capital fund, currently with a capital of R\$200 million. It is managed by the area of Private Equity area and is intend to invest in startups with technology and/or innovative business models, contributing to the growth of the valuation of these startups and to expand the entrepreneurial environment;
- **inovabra artificial intelligence:** it is a program responsible for the strategy and application of artificial intelligence at the Organization, coordinated by the Center of Excellence Bradesco Artificial Intelligence, with a dedicated multidisciplinary team of data scientists and specialists in natural language;
- **inovabra hub:** a collaborative digital platform that connects participants of the ecosystem of entrepreneurship and innovation in Brazil. Companies, startups and entrepreneurs have access to content, exchange experiences and do business. There are more than 5 thousand users, of which 1.2 thousand are startups;
- **inovabra lab:** is an environment which centralizes 16 laboratories in the areas of technology, designed to operate in a model of collaborative work with large technology partners, residents in this environment. This model provides gains in operating efficiency with the optimization and acceleration of the processes of evaluation and certification of new technologies (hardware and software), prototyping, testing, proof of concept, launches and solutions to new challenges. In addition, it provides favorable conditions for connecting the business areas with the areas of IT and technology partners;
- **inovabra international:** the program is structured in an environment of innovation based in New York and connections in London, with the radar on the global ecosystem of innovation and entrepreneurship of startups. A dedicated team works in a collaborative space in partnership with a specialized company, aiming to identify solutions that add value to the business of the Organization, and to monitor technological trends and behavioral disorders; and
- **inovabra habitat:** a building with more than 22 thousand square meters, located on the large economic innovation and cultural center of São Paulo, where large companies, startups, investors and mentors work collaboratively to innovate and generate business. In one year, it already counts on more than 190 startups and 70 large companies, resident in the environment, with approximately 1.5 thousand people working collaboratively to innovate. In addition to fostering the world of entrepreneurship in Brazil and the culture of innovation in organizations, the habitat tends to contribute with the country in the search for a position of greater prominence in the global innovation.

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Segmentation of Clients

We operate a model of client segmentation, which groups certain clients of the same profile together, thus furthering our ability to provide a personalized service to our clients, in accordance with their needs.

Our segments offer a range of products and differentiated services that are tailored to individuals, legal entities and non-account holders. We present below our segmentation of clients:

Client Segmentation**Corporations**

Bradesco Large Corporate - Large companies, with annual revenues of more than R\$4 billion.

Bradesco Corporate - Large companies, with annual revenues between R\$500 million and R\$4 billion.

Bradesco Corporate One - Companies with annual revenue between R\$30 million and R\$500 million (Corporate Branches) and as from R\$15 million (Corporate Spaces).

Bradesco Varejo (Companies and Businesses) - Companies with annual revenues of up to R\$30 million.

Individuals

Bradesco Private Bank - Clients with availability for investments from R\$5.0 million

Bradesco Prime - individuals with monthly income from R\$10 thousand or availability of investment from R\$100 thousand

Varejo Exclusive - Clients with a monthly income between R\$4 thousand and R\$9,999.99, or availability of investment from R\$40 thousand.

Varejo Classic - Clients with a monthly income of up to R\$ 3,999.99 or availability of investment of less than R\$40 thousand.

Non-Account Holders

Non-Account Holders - Individual clients or corporate clients consumers products of Bradesco organization that do not have a bank account.

Bradesco Corporate

The Corporate segment is responsible for serving business groups and focused on both large and medium-sized corporations. Its offices are located in the main financial centers and with a value proposal based on physical proximity and relationship with clients, offers customized services with a global reach and counts on a highly skilled team to fulfill customers' needs through a wide portfolio of products, structured solutions and financial services.

To anticipate the solutions, it is important to strengthen the relationship with clients and to deliver a robust value proposal, Corporate is highly segmented by sectors, markets, sizes, nature of the companies, among other criteria, and these segments are combined into three large areas:

- **Corporate One:** Focused mainly on the middle market it also has a team focused on providing services to large companies. Its main target are companies with a sales revenue between R\$30 million and R\$500 million. The area has national presence and a regionalized structure, composed of 70 Units located in main cities and capitals distributed in 15 regional sectors and another 98 Corporate Spaces present throughout Brazil;
- **Corporate:** Has a structure of specialized services by market sector and a physical structure in various cities in Brazil and abroad and its main target are corporate groups with a sales revenue between R\$500 million and R\$4 billion; and
- **Large Corporate:** Focused on corporate groups with a sales revenue of over R\$4 billion. It has a highly qualified team, offering customized consultancy to serve clients in Brazil and worldwide.

Bradesco Private Bank

The sole purpose of Bradesco Private Bank is to advise high net-worth individuals, family-owned holding companies and investment companies with a high net availability for investments.

Through its open architecture model, it offers tailored products and services, including banking, advisory services, local and international asset allocation and portfolio management, as well as advice on choosing the best vehicles and investment structures for the perpetuation of the family's estate. In addition, the client can access our entire structure, including credit, investment banking, brokerage, insurance, and pensions, among others.

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Currently, Bradesco Private Bank has 15 offices located in: São Paulo, Rio de Janeiro, Belo Horizonte, Blumenau, Brasília, Campinas, Cuiabá, Curitiba, Fortaleza, Goiânia, Manaus, Porto Alegre, Recife, Ribeirão Preto and Salvador, thus ensuring nation-wide presence, in addition to the support of the units abroad located in Cayman, New York and Luxembourg.

