

BANK BRADESCO
Form 20-F
April 30, 2014

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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" and "us" refer to Banco Bradesco S.A., *sociedade anônima* organized under the laws of Brazil and, unless otherwise indicated, its consolidated subsidiaries. We are a full-service financial institution providing, directly or through our subsidiaries, a full range of banking, financial, purchasing consortium management, asset management, insurance, investment banking, pension plan (or pension) and capitalization bond services for all segments of the Brazilian market. Our operations are based primarily in Brazil.

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, 2013, 2012 and 2011, with the corresponding notes, are included under "Item 18. Financial Statements" of this annual report and were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For certain purposes, such as reports for Brazilian shareholders, filings with the Brazilian Securities and Exchange Commission ("CVM") and determining dividend and federal income tax payments, we use accounting practices adopted in Brazil for financial institutions authorized to operate by the Brazilian Central Bank (Banco Central do Brasil), or the "Central Bank."

On March 31, 2014, the real/U.S. dollar exchange rate was R\$2.2630 per US\$1.00 based on the closing selling exchange rate reported by the Central Bank. The selling exchange rate as of December 31, 2013 was R\$2.3426 per US\$1.00. See "Item 3.A. Selected Financial Data-Exchange Rate Information" for more information regarding the exchange rates applicable to the Brazilian currency since 2009. The closing selling commercial exchange rate at March 31, 2014 or at any other date indicated in this annual report may not be indicative of current or future exchange rates.

Some data related to economic sectors presented in this annual report was obtained from the following sources: 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; the 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. We believe these sources are reliable, but we cannot take responsibility for the accuracy of this

data.

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 July 22, 2009, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of preferred share ADSs evidenced by preferred share ADRs issued thereunder (the "PreferredShare ADS Deposit Agreement").

References in this annual report to "common share ADSs" are 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 a Deposit Agreement dated as of March 13, 2012 by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (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.

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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.

FORWARD LOOKING STATEMENTS

This annual report contains forward looking statements as defined in Section 27A of the Securities Act of 1933, as amended, or "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or "Exchange Act." These statements are based mainly on our current expectations and projections of future events and financial trends that currently 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 operation to differ materially from those set out in our forward-looking statements, including, but not limited to, the following:

- global economic conditions;
- economic, political and business conditions in Brazil and in the other markets in which we operate;
- 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 and capital expenditure plans as well as to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse claims, legal or regulatory disputes or proceedings;
- inflation, depreciation of the *real* and/or interest rate fluctuations, which could adversely affect our margins;
- competitive conditions in the banking, financial services, credit card, asset management, insurance sectors and related industries;

- 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 are intended to 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

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 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009. The data as of and for the years ended in 2013, 2012 and 2011 is derived from our consolidated financial statements, included elsewhere in this annual report, which were audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. The data for the years ended December 31, 2010 and 2009, is derived from our consolidated financial statements, which are not included herein, which were audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report that is not included herein.

Until December 31, 2012, our interests in jointly-owned entities (joint ventures) were proportionately consolidated, in accordance with IAS 31. As of January 1, 2013, we adopted IFRS 11 – “Joint Arrangements”, thus changing the accounting policy to be applied to interest in jointly-owned entities to the equity method of accounting. The data as of December 31, 2013, 2012 and 2011 and for years ended December 31, 2013, 2012 and 2011 presented in this annual report reflect retrospectively the effects of this adoption. For more information regarding the adoption of this policy, see Note 2(a)iii to our consolidated 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."

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Selected Financial Data

Year ended December 31, (Restated)	US\$ in thousands (1)		R\$ in thousands			
	2013	2013	2012 (Restated)	2011	2010	2009
Data from the Consolidated Statement of Income						
Interest and similar income	40,071,863	90,682,625	83,031,854	82,152,096	63,772,183	55,165,229
Interest and similar expenses	(18,286,408)	(41,382,142)	(39,646,131)	(46,763,775)	(31,000,892)	(27,974,717)
Net interest income	21,785,454	49,300,483	43,385,723	35,388,321	32,771,291	27,190,512
Fee and commission income	6,423,209	14,535,723	12,757,131	10,932,237	9,421,485	7,866,601
Fee and commission expenses	(15,926)	(36,041)	(36,391)	(33,978)	(26,947)	(19,219)
Net fee and commission income	6,407,283	14,499,682	12,720,740	10,898,259	9,394,538	7,847,382
Net gains/(losses) on financial instruments classified as held for trading	(2,558,590)	(5,790,089)	2,110,112	(608,271)	2,212,733	5,983,781
Net gains/(losses) on financial assets classified as available for sale	(2,695,882)	(6,100,782)	1,895,974	365,302	754,416	757,255
Net gains/(losses) of foreign currency transactions	(483,251)	(1,093,597)	(1,087,595)	2,625,816	(682,961)	(897,638)
Income from insurance and pension plans	3,063,933	6,933,680	1,413,016	3,076,175	2,577,730	1,778,016
Impairment of loans and advances	(4,252,704)	(9,623,870)	(11,451,383)	(8,239,358)	(5,756,125)	(10,809,611)
Personnel expenses	(5,459,310)	(12,354,418)	(11,559,002)	(11,094,794)	(8,794,017)	(7,334,164)
Other administrative expenses	(5,369,658)	(12,151,537)	(11,803,989)	(11,380,270)	(9,761,445)	(8,138,058)
Depreciation and amortization	(1,211,149)	(2,740,830)	(2,488,182)	(2,117,666)	(1,966,433)	(1,516,529)
Other operating income/(expenses)	(3,368,202)	(7,622,240)	(8,674,178)	(5,106,092)	(6,002,663)	(3,024,640)
Income before income taxes and equity in the earnings of associates	5,857,924	13,256,482	14,461,236	13,807,422	14,747,064	11,836,306
	469,592	1,062,687	980,212	803,820	577,053	728,867

Equity in the earnings of
associates and joint
ventures

**Income before income
taxes**

6,327,516 14,319,169 15,441,448 14,611,242 15,324,117 12,565,173

Income and social
contribution taxes

(810,000) (1,833,031) (4,089,754) (3,521,800) (5,271,924) (4,264,330)

Net income for the year

5,517,516 12,486,138 11,351,694 11,089,442 10,052,193 8,300,843

**Attributable to
shareholders**

Controlling

5,477,649 12,395,920 11,291,570 10,958,054 9,939,575 8,283,007

Non-controlling interest

39,867 90,218 60,124 131,388 112,618 17,836

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R\$2.2630 per US\$1.00, the Central Bank exchange rate on March 31, 2014. Such translations should not be construed as a representation that the Brazilian *real* amounts presented were or could be converted into U.S. dollars at that rate.

Year ended December 31,	2013	R\$, except for number of shares			2010	2009
		2012 (Restated)	2011 (Restated)	2010		
Data on Earnings and Dividends per Share (1)						
Earnings per share (2) (3) (4) (5)						
Common	2.81	2.56	2.49	2.27		
Preferred	3.09	2.82	2.74	2.49		
Dividends/interest on equity per share (2)						
Common	0.93	0.88	0.84	0.77		
Preferred	1.02	0.97	0.93	0.85		
Weighted average number of outstanding shares						
Common	2,100,738,519	2,100,833,147	2,099,843,709	2,068,913,020	2,042,000,000	
Preferred	2,096,606,848	2,098,472,511	2,097,504,111	2,069,503,929	2,042,000,000	

(1) Data on earnings and dividends per share reflects: (a) the split of our Capital Stock on January 22, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on December 18, 2009; and (b) the split of our Capital Stock on July 13, 2010, in which we issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on July 10, 2010. For comparison purposes, all share amounts have been retroactively adjusted for all periods to reflect the split;

(2) 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 use 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 Incorporation".

(3) 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;

(4) On December 17, 2010, the Special Shareholders' Meeting voted in favor of a share capital increase of R\$1,500 million, increasing share capital from R\$28,500 million to R\$30,000 million by issuing 62,344,140 new book-entry registered shares without par value, of which 31,172,072 were common and 31,172,068 preferred shares, at the price per share of R\$2.40 through private subscription by shareholders from December 29, 2010 through January 31, 2011, in the proportion of 1.657008936% of the shareholder's holdings as of the date of the meeting, which was paid in cash on February 18, 2011, and

(5) The Special Shareholders' Meeting held on March 11, 2013 deliberated on the capital increase of R\$8,000,000 thousand from R\$30,100,000 thousand to R\$38,100,000 thousand, through the capitalization of a portion of the "Profit Reserve Statutory Reserve" account, in compliance with Article 169 of Law 6,404/76, with a 10% stock bonus, through the issue of 382,479,458 new no-par registered, book-entry shares, of which 191,239,739 are common shares and 191,239,719 preferred shares, paid free of charge to shareholders as bonus, at the proportion of one (1) new share for every ten new shares of the same type they hold, benefiting Bradesco's shareholders of record as at March 25, 2013.

Year ended December 31,	2013	2012	In US\$ 2011	2010	2009
Dividends/interest on equity per share ⁽¹⁾					
Common	0.40	0.42	0.45	0.46	0.38
Preferred	0.44	0.47	0.50	0.50	0.41

(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,	US\$ in thousands		R\$ in thousands	
	(1) 2013	2013	2012 (Restated)	2011 (Restated)
Data from the Consolidated Statement of Financial Position				
Assets				
Cash and balances with banks	29,805,728	67,450,363	59,901,564	93,722,19
Financial assets held for trading	42,462,449	96,092,523	111,838,502	96,597,07
Financial assets available for sale	29,977,203	67,838,411	81,522,130	45,207,63
Investments held to maturity	10,194,002	23,069,026	3,715,673	4,110,98
Assets pledged as collateral	52,028,380	117,740,225	106,133,299	97,122,08
Loans and advances to banks	34,785,560	78,719,723	92,459,347	72,660,59
Loans and advances to customers, net of impairment	134,388,570	304,121,334	269,021,320	245,251,87
Non-current assets held for sale	367,895	832,546	532,973	445,32
Investments in associated companies and joint ventures	1,499,270	3,392,847	3,121,386	2,724,72
Property and equipment	1,989,380	4,501,967	4,524,827	4,258,45
Intangible assets and goodwill	3,632,673	8,220,739	7,617,873	7,046,25
Taxes to be offset	2,338,982	5,293,116	5,294,566	4,503,04
Deferred income tax assets	11,339,407	25,661,079	17,913,529	17,051,94
Other assets	15,628,685	35,367,715	35,943,635	30,264,40
Total assets	370,438,186	838,301,614	799,540,624	720,966,58
Liabilities				
Deposits from banks	107,423,939	243,100,373	220,943,354	204,351,80
Deposits from customers	95,544,877	216,218,057	210,774,263	216,620,05
Financial liabilities held for trading	807,062	1,826,382	4,049,982	747,21
Funds from securities issued	25,578,024	57,883,068	51,552,093	41,630,96
Subordinated debt	15,857,270	35,885,003	34,851,714	26,910,09
Insurance technical provisions and pension plans	57,591,261	130,329,023	118,768,720	99,112,32
Other provisions	6,077,144	13,752,577	21,021,109	17,894,15
Current income tax liabilities	1,362,340	3,082,976	3,288,688	2,694,39
Deferred income tax liabilities	353,435	799,824	3,091,667	2,246,50
Other liabilities	27,981,178	63,321,405	59,852,644	49,376,99
Total liabilities	338,576,530	766,198,688	728,194,234	661,584,49
Equity				
Share capital	16,836,058	38,100,000	30,100,000	30,100,00
Treasury shares	(118,910)	(269,093)	(197,301)	(183,10)
Capital reserves	15,896	35,973	35,973	35,97
Revenue reserves	15,078,437	34,122,503	34,189,383	26,732,53
Additional paid-in capital	31,152	70,496	70,496	70,49
Other comprehensive income	(487,356)	(1,102,887)	6,396,736	1,751,05
Retained earnings	409,772	927,314	542,422	632,09
Equity attributable to controlling shareholders	31,765,049	71,884,306	71,137,709	59,139,04

Non-controlling interest	96,606	218,620	208,681	243,04
Total equity	31,861,655	72,102,926	71,346,390	59,382,09
Total liabilities and equity	370,438,186	838,301,614	799,540,624	720,966,58

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R\$2.2630 per U.S. dollar exchange rate on March 31, 2014. Such translations should not be construed as a representation that the Brazilian amounts have been or could be converted into U.S. dollars at that rate.

