BANK BRADESCO
Form 20-F
April 30, 2014

Form 20-F

Table of Contents

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., 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 “Preferred Share 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.

table of contents

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.

table of contents

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."

Selected Financial Data

Year ended December 31, (Restated)	US$ in thousands (1) 2013	R$ in thousands 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,	R$, except for number of shares				
	2013	**2012 (Restated)**	**2011 (Restated)**	**2010**	**2**
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,
Preferred	2,096,606,848	2,098,472,511	2,097,504,111	2,069,503,929	2,042,

(1) Data on earnings and dividends per share reflects: (a) the split of our Capital Stock on January 22, 2010, in whic 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 o shareholders one new share for each ten shares held of the same type, which was approved by our shareholders o 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 divid per share paid to common shareholders. For purposes of calculating earnings per share according to IFRS, we use same criteria adopted for dividends per share. For a description of our two classes of shares. see "Item 10.B. Memo 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 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 increasing share capital from R$28,500 million to R$30,000 million by issuing 62,344,140 new book-entry registered without par value, of which 31,172,072 were common and 31,172,068 preferred shares, at the price per share of R$ through private subscription by shareholders from December 29, 2010 through January 31, 2011, in the proportion o 1.657008936% of the shareholder´s holdings as of the date of the meeting, which was paid in cash on February 18, and

(5) The Special Shareholders' Meeting held on March 11, 2013 deliberated on the capital increase of R$8,000,000 t
from R$30,100,000 thousand to R$38,100,000 thousand, through the capitalization of a portion of the "Profit Reser
Statutory Reserve" account, in compliance with Article 169 of Law 6,404/76, with a 10% stock bonus, through the is
382,479,458 new no-par registered, book-entry shares, of which 191,239,739 are common shares and 191,239,71
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,			**In US$**		
	2013	**2012**	**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.

table of contents

As of December 31,	US$ in thousands (1)	R$ in thousa		
	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 exchange rate on March 31, 2014. Such translations should not be construed as a representation that the Brazili have been or could be converted into U.S. dollars at that rate.

table of contents

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:

Closing Selling Rate for U.S. dollars – R$ per US$1.00

Period	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.

table of contents

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.

table of contents

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.

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.

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.

table of contents

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.

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 case losses for us.

table of contents

Form 20-F

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.

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.

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.

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.

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);

table of contents

–- *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.

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.

table of contents

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 now 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:

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.

table of contents

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 maket share was 24.2% (SUSEP and ANS).

table of contents

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).

table of contents

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."

table of contents

Revenues per business segment

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

Years Ended December 31,	**R$ in thousands**		
	2013	**2012**	**2011**
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."

table of contents

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:

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.

table of contents

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:

		R$ in thousands, except %	
December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**

Deposits from customers						
Demand deposits	**39,633,427**	**18.3%**	**37,684,247**	**17.9%**	**32,537,861**	**15.0%**
Reais	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%**
Reais	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%**
Reais	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.

Loans and advances to customers

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

	R$ in thousands		
December 31,	**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.

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.

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.

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;

- "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.

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 expediters 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.

Bradesco 39

table of contents

Form 20-F

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,	2013		2012	
	Number	Quotaholders	Number	Quotaholders
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

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.

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.

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,theCVM 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 depositary 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*.

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."

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;

table of contents

- 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:

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.

table of contents

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.

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.

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.

table of contents

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 commitment to continuous improvement of processes and customer satisfaction.

Bradesco Private Bank

Bradesco Private Bank was created in 2000 for the sole purpose of advising high net-worth individuals, family-owned holding companies and investment companies with high liquidity availability for investments. Bradesco Private Banking finds the most appropriate financial solution for each customer profile based on tailor-made basis focusing on asset allocation, tax guidance and estate planning.

Bradesco Private Bank has offices located in São Paulo, Rio de Janeiro, Belo Horizonte, Blumenau, Brasília, Campinas, Caxias do Sul, Curitiba, Florianópolis, Fortaleza, Goiânia, Londrina, Manaus, Porto Alegre, Recife, Ribeirão Preto and Salvador. Bradesco Private Banking is supported by our international units in the Cayman Islands, New York and Luxemburg.

Bradesco Private Bank earned “ISO 9001:2008” certification for "Customer Relationship Management with High Net Worth Individuals and Management of Integrated Solutions – São Paulo and Rio de Janeiro Offices." It also has the "GoodPriv@cy" (*Data Protection Label* – 2007 *edition*, awarded by *IQNet International Quality Network*) for "Management of Privacy for Data Used in Relationships with High Net Worth Customers – São Paulo Unit.”

Bradesco Empresas

Bradesco Empresas serves companies whose annual revenues range from R$30 million to R$250 million through its 71 business units strategically located in state capitals, as follows: Southeast (42), South (17), Mid-West (4), Northeast (6) and North (2). It also has 59 Espaços Empresas (spaces reserved for Bradesco Empresas) in strategic locations not heavily serviced by Bradesco Empresas. These are specially structured places for rendering services to economic groups within the segment.

Bradesco Empresas offers top quality business management with products such as loans and advances, financing, investments, foreign trade, hedging transactions, cash management and structured transactions in capital markets to ensure customer satisfaction and good results for us.

Bradesco Empresas manages funds totaling R$115.0 billion through loans and advances, deposits, funds and collections.

Bradesco Corporate

Our Corporate segment was created in 1999 to serve companies posting annual revenues of more than R$250 million in most cases, served by a team of 143 with centralized relationship management offering both traditional and tailor-made products.

table of contents

Branch Network

The principal distribution channel for our banking services is the branch network. In addition to offering retail banking services, branches serve as a distribution network for all of the other products and services, including payment and collection management services, private banking services, credit cards and asset management products. We market leasing services through channels operated by the branch network, as well as through our wholly owned subsidiaries Bradesco Leasing and Bradesco Financiamentos. Bradesco Corretora and Bradesco Consórcios also offer our services of brokerage, trading and purchasing consortium services through our branches. Bradesco Vida e Previdência sells its products through 10,103 independent agents nationwide, most of whom are based on our own premises. Compensation for these agents is commission-based.

We sell our insurance products, pension plans and capitalization bonds through our website, through exclusive brokers based in our network of bank branches, and non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis. As of December 31, 2013, there were 33,422 brokers were offering our insurance policies to the public. Our capitalization bonds are offered through our branches, the Internet, our call center, ATMs and external distribution channels.

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

	% of total sales, per product		
	2013	**2012**	**2011**
Insurance products			
Sales through the branches	37.9%	38.1%	45.3%
Sales outside the branches	62.1%	61.9%	54.7%
Pension plans products			
Sales through the branches	86.1%	83.7%	76.8%
Sales outside the branches	13.9%	16.3%	23.2%
Capitalization bonds			
Sales through the branches	82.1%	79.6%	84.1%
Sales outside the branches	17.9%	20.4%	15.9%

Other distribution channels

Bradesco Dia & Noite Digital channels

The Bradesco Dia & Noite digital channels offer mobility and independence to customers so that they may expand their businesses with us.

We aim to make the banking experience even more convenient, fast and safe. In addition to the traditional service channels, such as Self-Service, “Fone Fácil” (easy phone) and internet banking, customers and users have access to us via Bradesco Celular (mobile banking).

People with disabilities and reduced mobility are provided with internet banking services for the visually impaired; personalized assistance for the hearing impaired using digital language at *Fone Fácil, Bradesco Celular* for the visually impaired; visual mouse for people with motor disabilities; and access to ATMs for customers with visual and physical disabilities, among others.

We are present on social networks, through which we monitor our brand, products and services, provide services and interact with users. We were the first bank to develop a Facebook access application, which enables making inquiries, payments, transfers and request of personal loans while navigating on the social network.

In 2012, we introduced Bradesco Next, a fully digital and multitouch interaction facility developed to test new forms of banking service usage, formats and layouts. The strategy behind Bradesco Next is to develop new digital services that may be used in our branches.

Bradesco Celular (*Mobile banking*)

We were the first Brazilian institution to use mobile banking. Through this channel the customer can check bank balances and statements, make payments, recharge prepaid mobile phones, make transfers, get loans, obtain quotes and follow stock purchase and sale orders, among other things. Our website www.bradescocelular.com.br provides detailed information on products and services. In 2013, 867.8 million transactions were carried out via Bradesco Celular.

Additionally, Bradesco Celular also provides the following services:

- Bradesco Direct Reload: a service that enables reloading credits for prepaid mobile phones with just a single call from the device itself, even if there are no credits available for making calls. This feature is currently available for mobile phone users who are registered customers of Brazilian mobile phone network operators, Vivo and Claro;

- SMS payments: previously-registered customers receive messages to schedule payments in advance or make payments with their banking collection forms registered with the DDA or utility bills, by simply answering a SMS;

- InfoCelular (information on mobile phones): with this feature, our registered customers quickly and safely receive SMS messages reporting on banking transactions for their account in accordance with the period and amount they designate;

- Bradesco Net Empresa Celular (Bradesco Net Company Mobile Banking): made available for corporate customers using mobile phones to check bank balances and authorize transactions;

- Conta Bônus Celular Bradesco (Bradesco Mobile Bonus Account): in addition to providing access to a number of financial services, the amount of the monthly fee for the basket of services is converted into a prepaid mobile phone bonus credits;

- Token embedded in the mobile device: an innovative and pioneering service in the market, the embedded token provides an additional convenience option for our customers by enabling them to authenticate any transaction carried out on the device and other digital channels; and

- Bradesco Celular via SMS (SMS Banking): this service allows our customers to confirm balances, see their last three entries in a bank statement and reload credits for prepaid mobile phones via SMS.

Internet

In 2011, we introduced a new version of our Internet Banking service, which included more than 50 innovations, in particular an "A" key for Quick Access, an Intelligent Payment feature which automatically recognizes the intended type of payment through a bar code, and a search box located on all pages.

The Portal Bradesco has 14 transactional sites for banking transactions and 48 institutional sites, which provide information on the Bank, guidance on security, disclosure of social and environmental actions, and specific investor publications, among others. The institutional sites in turn have been restructured, whereby information and products/services were reorganized, contents simplified and language adapted to digital channels.

In 2013 our customers, both individual and corporate, carried out 4.2 billion online transactions. Our corporate customers can use Bradesco Net Empresa, which allows them to check their account balances online and carry out banking transactions and transfers quickly and safely.

Self-service network

Our self-service network has 33,464 ATMs strategically distributed across Brazil, providing quick and convenient access to products and services. In addition to our ATMs, customers can access the pooled network of 14,739 Banco24Horas machines to effect transactions such as cash withdrawals, statements, balance status queries, loans, payments of payment vouchers, transfers between Bradesco accounts and transfers to other banks. As of December 31, 2013, 2.1 billion transactions were conducted through ATMs.

We were a pioneer in Brazil in introducing a biometric reading system that identifies customers and authenticates ATM transactions through a sensor/invisible light beam capturing the image of the vascular pattern of the palm of the hand. This technology allows our customers to carry out transactions using only their card and hand palm reading. In addition, for greater convenience, customers may also withdraw cash and check balances without their card, simply using biometry and a six-digit password, so that transactions are carried out more easily and quickly. We believe, the biometric reading system is one of the world's most advanced security technologies. This technology is available in 33,254 of our ATMs and in 6,344 ATMs of the Banco24Horas network.

Based on an agreement with the INSS, this technology allows retired customers and pensioners to perform "proof of life" with the use of automatic biometrics, without the need to go to a bank counter to submit documentation, thereby expediting the process.

Telephone services – Fone Fácil

Fone Fácil is Bradesco's telephone banking system. The customized service system, with financial experts and virtual servicing, makes Fone Fácil one of the most efficient service channels and we have one of the most awarded banking relationship centers in Brazil, which is available to customers on a 24/7 basis.

Through this channel, the customer may acquire products, obtain information on their account, credit card, social security benefits, capitalization bonds and carry out a number of transactions, such as: checking account balances, bank statements, payments, transfers, credit transactions, investments, registering with the Bradesco Token into the mobile device, registering and disabling a four-digit password, cancellation and reissuing of cards, among other services.

In addition to the customized digital service, customers have access, through a number of specific numbers, to several telephone service centers including service centers for: internet banking, Net Empresa, Consortium, Private Pension Plan, Bradesco Financiamentos and *Alô Bradesco*.

During 2013, 364.2 million calls were registered, and 473.2 million transactions were completed.

Banking units in retail chains

We have also entered into partnership agreements with retail chains, supermarkets, drug stores, grocery stores, and other retailers, to provide correspondent banking services (mostly to pay bills, withdraw cash from checking and savings accounts, and receive pension payments). These offices are staffed by employees of our business partners, but all credit decisions are made by our employees.

Integrated risk control

The Integrated Risk Control Department is responsible for the following activities:

Risk management

Risk management is of great strategic importance to us due to the increasing complexity of services and products and the globalization of our business. The improvement in this activity has enabled us to be the first and only bank in Brazil authorized by the Central Bank to use, since January 2013, internal market risk models, which were already used for management, in order to calculate the regulatory capital set forth in the Basel Accord.

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

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

Risk Management Structure

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

The “Integrated Risk Management and Capital Allocation Committee” is responsible for advising the Board of Directors on the performance of its roles in the management and control over risks and capital.

The committee is assisted by the Capital Management Executive Committee and the executive committees for risk management of: a) Credit; b) Market and Liquidity; c) Operational; d) Grupo Bradesco de Seguros e Previdência; and e) Basel II Implementation. There are also executive committees for our business units, whose tasks include suggesting limits for exposure to their related risks and devising mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee and the Board of Directors.

Credit risk

Credit risk is the possibility of losses associated with a borrower’s or counterparty’s failure to comply with their respective contractual obligations under the originally agreed terms. For purposes of risk management disclosure, we consider and consolidate all credit risk elements exposed, such as the depreciation of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, including benefits granted in renegotiations, recovery costs and other amounts related to the counterparty’s non-compliance with financial obligations.

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

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

In order to ensure the quality expected from the portfolio, committees monitor all relevant aspects of the process of lending, concentration, collateral requirements, maturities, and other aspects.

We aim to continually outline all the activities that could potentially generate exposure to credit risk, as well as identifying managers, measurement and mitigation plans for those activities.

Credit Risk Management Process

Credit risk management is conducted in an institution-wide, centralized manner. All exposure to risk is analyzed, measured, classified and monitored independently.

The Credit Risk area participates in improving the customer risk rating models, following up large risks by periodically monitoring major delinquencies and the provisioning levels for expected and unexpected losses.

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

Corporate control and monitoring of our credit risk take place in the credit risk unit of the Integrated Risk Control Department. In the governance structure for risks, this department coordinates with the Credit Risk Management Executive Committee on discussions and implementation of the methodologies to measure the credit risk. Relevant issues discussed by this committee are reported to the Integrated Risk and Capital Allocation Committee, which reports to the Board of Directors.

In addition to the committee meetings, the business area holds monthly meetings with officers and heads of products and segments to ensure they are informed about the evolution of the portfolio of loans and advances, delinquency, losses, credit recovery, portfolio limits and concentrations, and other items. This information is also reported to the Audit Committee.

The business area also tracks each internal or external event that may significantly impact credit risk for the organization such as mergers, bankruptcies or crop failures and monitors sectors of economic activity in which the company has most exposure risks.

Both the governance process and limits are validated by the Integrated Risk and Capital Allocation Committee, submitted for approval by the Board of Directors, and reviewed at least once a year.

Market Risk

Market risk is the possibility of a loss of income due to fluctuating prices and rates resulting from mismatched maturities, currencies and indicators of our asset and liability portfolios.

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

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

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

Market risk measurement and control are carried out through stress methodologies, Value at Risk (VaR), Economic Value of Equity (EVE), and sensitivity analysis, and limits for earnings management and financial exposure. The use of several methodologies to measure and evaluate risks is important, as they are always supplementary to each other and their combined use permits capturing different scenarios and situations.

Bradesco 57

table of contents

In line with corporate governance and in order to preserve and strengthen our management of market and liquidity risks, as well as to meet the requirements of CMN Resolution No. 3,464/07, the Board of Directors approved the Market and Liquidity Risk Management Policy, which is reviewed at least annualy by the relevant committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market and liquidity risk.

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

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

Market Risk Management Process

Our market risk management process is run on a corporate wide basis. This process involves several areas with specific duties, ensuring an efficient structure, with market risk measurement and control carried out on a centralized and independent basis. This process allowed us to be the first and only financial institution in Brazil authorized by the Central Bank to use, as of January 2013, internal market risk models to calculate the needs for regulatory capital. The management process, approved by the Board of Directors, is also reassessed at least annually by the relevant committees and the Board of Directors itself.

Definition of limits

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

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

The trading portfolio is monitored by limits of:

- risk;
- stress;
- results; and
- financial exposure.

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

The banking portfolio is monitored by limits relating to:

- interest rate risk; and
- equities portfolio.