Bradesco Varejo

The focus of Bradesco Varejo are individuals with a monthly income of up to R\$10 thousand and legal entities with annual revenues of up to R\$30 million. Individual customers with monthly incomes up to R\$3,999.99 or amounts available for investments below R\$40 thousand are classified as being part of the "Classic" customer designation and individual customers with monthly incomes from R\$4 thousand to R\$10 thousand or amounts available for investments from R\$40 thousand are classified as being part of the "Exclusive" customer designation. Companies with annual revenues of up to R\$30 million are classified as being part of the "Empresas e Negócios" designation. The retail area provides customized services with adequate financial solutions for each profile.

The Bradesco Varejo service network comprises 4,280 branches, 3,824 service stations (PAs), 907 electronic service stations (PAEs) and 39,100 Bradesco Expresso units, in addition to thousands of ATMs.

The broad customer service network executes the important task of financial inclusion, offering products and services in remote places, of difficult access and also in regions with large concentrations of people with lower purchasing power.

Bradesco Prime

Bradesco Prime operates in the segment of high-income individuals and is present in all Brazilian capitals. It has a service network of 243 exclusive branches and 1,012 "Bradesco Prime Spaces." The clients count on a full relationship model that fits the profile and needs of each client, providing effective financial planning, with customized solutions, evaluated by qualified professionals, to assist our clients with their asset management.

Using Bradesco Prime the clients have the following benefits:

- **program of benefits:** grant of up to 100% exemption on the value of the Tariff Basket and exemption on annuity of our credit cards, in accordance with the volume of investments and/or concentration of the client's spending, plus up to twelve days without interest in the Special Overdraft in accordance with the volume of investments;
- **Viva|Prime program:** provides Bradesco Prime clients with unique experiences in the form of benefits and discounts in stores, restaurants and partner brands;
- **recommended investment portfolios:** recommended based on the analysis of the investor's profile (API) that seeks to diversify the best ratio between risk and return;

- **capillarity:** wide network of branches and Bradesco Prime Spaces throughout the country;
- **relationship manager:** qualified professionals who support the client in managing their resources, considering their needs and moment of life; and
- **Exclusive Spaces in whole country:** network of exclusive branches and "Bradesco Prime Spaces" offering convenience and total privacy so clients can tend to their business affairs.

Bradesco Prime has been, throughout its existence, investing in technology, in the improvement of the relationship with clients and in the training of its professionals and has as one of its main assets to provide the best experience to its clients. It established a prominent position in the Brazilian market of banking services for high-income clients and has consolidated its position as one of the largest banks in the segment.

Non-Account Holders

In July 2018, we created an area dedicated to individual and legal entity clients, consumers of our products, with the aim of increasing the relationship with this target audience.

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Main subsidiaries

The following is a simplified chart containing our main subsidiaries in the activities of financial and insurance services and our voting interest as of December 31, 2018. With the exception of Bradesco Argentina, Bradesco Europa, Bradesco Grand Cayman Branch, Bradesco New York Branch and Bradescard Mexico, the other significant subsidiaries are Brazilian entities. For more information in relation to the consolidation of our significant subsidiaries, see Note 2a to our consolidated financial statements in "Item 18. Financial Statements."

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Corporate risk management process

Risk management is of great strategic importance to us due to the increasing complexity of services and products and the globalization of our business. In August 2017, CMN Resolution No. 4,595/17 was edited, including provisions for compliance policies. Under this Resolution, financial institutions authorized to operate by the Central Bank should implement and maintain the compliance policies compatible with the nature, size, complexity, structure, risk profile and business model of the institution, in order to ensure the effective management of its compliance risk. The compliance risk must be managed in an integrated manner with all other risks incurred by the institution, in accordance with the specific rules. The rule also permits the drafting of a single compliance policy per conglomerate.

We exercise control over risks in an integrated and independent manner, preserving and valuing collective decision-making, devising and implementing methodologies, models, measurement and control tools. We also promote improvement among employees at all levels, from the business areas to the Board of Directors.

Our risk management process ensures that risks are proactively identified, measured, mitigated, monitored and reported, as required for the complexity of our financial products and services and the profile of our activities.

Risk and Capital Management Structure

The structure of our risk and capital management function consists of committees, responsible for assisting our Board of Directors and our *Diretoria Executiva* in making strategic decisions.

The Integrated Risks Management and Capital Allocation Committee (“COGIRAC”), is responsible for assuring the fulfilment of the Organization’s risk management processes and policies.

The committee is assisted by the Capital Management Executive Committee and the Executive Committees for Risk Management of: (i) Credit; (ii) Market and Liquidity; (iii) Operational and Socioenvironmental; and (iv) Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários. There are also the Executive Products and Services Committee, and executive committees for our business units, whose tasks include suggesting limits for exposure to their related risks and devising mitigation plans to be submitted to COGIRAC and the Board of Directors.

In compliance with CMN Resolution No. 4,557/17, we created a Risk Committee whose main purpose is to assess the structure of the Organization’s risk management and occasionally propose improvements to the Board of Directors, as well as the formalization of the role of Chief Risk Officer (CRO) position, which is responsible for, among other duties, supervising the development, implementation, performance and improvement of the risk management structure. The CRO reports to the Risk Committee, to the CEO and to the Board of Directors.