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Exchange Rate Information

In the past years, the exchange rate between the *real* and the U.S. dollar has experienced significant variation. In 2009, the *real* began to appreciate against the U.S. dollar, from R\$2.3370 per US\$1.00 on December 31, 2008 to R\$1.7412 as of December 31, 2009. In 2010, the *real* continued to appreciate against the U.S. dollar and reached R\$1.6662 as of December 31, 2010. In 2011, the Brazilian real depreciated 12.6% against the U.S. dollar, reaching R\$1.8758 as of December 31, 2011. In 2012, the Brazilian real depreciated 8.9% against the U.S. dollar, reaching R\$2.0435 as of December 31, 2012. In 2013, the Brazilian real depreciated 14.6% against the U.S. dollar, reaching R\$2.3426 as of December 31, 2013. On March 31, 2014 the exchange rate was R\$2.2630 per US\$1.00. Under the current floating exchange-rate system, the *real* may be subject to fluctuations and depreciation or appreciation against the U.S. dollar and other currencies.

The following table sets forth the period end, average and high and low selling rates reported by the Central Bank at closing, expressed in *reais* per US\$1.00 for the periods and dates indicated:

Period	Closing Selling Rate for U.S. dollars – R\$ per US\$1.00			
	Period-End	Average ⁽¹⁾	Maximum ⁽¹⁾	Minimum ⁽¹⁾
2009	1.7412	2.0171	2.3784	1.7412
2010	1.6662	1.7575	1.8748	1.6662
2011	1.8758	1.6705	1.8758	1.5563
2012	2.0435	1.9524	2.1074	1.7092
2013	2.3426	2.1641	2.3725	1.9754
November	2.3249	2.1492	2.3725	1.9754
December	2.3426	2.1641	2.3725	1.9754
2014				
January	2.4263	2.3845	2.4263	2.3426
February	2.3334	2.3674	2.4263	2.3334
March	2.2630	2.3413	2.4263	2.2630
April (through April 15, 2014)	2.2257	2.3182	2.4263	2.2257

⁽¹⁾ Average, maximum and minimum of the month end rates from December of the previous period.

Source: Central Bank.

3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

3.D. Risk Factors

Macroeconomic risks

Our business and results of operations are materially affected by conditions in the global financial markets.

There has been extreme volatility in the global capital and credit markets since 2008. This volatility has resulted in reduced liquidity and increased credit risk premiums for many market participants, in addition to a reduction in the availability and/or increased costs of financing, both for financial institutions and their customers. Increasing or high interest rates and/or widening credit spreads have created a less favorable environment for most of our businesses and may impair the ability of some of our clients to repay debt that they owe to us, and reduce our flexibility in planning for, or reacting to, changes in their operations and the financial industry overall. Accordingly, even though the Brazilian and global economies started to recover since the first half of 2009, our results of operations are likely to continue to be affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Since 2008, the continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy, Ireland and Portugal, has continued to reduce investor confidence globally, as has the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011. These ongoing events could negatively affect our ability and the ability of other Brazilian financial institutions to obtain financing in the global capital markets, as well as weakening the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. We do not have exposure to sovereign debt issued by the countries known as "PIIGS": Portugal, Ireland, Italy, Greece, and Spain.

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The Brazilian 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 Brazilian 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 Brazilian government may take in response to the current or future Brazilian economic situation or how Brazilian government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, 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 policy involving 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; and

- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

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

Our business is impacted by fluctuations in the value of the *real*. Since October 2002, and more intensely since June 2004, the *real* has gained value against the dollar, with only rare instances of depreciation (reaching R\$1.5593 per US\$1.00 on August 1, 2008). In 2009, the *real* continued along the trajectory of appreciation against the U.S. dollar (reaching R\$1.7412/US\$1.00 at the end of the year). In 2010, the *real* continued to appreciate against the U.S. dollar to reach R\$1.6662/US\$1.00 at the end of the year. In 2011, the *real* continued to appreciate until the middle of the year, reaching a nominal level of R\$1.5345 per U.S. dollar on July 26, 2011. Since then, due to the deterioration of global economic conditions and the decision of the Central Bank Committee on Monetary Policy, or “COPOM”, in August (in which the previous cycle of monetary tightening was reversed) such trend was inverted, and the real began to depreciate and ended 2011 at R\$1.8758 per U.S. dollar. In 2012, reflecting persisting risk aversion in the international markets and the continuing reduction in interest rates in Brazil throughout the first half of 2012, the real maintained a weakening trend, reaching R\$2.0904 per U.S. dollar on June 28, 2012. The exchange rate remained fairly stable during the remainder of the year, ending 2012 at R\$2.0435 per U.S. dollar. During 2013, the real depreciated sharply to R\$2.3426 per US dollar as of December 31, 2013, as compared to R\$2.0435 as of December 31, 2012. This depreciation was accompanied by a rise in the base interest rate, which went from 7.25% in January 2013 to 10.0% at the end of November 2013, remaining at this level as of December 31, 2013.

As of December 31, 2013, the net balance of our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 2.9% of our total assets. When the Brazilian currency is devalued or if it depreciates, we incur 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*. Therefore, 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 original currency. In addition, our lending operations 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 incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and 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 original 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, which have in the past had significant negative effects on the Brazilian economy, contributed to increased economic uncertainty in Brazil and heightened volatility in the Brazilian securities markets, may have an adverse effect on us.

The memory of and potential for inflation is still present, despite the monetary stability achieved in the mid-1990s which intensified after 1999 with the adoption of inflation targeting norms. There are still concerns that inflation levels might rise again in the future. The current system is a monetary regime which the Central Bank oversees in order to assure that the effective rate of inflation keeps in line with a predetermined target, previously announced to the public. Brazil's rates of inflation, as measured by the General Price Index – Domestic Availability or "IGP-DI" (Índice Geral de Preços Disponibilidade Interna), reached 5.0%, 8.1% and 5.5% in 2011, 2012 and 2013, respectively.

Government measures to combat inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the base interest rate set by the COPOM (SELIC)

may have an adverse effect on us by reducing demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on us by decreasing the interest income we earn on our interest-earning assets and lowering our revenues and margins.

Future Brazilian 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 beyond 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 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.

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Changes in base interest rates by the COPOM may materially adversely affect our margins and results of operations.

The COPOM establishes the base interest rates for the Brazilian banking system (SELIC). The base interest rate was 11.0%, 7.25% and 10.0% *per annum* as of December 31, 2011, 2012 and 2013, respectively. Changes in the base interest rate may adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and
- low base interest rates may diminish our interest income.

The COPOM adjusts the SELIC rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the SELIC rate set by the COPOM or how often such 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 Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market price of our shares, preferred share ADSs and common share ADSs.

The recent global financial crisis has had significant consequences worldwide, including Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which had, and may continue to have in the future, directly or indirectly, an adverse effect on our business, financial condition, results of operations, the market price of securities of Brazilian issuers, including ours, and our ability to finance our operations.

Risks relating to Bradesco and the Brazilian banking industry

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

The recent global financial crisis has had significant consequences worldwide, including Brazil, such as capital mar

Our loans and advances portfolio has grown substantially since 2004, primarily as a result of the expansion of the Brazilian economy. Any corresponding increase in our level of non-performing loans and advances may lag behind the rate of loan growth, as loans typically do not become due within a short period of time after their origination. Levels of past due loans are higher among our individual clients than our corporate clients. From 2011 to 2013, our portfolio of loans and advances to customers increased by 23.3% and our level of impairment of loans and advances increased by 13.1%, primarily driven by increases in the number of individual clients.

Beginning in mid-2008, weakening economic conditions in Brazil particularly impacted our individual clients as unemployment rates in Brazil began to rise. This led, consequently, to increases in our delinquency ratios. This trend worsened in 2009. In 2010, as a result of the improvement in Brazilian economic conditions, we experienced a decrease in our delinquency ratios, which led to a slight decrease in our impairment. In 2011, with the global economic slowdown, delinquency ratios showed a slight increase compared to 2010. This increase continued during 2012 mostly for operations with individuals and SMEs (small and medium enterprises). In 2013, delinquency ratios fell due to the tightening of Brazilian monetary policy to control inflation. In 2013, our impairment of loans and advances declined 0.3% compared to 2011, while our portfolio of loans and advances to customers grew by 12.1% over that same period.

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, charge-offs 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.

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Adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner.

Recent volatility and 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. If we are forced to delay raising capital or pay unattractive interest rates in order to obtain capital, our financial condition and results of operations may be adversely affected.

The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects.

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our principal areas of operation from other large Brazilian and international banks and insurance companies, public and private.

Competition has increased as a result of consolidations among financial institutions in Brazil and as a result of regulations by the National Monetary Committee (*Conselho Monetário Nacional*), or “CMN”, that facilitate customers' ability to switch business between banks. The increased competition may materially and adversely affect us by, among other things, limiting our ability to retain our existing consumer base, increase our customer base and expand our operations, reducing our profit margins on banking and other services and products we offer, and limiting investment opportunities.

Additionally, Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than us, has grown, and competition in both the banking and insurance sectors has increased. The privatization of publicly owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our customer base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

Losses on our investments in financial assets may have a significant impact on our results of operations and are not predictable.

The value of certain of our investments in financial assets may decline significantly due to volatile financial markets and may fluctuate over short periods of time. As of December 31, 2013, investments in financial assets represented 19.6% of our assets, and realized investment gains and losses have had and will continue to have a significant impact on the results of our operations. The amounts of such gains and losses, which we record when investments in financial assets are sold, or in certain limited circumstances where they are marked to market or recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the fair value of the financial assets, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and our management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

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, from 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.

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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, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could materially and adversely affect our future results of operations and cash flow.

The Brazilian government regulates the operations of Brazilian financial institutions and insurance companies, and 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, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian 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 requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- minimum coverage; and
- mandatory provisioning policies.

The regulatory structure governing Brazilian banks and insurance companies 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 Brazilian 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.

A majority of our common shares are held by one shareholder, whose interests may conflict with our other investors' interests.

As of December 31, 2013, Fundação Bradesco directly and indirectly held 56.5% 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 by-laws, members of our *Diretoria Executiva*, or of our Board of Executive Officers, and departmental officers 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. Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by Fundação Bradesco which may be contrary to the interests of holders of common shares, and which may have a negative impact on the interests of holders of common shares. For more information on our shareholders, see "Item 7.A. Major Shareholders."

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

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

In May 2012, the Central Bank changed the rules related to the reserve requirement amounts, enabling the deduction of the balance of loan operations for financing and leasing of automobiles and light commercial vehicles from the amount of compulsory deposits to be reserved, as a way to encourage the granting of financing for acquisition of these assets. In June, September and November 2012, the rules related to the payment of reserve requirements were further amended, aiming at adjusting the criterion for defining the amount subject to reserve requirements and additional liabilities, as well as for remuneration of the reserve account and the criteria which determine the eligibility of institutions that may deduct amounts subject to the reserve requirements.

In December 2012, the Central Bank established the possibility of deducting demand amounts subject to the reserve requirements in certain specified circumstances, as a way to encourage banks to grant credit for the acquisition of certain assets.

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

- a portion of our compulsory deposits do not bear interest;
- a portion of our compulsory deposits must be held in Brazilian government securities; 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, 2013, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R\$55.4 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 Brazilian 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 and 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, including bank loan interest rates, and the impact of the subsequent legislation regulating the subject is uncertain.

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12.0% *per annum* ceiling on bank loan interest rates. However, since the enactment of the 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 Brazilian Supreme Court (“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 the new Civil Code (or Law No. 10,406/02), as amended, unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been linked to the base rate charged by the National Treasury. This base interest rate is the SELIC rate, the base interest rate established by the COPOM, which was 11.00% *per annum* in April 2014. However, there is presently some uncertainty as to whether the applicable base interest rate should be the SELIC rate or the 12% *per annum* interest rate established in the Brazilian Tax Code.