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

In addition to daily reports, exposures are discussed weekly by the Treasury's Executive Committee, which assesses results and risks and discusses and validates strategies. Both governance process and limits are validated and reviewed at least once a year by the Integrated Risk and Capital Allocation Committee and submitted for approval by the Board of Directors.

table of contents

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

Liquidity risk

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

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

Liquidity Risk Management Process

We manage our liquidity risk process on a group-wide, centralized and independent basis with daily monitoring of available funds, compliance with minimum liquidity levels, and contingency planning for high-stress situations.

Our policy for risk management and market liquidity is approved by the Board of Directors, whose objectives include ensuring standards, criteria and procedures to guarantee the establishment of the Minimum Liquidity Reserve (RML), as well as the strategy and action plans for liquidity crisis situations. The policy and controls we established fully comply with CMN Resolution No. 4,090/12.

Our approved criteria and procedures determine the minimum liquidity reserve to be maintained on a daily basis and the types of assets considered as available funds. Additionally, we determine instruments for management of liquidity in normal and crisis scenarios, with strategies to be followed in each case.

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

Liquidity risk is monitored at meetings of the Treasury's Executive Committee, which controls liquidity reserves and maturity and currency mismatches. Additionally, monitoring activity is also conducted by the Risk Management and Market Liquidity Executive Committee, the Integrated Risk and Capital Allocation Committee and the Board of Directors.

Operational Risk

Operational risk is the loss resulting from inadequate or faulty internal processes, people, systems and external events. This includes legal risk, but does not consider strategic and reputational risks.

Operational Risk Management Process

We use a group wide, centralized and independent approach, with an emphasis on continuous improvement, to monitor the dynamic evolution of our business and minimize the existence of gaps that may compromise the quality of this management process, which is conducted within the following framework:

- jointly identifying events arising from operational risk events and reporting losses;
- standardizing the reporting format for various departments through the Internal Corporate Control Risk (ROCI) corporate system, developed for daily and/or monthly storage of operational risk event data;
- receiving, processing and reconciling data for entering in the corporate operational risk database; and
- using the database for statistical modeling of events to calculate operational VaR.

table of contents

Our operational risk has its corporate control and monitoring performed in the area of operational risk by our Integrated Risk Control department.

It holds meetings with other departments to discuss subjects related to the management of operating losses and the effectiveness of controls implemented to mitigate existing and potential risks and new ones that may arise. This involves using a set of data, both internal and external, scenarios and indicators for continuous monitoring of unexpected events over a 1-year period.

The Integrated Risk Control Department coordinates the Operational Risk Management Executive Committee, and relevant subjects are reported to the Audit Committee and subsequently the Integrated Risk Management and Capital Allocation Committee, which reports to the Board of Directors.

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

Internal controls and compliance

The efficacy of our internal controls is supported by trained professionals, well-defined and implemented processes and a technology compatible with business needs.

The Internal Control and Compliance Policy and the Internal Control System Rules are in line with the key control frameworks, such as “COSO” – Committee of Sponsoring Organizations of the Treadway Commission and “COBIT” – Control Objectives for Information and Related Technology, which cover business and technology aspects respectively, complying with good practices, regulations and applicable legislation.

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

Prevention of Money Laundering and Terrorism Financing

We maintain specific policies, principles, procedures and systems to prevent and/or detect the utilization of our structure, products and services for money laundering and terrorist financing purposes.

We have invested in training our employees with programs of varying formats, such as manuals, videos, live and remote courses and specific lectures for the areas in which training is required.

Any suspect or unusual cases identified are forwarded to the Committee on Assessment of Suspicious Transactions, composed of a number of areas, which assess the need for reporting to Regulatory Bodies.

The Prevention of Money Laundering and Terrorism Financing Program is supported by the Prevention and Combat of Money Laundering and Terrorism Financing Executive Committee, which assesses efforts and the need to coordinate procedures with regulations defined by the regulating bodies and best domestic and international practices.

Independent validation of models

We employ internal models to manage and measure risks and capital. They are developed based on statistical data or expertise by specialists, who support or work to structure critical topics and to provide conformity and agility to decisions.

In order to detect, mitigate and control risks, the models are validated independently through a strict program of tests, the results of which, covering process adequacy aspects, governance and creating models and their assumptions, is conveyed to managers, to Internal Audit, to the Internal Control and Compliance Committee and to the Integrated Risk Management and Capital Allocation Committee.

Corporate security

In September 2009, in order to reinforce our Information Security Management System, the Corporate Security Department was created. This Department reports to the *Diretoria Executiva* and has technologies and specialized teams to put in place and maintain preventive actions to protect information assets and to avoid fraud, protecting the information and system security that supports the business.

In addition to defining strategic information security standards, represented by an Information Security Management System, this department is also corporately in charge of issuing technical opinions and defining information security mechanisms to implement products, services or processes, with a view of protecting customer information.

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

- defining our system for data security management, based on our corporate policy for information security and a set of corporate rules, dealing with the principles of confidentiality, integrity and availability. The objective is to protect our information assets and those of our customers. These activities are supplemented by awareness and training initiatives for employees based on the “Information Security Awareness and Education Corporate Program” and also by information security risk assessments in products, services and processes;

- our fraud-prevention and electronic-channel security areas are tasked with managing processes to detect and mitigate risks in order to prevent any financial losses or adverse effects to our image. They monitor transactions on electronic service channels and track strategic and corporate actions in order to propose solutions to managers of technical and business areas, thus enhancing security to products and electronic service channel accesses; and

- the strategic and operating management of identity process and logical access to applications, aiming at protecting the system resources, in addition to working with the business units and technology, with the purpose of defining and restructuring automated controls and coordinating, on a corporate basis, all actions inherent in the access management.

Credit policy

Our credit policy is focused on:

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

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

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

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

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

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

table of contents

Form 20-F

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

Our maximum exposure per client (e.g. individuals, companies or other economic groups) is determined by client rating and the aggregate maximum exposure is limited to 10% of our shareholder´s equity.

Any cases in which the maximum level of exposure per client exceeds the thresholds as set out in the table below and in which the total exposure equals or exceeds R$1.2 billion are required to be submitted to the Board of Directors for approval.

Client Rating	As a % of Shareholders´ Equity
AA1	10
AA2	9
AA3	8
A1	7
A2	6
A3	5
B1	4
B2	3
B3	2
C1	1
C2	0.7
C3	0.5
D	0.3

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

- restructuring our methodology to calculate possible losses;

- identifying and implementing changes in our reporting processes to improve our loan portfolio management;

- restructuring our information control structure; and

- assessing the organizational structure of our loan assessment practices, including analyzing the demand for technology and addressing new issues.

Loans and advances to individual customers

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

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

(1) Branch with total deposits equal to or below R$1,999,999;
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999;
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999; and
(4) Branch with total deposits equal to or above R$15,000,000.

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

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

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

Total Risk Amount	**R$ in thousands**
Decision making authority	
Credit department	up to 14,000
Credit director	up to 18,000
Executive credit committee (Daily Meeting)	up to 60,000
Executive credit committee (Plenary Meeting)	up to 2,000,000

Board of Directors	over 2,000,000

Bradesco 63

table of contents

Loans and advances to corporate customers

For corporate customers, depending on the collateral proposed, the size of the branch and suitability in terms of credit parameters, loans of up to R$400,000 may be approved at the branch level. If the collateral offered is not within the limits for approval at the branch level, the loan is submitted to the Credit Department and, if necessary, higher levels. The following table shows limits within which branch managers may approve business loans, depending on the amount and type of credit support offered:

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

(1) Branch with total deposits equal to or below R$1,999,999;
(2) Branch with total deposits equal to or between R$2,000,000 and R$5,999,999;
(3) Branch with total deposits equal to or between R$6,000,000 and R$14,999,999;
(4) Branch with total deposits equal to or above R$15,000,000; and
(5) Branch with exclusive middle market companies.

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

Total Risk Amount	**R$ in thousands**
Decision making authority	
Credit department	up to 14,000
Credit director	up to 18,000
Executive credit committee (Daily Meeting)	up to 60,000
Executive credit committee (Plenary Meeting)	up to 2,000,000
Board of Directors	over 2,000,000

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

- in the "Varejo," "Prime" and "Private – Individuals" segments, we consider the individual's reputation and credit worthiness, profession, monthly income, assets (goods and real property, any liabilities or interests in companies), the bank indebtedness and history of their relationship with us, checking loans and advances for repayment dates and rates as well as and the guarantees involved;

- in the "Varejo – Corporate Customers" segment, in addition to the points above, we focus on the owners of the relevant company, as well as considering the period in business and the monthly revenues;

- in the "Empresas" (middle market) and "Corporate" segments, management capability, the company/group's positioning in the market, its size, the economic-financial evolution, cashflow capability, and business perspectives, our analysis always includes the proponent, its parent company/subsidiaries, and the type of business; and

• this also includes analyses of social and environmental risk for projects that require customers to show compliance with social and environmental regulations and the Equator Principles, consisting of socioenvironmental criteria required as conditions for loans, which was introduced in 2002 by the International Finance Corporation (IFC), the World Bank's financial arm.

Deposit-taking activities

Our principal source of funding is deposits from Brazilian individuals and businesses. As of December 31, 2013, our total deposits were R$218.2 billion, representing 28.5% of our total liabilities.

We provide the following types of deposit and registration accounts:

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

The following table shows total customer deposits and deposits from banks by type and source, as of the dates indicated:

As of December 31,	% of total deposits	R$ in thousands		
	2013	2013	2012 (Restated)	2011 (Restated)
From customers				
Demand deposits	18.2%	39,633,427	37,684,247	32,537,861
Savings deposits	37.0%	80,717,805	69,041,721	59,656,319
Time deposits	43.9%	95,866,825	104,048,295	124,425,870
Deposits from banks				
Demand deposits	0.5%	986,310	727,869	583,233
Interbank deposits	0.4%	963,855	382,474	519,786
Total	**100.0%**	**218,168,222**	**211,884,606**	**217,723,069**

Under monetary authority regulations, we must place a percentage of the demand deposits, savings deposits and time deposits we receive from our customers and deposits from leasing companies with the Central Bank as compulsory deposits, as follows:

- Demand deposits: we are required to deposit 44.0% of the average daily balance of demand deposits, collection of receivables, payment of taxes, third party funds in transit and obligations for the provision of payment services, exceeding R$44.0 million, in the Central Bank on a non-interest-bearing basis (which will increase to 45.0% as of July 2014). In December 2012, the Central Bank authorized the use of up to 20.0% of this balance to offer financing for the acquisition of certain capital assets, trucks, and export of consumable goods, among others, subject to certain conditions. This change was aimed at enabling a larger flow of funds into the market and encouraging the economy to grow;

- Savings deposits: each week we are required to deposit in an account with the Central Bank an amount in reserves equivalent to 20.0% of the total average balance of our savings account deposits. The account bears interest annually at (i) "TR" plus interest rate of 6.2% or (ii) Reference Rate ("TR") plus 70% of the SELIC rate for funding carried out from May 4, 2012, when the SELIC rate is lower than 8.5% *per annum*;

table of contents

- Time deposits: we are required to deposit in an account with the Central Bank 20.0% of the amounts recorded under the following items: (a) time deposits; (b) leasing companies' CDIs; (c) currency exchange acceptance funds; (d) debentures; (e) securities issued by the bank itself; and (f) contracts assuming liabilities related to foreign transactions in excess of R$30.0 million. The amount required is collected in cash and we earn remuneration on the amount deposited at the SELIC rate, although the balance earning remuneration may not exceed the lesser of the following: (a) the amount required less deductions stipulated in rules issued by the Central Bank; and (b) the amount required multiplied by the following percentages: (i) 64.0% for the calculation period starting on July 1 and 12, 2013, respectively; (ii) 73.0% for the calculation period and compliance periods starting on November 11 and 22, 2013, respectively; (iii) 82.0% for the calculation period starting on January 13, 2014 and for the compliance periods starting January 24, 2014; and (iv) 100% for the calculation period starting on March 17, 2014, and for the compliance period starting on March 28, 2014. These percentages and dates have been frequently changed by the Central Bank, and may be subject to further changes without prior notice; and

- The amount required may be deposited after deduction of an amount equal to certain transactions made by banks, and this deduction is limited to 50.0% of the amount required. With this schedule, and by not remunerating a part of our time deposits, the intention of the Central Bank was to stimulate the investment by major banks in the acquisition of credit portfolios from smaller banks, since we are allowed to invest up to 50.0% of our compulsory time deposits for that purpose.

According to Circular nº. 3,655/13, we are required to deposit each week in an account with the Central Bank an additional amount corresponding to (a) 11.0% of the average time deposits balance; and (b) 10.0% of the savings deposit average balance. Also according to this Circular, there is no compulsory deposit on demand deposits. This additional amount is provided in reserves and we earn interest at the SELIC rate. It should be highlighted that rules on additional deposits have been frequently changed by the Central Bank, and may be subject to further changes without prior notice.

In February 2013, the Central Bank defined rules for financial cost collection on non-compliance with compulsory deposit, reserve or compulsory assignment requirements. The financial cost charged to institutions that failed to comply with these requirements were adjusted to the SELIC rate plus 4% per annum.

Additionally, present Central Bank regulations require that we:

- allocate a minimum of 34.0% of cash deposits to providing rural credit (if we do not do so, we must deposit the unused amount in a non-interest-bearing account with the Central Bank);

- allocate 2.0% of demand deposits received to micro credit transactions; and

- allocate a minimum of 65.0% of the total amount of deposits in savings accounts to finance residential real estate or housing construction. Amounts that can be used to satisfy this requirement include direct residential real estate financings, mortgage notes, charged-off residential real estate or housing construction loans and certain other financings, all as specified in guidance issued by the Central Bank.

Savings deposits in Brazil pay interest at (i) the “TR” reference rate plus 6.2% *per annum*, or (ii) the Reference Rate (“TR”) plus 70% of SELIC rate for funding carried out from May 4, 2012, if the SELIC rate is lower than 8.5% *per annum* after funds have been left on deposit for at least one calendar month by individuals or non-profit entities, and 90 days by profit-corporations. Income from individual savings accounts is exempt from income tax.

CDBs pay either a fixed or a floating rate, which is typically a percentage of the interbank interest rate. The breakdown between CDBs at pre-fixed rates and floating rates varies from time to time, depending on the market's interest rate expectations.

Demand deposits, deposits allowing withdrawal with prior notice, checking accounts providing investment opportunities, savings accounts deposits, term deposits with or without issue of certificates, mortgage notes, bills of exchange, mortgage notes and deposits in non-checking accounts used for recording and controlling the flow of funds referring to services from processing payments of salaries other payments, pension and other similar services are guaranteed, by the Credit Guarantee Fund, known as "FGC," (or “*Fundo Garantidor de Créditos*”) for up to R$250,000 per customer or deposit account, in the event of a bank being liquidated.

We issue interbank deposit certificates (CDIs) to other financial institutions. Trading in these CDIs is restricted to the interbank market. They are traded at a pre- or post-fixed rate for one day or longer terms.

table of contents

Other funding sources

Our other funding sources include capital markets, import/export operations and onlending.

The following table sets forth the source and amount of our other funding sources as of the dates indicated:

	R$ in thousands		
As of December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**
Funding Sources			
Real estate credit notes	5,995,699	4,229,511	2,143,931
Agribusiness notes	4,371,017	3,894,203	2,538,970
Mortgage notes	604,105	826,843	1,309,705
Financial notes	35,208,325	28,220,510	27,101,075
Euronotes	8,412,859	10,761,614	4,470,662
Subordinated debt	35,885,003	34,851,714	26,910,091
Securities issued through securitization of payment orders and credit card receivables	3,291,063	3,619,412	4,066,626
Funding in the open market	185,055,358	175,646,854	150,001,844
Borrowings	15,230,854	8,111,101	17,257,442
Onlendings	40,863,996	36,075,056	35,989,495
Total	**334,918,279**	**306,236,818**	**271,789,841**

Our capital markets operations act as a source of funding to us through our transactions with financial institutions, mutual funds, fixed income and equity investment funds and foreign investment funds.

As of December 31, 2013, 2012 and 2011, funding in the open market accounted for 55.3%, 57.4% and 55.2%, respectively of our other funding sources. These amounts include securities attached to repurchase agreements mainly comprising Brazilian government securities and corporate debt securities. This type of operation is usually short-term and volatile in terms of volume since they are directly impacted by market liquidity.

In order to provide our customers with loans through onlending, including credit lines for import and export finance, we maintain credit relationships with various American, European, Asian and Latin American financial institutions.

We conduct onlending operations where we act as the transfer agent for development agency funds, granting credits to third parties, which are in turn funded by development organizations. BNDES, the International Bank for Reconstruction and Development or IBRD and the Inter-American Development

Bank or IDB are the principal providers of these funds. The lending criteria, the decision to lend and the credit risk are our responsibility and subject to certain limitations set by the bodies supplying the funds.