Credit risk

Credit risk is the possibility of losses associated with a borrower's or counterparty's failure to comply with their respective financial obligations under agreed terms, as well as the depreciation of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, including benefits granted in renegotiations, recovery costs and other amounts related to the counterparty's non-compliance with financial obligations.

Credit risk management is a continuous and evolving process of mapping, development, assessment and diagnosis through the use of models, instruments and procedures that require a high degree of discipline and control during the analysis of operations in order to preserve the integrity and independence of the processes.

We seek to control our exposure to credit risk, which mainly results from loans, securities and derivative financial instruments. Credit risk also stems from financial obligations related to loan commitments and financial guarantees.

In order not to compromise the quality expected from the portfolio, committees monitor all relevant aspects of the process of lending, concentration, collateral requirements, maturities, and other aspects.

We continually outline all the activities that can potentially generate exposure to credit risk, with the respective classifications regarding probability and size, as well as identifying managers, measurement and mitigation plans for those activities.

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Credit Risk Management Process

Credit risk management process is conducted in a centralized manner for the institution as a whole. This process engages several particular areas, which ensure an efficient framework to provide for independent and centralized credit risk measurement and control.

Our Credit Risk monitoring area is actively engaged in improving the customer risk rating models, following up large risks by periodically monitoring major delinquencies and the provisioning levels due to expected and unexpected losses.

This area continuously reviews the internal processes, including the roles and responsibilities, information technology training and requirements and periodic review of risk assessment, in order to incorporate new practices and methodologies.

Corporate control and monitoring of our credit risk take place in the credit risk unit of the Integrated Risk Control Department (DCIR). The department assists the Credit Risk Management Executive Committee on discussions and implementation of the methodologies to measure the credit risk. Relevant issues discussed by this committee are reported to COGIRAC, which reports to the Board of Directors.

In addition to the committee meetings, the business area holds monthly meetings with officers and heads of products and segments to ensure they are informed about the evolution of the portfolio of loans, delinquency, adequacy of the provision for non-performing loans, credit recovery, gross and net losses, portfolio limits and concentrations, allocation of economic and regulatory capital and other items. This information is also monthly reported to the Audit Committee.

The business area also tracks each internal or external event that may significantly impact credit risk such as mergers, bankruptcies or crop failures and monitors sectors of economic activity in which we have the most representative exposures.

Both the governance process and limits are validated by COGIRAC, submitted for approval by the Board of Directors, and reviewed at least once a year.

Market Risk

Market risk is the possibility of a loss of income due to fluctuations in prices and market interest rate of the financial instruments retained by the Organization resulting from mismatched amounts, currencies and indexes of our asset and liability operations.

This risk is identified, measured, mitigated, controlled and reported. Our profile of exposure to market risk is in line with guidelines established by the governance process, with limits that are monitored on a timely and independent basis from the business areas.

All transactions exposing us to market risk are mapped, measured and classified according to probability and magnitude, with the whole process approved by the governance structure.

Our risk management process involves the participation of all levels, from business units to the Board of Directors.

In line with the best practices of corporate governance and in order to preserve and strengthen our management of market and liquidity risks, as well as to meet the requirements of CMN Resolution No. 4,557/17, the Board of Directors approved the Market Risk Management Policy, which is reviewed at least annually by the relevant committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market risk.

In addition to this policy, we have several specific rules that regulate the market risk management process, including:

- classification of operations;
- reclassification of operations;
- trading in government or private securities;
- use of derivatives; and
- hedge.

Market Risk Management Process

Our market risk management process is run on a corporate wide basis, ranging from business areas to the Board of Directors. This process involves several areas, with specific attributions, and ensures an efficient structure, with the measurement and control of market risk being performed centrally and independently. This process allowed us to be the first financial institution in the country authorized by the Central Bank to use, since January 2013, in-house models of market risk to check the need of regulatory capital. The management process, approved by the Board of Directors, is also reassessed at least annually by the relevant committees and the Board of Directors itself.

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Definition of limits

Proposed market risk limits are validated by specific committees for approval by COGIRAC, to be submitted to the Board of Directors depending on the characteristics of business, which are separated into the following portfolios:

Trading portfolio: comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in our own portfolio, which have no trading restrictions. Held-for-trading operations are those destined for resale, to obtain benefits from actual or expected price variations, or for arbitrage.

The trading portfolio is monitored by limits of:

- Value at Risk (VaR);
- stress;
- results; and
- financial exposure/concentration.

Banking portfolio: comprises transactions not qualifying for our trading portfolio, deriving from our other businesses and their respective hedges.

The banking portfolio is monitored by limits related to the interest rate risk.

Market risk is controlled and monitored by an independent business unit, the Integrated Risk Control Department, which calculates risk of outstanding positions on a daily basis, consolidates results and reports as required by the existing governance process.

In addition to daily reports, the positions of the trading portfolio are discussed every 15 days by the Treasury Executive Committee and the positions of the banking portfolio and liquidity reports are handled by the Treasury Executive Committee for the Management of Assets and Liabilities. In both forums, the results and the risks are evaluated and the strategies are discussed. Both the governance process and the existing limits are validated by COGIRAC and submitted for approval by the Board of Directors, which are reviewed at least once a year.

In case of any risk limit breach monitored by the Integrated Risk Control Department, the head of the business unit in charge is informed of the limit usage and, in a timely manner, COGIRAC is called in order to make a decision. If the committee chooses to increase the limit and/or change or maintain the positions, the Board of Directors is called to approve a new limit or to review our strategy with regard to this particular risk.