The impact of EC 40/03 and the provisions of the New Civil Code are uncertain at this time but 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 Brazilian financial institutions, 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, and differences between the losses from actual claims and underwriting and reserving assumptions may have an adverse effect on us.

The results of our operations significantly depend 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. To the extent that actual claims experience is 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 cash flow.

If our actual losses exceed our provisions on risks that we underwrite, we could be adversely affected.

Our results of operations and financial condition depend upon our ability to accurately assess the actual losses associated with the risks that we underwrite. Our current provisions are based on estimates that rely on then-available information and that involve a number of factors including recent loss experience, current economic conditions, internal risk rating, actuarial and statistical projections of our expectations of the cost of the ultimate settlement of claims, such as estimates of future trends in claims severity and frequency, judicial theories of liability, the levels of and/or timing of receipt or payment of premiums and rates of retirement, mortality, morbidity and persistency, among others. Accordingly, the establishment of provisions is inherently uncertain and our actual losses usually deviate, sometimes substantially, from such estimates. Deviations occur for a variety of reasons. For example, if we record our impairment of loans and advances based on estimates of incurred losses, it might not be sufficient to cover losses; an increased number of claims; or our costs could be higher than the costs we estimated. If actual losses materially exceed our provisions, we could be adversely affected.

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We are jointly 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 responsible before our policyholders.

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

Although we have high profile information security controls, and continue to invest in the infrastructure, operations and crisis management in place, our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly for a limited period of time or become temporarily disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as: electrical or telecommunications outages; breakdowns, systems failures or other events affecting third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or service providers; events arising from local and larger-scale political or social matters and cyber attacks.

Cyber attacks and temporary interruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, could result in customer attrition, regulatory fines, penalties or intervention, reimbursement or other compensation costs.

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

The Brazilian Supreme Court (*Supremo Tribunal Federal*, or “STF”), which is the highest court in Brazil and is responsible for judging constitutional matters, is currently deciding on whether savings account holders have the right to obtain adjustments for inflation related to their deposits due to the economic plans *Cruzado*, *Bresser*, *Verão*, *Collor I* and *Collor II*, implemented in the 1980s and 1990s, before the *Plano Real*, in 1994. The trial began in November 2013. According to the institutions representing the account holders, banks misapplied the monetary adjustments when those economic plans were implemented, and should indemnify the account holders for the non-adjustment of those amounts.

In addition, the Superior Court of Justice (*Superior Tribunal de Justiça*, or “STJ”), which is the highest court responsible for deciding on federal laws, and is analyzing the initial date in respect of which compensatory interest relating to possible indemnification of account holders would accrued.

We cannot predict the outcome of these cases. However, depending on the decisions by the Brazilian Supreme Court and Superior Court of Justice, banks (including ourselves) might incur material costs which could cause losses for us.

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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, or otherwise, unless they surrender their preferred share ADSs or common share ADSs and receive the underlying preferred shares or common shares, as applicable, in accordance with the terms of the applicable Deposit Agreement.

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 the shares represented by their preferred share ADSs or common share ADSs. Because of this extra procedural 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 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 Incorporation— Organization – Voting Rights," for further information on voting rights of our shares). This means that, 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.

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

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 accounted for 51.2% of the aggregate market capitalization of the Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA") in December 2013.

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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 depositary (as holder of the common shares and preferred shares underlying the common share ADSs and preferred share ADSs, respectively) receives any cash dividend or distribution from us, it shall distribute a corresponding U.S. dollar amount, net of depositary 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, respectively.

Pursuant to our Bylaws, our preferred shares are entitled to dividends 10% higher than those of our common shares. Although under our current Bylaws we are obligated to pay our shareholders at least 30% of our annual adjusted net income, the shareholders attending our annual general 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 specifies 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.

On March 1, 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, in Brazil, self dealing and the preservation of shareholder interests may be less heavily regulated and regulations 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 Brazilian companies 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.

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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 value. If we issue new shares or our existing shareholders sell the shares they hold, the market price of our shares and therefore of our preferred share ADSs and common share ADSs, may decrease significantly.

Payments on the preferred share ADSs and common share ADSs may be subject to U.S. withholding under FATCA

In order to receive payments free of U.S. withholding tax under Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "FATCA"), we and financial institutions through which payments on the preferred share ADSs and common share ADSs are made may be required to withhold at a rate of up to 30% on all, or a portion of, payments in respect of the preferred share ADSs and common share ADSs made after December 31, 2016.

We may enter into an agreement with the U.S. Internal Revenue Service to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of our company, (b) an investor does not consent, where necessary, to have its information disclosed to the U.S. Internal Revenue Service or (c) any investor or person through which payment on the preferred share ADSs and common share ADSs made is not able to receive payments free of withholding under FATCA.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the preferred share ADSs and common share ADSs, we would have no obligation to pay such amount or otherwise indemnify a shareholder for any such withholding or deduction by us, a paying agent or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on these payments, investors may receive less interest or principal than expected.

An investor that is a "foreign financial institution" (as defined under the FATCA rules) but that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the U.S. Internal Revenue Service.

The United States is in the process of negotiating intergovernmental agreements to implement FATCA with a number of jurisdictions. Different rules than those described above may apply if our company or an investor is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA.

Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

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.

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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 disposition 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 disposition 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 disposition of the underlying shares or to the repatriation of the proceeds from disposition may be imposed in the future.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History, Development of the Company and Business Strategy

The company

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 conquered 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.

We are currently 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 and small companies and major local and international corporations and institutions. We have the most extensive private sector branch and service network in Brazil, allowing us to reach a diverse customer base. Our products and services encompass 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.

According to information published in December 2013 by SUSEP and by ANS, we are the largest insurance, pension plan and capitalization bond group in Brazil on a consolidated basis in terms of insurance premiums, pension plan contributions and income from capitalization bonds. *Título de capitalização*, or "capitalization bond," refers to a type of savings account combined with periodic cash-prize draws.

In 2013, some of our subsidiaries ranked among the largest companies in Brazil in their respective markets, according to the sources cited in parentheses below, including:

- *Grupo Bradesco Seguros*, the largest company operating in the Brazilian insurance market, with total revenues of R\$49.8 billion in premiums, pension plan contributions and capitalization bond income in 2013. In November 2013, our market share was 24.2% (SUSEP/ANS):
- *Bradesco Seguros S.A.* ("Bradesco Seguros"), our insurance subsidiary, together with its subsidiaries described below, leader in terms of insurance premiums, equity and technical reserves (SUSEP and ANS):
 - *Bradesco Vida e Previdência S.A.* ("Bradesco Vida e Previdência"), Bradesco Seguros' subsidiary is one of the largest companies in the market in terms of premiums and pension plan contributions (SUSEP);

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- *Bradesco Capitalização S.A.* ("Bradesco Capitalização"), Bradesco Seguros' subsidiary offers capitalization bonds. In terms of revenues, Bradesco Capitalização is the leader among private companies in the market (SUSEP);
- *Bradesco Auto/RE Companhia de Seguros S.A.* ("Bradesco Auto/RE"), Bradesco Seguros' subsidiary is one of the largest companies in its segment in terms of premiums, offering automobile insurance, property/casualty and liability products (SUSEP); and
- *Bradesco Saúde S.A.* ("Bradesco Saúde"), Bradesco Seguros' subsidiary is the market leader in the health insurance business and has one of the largest networks of medical and hospital service providers (ANS).
- *Bradesco Leasing S.A. Arrendamento Mercantil* ("Bradesco Leasing"), is one of the leaders in the leasing segment, in terms of the present value of leasing portfolio (ABEL);
- *Bradesco Administradora de Consórcios Ltda.* ("Bradesco Consórcios"), market leader in the segments of real estate, automobiles, trucks/tractors/machinery and equipment, with 924,246 outstanding purchasing consortium quotas (Central Bank);
- BRAM – Bradesco Asset Management, one of the leaders in the asset management sector, with R\$305.3 billion in managed assets (ANBIMA); and
- Bradesco BBI, ranked number one in fixed income – short term ranking, and number one in ranking by value (ANBIMA).

We are also one of the leaders among financial institutions in underwriting debt securities, according to information published by ANBIMA.

As of December 31, 2013, we had, on a consolidated basis:

- R\$838.3 billion in total assets;
- R\$324.0 billion in total loans and advances;
- R\$218.2 billion in total deposits;
- R\$72.1 billion in equity, including non-controlling interest;
- R\$130.3 billion in technical reserves for our insurance and pension plan business;
- R\$39.9 billion in foreign trading financing;
- 39.8 million insurance policyholders;

- 26.4 million checking account holders;
- 50.9 million savings accounts;
- 3.5 million capitalization bonds holders;
- 2.4 million pension plan holders;
- 1,354 Brazilian corporate groups and multinational companies in Brazil as "Corporate" customers;
- an average of 23.0 million daily transactions, including 2.1 million in our 4,674 branches and 20.9 million through self-service channels, such as Bradesco Celular, Internet, Automatic Teller Machines, or ATMs, and telephone (*Fone Fácil*);
- a nationwide network consisting of 4,674 branches and 4,766 special points of banking services located on the premises of selected corporate customers, 33,464 ATMs of our own network, and 14,739 ATMs under the Banco24Horas brand for cash withdrawals, obtaining statements and account balance information, loans, collections, transfers between accounts and to other banks; and
- a total of 3 branches and 10 subsidiaries located in New York, London, the Cayman Islands, Tokyo, Buenos Aires, Luxembourg, Hong Kong and Mexico.

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Since 2009, we have been doing business in every single one of the municipalities in Brazil. Our extensive banking network takes us closer to our customers, providing our managers with information on economically active regions and other key conditions for our business. This knowledge helps us to assess and limit risks in loans, among other risks, as well as to service the particular needs of our customers.

We are a *sociedade anônima* organized under the laws of Brazil. Our headquarters are in Cidade de Deus, Vila Yara, 06029 900, Osasco, SP, Brazil, and our telephone number is (55-11) 3684-4011. Our New York Branch is located at 450 Park Avenue, 32nd floor, New York 10022-2605.

Recent acquisitions

In January 2014, Bradesco Saúde S.A. concluded a transaction to indirectly acquire a 6.5% interest in the equity and voting capital of Odontoprev, disclosed to the market in October 2013. By means of this acquisition, Bradesco Saúde raised its interest in the equity and voting capital of Odontoprev from 43.5% to approximately 50.01%, Odontoprev was already being consolidated based on control obtained through its shareholders agreement.

2012 and 2011 acquisitions

In May 2012, Bradesco acquired common and preferred shares issued by Banco BERJ, held by its non-controlling shareholders, by way of the Unified Tender Offer, increasing Bradesco's stake in Banco BERJ to 100%.

In May 2011, Bradesco acquired 96.99% of the common shares and 95.21% of the preferred shares, corresponding to 96.23% of the capital stock of Banco do Estado do Rio de Janeiro S.A. ("BERJ") from the Government of the State of Rio de Janeiro. As part of the acquisition, Bradesco also acquired the right to provide services to the Government of the State of Rio de Janeiro including: (i) its payroll, (ii) its supplier payroll, (iii) the collection of state taxes, among others, in the period from January 2012 to December 2014. This transaction expanded Bradesco's presence in the State of Rio de Janeiro. At the Special Shareholders' Meeting held in November 2011, the shareholders voted to alter the name of Banco do Estado do Rio de Janeiro S.A – BERJ to Banco BERJ S.A. Bradesco's process of assuming control of BERJ was ratified by the Central Bank in November 2011.

Other strategic alliances

In April 2014, Bradesco and Banco do Brasil, via its joint venture Companhia Brasileira de Soluções e Serviços ("CBSS"), in a partnership with Cielo, created the company STELO S.A. ("Stelo"), an electronic payment company responsible for managing, operating and exploring the payment facilitator industry geared towards e-commerce, as well towards digital portfolio businesses.

In June 2013, Odontoprev S.A. (Odontoprev), a company in which Bradesco Seguros S.A. held indirectly 43.5% of equity capital, entered into an Association Agreement and other Covenants (Association Agreement) with Banco do Brasil S.A. (“BB”), BB Seguridade Participações S.A. and its subsidiaries, with the purpose, by means of a new corporation named Brasildental Operadora de Planos Odontológicos S.A. (Brasildental), of developing and disclosing, and by means of BB Corretora de Seguros e Administradora de Bens S.A., of distributing and marketing dental health plans under the BB Dental brand, exclusively through all the BB channels throughout the country; Odontoprev will hold 50.01% of common registered shares, equal to 25.01% of total equity capital.