We issued financial notes, a product that was introduced to the market at the beginning of 2010, aimed at meeting demand for long-term finance. These transactions are for individuals and companies that prefer better returns to liquidity. Longer repayment terms contribute to the desired lengthening of the repayment schedule for the banking system's liabilities, since average repayment periods have also become longer due to the growing share of housing finance and investments of the total loan portfolio.

Data processing

We have available an up-to-date technological environment supported by a Data Center (CTI – Centro de Tecnologia da Informação) located in Cidade de Deus, Osasco, SP, with 11,900 sq. m in area, especially built to harbor information technology (IT) infrastructure and contains protections designed to ensure total availability of services offered by the Bank.

Data is continually replicated in a Processing Center (secondary site) located at Alphaville, in the city of Barueri - SP, featuring equipment with enough capacity to take over the main system's activities in case of a problem at our Technology Center (CTI). All service channels have telecommunications services that work with either of the two processing centers. We hold annual exercises simulating situations in which our IT center is impeded in order to ensure that we have effective contingency structures, processes and procedures in place. All these exercises are monitored by our business managers. In addition to all backup copies of electronic files stored and maintained at our IT center, second copies are saved and maintained in the Alphaville Processing Center.

Alphaville's IT infrastructure also houses all activities for developing application systems.

If the public energy supply is interrupted, both centers have sufficient capacity to operate independently for 72 hours non-stop. After this period, Technology Centers can operate continuously if power generators are refueled.

The IT structure is backed by processes implemented in light of the ITIL (IT Infrastructure Library) reference and applies recognized practices for IT service management.

We have intruder detection, antivirus and antispam systems designed to provide IT protection. Moreover, we continuously upgrade the security of our main software programs. We use web server digital certification and HSM 8000 cryptographic and ICSF coprocessor equipment. Periodic assessments of IT environments are made using specific tools for this purpose. Our safety tools monitor software, hardware and share information from stations and servers. In addition, we have a system to prevent loss of data, which was developed to guarantee protection to the Company's data and prevent unauthorized access to information. An independent auditing firm tests our IT protection systems on an annual basis.

Our internet systems have a separate infrastructure, enabling different customer segments (individuals, corporate, staff) to use resources independently.

Seasonality

Generally our consumer financing business (including our credit card business, financing of goods and others) has some seasonality, with increased levels of credit card transactions and financing of goods in the end of the year and a subsequent decrease of these levels at the beginning of the year. We also have some seasonality in our collection fees at the beginning of the year, which is when taxes and other fiscal contributions are generally paid in Brazil.

Competition

We face significant competition in all of our principal areas of operation, since the Brazilian financial and banking services markets are highly competitive and have undergone an intensive consolidation process in the past few years.

As of December 31, 2013, publicly owned financial institutions held 46.0% of the National Financial System's assets, followed by private sector locally owned financial institutions (taking into consideration financial conglomerates) with a 37.9% share and foreign-controlled financial institutions, with a 16.1% share.

Public-sector financial institutions play an important role in the banking sector in Brazil. Essentially, they operate within the same legal and regulatory framework as private-sector financial institutions, except that certain banking transactions involving public entities must be made exclusively through public-sector financial institutions (including, but not limited to, depositing federal government funds or judicial deposits).

As of December 31, 2013, according to Central Bank data, there were 173 financial conglomerates providing a wide range of services including: (i) 132 multiple banks; (ii) 22 commercial banks; (iii) 14 investment banks; (iv) 4 development banks; and (v) 1 savings bank (namely Caixa Econômica Federal). For further information on risks related to competition, see "Item 3.D. Risk Factors-Risks Relating to Bradesco and the Brazilian banking industry-The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects."

On April 26, 2012, Circular No. 3,590 was issued, determining that the following transactions should be analyzed by the Central Bank with respect to their effects on competition, notwithstanding the review related to the stability of the financial system: (a) transfers of ownership control; (b) takeovers; (c) mergers; (d) business transfers; and (e) other means of business concentration. In August 2012, the National Monetary Council ("CMN") set out new requirements and procedures for incorporation, authorization for operations, cancellation of authorization, changes of control, corporate restructurings and conditions for exercising positions in statutory or contractual bodies.

Credit cards

The credit card market in Brazil is highly competitive. Our primary competitors are Banco do Brasil, Itaú Unibanco, and Santander Brasil. Management believes that the primary competitive factors in this area are interest rates, annual fees, card distribution network and benefits offered.

Leasing

In general, the Brazilian leasing market is dominated by companies affiliated with vehicle and equipment producers and large banks. We currently enjoy certain competitive advantages, as we have a larger service network than any of our private sector competitors.

Asset management

As of December 31, 2013, the asset management industry in Brazil managed funds worth R$2.5 trillion in shareholders´ equity according to ANBIMA. BRAM held a R$305.3 billion portion of this as of December 31, 2013, representing growth of 6.2% as compared to the 12 previous months, and a 12.8% market share. We are the leading institution as measured by the number of investment fund quotaholders (2.7 million).

The shareholders' equity of the funds under our management is divided into: investment funds (R$297.0 billion - fixed income with R$290.3 billion and R$6.7 billion in equities) and structured funds - R$8.3 billion). BRAM pursues a strategy of introducing innovative products as a manner of expanding management recognition, adding value to our brand name and assisting our customers. In 2013, we launched Brazil's first infrastructure debenture fund, with a tax benefit as provided under Law no. 12,431/11.

Internationalization has also been a major part of BRAM's strategy. In Japan, we continue offering fixed-income and equity funds, through partnerships with local distributors. In Chile, in addition to a partnership with Banchile for distributing equity funds to retail customers, we have started to focus on institutional investors. In Europe, the distribution team based in London, offers funds domiciled in Luxembourg, also with fixed-income and equity strategies, the highlight of which in 2013 was the equity fund of Latin American companies (LATAM). This year, BRAM also expanded access to these funds through its listing on various distribution platforms. Additionally, at the end of the year BRAM US LLC launched two new retail funds for the U.S. public, including one that invests in international bonds issued by Brazilian companies.

Aside from the strategy of attracting resources from foreign investors to funds dedicated to Brazilian and Latin American assets, in 2013 we expanded its offering of funds investing in foreign assets dedicated to Brazilian investors. The BRAM family of global funds already includes the equity funds Europa, Andes and Australasia, geared toward the private and institutional segments.

Insurance, pension plans and capitalization bonds

Insurance sector

As leader of the Brazilian insurance market, with a 24.2% market share as of November 30, 2013, Grupo Bradesco Seguros faces growing competition from several domestic and multinational companies in all branches of this sector.

Our principal competitors are Grupo Segurador Banco do Brasil and Mapfre, Itaú Unibanco Seguros S.A., Sul América Cia. Nacional de Seguros, Porto Seguros Cia. de Seguros Gerais, Caixa Seguros, Zurich Santander Previdência S.A. and Allianz, which account for a combined total of approximately 56.8% of all premiums generated in the market, as reported by SUSEP, in November 2013.

In recent years, there has been a change in the insurance sector in Brazil, as foreign companies have begun to form associations with national insurers. In this respect, the main competitive factors are price, financial stability, and recognition of the name and services provided by companies. With respect to services, competition primarily involves the ability to serve the branches that market such services, including the level of claims handling automation, and development of long-term relationships with customers.

We believe that the penetration of our service network, present in all municipalities in Brazil, gives Grupo Bradesco Seguros a significant competitive edge over most insurance companies, thereby promoting cost savings and marketing synergies.

table of contents

Regarding the healthcare sector, although most insurance activities are carried out by companies with nationwide operations, there is also competition from companies that operate locally or regionally.

Pension plan sector

The Brazilian government's monetary stabilization policies stimulated the pension plan sector and attracted new international players. With 29.7% of total contributions in the sector (SUSEP - November 2013), Bradesco Vida e Previdência's main competitive advantages are: the brand “Bradesco”, our extensive branch network, our strategy and our record of being in the forefront of product innovation.

Capitalization bonds sector

Bradesco Capitalização holds a 22.5% market share in capitalization bonds income and 22.5% in terms of technical provisions, according to SUSEP (SUSEP - November 2013). Among the competitive factors in the sector, we highlight the offering of low-cost products with a higher number of prize drawings, security, financial stability, and brand recognition by customers.

REGULATION AND SUPERVISION

The basic institutional framework of the Brazilian Financial System was established in 1964 by Law No. 4,595/64, known as the "Banking Reform Law." The Banking Reform Law dealt with monetary, banking and credit policies and institutions, and created the CMN.

Principal financial institutions

As of December 31, 2013, 8 financial conglomerates operated in Brazil, consisting of public-sector commercial and multiple-service banks controlled by federal and state governments (including Caixa Econômica Federal and Investment Banks) and 146 financial conglomerates consisting of private-sector commercial and multiple-service banks. For Brazilian regulatory purposes, insurance companies, private pension plans and capitalization bonds providers are not considered financial institutions.

Public-sector financial institutions

Brazil’s federal and state governments control several commercial banks and financial institutions. The primary purpose of these institutions is to foster economic development. Government-owned banking institutions play an important role in the Brazilian banking industry. These institutions hold a significant portion of the banking system's total deposits and total assets and are the principal lenders of government funds to industry and agriculture. In the last ten years several public-sector multiple-service banks have been privatized and acquired by Brazilian and foreign financial groups.

The principal government-controlled banks include:

• *Banco do Brasil*, under federal government control, which provides a full range of banking products to the public and private sectors. Banco do Brasil is the largest multiple-service bank in Brazil and the primary financial agent of the federal government;

• BNDES, a development bank wholly owned by the federal government, is the largest bank in terms of long-term loans for investments across all sections of the economy, focusing on mitigating social and regional inequality and protecting the environment; and

• *Caixa Econômica Federal*, a multiple-service bank wholly owned by the federal government which acts as the principal agent of the government-regulated housing finance system. Caixa Econômica Federal is ranked first among Brazilian banks in terms of savings accounts and housing finance.

Private sector financial institutions

As of December 31, 2013, Brazil’s private-sector financial industry comprised:

• 160 financial conglomerates (including commercial, investment and multiple-service banks) that provide a full range of commercial banking, investment banking (including underwriting and trading in securities), consumer finance and other services including fund management and real estate finance; and

• 58 consumer credit companies, 115 securities dealers, 154 securities and foreign exchange brokerage firms, 28 leasing companies and 11 savings and loans associations/ real estate financing companies.

Principal regulatory agencies

CMN

CMN is responsible for overall supervision of monetary, credit, budgetary, fiscal and public debt policies. CMN has the following functions:

- regulating loans and advances granted by Brazilian financial institutions;
- regulating Brazilian currency issue;
- supervising Brazil's reserves of gold and foreign exchange;
- determining saving, foreign exchange and investment policies in Brazil; and
- regulating capital markets in Brazil.

In December 2006, CMN asked the CVM to devise a new "Risk-Based Supervision System" in order to: (i) identify risks to which the market is exposed; (ii) rank these risks in order of severity; (iii) establish mechanisms for mitigating these risks and the losses they might cause; and (iv) control and monitor the occurrence of risk events. Among other effects, this system provides for a fast-track reviewing process for the issuance of securities.

Central Bank

The Central Bank is responsible for:

- implementing currency and credit policies established by the CMN;
- regulating and supervising public and private sector Brazilian financial institutions;
- controlling and monitoring the flow of foreign currency to and from Brazil; and
- overseeing the Brazilian financial markets.

The Central Bank’s chairperson is appointed by the president of Brazil for an indefinite term of office, subject to approval by the Brazilian senate.

The Central Bank supervises financial institutions by:

- setting minimum capital requirements, compulsory reserve requirements and operational limits;
- authorizing corporate documents, capital increases, acquisition of interest in new companies and the establishment or transfer of principal places of business or branches (in Brazil or abroad);
- authorizing changes in shareholder control of financial institutions;
- requiring the submission of annual and semiannual audited financial statements, quarterly revised financial statements and monthly unaudited financial statements; and
- requiring full disclosure of loans and advances and foreign exchange transactions, import and export transactions and other directly related economic activities.

table of contents

CVM

The CVM is responsible for regulating the Brazilian securities markets in accordance with securities and capital-market policies established by CMN.

The CVM is responsible for the supervision and regulation of equity funds. In addition, since November 2004, the CVM has had authority to regulate and supervise fixed-income asset funds. For more information, see "Regulation and Supervision – Asset management regulation."

Banking regulations

Principal limitations and restrictions on activities of financial institutions

Under applicable laws and regulations, a financial institution operating in Brazil:

- may not operate without the prior approval of the Central Bank and in the case of foreign banks, authorization by presidential decree;

- may not invest in the equity of any other company beyond regulatory limits;

- may not lend more than 25.0% of its regulatory capital to any single person or group;

- may not own real estate, except for its own use; and

- may not lend to or provide guarantees for:

-– any individual that controls the institution or holds, directly or indirectly, more than 10.0% of its share capital;

-– any entity that controls the institution or with which it is under common control, or any officer, director or member of the Fiscal Council and Audit Committee of such entity, or any immediate family member of such individuals;

-– any entity that, directly or indirectly, holds more than 10.0% of its shares (with certain exceptions);

-– any entity that it controls or of which it directly or indirectly holds more than 10.0% of the share capital;

-– any entity whose management consists of the same or substantially the same members as its own executive committee; or

-– its executive officers and directors (including their immediate families) or any company controlled by its executive officers and directors or their immediate families or in which any of them, directly or indirectly, holds more than 10.0% of share capital.

The restrictions with respect to related party transactions do not apply to transactions entered into by financial institutions in the interbank market.

Capital adequacy and leverage

Brazilian financial institutions are subject to capital measurement and standards based on a weighted risk-asset ratio. The parameters of this methodology resemble the international framework for minimum capital measurements adopted for the Basel Accord.

Financial institutions are also required to maintain their regulatory capital at a certain level. A financial institution's regulatory capital is the sum of its Tier I and Tier II capital and is used to determine its operational limits.

Tier I Capital is intended to ensure financial institution's solvency, ensuring that its operation will be continuous, while Tier II Capital is contingent capital, subject to conversion into equity in case of insolvency.

With Basel III becoming effective, Tier I Capital started to be divided into two new subgroups: (i) Principal Capital, comprising principally shares and reserves; and (ii) Additional Capital, comprising principally instruments that are analogous to hybrid capital and debt instruments.

The CMN regulation that introduced Basel III in Brazil: (i) defined more strictly, and in more detail, instruments that may comprise each capital type; and (ii) provided for the deduction of certain items, as appropriate, from Principal Capital, Additional Capital and Tier II Capital, such as certain investments in other entities and non-controlling interests in the financial conglomerate.

Pursuant to Resolution no. 4,193/13, as amended, regulatory capital minimum requirements until the end of 2015 correspond to the application of 11% on total risk-weighted assets. Minimum Tier I Capital requirements correspond to 5.5% of the risk-weighted assets until the end of 2014; while minimum Principal Capital requirements correspond to 4.5% of risk-weighted assets.

CMN regulations provide for the establishment of “Additional Principal Capital, which will work as the prudential buffer or "cushion" referred to in Basel III. By the end of the transitional period, in 2019, Additional Principal Capital will have to be 2.5 - 5% of risk-weighted assets. The amount will be determined by the Central Bank depending on economic conditions. Failure to comply with Additional Principal Capital rules will lead, subject to certain requirements, to restrictions affecting distribution of bonuses, profit sharing and compensation incentives associated with the performance of managers of institutions, distribution of dividends, repurchase of own shares and social capital reduction, when permitted pursuant to applicable laws.

Financial institutions, except for credit cooperatives, must keep consolidated accounting records (for calculating their capital requirements) of their investments in companies whenever they hold, directly or indirectly, individually or together with partners, a controlling interest in the investee companies. If their interest does not result in control of a company, financial institutions may choose to recognize the interest as equity in the earnings of unconsolidated companies instead of consolidating such interests.

Under certain conditions and within certain limits, financial institutions may include subordinated debt when determining their capital requirements in order to calculate their operational limits, *provided that* this subordinated debt complies with the following requirements:

- it must be previously approved by the Central Bank;
- it must not be secured by any type of guarantee;
- its payment must be subordinated to the payment of other liabilities of the issuer in the event of dissolution;
- it cannot be redeemed by act of the holder;
- it must have a clause allowing postponement of the payment of interest or redemption if this would cause the issuer to fail to comply with minimum levels of regulatory capital or other operational requirements;
- it must be nominative if issued in Brazil, and if issued abroad may be in any other form permitted by local legislation;
- if issued abroad, it must contain a clause for elected jurisdiction;
- it must have a minimum term of five years before redemption or amortization;
- it must be paid in cash; and
- its payment cannot be secured by any type of insurance any instrument that requires or permits payments between the issuer and the borrowing institution or that affects the subordinated status of the

debt.

Brazilian financial institutions are required to calculate their capital requirements on a consolidated basis with institutions that are part of their financial conglomerate up to December 31, 2014; and with institutions that are part of their prudential conglomerate, beginning as of January 1, 2015.