For more information on how we evaluate and monitor market risk, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Liquidity risk

Liquidity risk is represented by the possibility of the institution failing to effectively comply with its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the institution to fail to trade a position at market price, due to its larger size as compared to the volume usually traded or in view of any market interruption.

Understanding and monitoring this risk is crucial, especially for us to be able to settle transactions in a timely and secure manner.

Liquidity Risk Management Process

We manage our liquidity risk process on a group-wide basis. This process involves a number of areas with specific responsibilities, and the liquidity risk is measured and controlled on a centralized and independent basis, with daily monitoring of available funds and compliance with liquidity levels, according to the risk appetite established by the Board of Directors, as well as the contingency and recovery plan for potential high-stress situations.

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Our Policy for Liquidity and Risk Management, approved by the Board of Directors, is mainly aimed at ensuring the existence of standards, criteria and procedures to guarantee the development of the Short-Term Liquidity Ratios (LCR), in compliance with Resolution No. 4,401/15, and Long-Term Net Stable Funding Ratio (NSFR), in compliance with Resolution No. 4,416/17, as well as the strategy and action plans for liquidity crisis situations. The policy and controls we established fully comply with CMN Resolution No. 4,557/17.

We also have rules for the daily monitoring of liquidity levels through a warning flag that triggers the submission of reports and the actions to be taken given the risk presented.

Our liquidity risk is managed by the Treasury Department, based on the positions provided by the back-office controls positions, which provides liquidity information to our Management and monitors compliance with established limits. The Integrated Risk Control Department is responsible for the methodology of measurement, control over limits established by type of currency and company (including for non-financial companies), reviewing policies, standards, criteria and procedures, and drafting reports for new recommendations.

Since October 2017 we use the Short-Term Liquidity Ratio (LCR) as a standard for the internal management, as provided in the CMN Resolution No. 4,401/15 and the Central Bank's Circular No. 3,749/15.

In the third quarter of 2018 we started monitoring structural long-term liquidity risk, through the NSFR, pursuant to CMN Resolution No. 4,616/17 and Central Bank's Circular No. 3,869/17.

The liquidity risk is monitored daily by business and control areas and at meetings of the Treasury Executive Committee for Asset Liability Management, which controls the liquidity levels. Additionally, monitoring activity is also conducted by COGIRAC and by the Board of Directors. The reports, on which the monitoring is made, are shared with the Risk Committee.

Operational Risk

Operational risk is represented by the possibility of incurring losses arising from failures, deficiencies or the inadequacy of internal processes, people, systems and external events. This includes legal risk, associated with the activities we carry out.

Operational Risk Management Process

We carry out operational risk process throughout the organization. This involves a number of areas, with specific responsibilities, thus ensuring an efficient structure, and operational risk is measured and controlled on a centralized and independent basis. Accordingly, the following procedures are carried out:

- identifying, assessing, and monitoring the operational risks inherent in our activities, as well as those related to new products/services and their adequacy to procedures and controls;

- mapping and addressing records of operational losses to make up an internal data base;
- ensuring the integrity of data from losses collected and provide analyses that offer quality information to branches, aimed at improving operational risk management;
- measuring, controlling and reporting increased operational losses by way of assessing the effectiveness of the mitigating measures of branches;
- evaluating, together with managers, the indicators, scenarios, and external data from operating losses in order to incorporate/adjust any processes and controls, as well as to quantify the impact on economic capital;
- assessing and calculating capital needs in connection with the operational risk in regulatory capital and economic visions; and
- preparing reports on the operational risk for submission to the Committees, to the *Diretoria Executiva* and related areas.

These procedures are supported by a number of internal controls, validated on an independent basis in relation to their effectiveness and operations, to ensure acceptable risk levels in our processes.

Operational risk is primarily controlled and followed up by an independent area, Integrated Risk Control Department is supported by a number of areas that integrate the management process of this risk.

The Integrated Risk Control Department is responsible for the coordination of the Internal Control and Operational Risk Commission (“CIRO”), which reports to the Executive Committee of the Operational and Socio-environmental Risk Management (“CEROS”). This commission analyzes the behavior of the operational losses of the business areas/branches, the efficiency and effectiveness of the processes and controls adopted, the provision methodologies and their impact on the management of operational risk and evaluate indicators, scenarios, and external data from operating losses in order to incorporate/adjust eventually, processes and controls.

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The Integrated Risk Control Department is the advisory unit of CEROS, whose objective is to advise the *Diretoria Executiva* on the performance of their duties relating to the management of operating risk, business continuity and socioenvironmental risks. The relevant issues debated in this instance are reported to COGIRAC, which reports to the Board of Directors.

The governance process is approved by the Board of Directors and reviewed at least once a year.

Internal controls

The efficacy of our internal controls is supported by trained professionals, well-defined and implemented processes as well as technology compatible with business needs according to CMN Resolution No. 2,554/98.

The internal control methodology is based in the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission (“COSO”), and is also in line with the guidelines established by the Information Systems Audit and Control Association (“ISACA”) through the Control Objectives for Information and Related Technology (“COBIT 5”), and with the procedures described by the Public Company Accounting Oversight Board (“PCAOB”) for analysis of the Entity Level Controls (“ELC”).