In May 2013, Bradesco Auto/RE Companhia de Seguros (“Bradesco Auto/RE”), entered into a shareholders’ agreement with the Brazilian government, BB Seguros Participações S.A., Itaú Seguros S.A., Itaú Vida e Previdência S.A. and Fundo de Investimento em Participações Caixa Barcelona, as controlling shareholders of IRB-Brasil Resseguros S.A. (known as “IRB”). The execution of the shareholders’ agreement is part of the corporate restructuring that IRB is undergoing, which also includes the following steps: (i) converting all of its preferred shares into common shares and the issuance of a special share class for the Brazilian government; and (ii) a capital stock increase through the subscription of new common shares, with a waiver from the Brazilian government to exercise their preemptive rights in connection with the new common shares. The shareholders’ agreement and step (i) above are subject to the approval of IRB’s shareholders. In May 2013, Bradesco Auto/RE held 21.24% of IRB’s total capital stock. As a result of the corporate restructuring, Bradesco Auto/RE will hold approximately 20.42% of IRB’s total capital stock. The transaction was approved by the Brazilian Antitrust Authority (Conselho Administrativo da Defesa Econômica) (“CADE”), but is still subject to approval of the Federal Court of Accounts (Tribunal de Contas da União) (“TCU”) and SUSEP.

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In April 2012, the Bank proceeded with the credit card partnership with BB and Caixa Econômica Federal (“Caixa”), with a view to introducing the Elo card flag disclosed in April 2011, and concluded discussions by signing the documentation that formalized the inclusion of Caixa Participações (CaixaPar) as a shareholder of Elo Serviços S.A. (Elo Serviços). Elo Serviços is a private operating company intended to develop and manage the Elo card flag. Equity interests in Elo Serviços are broken down as follows: Elo Participações S.A. (Elopar) – 66.68% and CaixaPar – 33.32%. In partnership with BB and Caixa, a new Brazilian card flag that gives customers more choice and strengthens the Bank’s portfolio. Elopar has as its partners Bradesco – 50.01% and BB – 49.99% and it comprises certain businesses related to electronic means of payment, which include, as follows: (i) Elo Serviços, the owner and manager of the new brand “Elo” of debit, credit and pre-paid cards; (ii) the activities of CBSS, which will be directly or indirectly integrated into Elopar; and (iii) our ownership interest in IBI Promotora de Vendas Ltda. (“IBI Promotora”), which was sold to Bradesco and/or its subsidiaries through CBSS.

BRAM has developed important alliances with internationalization as part of its strategy, expanding the number of fund platforms through which our products are distributed in the European, Latin American and Asian markets. We have entered into advisory agreements for the offering of global equity funds, with a focus on Europe, Latin America (less Brazil) and Australasia. In the United States, by means of its BRAM US LLC subsidiary, BRAM began marketing funds directed at US investors. In Japan MUAM - Mitsubishi UFJ Asset Management, our partner, offers retail investors Fixed Income Funds and Equity Funds to invest in the Brazilian market. In Europe, BRAM offers overseas investors funds domiciled in Luxemburg with different strategies under the Bradesco Global Funds family, launched in 2009 and with sales teams based in London and Luxemburg. In Chile, Equity Funds are marketed by our local partner to institutional and retail customers, with different portfolio profiles.

Divestments

In November 2012, we sold 308,676 shares of Serasa S.A (“Serasa”) to Experian Brasil Ltda. (“Experian Brasil”), a Brazilian subsidiary of Experian plc. The transaction generated income before taxes of R\$793.3 million.

Bradesco Expresso – Correspondent Bank

Bradesco Expresso enables us to expand our share in the correspondent bank segment through partnerships with supermarkets, drugstores, department stores and other retail chains, ensuring presence in all Brazilian cities which are not served by the banking branch network.

The main services we offer through Bradesco Expresso are:

- receipt and submission of account applications;
- receipt and submission of loans, financing and credit card applications;

- withdrawals from checking accounts and savings accounts;
- Social Security National Service ("INSS" - *Instituto Nacional do Seguro Social*) benefit payments;
- checking and savings account deposits;
- checking accounts, savings accounts and INSS balance statements;
- receipt of utility bills, bank charges and taxes; and
- prepaid mobile top-up.

As of December 31, 2013, the Bradesco Expresso network totaled 46,851 service points, of which 3,798 were new service points, with an average of 41.9 million monthly transactions or 2.0 million transactions per business day.

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:

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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, Hong Kong and Tokyo.

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 possible 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 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. We believe our partnership with BB 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 has increased our presence in the segment of dental care plans

enabling us to cement 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.

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 BM&FBOVESPA 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.

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as initial and continuing education for employment and income.

4.B. Business Overview

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

The data about these segments was compiled from reports prepared for Management to assess performance and make decisions on allocating funds for investments and other purposes. Management uses various data, including financial data in conformity with the accounting practices adopted in Brazil and non-financial metrics compiled on different bases. Hence, the segment data were prepared under accounting practices adopted in Brazil and the consolidated financial statements were compiled under International Financial Reporting Standards ("IFRS") as issued by the IASB. For further information on differences between the results on a consolidated basis and by segments, see "Item 5.A. Operating Results-Results of operations for the year ended December 31, 2013 compared with the year ended December 31, 2012" and "Item 5.A. Operating Results-Results of operations for the year ended December 31, 2012 compared with the year ended December 31, 2011."

As of December 31, 2013, according to the sources cited in parentheses below, we were:

- one of the leading banks in terms of savings deposits, with R\$80.7 billion, accounting for 13.4% of Brazil's total savings deposits (Central Bank);
- one of the leaders in BNDES onlending, with R\$17.5 billion in disbursements (BNDES);
- one of the leaders in leasing operations in Brazil, with an outstanding amount of R\$5.7 billion (ABEL);
- one of Brazil's largest fund and portfolio managers, with R\$435.4 billion in total managed assets, of which R\$134.3 billion are held by our subsidiary, BEM Distribuidora de Títulos e Valores Mobiliários Ltda., or "BEM DTVM," specialized in trust, custody and controllership of asset management services (ANBIMA);
- the leader in bank payment processing and collection services in Brazil (Central Bank);
- the leader in number of outstanding purchasing consortium quotas with 924,246 quotas in three segments, including: (i) automobiles, with 677,587 quotas; (ii) real estate, with 204,285 quotas, and (iii) trucks/tractors/machinery and equipment, with 42,374 quotas (Central Bank);
- one of the leaders in automobile financing loans, with a market share of 13.6% (Central Bank);
- the leading bank in benefit payments from the INSS, with over 8.0 million INSS retirees, beneficiaries and other pensioners, accounting for 25.7% of the total number of INSS beneficiaries (INSS); and

- Brazil's largest insurance and open pension fund operator with R\$49.8 billion in total premiums, pension plan contributions and capitalization bond income in 2013. In November 2013, our market share was 24.2% (SUSEP and ANS).

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The main awards and acknowledgments that we received in 2013 are as follows:

- Most valuable banking brand in Latin America, 16th in the general rankings, and first place in the insurance industry (The Banker/Brand Finance);
- One of the world's most valuable brands in all economy sectors, occupying 66th place in the general rankings, and best ranked Brazilian brand (Brand Finance);
- Most profitable private bank among Latin America and United States financial institutions (Economatica);
- Best ranked private financial institution among the world's 500 largest companies (Fortune);
- Most valuable brand in Brazil (IstoÉ Dinheiro – BrandAnalytics/Millward Brown);
- The best bank in Brazil, receiving the award “Euromoney Awards for Excellence” (Euromoney);
- In yearbook Valor 1000 published by the newspaper Valor Econômico, Bradesco Seguros was included as the leader in the Brazilian insurance market, Bradesco Saúde as the largest health insurance company in Brazil and Bradesco Vida e Previdência ranked first in pension plan and life; and
- The best bank of Brazil, receiving the award “Best Developed and Emerging Market Banks 2013” (Global Finance).

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Main subsidiaries

The following is a simplified chart of our principal subsidiaries in the financial and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2013 (all of which are consolidated in our financial statements in "Item 18. Financial Statements"). With the exception of Banco Bradesco Argentina, which was incorporated in Argentina, all of these principal subsidiaries were incorporated in Brazil. For more information regarding the consolidation of our principal subsidiaries, see Note 2a to our consolidated financial statements in "Item 18. Financial Statements."

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Revenues per business segment

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

	Years Ended December 31,		
	2013	2012	2011
	R\$ in thousands		
Banking			
Loans and advances ⁽¹⁾	57,561,074	54,433,883	52,890,045
Fees and commissions	15,639,215	13,885,450	11,989,868
Insurance and pension plans			
Premiums retained from insurance and pension plans	44,887,215	40,176,745	34,315,543

⁽¹⁾ Includes industrial loans, financing under credit cards, overdraft loans, trade financing and foreign loans.

For further details of our segments, see "Item 5.A. Operating Results" and 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 10.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

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Banking

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. In 1999, we set up our corporate department to serve corporate customers with annual revenues of R\$250 million or more, and our private banking department to serve our individual customers with minimum net assets of R\$3 million. In 2002, we created *Bradesco Empresas* (Middle Market) to cater for corporate customers with annual revenues of R\$30 to R\$250 million, in other to expand our business in the middle corporate market. In 2003, we launched Bradesco Prime, which offers services to individual customers who either have a monthly income of at least R\$9,000 or R\$100,000 available for immediate investment. Bradesco Varejo is our division for corporate customers with annual revenues of less than R\$30 million and individual customers with monthly income of less than R\$9,000. For more information, see "Distribution channels" and "Specialized distribution of products and services."

The following diagram shows the breakdown of our banking activities as of December 31, 2013:

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The following table shows selected financial data for our banking segment for the periods indicated. This segment information is prepared in accordance with accounting practices adopted in Brazil, which are the accounting practices on which the reports used by Management to assess performance and make decisions are based.

Year ended December 31,	R\$ in thousands		
	2013	2012	2011
Statement of Income data			
Net interest income	41,600,095	39,181,426	31,379,722
Impairment of loans and advances	(9,731,376)	(10,925,404)	(9,275,421)
Other income/(expenses) ⁽¹⁾	(24,455,897)	(20,301,375)	(13,063,262)
Income before income taxes	7,412,822	7,954,647	9,041,039
Income and social contribution taxes	789,516	(273,930)	(1,305,702)
Net income for the year	8,202,338	7,680,717	7,735,337
Net income attributable to controlling shareholders	8,195,099	7,672,233	7,724,917
Net income attributable to non-controlling interest	7,239	8,484	10,420
Statement of Financial Position data			
Total assets	768,059,393	750,410,472	657,903,426
Selected results of operations data			
Interest and similar income			
Loans and advances to banks	8,898,478	6,758,555	8,469,093
Loans and advances to customers	48,662,596	47,675,328	44,420,954
Financial assets	19,225,270	17,013,594	15,913,414
Compulsory deposits with the Central Bank	3,110,877	3,808,229	6,112,337
Other financial interest income	38,671	37,540	40,774
Interest and similar expenses			
Deposits from banks	(21,615,019)	(18,563,193)	(23,215,922)
Deposits from customers	(9,941,279)	(11,224,649)	(14,974,545)
Funds from securities issued	(3,646,584)	(3,439,647)	(2,598,702)
Subordinated debt	(3,132,915)	(2,884,331)	(2,787,681)
Net interest income	41,600,095	39,181,426	31,379,722
Net fee and commission income	15,639,215	13,885,450	11,989,868

Note: Data presented above includes income from related parties of other segments before elimination.

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

We have a segmented customer base and we offer the following range of banking products and services in order to meet the needs of each segment:

- deposit-taking with clients, including checking accounts, savings accounts and time deposits;

- loans and advances (individuals and companies, real estate financing, microcredit, onlending BNDES funds, rural credit, leasing, among others);
- credit cards, debit cards and pre-paid cards;
- management of receipts and payments;
- asset management;
- services related to capital markets and investment banking activities;
- intermediation and trading services;
- custody, depositary and controllership services;
- international banking services; and
- purchasing consortiums.