The applicable regulation defines a prudential conglomerate as, among others, the following entities located in Brazil or abroad over which the institution has direct or indirect control: (i) financial institutions and other institutions authorized to operate by the Central Bank; (ii) consortium administrators; (iii) payment institutions that operate as credit card issuers or accrediting entities; (iv) organizations that acquire credit transactions, including real estate and credit rights; (v) insurance companies, reinsurance companies, capitalization organizations and open pension plan entities; and (vi) other legal entities headquartered in Brazil that are solely engaged in holding interests in the entities set out above.

Risk Weighting

Pursuant to Circular No. 3,644/13, the Central Bank consolidated the risk weighting factors applied to different exposures in order to calculate capital requirement through a standardized approach. According to such rule, as amended, the risk weighting factors vary from 0% to 1,250% and should be applied to credit risks, depending on the nature and characteristcs of the exposure.

In addition, there are specific standards of the Central Bank to determine procedures to calculate the portion of risk-weighted assets related to other exposures.

For more information on our capital ratio, see “Item 5.B - Liquidity and Capital Resources– Capital compliance - Basel III”.

Reserve requirements

The Central Bank periodically sets compulsory reserve and related requirements for Brazilian financial institutions. The Central Bank uses reserve requirements as a mechanism to control liquidity in the Brazilian Financial System. Historically, the reserves against demand deposits, savings deposits and time deposits have accounted for almost all amounts required to be deposited with the Central Bank. In December 2010, the Central Bank introduced additional compulsory deposits and reserve requirements for savings, demand, and time deposits. In July 2011, the CMN consolidated and redefined rules for compulsory deposit requirements against short positions in foreign currency.

In December 2011, the Central Bank approved a circular consolidating and redefining certain rules for compulsory reserve requirements for time deposits. The main change was the inclusion of Brazilian Treasuries in the list of assets eligible for deduction from compulsory reserves for time deposits.

In February and March 2013, respectively, the Central Bank defined and consolidated applicable standards: (i) to compulsory deposits on demand deposits; and (ii) additional reserve requirement on deposits raised by multiple banks, investment banks, commercial banks, development banks, savings banks, credit, financing and investment organizations, real estate credit organizations and savings and loan associations.

Standards on compulsory deposits and additional reserve requirements are periodically altered by the Central Bank. For a summary of current requirements, see "Deposit taking activities."

The total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its regulatory capital. In addition, if its exposure is greater than 5.0% of its adjusted net worth, the financial institution must hold additional capital at least equivalent to 100.0% of its exposure. Since July 2, 2007, the amount internationally offset in opposite exposures (purchases and sales) in Brazil and abroad by institutions of the same conglomerate is required to be added to the respective conglomerate's net consolidated exposure.

In the past, the Central Bank has imposed restrictions on other types of financial transactions. These compulsory deposit requirements are no longer in effect, but they may be re-imposed in the future, or similar restrictions may be instituted. At the beginning of 2008, the Central Bank determined a new compulsory deposit requirement relating to deposits of leasing companies. Our leasing company invests most of its cash available for immediate investment in interbank deposit accounts with us. For more information on Central Bank restrictions see "Item 3.D. Risk Factors-Risks relating to Bradesco and the Brazilian banking industry."

Asset composition requirements

Brazilian financial institutions may not allocate more than 25.0% of their regulatory capital to loans and advances (including guarantees) to the same customer (including customer's parent, affiliates and subsidiaries) or to securities from any issuer. They also may not act as underwriters (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their regulatory capital.

Permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred assets) of Brazilian financial institutions may not exceed 50.0% of their regulatory capital.

CMN issued rules in October 2008 requiring financial institutions to record: (i) rights on assets used for maintaining the institution's activities, including rights resulting from transactions that have transferred the benefit, risks and control of these assets to the institution, except for those covered by leasing agreements, in fixed assets; and (ii) restructuring expenses that effectively result in an increase in income of more than one fiscal year and do not constitute merely a reduction in costs or greater operational efficiency, in deferred assets. A subsequent rule further defined intangible assets, such as vested rights on non-material assets used for maintaining the institution's activities, including those corresponding to payroll services, income, salary, wages and retirement and pension payments, among others.

In July 2011, the CMN published a rule requiring registration of assigned receivables and financial settlement of assets authorized by the Central Bank.

As of January 2012, a rule issued by the CMN came into effect in line with IASB, which states different accounting criteria in cases of assignment of receivables or other financial assets depending on whether or not there is retention or transfer of risks and benefits in conjunction with the assigned asset.

Repurchase transactions

Repurchase transactions are subject to operational capital limits based on the financial institution's equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its regulatory capital. Within that limit, repurchase operations involving private securities may not exceed five times the amount of the financial institution's regulatory capital. Limits on repurchase operations involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

Onlending of funds borrowed abroad

Financial institutions and leasing companies are permitted to borrow foreign currency-denominated funds in the international markets (through direct loans or the issuance of debt securities) in order to on-lend such funds in Brazil. These onlendings take the form of loans denominated in *reais* but indexed to the U.S. dollar. The terms of the onlending transaction must mirror the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction, the financial institution may charge onlending commission only.

Furthermore, the amount of any loan in foreign currency should be limited to the sum of foreign transactions undertaken by the financial institution to which loan funds are to be directed. Lastly, pursuant to the Central Bank's Circular No. 3,434/09, the total of loans and advances made against these funds must be delivered to the Central Bank as collateral, as a condition for the release of the amount to the financial institution.

Foreign currency position

Transactions in Brazil involving the sale and purchase of foreign currency may be conducted only by institutions authorized by the Central Bank to operate in the foreign exchange market.

As of March 2005, the previously existing "Commercial" and "Floating" markets were unified under a single foreign currency exchange regime (the "Exchange Market"), in which all foreign exchange currency transactions are concentrated. The unified Exchange Market provides for settlement in foreign currency of any commitments in *reais* contracted between individuals and/or legal entities resident in Brazil and individuals or legal entities resident abroad, by submitting the relevant documentation.

Access to the Exchange Market may be granted by the Central Bank to multiple banks, commercial banks, investment banks, development banks, savings and loans entities, foreign exchange banks, development agencies, financing and investment associations, brokerage firms, securities dealers and currency-broker firms. Some foreign-exchange transactions may also be carried out by travel agencies and tourist hospitality organizations accepting foreign currency. The Central Bank currently does not impose limits on long positions in forex (*i.e.*, in which the aggregate amount of foreign currency purchases exceeds sales) of banks authorized to operate in the Exchange Market. As of December 2005, the Central Bank no longer limited short positions in forex (*i.e.*, in which the aggregate amount of foreign currency purchases is less than sales) for banks authorized to operate in the Exchange Market.

Standards that address foreign exchange markets are frequently changed by CMN and the Central Bank.

In March 2010, the Central Bank continued with the process of simplifying foreign exchange rules by consolidating existing rules and revoking others. These changes were designed to provide further transparency and standards for cross-border foreign exchange transactions.

In December 2013, the Central Bank, with the intention of simplifying foreign exchange market standards, replaced the Foreign Exchange and Capital Market Regulation with four circular letters that address foreign exchange market regulation, foreign exchange transactions' classification codes; international capitals; and payment and reciprocal credit agreements (CCR).

table of contents

Form 20-F

Registration of cross-border derivatives and hedging transactions and information on derivatives

In December 2009, the Central Bank issued specific rules that became effective on February 1, 2010, requiring Brazilian financial institutions to register their cross-border derivative transactions with a clearing house regulated by the Central Bank and by the CVM. Specifically, cross-border derivative transactions must: (i) be registered within 2 business days and (ii) cover details of underlying assets, values, currencies involved, terms, counterparties, means of settlement and parameters used.

In February 2010, registration rules were extended to cover hedging transactions in foreign OTC markets or exchanges.

In November 2010, to facilitate management of derivatives-related risk incurred by financial institutions, the CVM stipulated that market participants should create mechanisms in order to share information on derivatives contracts traded or registered in their systems, subject to banking confidentiality rules.

Treatment of loans and advances

According to the Central Bank, financial institutions are required to classify their loans and advances into nine categories, ranging from AA to H, based on their risk. These credit classifications are determined in accordance with Central Bank criteria relating to:

- the conditions of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- the conditions of the transaction, such as its nature and purpose, the type, the level of liquidity, the sufficiency of the collateral and the total amount of the credit.

In the case of corporate borrowers, the nine categories that we use are as follows:

Rating	**Our Classification**	**Bradesco Concept**
AA	Excellent	First tier large company or group, with a long track record, market leadership and excellent economic and financial concept and positioning.
A	Very Good	Large company or group with sound economic and financial position that is active in markets with good prospects and/or potential for expansion.
B	Good	Company or group, regardless of size, with good economic and financial positioning.
C	Acceptable	Company or group with a satisfactory economic and financial situation but with performance subject to economic variations.
D	Fair	

Company or group with economic and financial positioning in decline or unsatisfactory accounting information, under risk management.

A loan and advance operation may be upgraded if it has credit support or downgraded if in default.

Doubtful loans are classified according to the loss perspective, as shown below:

Rating	**Bradesco Classification**
E	Deficient
F	Bad
G	Critical
H	Uncollectible

A similar nine-category ranking system exists for transactions with individuals. We grade credit based on data including the individual's income, net worth and credit history, as well as other personal data.

Financial institutions should maintain a credit risk management structure compatible with the nature of their transactions and with the complexity of products and services offered, which should also be proportional to the institution's credit risk exposure.

For regulatory purposes, financial institutions are required to classify the level of risk of their loan operations according to Central Bank criteria, taking into consideration both the borrower and guarantors' characteristics and the nature and value of the operation, among others, in order to identify potential provision for loan losses.

This risk evaluation must be reviewed at least every six months for loans extended to a single customer or economic group whose aggregate loan amount exceeds 5.0% of the financial institution's regulatory capital, and once every 12 months for all loan operations, with certain exceptions.

Past due loans and advances must be reviewed monthly. For this type of loan, regulatory provisions set the following maximum risk classifications:

Number of Days Past Due [1]	**Maximum Classification**
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

[1] These time periods are doubled in the case of loans with maturities in excess of 36 months.

Financial institutions are required to determine, whether any loans must be reclassified as a result of these maximum classifications. If so, they must adjust their regulated accounting provisions accordingly.

The regulations specify a minimum provision for each category of loan, which is measured as a percentage of the total amount of the loan and advance operation, as follows:

Classification of Loan	**Minimum Provision %**
AA	-
A	0.5
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H [1]	100.0

[1] Banks must write off any loan six months after its initial classification as an H loan.

Loans and advances of up to R$50,000 may be classified by the method used by the financial institution itself or the arrears criteria described above.

Financial institutions must make their lending and loan classification policies available to the Central Bank and to their independent accountants. They are also required to submit information relating to their loan portfolio to the Central Bank, together with their financial statements. This information must include:

- a breakdown of the business activities and nature of borrowers;
- maturities of their loans;
- amounts of rescheduled, written-off and recovered loans;

table of contents

- loan portfolio diversification by the loan classification; and
- non-performing loans.

The Central Bank requires authorized financial institutions to compile and submit their loans and advances portfolio data in accordance with several requirements. The Central Bank may allow discrepancies in these statements of up to 5.0% per risk level and 2.5% in the reconciled total.

Exclusivity in loans and advances to customers

In January 2011, Central Bank Circular No. 3,522/11 prohibited financial institutions that provide services and loan transactions from entering into agreements, contracts or other arrangements that prevent or restrict the ability of their customers to access loans and advances offered by other institutions, including payroll-deductible loans. The purpose of this rule is to increase competition among credit providers and prevent exclusivity agreements between state-owned banks and government bodies with respect to payroll-deductible loans. While there is some uncertainty as to whether the new rules affect existing contracts, all new contracts are covered by the new regulations, allowing market competition and enabling employees in the public and private sectors to obtain payroll-deductible loans from any authorized financial institution.

Brazilian clearing system – (Sistema de Pagamentos Brasileiro, or "SPB")

The Brazilian clearing system was regulated and restructured under legislation enacted in 2001. These regulations are intended to streamline the system by adopting multilateral clearing and boost security and solidity by reducing systemic default risk and financial institutions' credit and liquidity risks.

The subsystems in the Brazilian clearing system are responsible for maintaining security mechanisms and rules for controlling risks and contingencies, loss sharing among market participants and direct execution of custody positions of contracts and collateral by participants. In addition, clearing houses and settlement service providers, as important components to the system, set aside a portion of their assets as an additional guarantee for settlement of transactions.

Currently, responsibility for settlement of a transaction has been assigned to the clearinghouses or service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearinghouse and/or settlement service provider to clear and settle, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions authorized by the Central Bank are also required under the new rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and risk management procedures;
- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;
- adopt system controls and test them periodically;
- promptly provide the institution's management information and analysis for any liquidity risk identified, including any conclusions or measures taken; and
- develop contingency plans for handling liquidity crisis situations.

Financial institutions were positively affected by the restructuring of the Brazilian clearing system. Under the old system, in which transactions were processed at the end of the day, an institution could carry a balance, positive or negative, a situation which is no longer allowed. Payments must now be processed in real time, and since March 2013, the amounts over R$1,000 are being processed by electronic transfers between institutions with immediately available funds. If a transaction is made using checks, an additional bank fee will be charged.

After a period of tests and gradual implementation, the new Brazilian clearing system started operating in April 2002. The Central Bank and CVM have the power to regulate and supervise the Brazilian payment and clearing system.

In October 2013, Law no. 12,685/13 was enacted providing for payment arrangements and payment institutions that are part of SPB. In November 2013, in order to regulate this law: (a) the CMN established guidelines for the regulation, surveillance and supervision of payment institutions and payment arrangements that are part of SPB; and (b) the Central Bank: (i) defined requirements and procedures to authorize the establishment and operation, cancellation of authorization, control changes, structure of management positions, name and head office location, corporate reorganizations, conditions to hold management positions in payment institutions and authorization for financial institutions to provide payment services; (ii) created a regulation to govern, among others, provision of payment services in the ambit of payment arrangements that are part of SPB, and established criteria according to which payment arrangements will not be part of SPB, among others; and (iii) established rules on risk management, minimum capital requirements, governance of payment institutions, preservation of value and liquidity of payment account balances.

Liquidation of financial institutions

In February 2005, the "New Bankruptcy Law" was approved, replacing the previous legislation that had been in effect since 1945. The main goal of the “New Bankruptcy Law” is to avoid viable companies being unable to honor their debt obligations. The New Bankruptcy Law seeks to do this by providing greater flexibility in plan reorganization strategies while giving creditors more guarantees. It also seeks to improve creditors' ability to recover through the judiciary system by promoting an agreement between the company and a commission comprising creditors. The New Bankruptcy Law is not currently applicable to financial institutions, and, accordingly, Law No. 6,024/74 governing intervention in and administrative liquidation of financial institutions is still applicable to us.

Intervention

The Central Bank will intervene in the operations and management of any financial institution not controlled by the federal government if the institution:

- suffers losses due to mismanagement, putting creditors at risk;
- repeatedly violates banking regulations; or
- is insolvent.

Intervention may also be ordered upon the request of a financial institution's management.

Intervention may not exceed 12 months. During the intervention period, the institution's liabilities are suspended in relation to overdue obligations, maturity dates for pending obligations contracted prior to intervention, and liabilities for deposits in the institution existing on the date intervention was ordered.

Administrative liquidation

The Central Bank will liquidate a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they fall due, or upon the occurrence of an event that could indicate a state of bankruptcy;

- management commits a material violation of banking laws, regulations or rulings;

- the institution suffers a loss which subjects its unsecured creditors to severe risk; or

- if, upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days, or, if initiated, the Central Bank determines that the pace of the liquidation may impair the institution's creditors.

table of contents

As a consequence of administrative liquidation:

- lawsuits pleading claims on the assets of the institution are suspended;
- the institution's obligations are accelerated;
- the institution may not comply with any liquidated damage clause contained in unilateral contracts;
- interest does not accrue against the institution until its liabilities are paid in full; and
- the statute of limitations with respect to the institution's obligations is tolled.

Temporary special administration regime

The temporary special administration regime, known as "RAET," is a less severe form of Central Bank intervention in financial institutions, which allows institutions to continue to operate normally. RAET may be ordered in the case of an institution that:

- repeatedly makes transactions contravening economic or financial policies under federal law;
- faces a shortage of assets;
- fails to comply with compulsory reserves rules;
- has reckless or fraudulent management; or
- has operations or circumstances requiring an intervention.

The adjudication of RAET does not affect the regular course of the institution's business operations, which are allowed to continue as normal, with the institution being allowed to perform all operations to which it is authorized, enabling the maintenance of the relationship with institution's creditors and debtors. There is no change in its undertakings with third parties, or with respect to its debts, which continue to mature in the originally contracted terms.