The existence, enforcement and efficacy of controls that ensure acceptable risk levels in our processes are certified by the area responsible for the execution of the tests of adherence of the controls, the results of which are conveyed to the Internal Controls and Compliance Audit Committees, as well as to the Board of Directors, with the purpose of providing reasonable assurance with regard to appropriately carrying out business transactions and achieving defined objectives, in accordance with external laws and regulations, internal policies, rules and procedures, as well as applicable codes of conduct and self-regulation.

Management and Processes in Cybersecurity

We consider cyber and information security at the highest strategic level and we manage this subject in order to protect our technological infrastructure against intrusion attempts, unauthorized access and malicious codes. We operate in a preventive, detective and corrective manner in order to protect the information of the organization and of our clients.

In this sense, we have evolved our security framework considering the new digital context, where the focus on cybersecurity is a key aspect and one of the pillars of technology and processes, establishing data protection for our clients, resiliency, and structure to identify threats, detection, and response and recovery procedures in cases of cyber-attacks.

Regarding the technical aspects, to prepare against and anticipate IT security and cybernetic threats, the IT area promotes continuous investments like the reformulation of the critical updates of servers and workstations, process of inspection of source code in the development cycle, establishment of a lab for security tests and use of technologies/tools.

We have systems to prevent against attacks from external connections and the internet, systems for the analysis of fraudulent behavior, unauthorized access, malicious codes, analysis of network behavior, protection against invasion (intrusion detector), firewall, antivirus and antispam systems, all to provide protection to our IT environment. We continuously upgrade the security over our software and hardware, digital certification in WEB servers and the encryption equipment, in addition to performing frequent resilience tests.

We implement continuous monitoring mechanisms, such as security operational centers (SOCs), focusing on the identification of potential vulnerabilities and establishing an active defense with the use of cognitive intelligence.

Additionally, we have a cyber intelligence team working to identify threats and check the necessary corrective measures.

We adopt strict procedures to ensure the security of client information. The interactions and synergies between management and technical areas aim to create solutions to provide secure access to service channels, in order to minimize exposures and vulnerabilities. We have a range of security devices and technologies, including biometrics, chip cards, 2D digital validation/QRcode and OTP devices (physical and cell phone token, etc.), which are used to prevent fraud and unauthorized access. Educating clients on cyber risks is a key component of our strategy in this regard. In this sense, we develop awareness campaigns through the channels used by clients and on social media. On the website "seguranca.bradesco" there are several guidelines to the public, including videos of the web series "Protect Yourself" with prevention tips on current key scams/fraud, aiming to improve the security barriers with its users, since the risk of protection breach during access occurs precisely in the elements of the process that are out of reach by the management of Bradesco: the behavior and equipment of clients.

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In conjunction with technical actions, the preparation and engagement of people is another crucial issue. The culture of security is a fundamental basis for the mechanisms, processes and technologies to be effective. For this reason, we invest in training and awareness of employees, associates and customers so they are aware of the issue and prepared and updated in relation to the inherent risks and threats.

We also have continuous programs of training and awareness on the aspects of security and an executive committee dedicated to the issue, defining strategies and ensuring the development and effectiveness of actions with activities focused on the timely protection of technological infrastructure against intrusive attempts, unauthorized access, theft of information and insertion of malicious codes.

With the aim of enhancing cyber security and data storage, the CMN edited Resolution No. 4,658/18 and Circular No. 3,909/18, which established principles and guidelines that seek to ensure the confidentiality, integrity and availability of data and information systems, through the implementation of policies for cyber security, in addition to the requirements for hiring of processing and data storage services. We comply with the provisions of these rules.

In August 2018, Law No. 13,709/18 General Data Protection Law (“LGPD”) was enacted, which creates a set of rules for the use, protection and transfer of personal data in Brazil, in the private and public spheres, and establishes responsibilities and penalties in the civil sphere. In addition to including existing rules on the subject, the LGPD observed the global trend to strengthen the protection of personal data, restricting its unjustified use, and guaranteeing a series of rights to holders of data, as well as imposing important obligations on the so-called “treatment agents.” The Brazilian Law was inspired specifically by the European legislation on the subject, reproducing central points of the Directive No. 95/46/EC and of the General Data Protection Regulation (“GDPR”).

The impact of the law will be significant as any processing of personal data will be subject to the new rules, whether physical or digital, by any entity established in Brazil, or who has collected personal data in Brazil, or individuals located in Brazil – albeit not residents – or, even, that offer goods and services to the Brazilian consumer. In short, the adaptation to the LGPD will require structural changes in virtually all internal areas of Brazilian companies. The LGPD has been in force since December 28, 2018 as regards the creation of the National Authority for Data Protection (“ANPD”) and will be in force from August 2020 in relation to its other aspects.

Bradesco Integrity Program

Our main corporate commitments to integrity are:

- to conduct our business and develop our various relationships based on ethics, integrity and transparency, concepts that permeate our organizational culture, whose values and principles are ratified by the Corporate and Sector-based Codes of Ethical Conduct and supported by Senior Management; and
- to prevent and combat all forms of corruption, especially bribery.

Such commitments are permanently sustained through the Bradesco Integrity Program, which corresponds to a set of mechanisms and measures made up by the Code of Ethical Conduct, by Corporate Anticorruption Policies and Standards, and other standards, as well as procedures, processes, and control established therein, aimed at preventing, detecting, and remedying any harmful acts of corruption and bribery, including fraud against the Government.