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Deposit-taking with clients

We offer a variety of deposit products and services to our customers through our branches, including:

- Non-interest-bearing checking accounts, such as:
 - **Easy Account** (*Conta Fácil*) – customers 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*) – no-fee checking account for minors (from 11 to 17 years of age), with exclusive website and debit card, automatic pocket money service and free online courses, among other benefits;
 - **Academic Account** (*Conta Universitária*) – low fee checking account for college students, with subsidized credit conditions, exclusive website and free online courses, among other benefits; and
 - **Cell Phone Bonus Account** (*Conta Bônus Celular*) – monthly checking account fees are awarded as bonus for the customers' prepaid cell phone.
- 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% *per annum* or TR plus 70% of the SELIC rate if the SELIC rate is lower than 8.5% *per annum*;
- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* – or "CDBs"), and earn interest at a fixed or floating rate; and
- deposits exclusively from financial institutions, which are represented by Interbank Deposit Certificates (*certificados de depósito interbancário* – or "CDIs"), and earn the interbank deposit rate.

As of December 31, 2013, we had 26.4 million checking account holders, 24.9 million of which were individual account holders and 1.5 million of which were corporate account holders. As of the same date, we had 50.9 million savings accounts.

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

December 31,	2013	R\$ in thousands, except % 2012 (Restated)	2011 (Restated)
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Main subsidiaries

Deposits from customers

Demand deposits	39,633,427	18.3%	37,684,247	17.9%	32,537,861	15.0%
<i>Reais</i>	39,009,598	18.0%	37,216,604	17.7%	32,092,103	14.8%
Foreign currency	623,829	0.3%	467,643	0.2%	445,758	0.2%
Savings deposits	80,717,805	37.3%	69,041,721	32.8%	59,656,319	27.5%
<i>Reais</i>	80,717,805	37.3%	69,041,721	32.8%	59,656,319	27.5%
Time deposits	95,866,825	44.3%	104,048,295	49.4%	124,425,870	57.4%
<i>Reais</i>	71,625,097	33.1%	80,849,230	38.4%	104,412,047	48.2%
Foreign currency	24,241,728	11.2%	23,199,065	11.0%	20,013,823	9.2%
Total	216,218,057	100.0%	210,774,263	100.0%	216,620,050	100.0%

We offer our customers certain additional services, such as:

- "identified deposits," which allow our customers to identify deposits made in favor of a third party by using a personal identification number; and
- real-time "banking transfers" from a checking or savings account to another checking or savings account, including accounts at other banks.

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Loans and advances to customers

The following table shows loans and advances to customers in Brazil broken down by type of product and period:

December 31,	R\$ in thousands		
	2013	2012 (Restated)	2011 (Restated)
Loans and advances to individuals outstanding by type of operation			
Other loans and advances to individuals	77,444,991	69,049,756	57,771,553
Housing loans	27,870,462	22,302,967	15,930,568
Onlending BNDES/Finame	40,543,267	35,703,861	35,398,656
Other corporate loans and advances	99,021,346	90,649,674	85,760,876
Rural loans	13,651,917	11,580,061	11,036,251
Leasing	5,713,481	8,035,454	11,550,838
Credit cards	25,473,079	22,367,978	19,776,579
Import and export financings	34,261,025	29,245,863	25,577,600
Total	323,979,568	288,935,614	262,802,921

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

December 31,	2013	2012 (Restated)	2011 (Restated)
Borrower size			
Largest borrower	0.7%	0.9%	0.9%
10 largest borrowers	5.3%	5.2%	5.2%
20 largest borrowers	8.2%	8.1%	8.6%
50 largest borrowers	12.9%	12.9%	14.0%
100 largest borrowers	16.6%	16.9%	18.1%

Our loans and advances to customers, mostly consumer credit, corporate and agricultural-sector loans, totaled R\$324.0 billion as of December 31, 2013.

Loans and advances to consumers

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:

- short-term loans, extended through our branches to checking account holders and, within certain limits, through our ATM network. These short-term loans are on average repaid in four months with an average interest rate of 7.0% per month as of December 31, 2013;
- vehicle financings are on average repaid in fourteen months with an average interest rate of 1.6% per month as of December 31, 2013; and
- overdraft loans on checking accounts (or "*Cheque Especial*"), which are on average repaid in one month, at interest rates varying from 8.4% to 9.0% per month as of December 31, 2013.

We also provide revolving credit facilities and traditional term loans. As of December 31, 2013, we had outstanding advances, vehicle financings, consumer loans and revolving credit totaling R\$77.4 billion, or 23.9% of our portfolio of loans and advances as of that date. On the basis of loans outstanding on that date, we had a 12.5% share of the Brazilian consumer loan market, according to information published by the Central Bank.

Banco Bradesco Financiamentos ("Bradesco Financiamentos") offers direct-to-consumer credit and leasing for the acquisition of vehicles through our extensive network of correspondents in Brazil, which includes retailers and dealers of light and heavy vehicles and motorcycles and payroll-deductible loans to the public and private sectors in Brazil.

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Under the “Bradesco Promotora” brand, we offer payroll-deductible loans to INSS retirees and pensioners, public-sector employees, military personnel and private-sector companies sponsoring plans, and other aggregated products (insurance, cards, purchasing consortiums, and others).

Real estate financing

As of December 31, 2013, we had 82,210 outstanding real estate loans. The aggregate outstanding amount of our real estate loans amounted to R\$27.9 billion, representing 8.6% of our portfolio of loans and advances.

Real estate financing is made through the Housing Finance System – SFH (*Sistema Financeiro Habitacional*), by the Housing Mortgage Portfolio – CHH (*Carteira Hipotecária Habitacional*) or by the Commercial Mortgage Portfolio –CHC (*Carteira Hipotecária Comercial*). Loans from SFH or CHH feature variable-installment repayments and annual interest rates ranging from 8.9% to 9.2% plus TR, or 12.0% from CHC.

Residential SFH and CHH loans are to be repaid within 30 years and commercial loans within 10 years.

Our individual loans made for construction purposes are repaid within 360 months, with 24 months to completion of construction, a 2-month grace period and the remainder for repaying the loan. Payments are made at the interest rate of 10.0% *per annum* plus TR variation for real estate falling into the SFH rules, or interest rates of 10.5% *per annum* plus TR variation for real estate falling into the CHH.

We also extend corporate financing for builders under the SFH. These loans are for construction purposes and typically specify 36 months for completion of construction work and repayments starting within 36 months after official registration of the building. These loans are charged the TR plus an annual interest rate of 12 to 13% during the construction stage for SFH loans, and TR plus an annual interest rate of 14% during repayment period for CHH loans.

Central Bank regulations require us to provide real estate financing in the amount of at least 65% of the balance of our savings accounts. In addition to real estate financing, mortgage notes, charged-off real estate financing, and other financings can be used to satisfy this requirement. We generally do not finance more than 80% of the purchase price or the market value of a property, whichever is lower.

In November and December 2012, the Central Bank authorized and defined the conditions for the issuance of real estate credit notes through Investment banks.

Microcredit

We extend microcredit to low-income individuals and small companies, in accordance with Central Bank regulations requiring banks to use 2% of their cash deposits to provide microcredit loans. We started

providing microcredit loans in August 2003. As of December 31, 2013, we had 11,406 microcredit loans outstanding, totaling R\$7.9 million.

In accordance with Central Bank regulations, most microcredit loans are charged at a maximum effective interest rate of 2% per month. However, microcredit loans for certain types of business or specific production have a maximum effective interest rate of 4% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R\$2,000 for individuals in general, (ii) R\$5,000 for individuals developing certain professional, commercial or industrial activities or for micro companies, and (iii) R\$40,000 for our "guided microcredit productive" transactions, which are loans tailored for individuals and micro companies with revenues of less than R\$120,000 per year. In addition, microcredit loans must not be for less than 120 days, and the origination fee must be 2.0% to 3.0% of the loan value.

BNDES onlending

The Brazilian government has a program to provide government-funded long-term loans with below-market interest rates to sectors of the economy that it has targeted for development. We borrow funds under this program from either (i) BNDES, the federal government's development bank, or (ii) *Agência Especial de Financiamento Industrial* (FINAME), or "FINAME," the equipment financing subsidiary of BNDES. We then on-lend these funds to borrowers in targeted sectors of the economy. We determine the spread on the loans based on the borrowers' credit. Although we bear the risk for these BNDES and FINAME onlending transactions, they are always secured.

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According to BNDES, we disbursed R\$17.5 billion, 61.5% of which was loaned to micro, small and medium-sized companies in 2013. Our BNDES onlending portfolio totaled R\$40.5 billion as of December 31, 2013, and accounted for 12.5% of our portfolio of loans and advances at that date.

Other local commercial loans

We provide traditional loans for the ongoing needs of our corporate customers. We had R\$99.0 billion of outstanding other local commercial loans, accounting for 30.6% of our portfolio of loans and advances as of December 31, 2013. We offer a range of loans to our Brazilian corporate customers, 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, and a number of other receivables;
- financing for purchase and sale of goods and services;
- corporate real estate financing;
- investment lines for acquisition of assets and machinery; and
- guarantees.

These lending products generally bear an interest rate of 1.8% to 8.6% per month.

Rural loans

We extend loans to the agricultural sector by financing demand deposits, BNDES onlendings and our own funds, in accordance with Central Bank regulations. As of December 31, 2013, we had R\$13.7 billion in outstanding rural loans, representing 4.2% of our portfolio of loans and advances. In accordance with Central Bank regulations, loans arising from compulsory deposits are paid a fixed rate. The annual fixed rate was 5.5% as of December 31, 2013. 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 five years with repayments on a semi-annual or annual basis. As security for such loans, we generally obtain a mortgage on the land where the agricultural activities being financed are conducted.

Since July 2012, Central Bank regulations require us to use at least 34% of the annual average (from June through May) of our checking account deposits to provide loans to the agricultural sector. By the end of June, if we do not reach 34%, we must deposit the unused amount in a non-interest-bearing account with the Central Bank or pay a penalty of 40% of this amount.

Leasing

According to ABEL, as of December 31, 2013, our leasing companies were among the sector leaders, with a 19.7% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2013 was R\$28.9 billion.

As of December 31, 2013, we had 126,460 outstanding leasing agreements totaling R\$5.7 billion, representing 1.8% of our portfolio of loans and advances.

The Brazilian leasing market is dominated by large banks and both domestic- and foreign-owned companies affiliated with vehicle manufacturers. Brazilian lease contracts generally relate to motor vehicles, computers, industrial machinery and other equipment.

Most of our leasing operations are financial (as opposed to operational). Our leasing operations primarily involve the leasing of trucks, cranes, aircraft and heavy machinery. As of December 31, 2013, 68.7% of our outstanding leasing operations were for vehicles.

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

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

As of December 31, 2013, Bradesco Leasing had R\$73.9 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 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, 2013, the remaining average maturity of contracts in our lease portfolio was approximately 53 months.

Credit cards

We offer a range of credit cards to our clients including American Express, Elo, Visa, MasterCard and private label brands, 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
- interest on cash advances to cover future payments owed to establishments that accept credit cards.