Repayment of creditors in liquidation

In the case of liquidation of a financial institution, employees' wages, indemnities and tax claims have the highest priority among claims against the bankrupt institution. In November 1995, the Central Bank created the *Fundo Garantidor de Créditos* - FGC to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency. Members of the FGC are financial institutions that accept demand, time and savings deposits as well as savings and loans associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions accepting deposits from customers.

The FGC is a deposit insurance system that guarantees a certain maximum amount of deposits and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances, if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In December 2010, the CMN increased the maximum amount of the guarantee provided by the FGC from R$60,000 to R$70,000. In May 2013, this amount was raised again to R$250,000. Since 2006, it reduced the ordinary monthly FGC contribution from 0.025% to 0.0125% of the balance held in bank accounts covered by FGC insurance.

According to CMN rules, the maximum value of the balance of such deposits is limited (with a maximum aggregrate of R$5 billion by December 31, 2014 or R$ 3 billion as of January 1, 2015) to: (a) for the balance of the deposits originally made without fiduciary assignment, the highest of the following amounts (i) the equivalent of twice the regulatory Tier I capital, calculated yearly on the base date June 30 earning interest monthly at the SELIC rate; (ii) the equivalent of twice the regulatory Tier I capital, calculated as of December 31, 2008, earning interest monthly at the SELIC rate as of May 1, 2009; and (iii) the equivalent of the sum of balances in time deposits plus balances of bills of exchange held in the bank on June 30, 2008, earning interest monthly at the SELIC rate as of May 1, 2009; and (b) for the balance of the deposits made with fiduciary assignment, the following factors over the regulatory Tier I capital, calculated as of December 31 of the previous year, adjusted by the SELIC rate: (i) 1,6 as of June 1, 2013; and (ii) 2 as of January 1, 2014.

Furthermore, the limit on taking time deposits with special FGC guarantees without fiduciary assignment shall be reduced, in accordance with the following schedule: (i) forty percent (40%) from January 1, 2013; (ii) sixty percent (60%) from January 1, 2014; (iii) eighty percent (80%) from January 1, 2015; and (iv) one hundred percent (100%) from January 1, 2016.

In May 2013 Resolution No. 4,222/13 was issued, amending and consolidating the rules addressing the FGC bylaws and regulation. In addition to increasing the maximum amount of the guarantee provided by the FGC to R$250,000, agribusiness credit notes (LCA) were included in credits guaranteed by FGC. Resolution no. 4,222/13 was changed on February 20, 2014. In August 2013, the Central Bank amended and consolidated the provisions related to the calculation basis and payment of common contributions by the FGC-associated institutions.

Internal compliance procedures

All financial institutions must have in place internal policies and procedures to control:

- their activities;
- their financial, operational and management information systems; and
- their compliance with all applicable regulations.

The board of executive officers of a financial institution is responsible for implementing an effective structure for internal controls by defining responsibilities and control procedures and establishing corresponding goals and procedures at all levels of the institution. The board is also responsible for verifying compliance with all internal procedures.

Our Bylaws include a provision for an internal controls and compliance committee composed of up to 12 members appointed by our Board of Directors.

Restrictions on foreign banks and foreign investment

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Brazilian government. A foreign bank duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any other Brazilian financial institution.

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts representing non-voting shares offered abroad. Any investment in common shares would depend on government authorization. In January 2012, the Central Bank authorized Bradesco to create an ADR program for its common shares in the U.S. market. As part of this authorization, the Central Bank increased the limit of foreign interest in Bradesco's capital stock from the current 14.0% to 30.0%.

Anti-money laundering regulations, banking secrecy and financial transactions linked to terrorism

Under Brazilian anti-money laundering rules, which the Central Bank consolidated in July 2009 through Central Bank Circular No. 3,461/09, as amended, financial institutions must:

- keep up-to-date records regarding their customers;
- maintain internal controls and records;
- record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money;

• keep records of transactions that exceed R$10,000 in a calendar month or reveal a pattern of activity that suggests a scheme to avoid identification;

• keep records of all check transactions; and

• keep records and inform the Central Bank of any cash deposits or cash withdrawals in amounts above R$100,000.

The financial institution must review transactions or proposals whose characteristics may indicate the existence of a crime and inform the Central Bank of the proposed or executed transaction. Records of transactions involving currency or any asset convertible to money, records of transactions that exceed R$10,000 in a calendar month, and records of check transactions must be kept for at least five years, unless the bank is notified that a CVM investigation is underway, in which case the five-year obligation may be extended. Pursuant to Circular No. 3,461/09, amended by Circulars No. 3,517/10, No. 3,583/12 and No. 3,654/13, financial institutions must implement control policies and internal procedures. The policies must: (i) specify in an internal document the responsibilities of each of the organization's hierarchical levels; (ii) include the collection and registration of timely information about customers that makes it possible to identify the risks of occurrence of these crimes; (iii) define the criteria and procedures for selecting, training and monitoring the economic-financial status of the institution's employees; (iv) include a prior analysis of new products and services from the perspective of preventing these crimes; (v) be approved by the Board of Directors; and (vi) be broadly circulated internally. The procedures described herein shall be observed by our branches and subsidiaries in Brazil and abroad.

Along with these policies, Circular No. 3,461/09, as amended, also establishes additional norms related to keeping registration information up-to-date, keeping records of politically exposed individuals (either in Brazil or abroad), records of the beginning or continuation of business relations, records of financial services and transactions, records of deposits and clearance of checks deposited in other financial institutions, the use of fund transfer instruments, pre-paid card registrations, transfers of over R$100,000 in cash, and other transactions that require special attention.

Likewise, rules to combat money laundering in international transfers were defined, including more detailed operational information requirements for payment orders, such as the name and identification document of the parties involved, address and bank account when applicable. Financial institutions shall also adopt measures to obtain information about methods and practices used by their correspondents abroad so as to prevent money laundering and terrorist financing practices, and report to government authorities whenever transactions with these characteristics are detected.

Brazilian regulations list a number of potential money-laundering transaction characteristics, such as: transactions involving amounts that are incompatible with the professional, equity and/or earnings condition of the involved parties; operations evidencing default on behalf of third parties; transactions intended to create loss or gain with no economic grounds; transactions from or to countries or territories that do not apply the recommendations sufficiently or do not cooperate with the Brazilian financial activity control agencies; transactions paid in cash; transactions the complexity and risk level of which are inconsistent with the customer's technical qualification; and transactions involving non-resident parties, trustees and companies, private banking customers and politically exposed individuals.

The CVM directed special attention to politically exposed individuals through Instruction No. 463/08 and consolidated in Central Bank Circular No. 3,461/09, which refer to individuals politically exposed who hold or held prominent public positions in Brazil or abroad during the past five years and their relatives and representatives. Such individuals include heads of state and government, senior politicians and civil servants, judges or high-ranking military officers, and leaders of state controlled enterprises companies or political parties, among others. Circular 3,654/13 expanded such list to include other members of the Judiciary, Legislative and Executive powers, as well as individuals who held or still hold relevant positions in foreign governments. Financial institutions are required to adopt certain mechanisms in order to: (i) identify the final beneficiaries of each transaction; (ii) identify whether these politically exposed individuals are involved; (iii) monitor financial transactions involving politically exposed individuals; and (iv) pay special attention to people from countries with which Brazil maintains a high number of business and financial transactions, shared borders or ethnic, linguistic or political relations.

In addition, this CVM regulation contains special provisions to control and prevent the flow of funds derived from, or for financing, terrorist activities.

Also regarding the control of politically exposed individuals' activities and in light of the 2010 Brazilian elections for President, Governors, Senators, Federal and State Representatives, in March 2010, the Central Bank enacted rules that specifically address the opening, transacting with and closing of demand accounts for funds related to financing the 2010 election campaign. Those rules seek to avoid irregular use of said funds and illegal donations.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as: the sharing of information on credit history, criminal activity and violation of bank regulations, or disclosure of information authorized by interested parties. Banking secrecy may also be breached by court order when necessary for the investigation of any illegal act. On June 9, 2011 Law No. 12,414/11 was enacted, governing the set-up and consultation of data with credit scoring information on individuals and companies, in order to obtain a credit history, which could be used by institutions authorized to operate by the Central Bank. The provision of information by financial institutions was regulated by Resolution No. 4,172 of December 20, 2012.

Government officials and auditors from the Brazilian Federal Revenue Service may also inspect an institution's documents, books and financial records in certain circumstances.

In October 2008, the Central Bank broadened the reach of its rules for controlling financial transactions related to terrorism, so that operations carried out on behalf of, services provided to, or access to funds, other financial assets or economic resources belonging to or directly or indirectly controlled by, the following individuals or entities were required to be immediately reported to the Central Bank: (i) members of the Al-Qaeda organization, members of the Taliban and other individuals, groups, companies or entities connected with them; (ii) the former government of Iraq or its agencies or companies located outside of Iraq, as well as funds or other financial assets that might have been withdrawn from Iraq or acquired by Saddam Hussein or by other former Iraqi government senior officials or by the closest members of their families, including companies owned by, or directly or indirectly controlled by them or by individuals under their management; and (iii) individuals perpetrating or attempting to perpetrate terrorist actions or who take part in or facilitate such acts, entities owned or directly or indirectly controlled by such individuals, as well as by individuals and entities acting on their behalf or under their command.

On July 9, 2012 Law No. 12,683/12 came into force, amending Law No. 9,613/98, and toughened the rules on money laundering offenses. According to the new law, any offense or misdemeanor – and not only serious offenses, such as drug traffic and terrorism – may be deemed as a precedent to the money laundering offense. Additionally, the law expands, to a great extent, the list of individuals and companies obliged to report transactions to COAF (Controlling Council of Financial Activities), including, among them, companies providing advisory or consulting services to operations in the financial and capital markets, under the penalty of fines of up to R$20 million. In June 2013, the CVM enacted an instruction that conformed regulation of this government agency to Law no. 12,638/12, establishing the obligation to send to the regulatory or inspection agency information regarding the non-existence of suspect financial transactions and other situations that generate the need for communications.

Anticorruption Law

In August 2013, Law no. 12,846/13 was enacted and regulates on civil and administrative liability of legal entities for performing acts against public management, either domestic or foreign.

Based on this legal provision, legal entities shall be strictly liable, in both the administrative and civil spheres, for the practice of the harmful acts in their exclusive or non–exclusive interest or benefit.

Law under discussion provides for fine penalty in an amount ranging from 0.1% to 20% of the gross revenues earned in the financial year preceding the financial year in which the administrative proceedings was commenced. For sanction application, the existence of internal mechanisms and procedures for integrity, auditing and encouragement to whistle-blowing as well as effective implementation of codes of ethics and conduct at the legal entity will be taken into consideration, among others.

Change of independent accounting firm

Under Brazilian regulations, all financial institutions must:

- be audited by an independent accounting firm; and

- the specialist in charge, officer, manager or audit team supervisor must be periodically replaced without the need to change the independent auditor firm itself. Rotation must take place after five fiscal years at most and replaced professionals may be reintegrated three years later. Terms of responsible specialists, officers, managers or audit team supervisors begin on the day the team begins work on the audit.

table of contents

Form 20-F

Each independent accounting firm must immediately inform the Central Bank of any event that may materially adversely affect the relevant financial institution's status.

In March 2002, an amendment to the Brazilian Corporate Law gave the members of our Board of Directors veto rights over the appointment or removal of our independent accounting firm. For more details on appointment of directors see "Item 10.B. Memorandum and Articles of Incorporation-Organization - Voting Rights."

For additional information on the auditors of the consolidated financial statements included in this annual report see “Item 16.C. Principal Accountant Fees and Services”.

Auditing requirements

Because we are a financial institution and registered with the local stock exchange, we are obliged to have our financial statements audited every six months in accordance with the accounting practices adopted in Brazil (“BR GAAP”) applicable to institutions authorized to operate by the Central Bank. Quarterly financial information filed with the CVM is subject to review by our independent auditors. Additionally, as required by CMN Resolution No. 3,786/09, we also are required to publish annual consolidated financial statements prepared in accordance with IFRS, accompanied by the opinion of an independent auditing firm.

In January 2003, the CVM enacted regulations requiring audited entities to disclose information relating to their independent accounting firm's non-auditing services provided to the entity whenever such services accounted for more than 5.0% of the amount paid to the external auditors.

The independent auditors must also declare to the audited company's management that their providing of these services does not affect the independence and objectivity required for external auditing services.

In May 2003, the CMN enacted new auditing regulations applicable to all Brazilian financial institutions; which were revised in November 2003, January and May 2004 and December 2005. Under these regulations, we are required to appoint a member of our management to be responsible for monitoring and supervising compliance with the accounting and auditing requirements set forth in the legislation.

Pursuant to this regulation, financial institutions having regulatory capital of more than R$1.0 billion, managing third party assets of at least R$1.0 billion or having an aggregate amount of third party deposits of over R$5.0 billion are also required to create an audit committee consisting of independent members. The number of members, their appointment and removal criteria, their term of office and their responsibilities must be specified in the institutions' bylaws. Our Audit Committee has been fully operational since July 1, 2004. The Audit Committee is responsible for recommending to management which independent accounting firm to engage, reviewing the company's financial statements, including the notes thereto, and the auditors' opinion prior to public release, evaluating the effectiveness of the auditing services provided and internal compliance procedures, assessing management's compliance with the recommendations made by the independent accounting firm, among other matters. Our Bylaws were revised in December 2003 to stipulate the existence of an audit committee. In May 2004, our Board of

Directors approved the internal regulations for the Audit Committee and appointed its first members. In October 2006, the CMN enacted stricter requirements to be followed by the members of the Audit Committee. See "Item 16.D. Exemptions from filing requirements for Audit Committees."

Since July 2004, we are required to publish a semi-annual audit committee report together with our financial statements. Our Audit Committee's first report was issued together with our financial statements for the second half of 2004.

In September 2009, the Central Bank issued rules setting criteria for auditors on the latter's preparation of reports on the quality and compliance of the internal controls systems, and on non-compliance with legal and regulatory provisions. These norms, amended in January 2010, state that in addition to their regular auditing functions, auditors must assess the following items: (i) control environment; (ii) risk identification and assessment; (iii) controls adopted; (iv) information and communication policies; (v) forms of monitoring and improvement and (vi) deficiencies identified.

Regulation of operations in other jurisdictions

We have branches and subsidiaries in several other jurisdictions, such as New York, London, Buenos Aires, Tokyo, the Cayman Islands, Hong Kong, Mexico and Luxembourg. The Central Bank supervises Brazilian financial institutions' foreign branches, subsidiaries and corporate properties, and prior approval from the Central Bank is necessary to establish any new branch, subsidiary or representative office or to acquire or increase any interest in any company abroad. In any case, the subsidiaries activities' should be complementary or related to our own principal activities. In most cases, we have had to obtain governmental approvals from local central banks and monetary authorities in foreign jurisdictions before commencing business. In all cases, we are subject to supervision by local authorities.

table of contents

Asset management regulation

Asset management is regulated by the CMN and the CVM.

In August 2004, the CVM issued Instruction No. 409/04 consolidating all previous regulations applicable to fixed-income asset funds and equity mutual funds. Prior to this ruling, fixed-income asset funds were regulated by the Central Bank, and equity mutual funds were regulated by the CVM.

CVM Instruction nº. 409/04 became effective on November 22, 2004. and was amended a few times since then.

Pursuant to CVM limits and our Bylaws, our investment funds must keep their assets invested in securities and types of trades available in the financial and capital markets.

Securities and all other financial assets in the investment fund's portfolio, must be registered directly with specific custody deposit accounts opened in the name of the fund except for open investment funds quotas. Such accounts must be held in registration and clearance systems authorized by the Central Bank, or certain custody institutions authorized by the CVM.

In addition to the limitations specified in each financial investment fund's bylaws, they may not:

- invest more than ten per cent (10.0%) of their net assets in securities of a single issuer, if that issuer is (i) a publicly-held non-financial institution, or (ii) a federal, state, or municipal entity or (iii) another investment fund, except for equity funds;

- more than twenty percent (20.0%) of their net assets in securities issued by the same financial institution (including the fund administrator);

- invest more than five percent (5.0%) of their net assets if the issuer is an individual or corporate entity that is not a publicly-held company or financial institution authorized to operate by the Central Bank; and

- in the case of investment funds or fixed-income and multimarket participation funds, more than ten percent (10.0%) of their net assets in real estate investment funds, receivables investment funds or credit rights participation funds.

There are no limits when the issuer is the federal government. For the purposes of these limits, the same issuer means the parent company, companies directly or indirectly controlled by the parent and its affiliates, or companies under common control with the issuer.