The program, supported by the Integrity and Ethical Conduct Committee and by the Board of Directors, determines the guidelines, responsibilities, procedures, and controls regarding gifts, freebies and entertainment, sponsorship, third parties and due diligence, bids with the Brazilian Government, political contributions, relationships with public agents, denunciations and non-retaliation against whistleblowers acting in good faith, in accordance with laws and regulations applicable in Brazil and in countries where we have business units.

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The Integrity Program covers our managers, employees, suppliers, service providers, banking correspondents and business partners, controlled companies and companies that are members of the Bradesco Organization in its interactions and daily decisions, highlighting our principles of high standards of conduct and ethics. We continuously evaluate the Program to align its governance with the best national and international anti-corruption practices.

We always promote the culture of ethics and integrity based on the code of ethical conduct, from its disclosure and communication, from its internalization through programs and training events and awareness with the participation of the employees and the service providers. In this sense, in 2018 the Policies, Rules, Standards, Integrity Program, Manuals, Training and Systems were reinforced.

We also intensified the communication with suppliers, service providers, and correspondents in the country and with business partners. We gave anti-corruption training in person to the Senior Management, to employees in areas with higher exposure to risk, and to third parties. We also made Corporate Anticorruption Policy documents as well as the Bradesco Integrity Program available at new websites.

We established in each Department or Associated Companies a Focal Point of Integrity, and in October 2018, we promoted the 1st Meeting – “Integration Event,” with lectures with the participation of the Board of Executive Officers and an external lecturer. In addition, in December 2018, in reference to the International Day of the Fight against Corruption, we promoted Bradesco Integrity Week, which featured external lecturers, in addition to panels with the participation of members of our Board of Executive Officers.

Independent Validation of Management and Measurement Models of Risk and Capital

We employ regulatory models as well as internal models developed based on statistical, economic, financial, and mathematical theories and the expertise by specialists in the Management of Risks and Provisions and in the measurement of Capital, aiming to synthesize processes or complex issues and large quantities of information and providing standardization, objectivity and efficiency to the decisions.

All models have inherent risks that can be translated by potential adverse consequences arising from decisions based on incorrect or obsolete estimates, improper calibration of parameters or inappropriate use. In order to detect, mitigate and control these risks, there is the process of independent validation, which carefully evaluates various aspects, challenging the development process (which includes the assumptions adopted, the methodology and the results) and the use of models (including the quality of the input data, adherence to the regulatory requirements and the robustness environment in which they are implanted). The results are reported to the managers, Internal Audit, the Risk Committee, the Compliance and Internal Control Committee ("CCIC") and to the COGIRAC.

Treasury activities

The Treasury Department main objective is maximizing results with available resources and managing risks, by complying with the limits set forth by our Senior Management and the guidelines issued by our integrated risk control unit.

The main activities are as follows:

- planning and managing our local and foreign currency cash flows;
- proposing and observing our asset and liability management strategy;
- managing maturity, rate and liquidity gaps arising from our activities;
- calculating costs of operations from both the assets and liabilities sides;
- getting price estimates and managing our commercial operations that involve risks such as: market, interest rate, foreign exchange, commodities and price index risks;
- performing proprietary trading operations aimed at taking opportunities found in the range of our prospective scenario and market prices; and
- taking part of analysis and decisions regarding directed credit and capital management.

Corporate security

The Corporate Security Department's mission is to promote security solutions in line with our business by creating, implementing, and maintaining rules, processes, and technologies.

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To achieve its objectives, it acts strategically and corporately in cyber security, access management, electronic fraud-prevention, debit card products and document fraud, security of electronic channels and systems and information to assess, treat, and propose improvements. In addition, it is a focal point for Technical Opinions, in connection with strategic security issues, implementation of products, services or processes and prevention of money laundering and the financing of terrorism (“PLD/FT”).

We highlighted the main activities:

- the Information Security area's mission is to establish the Information Security Corporate Policy and Rules related to the topic; identify and evaluate the risks of Information Security; ensuring good governance and generating the Asymmetric Cryptographic Keys; maintain the Registration Authority (“RA”) for the issuance of Digital Certificates related to the Brazilian Public Key Infrastructure (“ICP Brasil”), in accordance with the standards established by the Institute of Information Technology (“ITI”). Establishes criteria for the assessment of compliance of Information Security and data protection, sustains the Program of Awareness and Education in Information Security, giving lectures in-company to employees and at external events;
- we moved forward regarding the process to be registered as a Time Stamp Authority in the context of the ICP Brazil, which will support our digital and document digitalization processes. These actions aim to protect both the clients and the Organization's information, whose critical matters are approved by a Multidisciplinary Information Security Committee and decided by the Corporate Security Executive Committee;
- the area of Governance of Cyber Security and Incidents develops, monitors and controls the maturity and mapping of risks to information security. It is aligned with the strategic guidelines of the Organization, new business models, risks and cyber threats and regulatory bodies. It also acts in the management of the Operational Model of Information Security (“MOSI”), in Preventing Data Leakage via Data Loss Prevention (DLP) and Incidents, with the overview of information security in the Bradesco Organization;
- it is responsible for the implementation of the Security Transformation Program (“PTS”) intended to raise the maturity on the subject;
- the areas of Electronic Fraud-Prevention (Bradesco Celular, internet banking, Net Empresa, *Fone Fácil* and Debit Card Product), Document Fraud Prevention (opening of accounts, Bradesco App, Next, Consigned Credit, Financing of Vehicles and Consortium) manage security processes and projects to detect and mitigate risks of any financial losses or image crisis. They operate by monitoring the transactions of Electronic Service Channels and carrying out preventive and reactive analysis of documents, in addition to performing strategic and corporate actions. They are supported by the Area of Data Analysis and Modeling with analytical solutions and statistics methodologies, in order to propose solutions to Managers of technical and business areas that aim at the balance between use and security for Electronic Channels Access and for Debit Card Product;
- the area of Identification Management and Access is responsible for the strategy and operational direction of the identification process and access to corporate applications. This area aims to protect the

system resources and information against unwanted access, honoring the principles of segregation of duties and definition of automated controls;