We offer our customers the most 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 and Infinite/Black from Visa, American Express and MasterCard brands;
- multiple cards that combine credit and debit features in a single card, which may be used for traditional banking transactions and shopping;
- corporate credit cards accepted nationwide and internationally;
- 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;
- 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;
- "CPB" and "EBTA," virtual cards for corporate customers with the management and control of airline ticket expenses;
- Bradesco's card for transportation companies, shippers, risk management companies and truck drivers, with both prepaid and debit card functionalities;
- "Contactless," which enable customers to simply place the card next a scanner to make a payment;

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- "MoneyCard – Visa Travel Money and Global Travel Card" are prepaid international cards designed for foreign currency transactions, which target international travel;
- "Agrocard Bradesco" created for farmers and combines the features of a credit card and a debit card. Holders of these cards can use them to buy farm products in stores authorized by Cielo;
- "Mastercard Black Corporate card" – developed for executives, with available services such as: Priority Pass, which provides access to more than 600 VIP lounges in airports, and Showpass, which facilitates the purchase of theater tickets and promotions through Plataforma Black;
- "Prepax Presente prepaid cards" – issued by Alelo, which is a pre loaded card which can be given as a gift to individuals. Purchasers define the credit's value and may opt to choose a commemorative topic or to personalize the card with a personal image;
- "Elo Food, Meal and Christmas Meal benefit cards" – in addition to reducing operating costs, the value proposal of this business is to enhance the efficiency of payment means, with 100% of virtual transactions, by offering more security and convenience to companies and workers;
- Utility Bills and Taxes Payment Services (via bar code) by way of the credit card option, in the internet banking channel. With this service, customers have up to 40 days to concentrate the payment of bills on a single date and also generate points/credits to the Rewards Programs they have with their Bradesco Cards;
- "Meu Dinheiro Claro", a prepaid card related to a Claro mobile telephone line that may be used for purchases in a broad network of stores, transfers between individuals that use this service, withdrawals, balances and statements, in addition to refills of prepaid credits for any Claro customer; and
- "Corporate Elo Card" for the E1 public, (individual entrepreneur), developed to assist companies in managing expenses and providing greater flexibility and independence.

As of December 31, 2013, we had more than 55 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.

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

		In millions	
	2013	2012	2011
Revenue – R\$			
Credit	119,407.0	103,542.5	89,624.1
Number of transactions			
Credit	1,346.7	1,225.6	1,105.8

Debit cards

We first issued debit cards in 1981 under the name "*Bradesco Instantâneo*." In 1999, we started converting all of our *Bradesco Instantâneo* debit cards into new cards called "*Bradesco Visa Electron*." In 2013, we launched "Elo" debit cards. Bradesco Visa and Elo debit cardholders can use them to purchase goods and services at establishments or make withdrawals through our self-service network in Brazil. Purchase amounts are debited to the cardholder's Bradesco account, thus eliminating the inconvenience and bureaucracy of writing checks.

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Cash Management Solutions

Management of receipts and payments

In order to meet the cash management needs of our customers in both public and private sectors, we offer many electronic solutions for receipt and payment management, 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) collection and payment services and (ii) online 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, also by funds in transit received up to its availability to the related recipients.

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 SWIFT network, we offer products and services for carrying out the cash management of these companies.

Solutions for receipts and payments

In 2013, we processed 896 million receipts through our collection system, checks custody service, identified deposits and credit orders via our teleprocessing system (credit order by teleprocessing or OCT), which was 4.5% more than in the same period of 2012.

In 2013, the volume processed through virtual means (Pag-For Bradesco, Net Empresa and Online Tax Payment) was 644 million documents, which represented a 18.1% increase as compared to the same period of 2012.

Production chain solutions

The Production Chain area seeks to search for customized solutions for our clients, tailored to the characteristics of each customer's sector and economic activity. The purpose of this operation is to facilitate the relationship and interconnection among all production chain elements: anchor companies and their customers, suppliers, distributors, service providers and employees, among others. Accordingly, it is possible to expand the client base, increase business volume and strengthen the client's loyalty to the Bank, by way of structured and driven actions.

Franchising solutions

The Franchising area seeks to search for customized solutions driven to the characteristics and needs of the Brazilian franchising sector (franchisers and franchisees). The purpose of this operation is the centralized servicing to all franchisees of the networks accredited to the Bank, thus improving the number of customers and the business volume in this significant sector of the Brazilian economy.

Market Niches

Customers in specific market niches, such as education, condominiums, health and expeditors and driving schools, among others, have the support of a qualified team to structure customized solutions, adding value to a customer's business, in accordance with profile, features and needs of the respective niche. Another important feature in this area is support for development of Local Productive Arrangements – LPA, providing business advisory services and assistance to these customers.

Public authority solutions

Public administration also requires agility and technology in its everyday activities. We have a business area specifically to serve this market, which offers specialized services 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), identifying business opportunities and structuring customized solutions.

Our exclusive website developed for these customers (www.bradescopoderpublico.com.br) poses corporate solutions for federal, state and municipal governments for payments, receipts, human resources and treasury services, meeting the needs and expectations of the Executive, Legislative and Judiciary branches. The portal also features exclusive facilities for public employees and the military showing all of our products and services for these customers.

The relationship works through exclusive service platforms located nationwide, with specialized relationship managers to provide services to these customers.

In 2013, the Bank took part in bidding processes sponsored by the Brazilian Government and was successful in over 90% of these processes. Furthermore, we became leaders in payments of INSS benefits, with approximately 7.9 million retirees and pensioners.

Asset management and administration

We administer and manage assets by way of:

- mutual funds;
- individual and corporate investment portfolios;
- pension funds, including assets guaranteeing the technical provisions of *Bradesco Vida e Previdência*;
- insurance companies, including assets guaranteeing the technical provisions of *Bradesco Seguros*;
- and
- Receivable funds (FIDCs - *Fundos de Investimento em Direitos Creditórios*), FIIs (Real Estate Investment Funds) and private equity funds (FIPs - *Fundos de Investimento em Participações*).

On December 31, 2013, we administered or managed 1,550 funds and 233 portfolios, providing services to 2.7 million investors. These funds comprise a wide group of fixed-income, non-fixed income and multimarket funds, among others.

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

Distribution of Equity as of December 31,	R\$ in thousands	
	2013	2012
Investment Funds		
Fixed income	373,551,609	369,287,183
Variable income	27,966,814	28,645,545
Third party share funds	6,355,220	8,781,502
Total	407,873,643	406,714,230
Managed Portfolios		
Fixed income	16,856,215	24,573,236
Variable income	8,389,755	9,301,431
Third party share funds	2,243,831	1,242,315
Total	27,489,801	35,116,982
Overall Total	435,363,444	441,831,212

As of December 31, Number	2013		2012	
	Quotaholders	Number	Quotaholders	Number
Investment Funds	1,550	2,731,246	1,373	3,159,302
Managed Portfolios	233	430	231	469
Overall Total	1,783	2,731,676	1,604	3,159,771

Our products are mostly distributed through our branch network, banking service by phone and the investor website via the Internet, the "ShopInvest" (www.shopinvest.com.br).

Services related to capital markets and investment banking activities

As the organization's investment bank, Bradesco BBI originates and executes mergers and acquisitions, and originates, structures, syndicates and distributes fixed-income and equity capital market transactions in Brazil and abroad.

In 2013, Bradesco BBI advised customers on over 200 transactions across a range of investment banking products, totaling R\$136.0 billion.

Equities

Main subsidiaries

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Bradesco BBI coordinates and places public offerings of shares in local and international capital markets and intermediates public tender offers. Bradesco BBI ended 2013 with a significant presence in IPOs and follow-ons by Brazilian issuers.

Based on data relating to public offerings registered with CVM in 2013, Bradesco BBI took part as an underwriter and joint bookrunner in ten offers totaling R\$19.7 billion. In addition to participating in the IPO of BB Seguridade, the largest IPO in Brazilian history, it also acted as one of the leading coordinators of the U.S. car manufacturer Ford offering involving the amount of US\$ 1 billion. This was the first time that a Brazilian bank acted within the leadership of a U.S. company's offering in the U.S.

Fixed income

After having been engaged on a number of significant projects during 2013, Bradesco BBI ended the year with a very strong presence in the fixed-income segment. For the year ended December 31, 2013, Bradesco BBI was the leader in terms of value, according to the fixed income - short-term ANBIMA ranking. In the period, it coordinated 123 domestic-market offerings totaling more than R\$33 billion.

In the international broker-dealer market, Bradesco BBI is continuously expanding its presence. In 2013, it acted as "joint bookrunner" for 17 bond issues, which exceeded the amount of US\$13 billion.

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Bradesco BBI obtained authorization from the Tokyo stock exchange to operate in the Japanese market as the coordinator of an offering of samurai bonds, thereby becoming the first Latin American bank to operate in this role in the Japanese debt capital markets.

Structured operations

Bradesco BBI develops structures and solutions for its customers, in terms of financing, offering a number of funding tools to companies, including those involving securitization. Additionally, Bradesco BBI has a strong presence in the acquisition finance segment.

In 2013, Bradesco BBI also held a leading position in the securitization ranking published by ANBIMA, as a result of structuring 12 operations with a total value of R\$1.7 billion.

Mergers and acquisitions

Bradesco BBI provides advisory services to important customers in merger, acquisition and corporate sale transactions, private placements, forming joint ventures, financial and corporate restructuring, and privatizations, in addition to occupying an outstanding position among the key investment banks in Brazil.

In 2013, Bradesco BBI was rated among the top banks that provided advice for mergers and acquisitions in Brazil. During the year, Bradesco BBI advised on 28 transactions with an approximate disclosed value of R\$34.8 billion.

Project finance

Bradesco BBI has a solid background as financial advisor and structuring agent for a number of projects involving project and corporate finance, seeking to optimize financing solutions for projects across various industries through both credit and capital markets. Bradesco BBI has excellent relationships with various development agencies such as BNDES, Banco Interamericano de Desenvolvimento ("BID") and International Finance Corporation ("IFC").

As of December 31, 2013, Bradesco BBI was involved in providing financial advice and structuring for approximately 70 projects totaling approximately R\$155 billion in investments. In 2013, Bradesco BBI was number one in Dealogic Latin American and Caribbean mandated lead arranger ranking. During the period, Bradesco BBI concluded transactions in energy generation, oil and gas, mining, port logistics, airports and urban mobility.

Intermediation and trading services

Bradesco S.A. CTVM (or "Bradesco Corretora") trades stocks, options, stock lending, public offerings and forwards. It also offers a wide range of products such as Brazilian government securities (under the *Tesouro Direto* program), BM&F trading and real estate funds, which are tailored to the needs of high net-worth individuals, major corporations and institutional investors.

In 2013, Bradesco Corretora traded more than R\$101.0 billion in the BM&FBOVESPA equities market and the exchange ranked it 12th in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded 30,002,876 futures, swaps and options totaling R\$2,745.0 billion on the BM&FBOVESPA. According to the BM&FBOVESPA, in 2013, Bradesco Corretora ranked 11th in the Brazilian market, in terms of the number of options, futures and swaps contracts executed.

Bradesco Corretora was awarded by BM&FBOVESPA, within the Operational Qualifying Program (PQO), all of the five excellence seals (Agro Broker, Carrying Broker, Execution Broker, Retail Broker and Web Broker), indicating the high quality of its future market transactions.

Bradesco Corretora offers its clients the possibility to trade securities on the Internet through its "Home Broker" service. In 2013, "Home Broker" trading totaled R\$10.4 billion, or 1.6% of all Internet transactions on BM&FBovespa, and Bradesco Corretora was the 17th largest Internet trader in the Brazilian market.

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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 of 34 analysts, it is composed of sector specialists (senior and assistant analysts), 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 700 reports, in English and Portuguese, are monthly forwarded to the most important investors domiciled in Brazil, the United States, Europe and Asia.

Through our Bradesco Corretora's brokerage rooms, our customers have access to professionals that are able to advise on investing in the BM&FBOVESPA. We currently run 15 rooms throughout Brazil. This means that Bradesco Corretora provides direct customer service and closer relations with customers, training and certifying employees for a range of operations. This channel is very profitable and enjoys a high-level of take-up from investors, making for closer relations with our network of branches as loyal customers concentrate their funds with us.

Bradesco Corretora also offers its services as a representative of non-resident investors for transactions in the financial and capital markets, in accordance with CMN Resolution No. 2,689/00, which we refer to as "Resolution No. 2,689/00." For more details of Resolution No. 2,689/00, see "Item 10.D. Exchange Controls."

Custody, depositary and administrative services

In 2013, we were one of the main providers of capital markets services and retained leadership in the domestic asset custody market, according to the ANBIMA ranking. Our modern infrastructure and specialized team offer a broad range of services such as: asset registration (shares, BDR - Brazilian Depositary Receipts, investment fund shares, Certificates of Real Estate Receivables or CRIs, and debentures); qualified custody for securities; custody of shares underlying Depositary Receipts (DRs); administrative services for investment funds ("CVM Instruction No. 409" Funds and Structured Funds) and managed portfolios; fiduciary administration for investment funds; offshore funds; custody and representation for foreign investors; administrative agent; depositary (escrow account - trustee) and clearing agent.