Depending on the composition of their assets, investment funds and funds of funds are classified as follows:

- Short-term funds – These funds invest exclusively in public, federal or private bonds pegged to the SELIC rate or another interest rate, or to price indices, and have a maximum maturity of 375 days and an average portfolio period of less than 60 days. Short-term funds may use derivatives only to hedge their portfolios and may enter into repo agreements backed by federal government bonds;

- Referenced funds – their name must state their benchmark indicator on which the financial asset structure of their portfolio is based (i) at least 80.0% of their net assets, separately or together, must be invested in (a) bonds issued by the Brazilian National Treasury and/or the Central Bank or (b) fixed-income securities from low credit-risk issuers; (ii) they stipulate that at least 95.0% of their portfolio must be composed of financial assets that directly or indirectly track the variation of a specified performance indicator (benchmark); and (iii) they may use derivatives only for hedging cash positions, limited to the amount of the latter;

- Fixed-income funds – These funds have at least 80.0% of their asset portfolios directly related to fixed-income assets or synthesized through derivatives;

- Equity funds – These funds have at least 67.0% of their portfolio invested in shares listed and traded on exchange or in organized over the counter markets;

- Forex funds – These funds have at least 80.0% of their portfolio invested in derivatives or other funds comprised of derivatives which hedge foreign currency prices;

- Foreign-debt funds – These funds have at least 80.0% of their net assets invested in Brazilian foreign-debt bonds issued by the federal government, and the remaining 20.0% in other debt securities transacted in the international market; and

- Money market funds – These funds must have an investment policy that involves several risk factors, without a commitment to concentration in any particular factor or in factors differing from the other classes stipulated in the classifications of the funds listed above.

Qualified investor funds require a minimum investment of R$1 million per investor and are subject to concentration limitations per issuer or per type of asset (while obeying the investment parameters for type of fund as described above), as long as this is stated in their bylaws.

In addition, CVM Instruction No. 409/04 states that funds may hold financial assets traded abroad in their portfolios as follows: (i) for foreign-debt funds and qualified investor funds that stipulate this possibility, there is no limit; (ii) for multimarket funds, up to 20% of net assets; and (iii) for other funds, up to 10% of net assets.

In addition to funds provided for in CVM Instruction no. 409/04, there are specific standards that regulate other types of funds, including private equity funds (*FIPs – Fundos de Investimento em Participações*); investment funds in shares of private equity funds; Receivable funds (*FIDCs – Fundos de Investimento em Direitos Creditórios*); Receivable funds in the ambit of the Program to Incentive Implementation of Projects of Social Interest; Investment Funds in Shares of Receivable funds; Financing Funds of the National Movie Industry; Privatization Mutual Funds – FGTS; Privatization Mutual Funds – FGTS – Free Portfolio; Investment Funds in Emerging Companies; Index Funds with Shares traded in Stock Exchanges or Organized Over-the-Counter Market; Mutual Investment Funds in Emerging Companies- Foreign Capital; Conversion rights; Real Estate Investment Funds; Privatization Fund – Foreign Capital; Incentive Shares Mutual Funds; Cultural and Artistic Investment Funds; Investment Fund in Innovative Emerging Companies; Programmed Individual Retirement Funds – FAPI; and Non-Standardized Credit Rights Investment Funds.

Regulation of brokers and dealers

Broker and dealer firms are part of the National Financial System and are subject to CMN, Central Bank and CVM regulation and supervision. Brokerage and distribution firms must be authorized by the Central Bank and are the only institutions in Brazil authorized to trade on Brazil's stock exchanges and commodities and futures exchanges. Both brokers and dealers may act as underwriters for public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Brokers must observe BM&FBOVESPA rules of conduct previously approved by the CVM, and must designate an executive officer responsible for observance of these rules.

Broker and dealer firms may not:

- with few exceptions, execute transactions that may be characterized as the granting loans to their customers, including the assignment of rights;

- collect commissions from their customers related to transactions of securities during the primary distribution;

- acquire assets, including real estate properties, which are not for their own utilization; or

- obtain loans from financial institutions, except for: (i) loans for the acquisition of goods for use in connection with the firm's corporate purpose; or (ii) loans for amounts not more than twice the firm's net assets.

Broker and dealer firms' employees, managers, partners, controlling and controlled entities may trade securities on their own account only through the broker they are related to.

Leasing regulation

The basic legal framework governing leasing transactions is established by Law No. 6,099/74, as amended (the "Leasing Law") and related regulations issued periodically by the CMN. The Leasing Law provides general guidelines for the incorporation of leasing companies and the business activities they may undertake. The CMN, as regulator of the Financial System, is responsible for issuing Leasing Law related regulations and overseeing transactions made by leasing companies. Laws and regulations issued by the Central Bank for financial institutions in general, such as reporting requirements, capital adequacy and leverage regulations asset composition limits and treatment of doubtful loans, are also applicable to leasing companies.

Insurance regulation

The Brazilian insurance business is regulated by Decree Law No. 73/66, as amended, which created two regulatory agencies, the National Private Insurance Council, or "CNSP," and SUSEP. SUSEP is responsible for implementing and overseeing CNSP's policies and ensuring compliance with such policies by insurance companies, insurance brokers and insured individuals. Insurance companies require government approval to operate, as well as specific approval from SUSEP to offer each of their products. Insurance companies may subscribe policies only through qualified brokers.

Insurance companies must set aside reserves in accordance with CNSP criteria. Investments covering these reserves must be diversified and meet certain liquidity criteria, rules for which were consolidated by CNSP Resolution No. 226/10, as amended, solvency and security criteria. Insurance companies may invest a substantial portion of their assets in securities. As a result, insurance companies are major investors in the Brazilian financial markets and are subject to CMN rules and conditions for their investments and coverage of technical reserves.

Insurance companies may not, among other activities:

- act as financial institutions by lending or providing guarantees;
- trade in securities (subject to exceptions); or
- invest outside of Brazil without specific permission from the authorities.

Insurance companies must operate within certain retention limits approved by SUSEP pursuant to CNSP rules. These rules reflect the economic and financial situation of insurance companies and the conditions of their portfolios. Insurers must also meet certain capital requirements as as provided by SUSEP regulations.

In 2007, Complementary Law No. 126/07 created a new policy for reinsurance (whereby underwriters obtain secondary insurance for the risks that they are insuring), retrocession and intermediation in Brazil. In practical terms, this law ended IRB's monopoly in reinsurance and retrocession with regulatory duties and activities originally attributed to IRB transferred to CNSP and SUSEP.

Under Complementary Law No. 126/07, the ceding party, (local insurer or reinsurer) must offer local reinsurers preference when contracting reinsurance or retrocession to the extent of the following percentages of risks ceded: (i) 60% in the first three years as of January 16, 2007 and (ii) 40% in subsequent years. Under SUSEP Resolution No. 225/10, insurance companies must have contracts with local reinsurers for at least 40% of ceded reinsurance in facultative or automatic contracts. The new rule will apply to existing automatic contracts upon renewal or as of March 31, 2012, whichever is earlier.

The new law also places more severe restrictions on ceding risk to foreign reinsurance companies and contracting of insurance abroad. Insurance companies must reinsure amounts exceeding their retention limits.

CNSP Resolution No. 232/11 prohibited a local insurance or reinsurance company from transferring more than 20% of each policy premium to their foreign affiliates. This restriction does not apply to the guarantee business, nuclear risks and risks related to export credit, rural credit and domestic credit, which are subject to different legal requirements and regulations.

In 2013, CNSP issued Resolution No. 302/13 which regulates the minimum capital requirement and to solvency regularization plans for insurance companies, capitalization bond entities, open pension plan entities and local reinsurance companies. The main changes in such regulation were the following:

- consolidation of the correction plans and the plans of solvency recovery into a single plan, as the solvency regularization plan ("PRS");

- establishment of a liquidity minimum ratio (20%) over the minimum capital requirement , so that the companies can promptly react to unexpected losses incurred by their capital;

- changes to the base capital for open pension plan entities constituted as business corporations; and

- exclusion of all references to solvency margin, once all risk portions were already established in the capital requirement rules.

Insurance companies are exempt from ordinary financial liquidation procedures in case of bankruptcy, and instead follow the special procedure administered by SUSEP. Financial liquidation may be either voluntary or compulsory.

As was already the case in relation to entities subject to CMN, SUSEP issued rules in December 2008 with specific internal controls for preventing and fighting money laundering crimes. These rules include a series of provisions on notifying proposed transactions with politically exposed individuals and suppression of terrorist financing activities. These rules were amended and consolidated by Circular No. 445/12.

There is currently no restriction on foreign investment in insurance companies.

Health insurance

Private health insurance and health plans are currently regulated by Law No. 9,656/98, as amended, which we refer to as the "Health Insurance Law," containing general provisions applicable to health insurance companies and the general terms and conditions of agreements entered into between health insurance companies and their customers. The Health Insurance Law establishes, among other things:

- mandatory coverage of certain expenses, such as those arising from preexisting conditions;

- prior conditions for admission to a plan;

- the geographical area covered by each insurance policy; and

- the pricing criteria plans may use.

The ANS is responsible for regulating and supervising supplemental health services provided by health insurance companies pursuant to directives set forth by the Supplemental Health Council (*Conselho de*

Saúde Suplementar).

Until 2002, SUSEP had authority over insurance companies, which were authorized to offer private health plans. Since 2002, pursuant to ANS regulations and supervision, only operators of private health plans may offer such plans. We created Bradesco Saúde in 1999 to fulfill this requirement.

Private pension plans

Open pension plans are subject, for purposes of inspection and control, to the authority of the CNSP and the SUSEP, which are under the regulatory authority of the Ministry of Finance. The CMN, CVM and Central Bank may also issue regulations pertaining to private pension plans, particularly related to assets guaranteeing technical reserves.

Private pension entities must set aside reserves and technical provisions as collateral for their liabilities.

Open pension plans and insurance companies have been allowed to create, trade and operate investment funds with segregated assets since January 2006. Notwithstanding the above, certain provisions of Law No. 11,196/05 will only become effective when SUSEP and CVM issue regulatory texts. In September 2007, CVM issued Instruction No. 459, which addresses the set up, management, operation and disclosure of information on investment funds exclusively related to supplementary pension fund plans. In January 2013, the CMN determined new rules to govern the application of reserves, provisions and funds of insurance companies, capitalization companies and open supplementary pension fund entities. For more information, see "Regulation and Supervision-Asset Management Regulation."

Regulation of Internet brokerage services

The CVM approved regulations on Internet brokerage activities, which may be carried out only by registered companies. Brokers' web pages must contain details of their systems, fees, security and procedures for executing orders. They must also contain information about how the market functions generally and the risks involved with each type of investment offered.

Brokers that carry out transactions over the Internet must guarantee the security and operability of their systems, which must be audited at least twice a year.

Taxation

IOF (Tax on Financial Transactions)

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

IOF is levied on the following main types of transactions: (i) foreign exchange transactions; (ii) bonds and securities transactions; (iii) loan transactions; and (iv) insurance transactions.

IOF on foreign exchange transactions

IOF may be levied on a variety of forex transactions, including the conversion of Brazilian currency into any foreign currency for the payment of dividends and repatriation of capital invested in our ADSs. The general IOF rate on forex transactions is 0.38%, but 0% on forex transactions of an interbank nature or for the payment of dividends and interest on equity to foreign investors. IOF is also 0% for converting incoming funds or funds leaving the country in the form of foreign borrowing or financing.

Since December 2012, the tax rate upon settlement of foreign exchange operations related to the flow of funds into the country is 6%, including those operations carried out by way of simultaneous operations related to foreign loans subject to registration with the Central Bank, raised directly or through the issuance of securities in the international market, with the minimum average period of 360 days. If the repayment term of the loan is higher than 360 days the IOF rate of these operations is reduced to 0%.

Since June 2013, the IOF rate of foreign exchange operations related to the flow of funds into the country, including through simultaneous operations carried out by foreign investors for investment in the Brazilian financial and capital markets is 0%. Foreign exchange transactions to obtain return from funds invested by foreign investors in financial and capital markets are subject to 0% IOF rate in the following situations: (i) settlement of transactions to establish an initial or additional guarantee margin required by stock, futures and commodities exchanges; (ii) settlement of transactions for investment in financial and capital markets; (iii) settlement of transactions for investment in equities on the stock exchange or futures and commodities exchange, as regulated by the CMN, except for derivatives transaction that result in predetermined yields; (iv) settlement of foreign exchange operations to acquire shares in a registered public offering or offering exempted from CVM registration or for subscription of shares, provided that, in both cases, issuers are registered for trading on stock exchanges; (v) settlement of operations related to the flow of funds into the country, including operations by way of simultaneous operations to acquire shares in private equity funds, funds investing in emerging companies, or investment funds holding shares of the above funds ("funds of funds") as per CVM authorization; (vi) settlement of transactions for the purpose of flow of funds into the country due to cancellation of depositary receipts, for investment in shares traded on exchange; (vii) settlement of transactions related to funds deriving from change in foreign investors regime, and direct investment addressed by Law no. 4,131/62, to invest in shares traded in stock exchanges, as regulated by the CMN; (viii) settlement of transactions relating to funds in the country for the acquisition of bond or securities issued in accordance with Articles 1 and 3 of Law No. 12,431/11; and (ix) settlement of foreign transfers of funds for application in Brazil through Brazilian Depositary Receipts – BDRs, as regulated by the CVM.

The following foreign exchange transactions are also subject to a 0% IOF rate:

• definition of an initial or additional guarantee margin required by stock, futures and commodities exchanges;

table of contents

- transfer of external resources for application in Brazil in equities on the stock exchange or futures and commodities exchange, except for derivative transactions that result in predetermined returns;

- entry of funds in Brazil for acquisition of shares in public offerings registered or exempt from registration by the CVM or for subscription of shares, provided that, in both cases, the issuing companies must be registered for trading of shares on stock exchanges;

- entry of funds in Brazil for acquisition of shares in equity funds, venture capital funds and investment funds in shares of these funds, established as authorized by the CVM;

- settlement of simultaneous foreign exchange transactions, for the purpose of funds entering due to cancellation of depositary receipts, for investment in shares traded on exchange;

- settlement of simultaneous foreign exchange transactions, entered into from January 1, 2011, for funds entering Brazil arising from altered arrangements for foreign investors, direct investment, which is addressed by Law No. 4,131/62, and investment in shares traded on exchanges;

- settlement of foreign exchange transactions contracted by foreign investors for the acquisition of bond or securities issued in accordance with Articles 1 and 3 of Law No. 12,431/11; and

- settlement of exchange transactions contracted by foreign investors, including through simultaneous transactions, related to foreign transfers of funds for application in Brazil in certificate deposit of securities, named Brazilian Depositary Receipts – BDR, as regulated by the CVM.

In March 2011, Decree No. 7,454/11 increased the tax rate on currency exchange transactions from2.38% to 6.38% for payments made by credit card administrators or commercial or multiple banks acting as card issuers, when such amounts arise from the purchase of goods and services abroad by their cardholders.

In December 2013, Decree no. 8,175/13 provided that the IOF rate is 6.38% on foreign exchange transactions settled beginning as of December 28, 2013: (i) intended to comply with obligations of administrators of cards with international use or of commercial or multiple banks, in the capacity of credit card or debit card issuers, deriving from withdrawals made abroad by its users; and (ii) acquisition of foreign currency in the form of traveller checks and loading of prepaid international card, intended to meet personal expenditures in international travels.

The IOF tax rate is 0% for foreign exchange rate transactions related to revenues entering Brazil from exports of goods and services.

IOF on bonds or securities transactions

IOF tax may also be charged on transactions related to acquisition, granting, withdrawal, renegotiation or payment for settlement of securities. Maximum IOF rate in securities is 1.5% per day. IOF rate in transactions with securities is reduced to 0% in some cases, including in granting of shares that are admitted to negotiation in stock exchanges located in Brazil, for the specific purpose of backing issuances of depositary receipts traded abroad.

In September 2011, IOF was levied on transactions involving derivative contracts. The tax rate is 1% on the notional amount, adjusted in the acquisition, sale or maturity of financial derivative contracts entered into in Brazil that, individually, result in an increase of the sold foreign exchange exposure or reduction of the purchased foreign exchange exposure.

The legislation allows for some deductions from the calculation basis, such as: (i) the sum of the notional value adjusted by the acquisition, sale or maturity of financial derivative contracts entered into in Brazil, on the day, and that, individually, results in an increase of the purchased foreign exchange exposure or reduction of the sold foreign exchange exposure, (ii) the adjusted net foreign exchange exposure purchased, obtained on the previous business day, and (iii) the reduction of the net foreign exchange exposure sold and the increase of the net foreign exchange exposure purchased compared to the previous business day, not resulting from acquisitions, sales or maturities of financial derivatives contracts.

The legislation also establishes several specific concepts related to the levy of IOF on derivative contracts. One is the concept of "adjusted notional value," which corresponds to the reference value of the contract – notional value – multiplied by the price change of the derivative compared to the price change of foreign currency, noting that in the case of acquisition, sale or partial maturity, the adjusted notional amount will be calculated proportionately.