- the area of Security Devices assesses the need for systems, service channels, business managers and users, managing and monitoring projects, assisting in the acquisition and performing the control and logistics of Biometrics, M-Token, Token and TAN Code;
- the area of Security for Access to Information by Third Parties defines security rules and principles applied to the outsourced services, ensuring the evaluation, centralized and appropriate processes and governance for the protection of information of the Organization; and
- the area of prevention of money laundering and the financing of terrorism (“PLD/FT”) is responsible for policies, standards, procedures and specific systems, which establish guidelines to prevent and detect the misuse of our structure and/or products and services. This Program is supported by the PLD/FT Executive Committee, which evaluates the work according to its effectiveness as well as the need to align procedures and controls with the regulations and with the best national and international practices. The suspicious or atypical cases identified are forwarded to the Commission for the Evaluation of Suspicious Transactions for analysis, which is composed by Departments and Related Companies alike, to be able to assess the need to report to the Regulatory Bodies in compliance with the legal requirements.

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Credit policy

Our credit policy is focused on:

- ensuring the safety, quality, liquidity and diversification of asset allocation;
- pursuing flexibility and profitability in business; and
- minimizing risks inherent to loans and advances.

Our credit policy defines criteria for lending and setting operational limits. Credit decisions are made at the branch level and, if necessary, higher levels of authority including our Board of Directors depending on the rules in our internal policy. In reviewing loan applications, our *Diretoria Executiva* also approves the models for assessment and credit processes used by our branches and departments for each type of loan.

Our transactions are diversified and target individuals and companies that show ability to pay and stay in good standing. In all cases, we aim to have them secured by appropriate collateral for risks involved, from the point of view of uses of funds and repayment periods, as well as risk ratings. The Central Bank's risk rating system has nine categories ranging from "excellent" to "very poor." In line with our commitment to the ongoing development of our methodologies, the credit risk rating for our clients/economic groups is based on a range of 18 levels, of which 14 represent accrual loans. This ensures greater adherence to the requirements set forth in the Basel Accords. For more details, see "Item 4.B. Business Overview – Regulation and Supervision – Banking Regulations – Treatment of Loans and Advances."

The lending limits set for our branches reflect size and collateral provided for loans. However, branches have no authorization to approve an application for credit from any borrower who:

- is rated less than "acceptable" under our internal credit risk classification system (score and rating);
- has an outdated record; and
- has any relevant credit restrictions.

We have credit limits for each type of loan. We pre-approve credit limits for our individual and legal entities and presently extend credits to the public sector only under very limited circumstances. In all cases, funds are only granted once the appropriate body has approved the credit line.

We review the credit limits of our large corporate customers every 180 days. Credits extended to other customers, including individuals, small and mid-sized corporations, are reviewed every 90 days.

Our maximum exposure per client (e.g. individuals, companies or other economic groups) is determined by client rating and the aggregate maximum exposure is limited to 15.0% of our Reference Equity.

Any cases in which the maximum level of exposure per client exceeds the thresholds as set out in the table below or in which the total exposure equals or exceeds R\$3.0 billion are required to be submitted to the Board of Directors for approval.

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Client Rating	As a % of Shareholders' Equity
AA1	15
AA2	12.5
AA3	11
A1	9.5
A2	8.5
A3	7
B1	5.5
B2	4.5
B3	3
C1	1.5
C2	0.9
C3	0.7
C4	0.5
D	0.4

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Our credit policy is continuously developing and as part of our risk management process, we continue to improve our credit granting procedures, including procedures to gather data on borrowers, calculate potential losses and assess applicable classifications. Additionally, we assess our institutional credit risk management in view of the recommendations by the Basel Accords, including:

- restructuring our methodology to calculate possible losses;
- identifying and implementing changes in our reporting processes to improve our loan portfolio management;
- restructuring our information control structure; and
- assessing the organizational structure of our loan assessment practices, including analyzing the demand for technology and addressing new issues.

Loans and advances to individual customers

For individual customers, depending on the proposed collateral, the size of the branch and suitable credit parameters, branches may authorize loans of up to R\$50,000. If value and type of collateral are not within the limits established for approval at the branch level, an application is submitted to the Credit Department and, if necessary, higher levels of authority.

The following table shows individual loan limits for approval by branch managers, depending on the value and type of collateral offered:

Total Risk Amount	R\$ in thousands	
	Loan with no collateral	Loan with collateral
Decision-making authority		
Manager of very small branch ⁽¹⁾	up to 5	up to 10
Manager of small branch ⁽²⁾	up to 10	up to 20
Manager of average branch ⁽³⁾	up to 15	up to 30
Manager of large branch ⁽⁴⁾	up to 20	up to 50

⁽¹⁾ Branch with total deposits equal to or below R\$1,999,999;

⁽²⁾ Branch with total deposits equal to or between R\$2,000,000 and R\$5,999,999;

⁽³⁾ Branch with total deposits equal to or between R\$6,000,000 and R\$14,999,999; and

⁽⁴⁾ Branch with total deposits equal to or above R\$15,000,000.