We submit our processes to the Quality Management System ISO 9001:2008 and GoodPriv@cy certifications. Bradesco Custódia alone has 10 quality related and three protection and data privacy certifications.

As of December 31, 2013, Bradesco Custódia offered:

- administrative and custody services for investment funds and managed portfolios and fiduciary administration for third-party funds involving:

- R\$940.6 billion in assets under custody for customers using custody services, as measured by methodology used for the ANBIMA ranking;
- R\$1.2 trillion in total shareholders' equity of investment funds and managed portfolios which are using our administration services, as measured by methodology used for the ANBIMA ranking;
- 27 registered DR programs with a market value of R\$95.3 billion; and
- R\$225.0 billion total shareholders' equity of third-party investment funds under fiduciary administration by BEM DTVM.
- Asset registration:
 - Bradesco's share registration system comprised 254 companies, with a total of 4.5 million shareholders;
 - our debenture registration system contained 304 companies with a total market value of R\$250.1 billion;
 - our fund share registration system contained 352 investment funds with a market value of R\$68.8 billion; and
 - we managed 25 registered BDR programs, with a market value of R\$1.5 billion.

In December 2013, the CVM changed the rules that govern these activities through the issuance of Instructions no. 541, 542 and 543, which address centralized deposit, custody and bookkeeping of securities, respectively. Pursuant to these new instructions, recording agents will be required to maintain records in relation to issuances of registered assets and custodians will be responsible for safeguarding assets that were physically issued or for which they are holders of customers' custody positions in central depository entities. In addition, centralized deposit service providers will take on a crucial role for trading assets in organized markets, concentrating all operations corresponding to deposited assets. These new instructions will take effect on July 1, 2014.

International banking services

As a private commercial bank, we offer a wide range of international services, such as foreign exchange transactions, foreign trade finance, lines of credit and banking. As of December 31, 2013, our international banking services included:

- New York City, a branch and Bradesco Securities Inc., our subsidiary brokerage firm, or "Bradesco Securities U.S.," and our subsidiary Bradesco North America LLC, or "Bradesco North America;"
- London, Bradesco Securities U.K., our subsidiary, or "Bradesco Securities U.K.;"
- the Cayman Islands, two Bradesco branches and our subsidiary, Cidade Capital Markets Ltd., or "Cidade Capital Markets;"
- Argentina, Banco Bradesco Argentina S.A., our subsidiary, or "Bradesco Argentina;"
- Luxembourg, Banco Bradesco Europa S.A. (formerly Banco Bradesco Luxemburgo S.A.) our subsidiary, or "Bradesco Europe;"
- Japan, Bradesco Services Co. Ltd., our subsidiary, or "Bradesco Services Japan;"
- Hong Kong, our subsidiary Bradesco Trade Services Ltd, or "Bradesco Trade;" and also Bradesco Securities Hong Kong or "Bradesco Hong Kong;" and
- Mexico, our subsidiary Bradescard México, Sociedad de Responsabilidad Limitada, or "Bradescard México."

Our international transactions are coordinated by our international and foreign exchange department in Brazil with support from 29 operational units specializing in foreign exchange businesses located at major exporting and importing areas nationwide.

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,	2013		2012 (Restated)		2011 (Restated)	
	R\$ in thousands	%	R\$ in thousands	%	R\$ in thousands	%
Brazilian operations	103,248,646	98.1%	94,198,281	98.3%	91,793,168	98.6%
Overseas operations	1,969,702	1.9%	1,590,704	1.7%	1,291,165	1.4%
Total	105,218,348	100.0%	95,788,985	100.0%	93,084,333	100.0%

Foreign branches and subsidiaries

Our foreign branches and subsidiaries are principally engaged in trade finance for Brazilian companies. Bradesco Europe also provides additional services to the private banking segment. With the exception of Bradesco Services Japan and Bradesco Trade Services, our branches abroad are allowed to receive deposits in foreign currency from corporate and individual customers and extend financing to Brazilian and non-Brazilian customers. Total assets of the foreign branches, excluding transactions between related parties, were R\$137.5 billion, as of December 31, 2013, denominated in currencies other than the *real*.

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Funding required for import and export finance is mainly obtained from the international financial community, through credit lines granted by correspondent banks abroad. As an additional source of funding, we issued debt securities in international capital markets, which amounted to US\$13.5 billion in 2013.

Bradesco Argentina – To expand our operations in Latin America, in December 1999, we established our subsidiary in Argentina, Bradesco Argentina, the general purpose of which is to extend financing, largely to Brazilian companies established locally and, to a lesser extent, to Argentinean companies doing business with Brazil. As of December 31, 2013, Bradesco Argentina recorded R\$169.9 million in total assets.

Bradesco Europa - In April 2002, we took control of Banque Banespa International S.A., Luxemburg, currently named Banco Bradesco Europa. As of December 31, 2013, its total assets were R\$6.7 billion.

Bradesco Services Japan – In October 2001, we incorporated Bradesco Services Japan to provide support and specialized services to the Brazilian community in Japan, including remittances to Brazil and advice regarding investments within Brazil. As of December 31, 2013, its assets totaled R\$1.0 million.

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.

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:

- The focus of Bradesco Securities U.S. is 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. As of December 31, 2013, Bradesco Securities U.S. had assets of R\$93.1 million;
- Bradesco Securities U.K. focuses on the intermediation of equities and fixed income operations for Brazilian companies with global institutional investors. On December 31, 2013, Bradesco Securities U.K. had assets of R\$20.9 million; and
- Bradesco Securities H.K. focuses on the trading of ADRs and public and private securities issued by Brazilian companies to global institutional investors. On December 31, 2013, Bradesco Securities H.K. had assets of R\$11.3 million.

Cidade Capital Markets – In February 2002, Bradesco acquired Cidade Capital Markets in Grand Cayman, due to the acquisition of its parent company in Brazil, Banco Cidade. As of December 31, 2013, Cidade Capital Markets had R\$95.4 million in assets.

Bradesco North America LLC was incorporated in August 2011 to be used as a holding company focused on Bradesco's investments in non-bank businesses in the United States. As of December 31, 2013, its total assets was R\$4.8 million.

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 lines, 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.

Import and export financing

Our Brazilian foreign-trade related business consists of export and import finance.

We provide foreign currency payments directly to foreign exporters on behalf of Brazilian importers, which are linked to the receipt of local currency payments by the 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 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 or services have been delivered, they are referred to as Advances on Export Contracts, or "ACEs."

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There are still 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 the PROEX rate equalization program.

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 1,000 correspondent banks abroad, 63 of which extended lines of credit as of December 31, 2013.

As of December 31, 2013, our international unit had a balance of R\$29.5 billion in export financing and R\$10.4 billion in import financing and international finance. The volume of our foreign exchange contracts for exports reached US\$44.2 billion in 2013. In the same period, the volume of our foreign exchange contracts for imports reached US\$34.6 billion. In 2013, based on Central Bank data, we reached an 18.1% market share of trade finance for Brazilian exports and 15.6% for imports.

The following table shows the composition of our foreign trade asset portfolio as of December 31, 2013:

2013	R\$ in thousands
Export financing	
Advance on foreign exchange contracts – undelivered bills	5,889,466
Advance on foreign exchange contracts – delivered bills	646,915
Export prepayment	10,066,775
Onlending of funds borrowed from BNDES/EXIM	3,300,835
Proex - Rate Equalization Program	54,112
NCE/CCE (Exports Credit Note/Exports Credit Certificates)	9,525,804
Total export financing	29,483,907
Import financing	
Import financing – foreign currency	6,853,418
Exchange discounted in advance for import credit	1,709,070
Import credit opened	735,505
Total import financing	9,297,993
International financing	1,102,616
Total foreign trade portfolio	39,884,516

Foreign exchange products

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

- WEB export and import contracts;

- collecting import and export receivables;
- 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;
- foreign loans to customers (Decree-Law No. 4,131/62);
- service agreements – receiving funds from individuals abroad via money orders;
- prepaid cards with foreign currency (individual and corporate customers);
- purchasing and selling travelers checks and foreign currency paper money;

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- cashing checks denominated in foreign currency;
- international financial clearance certificate; and
- 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," in which members pool their resources to facilitate the purchase of certain consumer goods. The purpose of a consortium is the acquisition of goods, as Brazilian law prohibits the formation of consortia for other purposes.

Our purchasing consortium company (Bradesco Consórcios) manages plans for groups of purchasers buying real estate, automobiles and trucks/tractors/machinery and equipment. In January, 2003, our subsidiary Bradesco Consórcios initiated the sale of consortium quotas, to our customers. According to the Central Bank, in May, 2004, Bradesco Consórcios became the leader in the real estate segment and, in December 2004, it also became the leader in the automobile segment. In October, 2008, Bradesco Consórcios became the leader in the trucks/tractors/machinery and equipment segment. As of December 31, 2013, Bradesco Consórcios registered total sales of 924,246 outstanding quotas in the three segments, with total revenues of over R\$36.5 billion and net income of R\$475.3 million.

Insurance, pension plans and capitalization bonds

The following diagram shows the principal elements of our insurance, pension plans and capitalization bonds segment as of December 31, 2013:

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The following table shows selected financial data for our insurance, pension plans and capitalization bonds segment for the periods indicated. This segment information is prepared in accordance with accounting practices adopted in Brazil, which are the accounting practices on which the reports used by Management to assess performance and make decisions are based.

As of and for the year ended December 31,	R\$ in thousands		
	2013	2012	2011
Statement of Income data			
Net interest income	5,589,328	3,124,512	3,274,715
Other income and expenses ⁽¹⁾	446,778	2,725,672	1,905,577
Income before income taxes	6,036,106	5,850,184	5,180,292
Income and social contribution taxes	(2,253,451)	(2,196,399)	(1,850,139)
Net income for the year	3,782,655	3,653,785	3,330,153
Net income attributable to controlling interest	3,692,531	3,591,743	3,201,449
Net income attributable to non-controlling interest	90,124	62,042	128,704
Statement of Financial Position data			
Total assets	160,295,583	153,695,571	123,867,399
Selected results of operations data			
Income from insurance and pension plans			
Written premiums	42,226,410	37,899,360	32,136,300
Pension plan contributions	3,584,290	3,273,485	3,061,682
Coinsurance premiums ceded	(154,125)	(198,281)	(190,724)
Premiums returned	(543,779)	(500,468)	(418,791)
Reinsurance premiums	(225,581)	(297,351)	(272,924)
Premiums retained from insurance and pension plans	44,887,215	40,176,745	34,315,543
Changes in the insurance technical provisions and pension plans	(20,001,807)	(23,326,101)	(18,212,405)
Retained claims	(15,484,691)	(13,123,833)	(11,168,612)
Selling expenses for insurance and pension plans	(2,468,088)	(2,314,815)	(1,859,208)
Income from insurance and pension plans	6,932,629	1,411,996	3,075,318

Note: Data presented above include income from related parties outside the segment.

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

Insurance products and services

We offer insurance products through a number of different entities, which we refer to collectively as "Grupo Bradesco Seguros." Grupo Bradesco Seguros is leader in the Brazilian insurance market.

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, 2013, there were 25.8 million life insurance policyholders.

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 staff.

On December 31, 2013, Bradesco Saúde and its subsidiary Mediservice Administradora de Planos de Saúde S.A ("Mediservice") had more than 4.1 million beneficiaries covered by company plans and individual/family plans. Approximately 82 thousand companies in Brazil pay into plans provided by Bradesco Saúde and its subsidiaries, including 52 of the top 100.

Bradesco Saúde currently has one of the largest networks of providers of health services in Brazil. As of December 31, 2013, it included 9,976 laboratories, 13,211 specialized clinics, 15,038 physicians and 2,495 hospitals located throughout the country.

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Automobiles, property/casualty and liability insurance

We provide automobile, property/casualty and liability insurance through our subsidiary Bradesco Auto/RE. Our automobile insurance covers losses arising from vehicle theft, damage to the passenger and third-party injury. 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 mass property/casualty lines for individuals, our residential note ("Bilhete Residencial") is a relatively affordable and highly profitable product. For corporate customers, Bradesco Auto/RE offers Bradesco Seguro Empresarial (business insurance), which is adapted to meet our customers' and business needs. For corporate property/casualty and liability insurance, Bradesco Auto/RE has an exclusive highly specialized team that provides large business groups with services and products tailor-made to the specific needs of each policyholder. Top sellers in this segment are insurance policies for transportation, engineering, operational and oil risks.