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

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

IOF on loan transactions

IOF is levied on loan transactions where the taxable event is the delivery of the obligation amount or value, or the event of making it available to the interested party.

Since May 2012, rate applicable to loan transactions of any type, including credit opening is 0.0041% per day, applicable both to legal entity or individual borrowers.

This IOF rate will be charged on principal available to borrowers regarding the loans and advances, but for cases in which the amount of principal is not predetermined, in addition to the IOF levied on principal, there will be additional IOF at the same rate levied on interest and other charges, so that the calculation base will comprise the sum of daily outstanding debt balances calculated on the last day of each month. In cases in which the IOF rate calculation base is not the sum of outstanding debt balances, IOF shall not exceed 1.88% which corresponds to the result of applying the daily rate to each amount of principal stipulated for the transaction, multiplied by 365 days, plus an additional rate of 0.38% even if the loan is to be repaid by installment. Since January 2008, besides IOF calculated based on the rate of 0.0041% per day, loans and advances have been subject to IOF in the form of an additional rate of 0.38% irrespective of the repayment period or whether the borrower is an individual or a legal entity.

IOF on loan transactions is levied on transactions between individuals and legal entities domiciled in Brazil, as well as on transactions whose creditor resides in Brazil, even if the debtor is located abroad.

IOF on insurance transactions

IOF is levied on insurance transactions where the taxable event is the receipt of premium. Applicable rates are as follows:

- 0% on: (i) reinsurance transactions; (ii) transactions related to mandatory insurance, linked to residential real estate financing granted by an agent of the national housing system (SFH); (iii) insurance transactions for exportcredits and international merchandise transportation; (iv) aeronautical insurance; (v) premiums intended to finance life insurance plans with survival coverage; and (vi) guarantee insurance;

- 0.38% of premiums paid, in the case of life insurance and similar policies, for personal or workplace accidents, including mandatory insurance for personal injuries caused by vehicles or ships or cargo to persons transported or others;

- 2.38% private health insurance business; and

- 7.38% for all other insurance transactions.

Income and social contribution taxes on income

Federal taxes on company income include two components, income tax known as "IRPJ" and tax on net profits, known as "Social Contribution" or "CSLL." income tax charges are calculated based on a rate of 15.0% plus a surcharge of 10.0% on taxable income exceeding R$240 million. Considering the above, the IRPJ is assessed at a combined rate of 25.0% of adjusted net income. Social contribution tax is calculated based on a general rate of 9.0% of adjusted net income. However, since May 2008, financial institutions and affiliated companies have been taxed at a rate of 15.0%.

For further information on our income tax expense, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

Due to taxation on universal bases, ccompanies are taxed based on their global income rather than income produced exclusively in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are computed in the determination of their taxable profits. A Brazilian entity is allowed to offset income tax paid abroad against tax on the same income due in Brazil (i) under double taxation agreements and (ii) up to the amount of Brazilian income taxes charged on the same income, if there is reciprocal treatment between Brazil and the country where the profit or gain was obtained, as is the case with the United States. Profits computed at the end of each year by an offshore entity which is a branch, subsidiary or affiliate of a Brazilian entity are regarded as available to the Brazilian entity and therefore subject to income tax in Brazil.

In accordance with Provisional Measure no. 627/13, income earned through a foreign associate is only taxable in Brazil upon effective availability, provided that the associate is not subject to sub-taxation regime; is not located in a country or dependence with benefited taxation; is not controlled by an individual or legal entity subject to the above taxation treatment; has own income equal to or higher than 80% of his/its total income. Note that regime of Provisional Measure no. 627/13 is optional for 2014, but mandatory beginning as of 2015.

Provisional Measure no. 627/13 also establishes that the controlling legal entity in Brazil should record in sub-accounts of the investment account in direct subsidiary abroad, on an individual basis, book income in variation of investment value equivalent to income or losses obtained by the direct subsidiary itself and its direct or indirect subsidiaries, in Brazil or abroad, related to the calendar year in which they are recorded in the balance sheet, complying with the proportion of its interest in each direct or indirect subsidiary. The same Provisional Measure permits, through calendar year 2017, consolidation of a subsidiary’s results deriving from its own active income with the results of its controlling company in Brazil, provided that certain requirements are met.

Profits or dividends generated and paid by Brazilian entities between 1996 and 2007 are not subject to withholding income tax, nor are they included in the calculation of income tax for corporates or individual beneficiaries domiciled in Brazil or abroad. Provisional Act no. 627/2013, which is still pending approval by Congress and will certainly be subject to amendments until it is enacted into law, provides that a dividend may only be exempt to the beneficiary if so determined by tax accounting and not corporate accounting; however, it also exempts income determined by corporate accounting from January 1, 2008 to December 31, 2013, effectively paid until November 11, 2013 (Provisional Measure publication date), provided that the paying party has adhered to rules provided for in Articles 1 to 66 of the Provisional Measure. We believe that the enactment of this Provisional Measure into law should take place by April 2014.

Since payment of dividends is not tax deductible for the corporation distributing them, Brazilian legislation allows an alternative means of remunerating shareholders in the form of "interest on equity" which may be deducted from taxable income. This deduction is limited to the product of (i) the *pro rata die* variation of the long-term interest rate announced by the Brazilian government, known as the "TJLP," times (ii) the corporation's equity calculated in accordance with accounting practices adopted in Brazil, not exceeding:

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

• 50.0% of retained earnings for the year prior to the year in which payment is made, in accordance with generally accepted accounting principles in Brazil.

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

Distributions of interest on equity paid to holders of shares, including payments to the depositary bank in respect of shares underlying ADSs, are subject to Brazilian withholding tax at a rate of 15.0%, except for payments to: (i) persons exempt and immune from tax in Brazil or (ii) persons situated in tax havens in which case, payments are subject to income tax at a rate of 25.0%. For more information on the taxation of interest on equity, see "Item 10.E. Taxation-Brazilian tax considerations-Distributions of interest on equity."

Tax losses of Brazilian companies accrued in prior years may offset income from future years up to 30.0% of annual taxable income. Accumulated operating and non-operating losses shall be offset only by income of the same nature.

Gains realized by individual residents in Brazil on any disposition of common or preferred shares in Brazilian stock exchanges or similar markets are generally taxed at the following rates:

• 20.0% if the transaction is "day-trade" on a stock exchange; or

• 15.0% for all other transactions.

In addition, residents in Brazil who trade on equity markets, except for day-trades, are subject to a withholding income tax of 0.005% as follows:

• in the futures market, the sum of the daily adjustments, if positive, determined when closing out the position, in advance or on the settlement date;

• in the options market, the result, if positive, of the sum of the premiums paid and received on the same day;

• for forward contracts, which provide for delivery of the assets on a set date, the difference, if positive, between the forward price and cash price on delivery date;

- with respect to forward contracts for financial settlement, the settlement amount as specified by the contract; and

- for the spot market, the sale value of shares, gold, financial assets or other securities traded therein.

This taxation system was created in order to facilitate the Brazilian tax authority's supervision of transactions in the financial and capital markets. Withholding income taxes as mentioned above, is treated as advance of income tax due and may be (i) deducted from income tax levied on net monthly gains; (ii) offset with tax due in subsequent months; (iii) offset in annual income tax declaration of adjustment (if there is withheld tax to be returned); or (iv) offset with the outstanding withholding income tax due on capital gains from the sale of shares.

Brazilian residents day-trading on stock, commodities or futures exchanges, or similar markets, are also subject to an additional withholding tax similar to the described above, at a rate of 1%. This tax may also be (i) deducted from the income tax levied on net monthly profit or (ii) offset with income tax due in following months (if there is any withheld tax accounted for in the balance).

Gains on disposition of shares in Brazil by investors who reside in a jurisdiction deemed to be a "tax haven" under Brazilian law (any country that (i) does not charge income tax, (ii) charges income tax at a rate of less than 20.0% or (iii) a country whose corporate law opposes confidentiality on ownership of corporate entities) are subject to the same rates applicable to resident holders in Brazil, as previously described.

Gains obtained on disposition of shares in Brazil by holders who are resident overseas, in a country that, according to Brazilian laws, is not deemed a tax haven, are not subject to Brazilian tax if:

table of contents

- amounts received directly from issuing companies and capital gain earned on sale of assets that backed BDRs, in case it is cancelled. or

- the foreign investment in shares is registered with the Central Bank pursuant to CMN Resolution No. 2,689/00.

Otherwise, the same treatment afforded to residents in Brazil will be applicable.

There is a zero income tax rate on income from transactions involving Brazilian government bonds purchased as of February 2006, except those for which buyers enter into resell agreements under CMN rules and conditions. This zero income tax rate is also applicable to income of non-residents that invest in shares of investment funds exclusively for non-resident investors, if their portfolio is at least, 98% government bonds. This zero tax rate is not applicable if the beneficiary is resident or domiciled in a country deemed a tax haven.

The income tax rate is also zero, under certain conditions, on income from investments in private equity investment funds, investment funds in quotas of private equity investment funds and emerging markets investment funds if income is paid, credited, delivered or remitted to individual or collective beneficiaries resident or domiciled abroad (except tax havens), whose investments in Brazil are in compliance with CMN regulations and conditions. These funds must comply with CVM regulations on limits for portfolio composition, diversification and investment rules in order to benefit from the zero income tax rate.

Income of Brazilian residents from redemption, sale or amortization of shares in investment funds, private equity funds, funds of funds and emerging markets investment funds, including income resulting from liquidation of the fund, is subject to an income tax rate of 15% on the positive difference between redemption or sale value and acquisition cost.

In December 2008, the Brazilian government created the Transition Tax Regime ("RTT") to neutralize the impact of the new accounting methods and criteria introduced in December 2008, as part of Brazil's adoption of international accounting rules. The adoption of RTT which, will be in force until the law governing the tax effects of the new accounting methods and criteria becomes effective, was optional for 2008 and 2009 but became mandatory in 2010 fiscal year, including for purposes of determining the social contribution, PIS and COFINS. We have elected to adopt the RTT from the 2008 fiscal year. In November 2013, Provisional Measure no. 627/13, which revoked RTT and provided a federal tax law related to Income Tax, Social Contribution, PIS and COFINS, was enacted. In accordance with the current wording of Provisional Act nº. 627/13, which is still in progress, RTT revocation is mandatory beginning as of January 2015 and optional in 2014.

In June 2010, legislation introduced thin capitalization rules, and limited deduction for interest paid or credited by a Brazilian company to (i) an addressee domiciled abroad, whether or not holding equity interest in the company paying, and (ii) an addressee resident, domiciled or incorporated in a tax haven or locality with a low or privileged tax regime.

In cases where the creditor is a related party domiciled abroad and holds an equity interest in the Brazilian company making a payment, debt may not exceed the equivalent to twice such shareholders' interest in the total equity of the Brazilian company. In case of a related party with no shareholding interest, the limit will be equivalent to twice the total equity of the Brazilian company resident in Brazil. If there is more than one creditor, total debt owed foreign companies may not exceed the equivalent of twice the total value of the interests of all the related parties in the equity of the company resident in Brazil. If the debt is exclusively related to foreign companies that have no ownership interest in the Brazilian company, the overall limit is twice the equity of the Brazilian company. If the creditor is domiciled in a low tax jurisdiction the debt amount may not exceed 30.0% of the equity of the Brazilian company. Any amounts exceeding the limits above such limit may not be deducted for purposes of withholding income and social contributions taxes.

Also beginning in June 2010, tax deductions for any payment to a beneficiary resident or domiciled in a country considered a tax haven became subject to the following requirements in addition to others already stipulated in the legislation: (i) identification of the actual beneficiary of the person domiciled abroad; (ii) proof of the ability of the person located abroad to complete the transaction; and (iii) documented proof of payment of the respective price and of receipt of the assets, rights, or utilization of service.

In November 2010, the Brazilian tax authorities issued a normative instruction altering the tax treatment applicable to variation in the monetary value of taxpayers' credit rights and obligations due to varying exchange rates. Under this new instrument, as of the 2011 calendar year, the election of tax regime for taxation of exchange-rate variations (i) may only be exercised in January of each calendar year and (ii) may only be altered during the fiscal year if there is "material variation in the exchange rate," as published by a Finance Ministry directive.

PIS and COFINS

Two federal taxes are imposed on the gross revenues of corporate entities: PIS and COFINS. Nonetheless, many revenues, such as dividends, equity earnings from unconsolidated companies, revenues from the sale of fixed assets and export revenues paid in foreign currency are not included in the calculation base for PIS and COFINS. Revenues earned by corporations domiciled in Brazil are subject to PIS and COFINS taxes corresponding to interest on equity.

Brazilian legislation authorizes certain adjustments to the calculation base of those taxes depending on the business segment and on other aspects.

Between 2002 (PIS) and 2003 (Cofins), the Brazilian government implemented a non-cumulative collection system of PIS and COFINS taxes, allowing taxpayers to deduct from their calculation basis credits originating from certain transactions. In order to offset these credits, the rates of both PIS and COFINS were substantially increased. Subsequent to the changes made to PIS and COFINS, as of May 2004, both taxes are applicable on imports of goods and services when the taxpayer is the importing company domiciled in Brazil.

As of August 2004, PIS and COFINS rates were eliminated for financial income earned by companies subject to the non-cumulative applicability of these taxes, including financial income arising from hedging operations. However, taxes charged on payments of interest on equity were maintained.

Certain economic activities are expressly excluded from the non-cumulative collection system of PIS and COFINS. Financial institutions remain subject to PIS and COFINS according to the "cumulative" method, which does not allow any credits to be discounted.

PIS is charged based on the total revenue generated by entities and is charged at a rate of 0.65% in the case of financial and similar institutions.

Before February 1999, we were not a COFINS taxpayer. In February 1999, COFINS was imposed on our gross revenues at a rate of 3.0%. After September 2003, this tax rate was increased to 4.0% for financial and similar institutions. The calculation base for COFINS is the same as that for PIS.

In July 2010, the Brazilian tax authorities introduced digital tax records for PIS and COFINS taxes. Under the new rule, financial and similar institutions must keep digital records for PIS and COFINS taxes relating to taxable events occurring as of January 2012.

Selected Statistical Information

Selected statistical data shown in this section as of and for the years ended December 31, 2013, 2012 and 2011 is derived from our audited consolidated financial statements prepared in accordance with IFRS, included elsewhere in this annual report. The data for the years ended December 31, 2010 and 2009, is derived from our audited consolidated financial statements prepared in accordance with IFRS which are not included herein.

We have included the following information for analytical purposes. You should read this information (for the years ended December 31, 2013, 2012, and 2011) in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements in "Item 18. Financial Statements."

table of contents

Average balance sheet and interest rate data

The following tables present the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense or similar amounts and the average real yield/rate for each period. We calculated the average balances using the month-end book balances, which include the related allocated interest.

We do not show interest income on a tax-equivalent basis, as Brazilian tax law does not currently provide for tax exemptions for interest earned on investment securities.