We use a specialized Credit Scoring evaluation system to analyze these loans, allowing us to build a level of flexibility and accountability, besides standardizing the procedures in the process of analyzing and deferring loans. All models are constantly monitored and revised whenever necessary. Our Credit Department has a dedicated team developing models and working on the continuous improvement of these tools.

We provide our branches with tools that allow them to analyze loans and advances for individual clients in a rapid, efficient and standardized manner and to produce the corresponding loan contracts automatically. With these tools, our branches can respond quickly to clients, keep costs low, and control the risks inherent to consumer credit in the Brazilian market.

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The following table shows limits established for approval of loans to individuals outside the discretion of our branches:

Total Risk Amount	R\$ in thousands
Decision-making authority	
Credit department	up to 20,000
Credit director	up to 25,000
Decision Credit Meeting	up to 40,000
Executive credit committee (Daily Meeting)	up to 150,000
Executive credit committee (Plenary Meeting)	up to 3,000,000
Board of Directors	over 3,000,000

Loans and advances to legal entities

For corporate customers, depending on the collateral proposed, the size of the branch and suitability in terms of credit parameters, loans of up to R\$400,000.00 may be approved at the branch level. If the collateral offered is not within the limits for approval at the branch level, the loan is submitted to the Credit Department and, if necessary, higher levels.

The following table shows limits within which branch managers may approve business loans, depending on the amount and type of credit support offered:

Total Risk Amount	R\$ in thousands	
	Loan with no collateral	Loan with collateral
Decision-making authority		
Manager of very small branch ⁽¹⁾	up to 10	up to 60
Manager of small branch ⁽²⁾	up to 20	up to 120
Manager of average branch ⁽³⁾	up to 30	up to 240
Manager of large branch ⁽⁴⁾	up to 50	up to 400
Manager of Bradesco Empresas branch ⁽⁵⁾	up to 100	up to 400

⁽¹⁾ Branch with total deposits equal to or below R\$1,999,999;

⁽²⁾ Branch with total deposits equal to or between R\$2,000,000 and R\$5,999,999;

⁽³⁾ Branch with total deposits equal to or between R\$6,000,000 and R\$14,999,999;

⁽⁴⁾ Branch with total deposits equal to or above R\$15,000,000; and

⁽⁵⁾ Branch with exclusive middle market companies.

The following table shows limits established for approval of loans to corporate customers outside the discretion of our branches:

Total Risk Amount

Partnerships with retail companies – Bradesco Expresso

	R\$ in thousands
Decision-making authority	
Credit department	up to 20,000
Credit director	up to 25,000
Decision Credit Meeting	up to 40,000
Executive credit committee (Daily Meeting)	up to 150,000
Executive credit committee (Plenary Meeting)	up to 3,000,000
Board of Directors	over 3,000,000

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In order to serve customers' needs as soon as possible and securely, the Credit Department uses segmented analyses with different methodologies and instruments for credit analysis in each segment, in particular:

- in the "Varejo," "Prime" and "Private – Individuals" segments, we consider the individual's reputation and credit worthiness, profession, monthly income, assets (goods and real property, any liabilities or interests in companies), the bank indebtedness and history of their relationship with us, checking loans and advances for repayment dates and rates as well as and the guarantees involved;
- in the "Varejo (Empresas e Negócios)" segment, in addition to the points above, we focus on the owners of the relevant company, as well as considering the period in business and the monthly revenues;
- in the "Corporate One," "Corporate" and "Large Corporate" segments, management capability, the company/group's positioning in the market, its size, the economic-financial evolution, cash flow capability, and business perspectives, our analysis always includes the proponent, its parent company/subsidiaries, and the type of business; and
- this also includes analyses of social and environmental risk for projects that require customers to show compliance with social and environmental regulations and the Equator Principles, consisting of socioenvironmental criteria required as conditions for loans, which was introduced in 2002 by the International Finance Corporation (IFC), the World Bank's financial arm.

Collection and Loan Recovery

We have a department that focuses on the collection and recovery of loans, seeking to reduce the rates of delinquency and losses, as well as to maintain the relationship with clients. By using our own statistical models, updated periodically, which separate debtors according to levels of risk and likelihood of payment, the collection strategies become more assertive and efficient.

Collection occurs sequentially through the Network of Branches, Call Centers, Digital Channels, and Friendly and Judicial Collection Offices. In addition, regional specialized teams tailor their operations and most significant cases are submitted to the collective authority limits in the Commission or Executive Committee for Collection and Credit Recovery, respecting the governance of the established authority level.

Deposit-taking activities

Our principal source of funding is deposits from Brazilian individuals and businesses. As of December 31, 2018, our total deposits were R\$342.3 billion, representing 29.0% of our total liabilities.

We provide the following types of deposit and registration accounts:

- checking accounts;

- savings accounts;
- time deposits;
- interbank deposits from financial institutions; and
- accounts for salary purposes.

The following table shows total customers' and bank's deposits by type and source, as of the dates indicated:

As of December 31,	% of total deposits	R\$ in thousands		
		2018	2017	2016
From customers				
Demand deposits	10.0%	34,178,563	33,058,324	32,521,234
Savings deposits	32.5%	111,170,912	103,332,697	