As of December 31, 2013, Bradesco Auto/RE had 1.5 million insured automobiles and 2.2 million property/casualty policies and notes, making it one of Brazil's main insurers.

Other Information***Sales of insurance products***

We sell our insurance products through brokers in our branch network and through non-exclusive brokers throughout Brazil. Bradesco Seguros pays brokers' fees on a commission basis. As of December 31, 2013, 33,422 brokers publically offered our insurance policies. We also offer certain automobile, health, and property/casualty insurance products directly through our website.

Pricing

Pricing of group health insurance policies in Brazil is based on historical data relating to: (i) medical, hospital and dental care costs, as well as (ii) frequency of utilization per procedure. Actuarial studies for pricing health insurance also take into consideration the distribution and frequency of claims by age brackets of the insured population and by geographical area, along with the insurance coefficients adopted in accordance with best actuarial practices.

The pricing of life insurance is usually based on life expectancy statistics, and in some cases, the frequency of the average amounts of claims actually made by the Brazilian population. Any amount exceeding the reinsurance agreement limit (facultative) is also transferred to reinsurance companies such as by IRB.

The pricing of automobile insurance depends on the frequency and severity of the claims made, and includes several factors such as place of use of the vehicle and its specific characteristics. We also factor customer profiles into the pricing of automobile insurance, in line with market practice.

The profitability of automobile insurance largely depends on detecting and correcting the discrepancy between premium levels and expected claim costs. Among other factors, premiums charged for damage insurance for vehicles include the value of the insured automobile. Consequently, premium levels partially reflect the sales volume of new automobiles.

Pricing for the mass property/casualty insurance sector is also based on frequency and average amounts of claims, and on specific characteristics of the insured party's location. Pricing for corporate property/casualty insurance varies with the specific characteristics of each risk insured. Depending on the type of coverage and/or amount insured we may have to consult the reinsurance companies to obtain the basis for an insurance contract.

Reinsurance

Brazilian regulations set retention limits on the amount of risk insurance companies may underwrite without having to purchase reinsurance. Under these regulations, risk underwritten by Bradesco Auto/RE is reinsured substantially with IRB if insured amounts exceed retention limits or if reinsurance is recommended for technical/actuarial decisions taken to minimize the risks of certain portfolios.

In January 2007, Brazil's Congress enacted Supplementary Law No. 126/07, which abolished IRB-Brasil Re's monopoly and allowed three types of reinsurers referred to as "local," "admitted" and "occasional," thus opening up Brazil's reinsurance market for competition. Under the same supplementary law, IRB was recognized as a local reinsurer and authorized to continue its operations and make any required adjustments in due course.

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As of the end of 2007, CNSP and SUSEP issued a number of normative instructions containing rules for reinsurance, retrocession and intermediation business, based mainly on CNSP Resolution No. 168/07.

To be registered as admitted or occasional reinsurers in Brazil, foreign-based reinsurance companies must meet certain requirements, such as having at least five years of experience in their country of origin, equity of at least US\$100 million (admitted) or US\$150 million (occasional), and certain minimum ratings from agencies Standard & Poor's, Fitch, Moody's or AMBest. For admitted reinsurers, these minimum ratings are as follows: BBB- (S&P/Fitch), Baa3 (Moody's), or B- (AMBest); and for occasional reinsurers: BBB (S&P/Fitch), Baa2 (Moody's), or B++ (AMBest).

Through Decree No. 6,499/08, the President of Brazil set maximum limits for the ceding of premiums to reinsurance companies in each calendar year. For local insurers, such maximum limit was 10% of premiums, and for local reinsurers, 50% of premiums. In the case of local insurers, CNSP Resolution No. 203/09 raised the limit from 10% to 25% in the case of guarantees for public obligations and oil risks.

Local reinsurers must be incorporated as *sociedade anônima* business corporation in Brazil with capital of at least R\$60 million. As of March 2011, under SUSEP Resolution No. 225/10, at least 40% of any insurers' ceded risk must be placed with local reinsurers for both treaty and facultative contracts.

CNSP Resolution No. 241/11 enabled the transfer of risks as part of reinsurance or retrocession operations to reinsurers not authorized by SUSEP as long as the shortfall in the Brazilian reinsurance market's capacity has been shown and certain rules and limits are followed.

On December 31, 2013 there were 111 reinsurers authorized to operate in the Brazilian market, including IRB and Lloyd's of London. Twenty-eight reinsurance brokerage firms have authorization to intermediate reinsurance and retrocession operations.

Bradesco Auto/RE purchases reinsurance from a small number of reinsurers authorized by SUSEP and previously approved by its *Diretoria Executiva*, and has IRB as its main reinsurer, having granted IRB through December 31, 2013 the leadership in all automatic agreements and 100% of optional agreements. These reinsurers are classified by SUSEP as local (IRB) or admitted (other), posting capital and rating above the minimum determined by the Brazilian legislation.

We emphasize that practically all the property and casualty portfolios, except automobiles, have reinsurance protection, of which the major portion is by means of proportional and non-proportional plans, the latter being per risk and/or per event. The premium assigned in reinsurance, in relation to the premium issued by the insurance company, is relatively small.

All re-insurance contracts are entered into directly with the re-insurer, without the intermediation of any reinsurance brokers, and they adopt the re-insurance contractual provisions prepared by the company's technical and legal departments.

In 2013, Grupo Bradesco Seguros reinsured approximately R\$225.6 million in reinsurance premiums, a relatively small sum as compared to total premiums issued. Although reinsurance is accountable to assignors according to the reinsured sum, insurance companies are primarily accountable before their insured parties for the entire risk assumed.

Pension plans

We have managed individual and corporate pension plans since 1981 through our wholly-owned subsidiary Bradesco Vida e Previdência, which is now 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 withholding taxes on income generated by the fund portfolio.

As of November 30, 2013, Bradesco Vida e Previdência accounted for 29.8% of the pension plan and VGBL market in terms of contributions, according to Fenaprevi. Also according to the same source, managed pension funds accounted for 29.5% of VGBL, 25.4% of PGBL and 43.2% of traditional pension plans in Brazil. As of November 30, 2013, Bradesco Vida e Previdência accounted for 32.1% of all supplementary pension plan assets under management, 30.5% of VGBL, 24.0% of PGBL and 51.9% of traditional pension plans, according to Fenaprevi.

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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" private pension 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 2.4 million participants, 62.4% of whom have individual plans, and the remainder of whom are covered by company plans. The company's plans account for approximately 25.7% of our technical reserves.

Under VGBL, PGBL and FAPI 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% 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 these benefits, pursuant to current legislation.

VGBL and PGBL plans may be acquired by companies in Brazil for the benefit of their employees. In 2013, Bradesco Vida e Previdência managed R\$74.1 billion in VGBL and R\$19.4 billion in PGBL plans. Bradesco Vida e Previdência also managed R\$25.9 billion in pension plans.

Bradesco Vida e Previdência also offers pension plans for corporate customers that are in most cases negotiated and adapted to specific needs of the corporate 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 offers its customers capitalization bonds with the option of a lump-sum or monthly contributions. Plans vary in value (from R\$8 to R\$50,000.00), form of payment, contribution period, and periodicity of draws for cash prizes of up to R\$2.0 million (gross premiums). Customers' contributions earn interest at a rate of TR plus 0.5% per month 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, 2013, we had around 8.2 million "traditional" capitalization bonds and around 15.2 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. In 2013, Bradesco Capitalização had approximately 23.4 million capitalization bonds and 3.5 million customers.

Bradesco Capitalização was Brazil's first company in its market to receive the ISO 9001 Quality Management Certificate, and has preserved it since then. It has been certified since 2009 by Fundação Vanzolini in the ISO 9001:2008 version for the scope of "Management of Capitalization Bonds."

Bradesco Capitalização is the only company in its industry to have received a Standard & Poor's ("S&P") rating of "brAAA", the highest rating in Brazil.

Treasury activities

Our treasury department trading includes derivative transactions, mainly for economic hedging purposes (known as "macro-hedge"). Transactions such as these comply with limits set by our senior management and guidelines from our integrated risk control unit using a value-at-risk ("VaR") methodology. For more information about our VaR methodology, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk-Value at Risk" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk-Market Risk."

Distribution channels

Our branch network is complemented by other distribution channels, such as: points of service, banking correspondents, ATMs, telephone banking services, and Internet and mobile banking. In introducing new distribution systems, we have focused on enhancing our security as well as increasing efficiency.

By the end of 2013, we had 4,674 branches, 4,766 points of banking services and 46,851 banking correspondents (Bradesco Expresso) and 3,003 points of service outside of our own ATM network.

For information on our international branches as of December 31, 2013, see "International banking services."

Specialized distribution of products and services

As part of our distribution system, we have five areas that offer a range of different products and services on an individualized in all specific segments of our customer base. By segmenting the market, we aim to cater for different profiles and scales of customers, thus enhancing service and improving efficiency.

Bradesco Varejo

Bradesco is present in 100% of municipalities in Brazil. The Bradesco Varejo service network comprises 4,258 branches, 3,577 banking and electronic points of service, 1,180 mini-branches and 46,851 Bradesco Expresso banking correspondent units, in addition to thousands of ATMs.

Bradesco Varejo's focus is on individuals with monthly income of no more than R\$9,000 and companies with annual revenues of up to R\$30.0 million. Individual customers with monthly income from R\$4,000 to R\$9,000 are known as Exclusive customers, and corporate customers, with annual revenues of up to R\$30.0 million are known as *Empresas e Negócios*. The retail area provides customized services with adequate financial solutions for each profile.

As of December 31, 2013, Bradesco Varejo provided assistance to over 25.5 million account holders.

The service network makes products and services available even at remote or hard-to-reach areas and also at densely populated and low income communities, such as: Rocinha, Cidade de Deus, Rio das Pedras, Complexo do Alemão, Gardênia Azul, Cantagalo, Turano, Santa Marta, Mangueira and Chapéu Mangueira in Rio de Janeiro, and Heliópolis and Paraisópolis in São Paulo.

Bradesco Prime

Bradesco Prime was created in May 2003 and its public target is high-income customers. Its mission is to be the bank of choice for these customers by focusing on quality relationships, and providing solutions for their needs through well-trained teams, adding shareholder and collaborator value while upholding our ethical and professional standards. Bradesco Prime offers the following value added services:

- **Personalized services provided by relationship managers:** experienced and skilled professionals with certification from ANBIMA, providing full financial advisory services and managing a small client portfolio;
- **Exclusive facilities:** Bradesco Prime customers have access to their own network of exclusive branches offering convenience and privacy to tend to their business affairs and can count on “Bradesco Prime Spaces” - a reserved and distinctive environment at Bradesco Varejo branches that fully maintains the segment's value proposition. Our nationwide branch network, including "Bradesco Dia & Noite" and "Banco24Horas" ATMs is also available to Bradesco Prime customers;
- **Exclusive products and services:** Bradesco Prime has a comprehensive set of differentiated products and services, such as internet banking (bradescoprime.com.br), call center (*Fone Fácil* Bradesco Prime), online advisors and investment funds, credit solutions with distinct rates, a diversified portfolio of insurance, pension plans and credit cards, among others; and
- **Bradesco Prime loyalty program:** introduced to further acknowledge and enhance customer relationships. By purchasing products and services, customers gain points that can be converted into benefits such as 12 days of interest-free overdraft, or up to 40% reduced overdraft charges and up to 100% off the package of services.

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Present in all Brazilian capital cities, Bradesco Prime has been investing in technology, improvement of relationships with customers and training of its professionals throughout its entire history. It has earned an outstanding position in the Brazilian market for banking services for high-income customers and has consolidated as the largest banking services provider for these customers in terms of its service network, with 304 branches and 400 Bradesco Prime Spaces strategically positioned.

Since 2005, the Bradesco Prime Department has been certified by Fundação Vanzolini as "ISO 9001:2008" in the scope "Bradesco Prime Segment Management," thus showing our comm