Interest-earning assets

	R$ in thousands, except %							
December 31,	**2013**			**2012 (Restated)**			**2011 (Restated)**	
	Average balance	**Interest and similar income**	**Average yield/ interest**	**Average balance**	**Interest and similar income**	**Average yield/ interest**	**Average balance**	**Interest and similar income**
Interest earning assets								
Financial assets held for trading	80,909,973	7,872,493	9.7%	89,783,466	7,816,181	8.7%	87,228,224	9,070,609
Financial assets available for sale	79,895,464	7,740,512	9.7%	66,875,502	6,434,573	9.6%	33,529,432	3,373,070
Investments held to maturity	3,791,552	603,768	15.9%	3,657,763	589,835	16.1%	4,510,835	360,835
Assets pledged as collateral	112,404,700	12,770,916	11.4%	94,667,517	9,090,234	9.6%	75,623,917	8,744,459
Loans and advances to banks	104,232,013	8,899,967	8.5%	78,977,399	6,791,429	8.6%	75,942,480	9,168,583
Loans and advances to customers	289,336,399	49,645,420	17.2%	262,228,228	48,463,833	18.5%	234,519,052	45,281,429
Other interest earning assets								
Central Bank compulsory deposits	42,757,972	3,110,877	7.3%	48,722,266	3,808,229	7.8%	59,239,456	6,112,337
Other assets	575,113	38,671	6.7%	546,918	37,540	6.9%	518,296	40,774

Total interest earning assets	**713,903,186**	**90,682,624**	**12.7%**	**645,459,059**	**83,031,854**	**12.9%**	**571,111,692**	**82,152,096**
Non interest earning assets								
Cash and balances with banks	11,969,749	-	-	14,620,739	-	-	10,433,992	-
Central Bank compulsory deposits	6,719,354	-	-	8,618,901	-	-	8,348,788	-
Financial assets available for sale (shares)	6,849,306	-	-	7,690,050	-	-	4,259,574	-
Non performing loans and advances to customers [1]	11,273,935	-	-	10,588,578	-	-	8,001,549	-
Impairment of loans and advances	(21,305,397)	-	-	(20,501,971)	-	-	(17,719,137)	-
Investments in associated companies and joint ventures	2,855,127	-	-	2,635,972	-	-	2,020,335	-
Property and equipment	4,323,084	-	-	4,348,807	-	-	3,636,614	-
Intangible assets and goodwill	8,155,015	-	-	8,562,449	-	-	6,397,827	-
Current and deferred income tax	32,488,983	-	-	27,815,418	-	-	22,814,339	-
Other assets	42,512,399	-	-	39,255,038	-	-	32,874,055	-
Total non interest earning assets	**105,841,555**	**-**	**-**	**103,633,981**	**-**	**-**	**81,067,936**	**-**
Total assets	**819,744,741**	**90,682,624**	**11.1%**	**749,093,040**	**83,031,854**	**11.1%**	**652,179,628**	**82,152,096**

table of contents

Form 20-F

Interest-bearing liabilities

				R$ in thousands, except %			
	2013			2012 (Restated)			
December 31,	Average balance	Interest and similar expense	Average yield/ interest	Average balance	Interest and similar expense	Average yield/ interest	Average balance
Interest bearing liabilities							
Interbank deposits	671,404	63,268	9.4%	471,502	48,529	10.3%	360,5
Savings deposits	73,307,137	4,112,323	5.6%	62,758,934	3,623,935	5.8%	55,515,8
Time deposits	99,565,994	5,828,956	5.9%	117,960,891	7,555,947	6.4%	122,478,1
Funding in the open market	182,981,063	16,671,777	9.1%	152,443,947	11,758,260	7.7%	128,525,6
Borrowings and onlendings	49,273,352	1,937,991	3.9%	47,408,499	2,349,470	5.0%	44,962,3
Funds from securities issued	52,476,783	3,646,584	6.9%	50,848,755	3,439,688	6.8%	28,260,0
Subordinated debt	35,560,706	3,132,915	8.8%	32,278,136	2,884,331	8.9%	25,335,5
Insurance technical provisions and pension plans	125,179,124	5,988,328	4.8%	107,519,858	7,985,971	7.4%	89,762,1
Total interest-bearing liabilities	**619,015,563**	**41,382,142**	**6.7%**	**571,690,522**	**39,646,131**	**6.9%**	**495,200,3**
Non-interest-bearing liabilities							
Demand deposits	36,876,193	-	-	33,138,109	-	-	32,539,8
Other non interest bearing liabilities	95,039,096	-	-	81,203,950	-	-	71,805,9
Total non interest bearing liabilities	**131,915,289**	**-**	**-**	**114,342,059**	**-**	**-**	**104,345,7**
Total liabilities	**750,930,852**	**41,382,142**	**5.5%**	**686,032,581**	**39,646,131**	**5.8%**	**599,546,1**
Equity attributable to controlling shareholders	**68,216,774**	**-**	-	**62,463,588**	**-**	-	**52,424,3**
Non-controlling interest	**597,115**	**-**	**-**	**596,871**	**-**	**-**	**209,0**
Total liabilities and equity	**819,744,741**	**41,382,142**	**5.0%**	**749,093,040**	**39,646,131**	**5.3%**	**652,179,6**

Changes in interest and similar income and expenses – volume and rate analysis

The following table shows the effects of changes in our interest income and expense arising from changes in average volumes and average yield/rates for the periods presented. We calculated the changes in volume and interest rate based on the evaluation of average balances during the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive and negative effects.

December 31,	R$ in thousands					
	2013/2012			2012/2011 (Restated)		
	Increase/(decrease) due to changes in					
	Average volume	**Average yield/rate**	**Net change**	**Average volume**	**Average yield/rate**	**Net change**
Interest earning assets						
Financial assets held for trading	(813,984)	870,297	56,313	259,115	(1,513,543)	(1,254,428)
Financial assets available for sale	1,261,115	44,824	1,305,939	3,214,600	(153,097)	3,061,503
Investments held to maturity	21,373	(7,440)	13,933	(79,120)	308,120	229,000
Assets pledged as collateral	1,860,942	1,819,740	3,680,682	1,978,884	(1,633,109)	345,775
Loans and advances to banks	2,156,723	(48,185)	2,108,538	353,550	(2,730,704)	(2,377,154)
Loans and advances to customers	4,798,089	(3,616,502)	1,181,587	5,182,010	(1,999,606)	3,182,404
Central Bank compulsory deposits	(445,577)	(251,775)	(697,352)	(973,944)	(1,330,164)	(2,304,108)
Other assets	1,907	(776)	1,131	2,165	(5,399)	(3,234)
Total interest earning assets	**8,840,588**	**(1,189,817)**	**7,650,771**	**9,937,260**	**(9,057,502)**	**879,758**
Interest bearing liabilities						
Interbank deposits	19,126	(4,387)	14,739	12,590	(10,716)	1,874
Savings deposits	594,244	(105,856)	488,388	456,098	(586,918)	(130,820)
Time deposits	(1,112,949)	(614,042)	(1,726,991)	(399,557)	(3,245,583)	(3,645,140)
Funding in the open market	2,579,504	2,334,013	4,913,517	2,309,540	(4,553,066)	(2,243,526)
Borrowings and onlendings	89,365	(500,844)	(411,479)	298,524	(3,724,898)	(3,426,374)
Funds from securities issued	111,750	95,146	206,896	1,632,263	(683,111)	949,152
Subordinated debt	289,698	(41,114)	248,584	678,755	(582,105)	96,650
Insurance technical provisions and pension plans	1,164,226	(3,161,869)	(1,997,643)	1,319,156	(38,616)	1,280,540
Total interest bearing liabilities	**3,734,964**	**(1,998,953)**	**1,736,011**	**6,307,369**	**(13,425,013)**	**(7,117,644)**

Net interest margin and spread

The following table shows the average balance of our interest-earning assets, interest-bearing liabilities, and net interest and similar income, and compares net interest margin with net interest spread for the periods indicated:

December 31,	R$ in thousands, except %		
	2013	2012 (Restated)	2011 (Restated)
Average balance of interest earning assets	713,903,186	645,459,059	571,111,692
Average balance of interest bearing liabilities	619,015,563	571,690,522	495,200,370
Net interest income [(1)]	**49,300,483**	**43,385,723**	**35,388,321**
Interest rate on the average balance of interest earning assets	12.7%	12.9%	14.4%
Interest rate on the average balance of interest bearing liabilities	6.7%	6.9%	9.4%
Net yield on interest earning assets [(2)]	**6.0%**	**6.0%**	**5.0%**
Net interest margin [(3)]	**6.9%**	**6.7%**	**6.2%**

(1) Total interest income less total interest expenses;

(2) Difference between the yield on the rates of the average interest earning assets and the rate of the average interest bearing liabilities; and

(3) Net interest income divided by average interest earning assets.

table of contents

Form 20-F

Return on equity and assets

The table below shows selected financial indices for the periods indicated:

December 31,	R$ in thousands, except % and per share information 2013	2012 (Restated)	2011 (Restated)
Net income attributable to controlling shareholders	12,395,920	11,291,570	10,958,054
Average total assets	819,744,741	749,093,040	652,179,628
Average equity attributable to controlling shareholders	68,216,774	62,463,588	52,424,391
Net income attributable to controlling shareholders as a percentage of average total assets	1.5%	1.5%	1.7%
Net income attributable to controlling shareholders as a percentage of average equity attributable to controlling shareholders	18.2%	18.1%	20.9%
Equity attributable to controlling shareholders as a percentage of average total assets	8.3%	8.3%	8.0%
Dividends payout ratio per class of shares [(1)]	0.33	0.35	0.34

[(1)] Total declared dividends per share divided by net income attributable to controlling shareholders.

Financial assets held for trading, available for sale, investments held to maturity and assets pledged as collateral

The following table shows our portfolio of securities received under resale agreements, our trading assets, available for sale securities and investments held to maturity as of the dates indicated. The amounts below exclude our investments in associated companies. For additional information on our investments in associated companies and joint ventures, see Note 27 to our consolidated financial statements included in "Item 18. Financial Statements." The amounts also exclude our compulsory deposits held in Brazilian government securities, as required by the Central Bank. For more information on our compulsory deposits, see Note 19 to our consolidated financial statements included in "Item 18. Financial Statements." We state our financial assets held for trading and available for sale at market value. See Notes 2(e), 20, 21 and 22 to our consolidated financial statements included in “Item 18. Financial Statements,” for more details of our treatment of securities received under resale agreements, financial assets held for trading, available for sale and investments held to maturity.

December 31,	R$ in thousands, except %

	2013	2012 (Restated)	2011 (Restated)
Financial assets held for trading			
Brazilian government securities	46,847,468	46,014,522	53,506,040
Corporate debt and marketable equity securities	17,886,442	36,221,243	24,451,335
Bank debt securities	20,187,824	18,485,686	10,823,461
Mutual funds	8,426,678	7,650,252	6,791,968
Derivative financial instruments	2,509,028	3,222,631	955,912
Foreign government securities	235,083	244,168	50,092
Brazilian sovereign bonds	-	-	18,267
Total financial assets held for trading	**96,092,523**	**111,838,502**	**96,597,075**
Financial assets held for trading as a percentage of total assets	11.5%	14.0%	13.4%
Financial assets available for sale			
Brazilian government securities	28,985,685	63,965,466	31,293,825
Corporate debt securities	31,058,356	10,895,299	7,450,073
Marketable equity securities	5,880,497	5,524,668	4,956,547
Bank debt securities	1,849,287	862,921	1,482,865
Brazilian sovereign bonds	64,586	273,776	24,324
Total financial assets available for sale	**67,838,411**	**81,522,130**	**45,207,634**
Financial assets available for sale as a percentage of total assets	8.1%	10.2%	6.3%
Investments held to maturity			
Brazilian government securities	23,029,469	3,659,576	3,490,502
Brazilian sovereign bonds	39,557	56,097	620,485
Total investments held to maturity	**23,069,026**	**3,715,673**	**4,110,987**
Investments held to maturity as a percentage of total assets	2.8%	0.5%	0.6%

table of contents

The following table shows our assets pledged as collateral as of the dates indicated. For additional information about our assets pledged as collateral, see Note 23 to our consolidated financial statements included in "Item 18. Financial Statements."

	in thousands of R$, except percentages		
December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**
Financial assets held for trading			
Brazilian government securities	2,924,653	8,609,468	59,224,886
Total of financial assets held for trading	**2,924,653**	**8,609,468**	**59,224,886**
Financial assets held for trading as a percentage of total assets	0.3%	1.1%	8.2%
Financial assets available for sale			
Brazilian government securities	44,667,819	19,308,061	3,465,119
Brazilian sovereign bonds	-	149,284	791,212
Corporate debt securities	1,939,437	3,431,710	1,913,034
Bank debt securities	453,231	454,320	532,758
Total of financial assets available for sale	**47,060,487**	**23,343,375**	**6,702,123**
Financial assets available for sale as a percentage of total assets	5.6%	2.9%	0.9%
Investments held to maturity			
Brazilian sovereign bonds	4,360	267,421	292,531
Total of investments held to maturity	**4,360**	**267,421**	**292,531**
Investments held to maturity as a percentage of total assets	-	-	0.1%
Loans and advances to banks			
Interbank investments	67,750,725	73,913,035	30,902,540
Total of Loans and advances to banks	**67,750,725**	**73,913,035**	**30,902,540**
Loans and advances to banks as a percentage of total assets	8.1%	9.2%	4.3%

table of contents

Form 20-F

Maturity distribution

The following table shows maturity dates and weighted average yield as of December 31, 2013, for our securities received under resale agreements, financial assets held for trading, financial assets available for sale and investments held to maturity.

As of December 31, 2013, there are no tax-exempt securities in our portfolio.

	in thousands of R$, except percentages											
December 31, 2013	**Due in 1 year or less**		**Due after 1 year up to 5 years**		**Due after 5 years up to 10 years**		**Due after 10 years**		**No stated maturity**		**Total**	
		Average yield		**Average yield**		**Average yield**		**Average yield**		**Average yield**		**Average yield**
Financial assets held for trading												
Brazilian government securities	28,171,555	10.0%	15,285,275	10.0%	2,326,883	9.4%	1,063,755	10.0%	-	-	46,847,468	9.9%
Foreign government securities	235,083	8.6%	-	-	-	-	-	-	-	-	235,083	8.6%
Corporate debt and marketable equity securities (1)	2,518,454	5.5%	6,083,654	4.9%	5,927,455	5.9%	803,197	5.9%	2,553,682	-	17,886,442	5.6%
Bank debt securities	11,657,100	7.0%	8,526,135	6.5%	4,589	6.5%	-	-	-	-	20,187,824	6.7%
Mutual funds (2)	-	-	-	-	-	-	-	-	8,426,678	-	8,426,678	-
Derivative financial instruments	1,748,210	-	561,302	-	193,019	-	6,496	-	-	-	2,509,027	-
Total financial assets held for trading	**44,330,402**	**-**	**30,456,366**	**-**	**8,451,946**	**-**	**1,873,448**	**-**	**10,980,360**	**-**	**96,092,522**	**-**
Financial assets available for sale												

Brazilian government securities	8,848,886	10.0%	5,620,448	9.8%	5,682,138	6.5%	8,834,213	6.9%	-	-	28,985,685	8.3%
Brazilian sovereign bonds	3,087	11.0%	4,968	8.0%	1,805	13.0%	54,726	12.0%	-	-	64,586	11.0%
Corporate debt securities	1,201,734	9.5%	9,552,354	7.5%	16,712,345	7.1%	3,591,923	8.7%	-	-	31,058,356	8.2%
Bank debt securities	23	4.0%	676,326	7.1%	1,157,641	5.6%	15,297	8.1%	-	-	1,849,287	6.2%
Marketable equity securities (2)	-	-	-	-	-	-	-	-	5,880,497	-	5,880,497	-
Foreign government securities	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets available for sale	**10,053,730**	**-**	**15,854,096**	**-**	**23,553,929**	**-**	**12,496,159**	**-**	**5,880,497**	**-**	**67,838,411**	**-**
Investments held to maturity												
Brazilian government securities	-	-	2,908,624	14.3%	6,804,319	13.9%	13,316,526	14.1%	-	-	23,029,469	14.1%
Brazilian sovereign bonds	-	-	39,557	8.0%	-	-	-	-	-	-	39,557	8.0%
Foreign government securities	-	-	-	-	-	-	-	-	-	-	-	-
Total investments held to maturity	**-**	-	**2,948,181**	-	**6,804,319**	-	**13,316,526**	**-**	-	-	**23,069,026**	-
Overall Total	**54,384,132**	**-**	**49,258,643**	**-**	**38,810,194**	**-**	**27,686,133**	**-**	**16,860,857**	**-**	**186,999,959**	-

(1) For no stated maturity, it corresponds to marketable equity securities; and

(2) Investments in these assets are redeemable at any time in accordance with our liquidity needs. Average yield is not stated, as future yields are not quantifiable. These trading assets were excluded from the total yield computation.

Note: The figures above are not adjusted for exchange rate variation.

table of contents

The following table shows maturity dates and weighted average yield as of December 31, 2013, for our assets pledged as collateral.

	in thousands of R$, except percentages											
December 31, 2013	**Due in 1 year or less**		**Due after 1 year to 5 years**		**Due after 5 years to 10 years**		**Due after 10 years**		**No stated maturity**		**Total**	
		Average yield		**Average yield**		**Average yield**		**Average yield**		**Average yield**		**Average yield**
Financial assets held for trading												
Brazilian government securities	2,162,187	9.2%	762,466	8.9%	-	-	-	-	-	-	2,924,653	6.0%
Total of financial assets held for trading	**2,162,187**	**-**	**762,466**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,924,653**	**-**
Financial assets available for sale												
Brazilian government securities	199,105	9.3%	26,085,548	8.4%	18,042,964	7.3%	340,202	5.9%	-	-	44,667,819	7.7%
Brazilian sovereign bonds	-	-	-	-	-	-	-	-	-	-	-	-
Corporate debt securities	-	-	177,932	6.3%	1,761,505	5.9%	-	-	-	-	1,939,437	6.1%
Bank debt securities	-	-	282,946	6.0%	170,285	6.0%	-	-	-	-	453,231	6.0%
Total of financial assets available for sale	**199,105**	**-**	**26,546,426**	**-**	**19,974,754**	**-**	**340,202**	**-**	**-**	**-**	**47,060,487**	**-**
Investments held to maturity												
Brazilian sovereign bonds	-	-	4,360	8.0%	-	-	-	-	-	-	4,360	2.7%
Total of investments held to maturity	**-**	**-**	**4,360**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,360**	**-**
Loans and advances to banks												
Interbank investments	67,750,725	10.0%	-	-	-	-	-	-	-	-	67,750,725	2.5%
Total of loans and advances to banks	**67,750,725**	-	-	-	-	-	-	-	-	-	**67,750,725**	-
Overall Total	**70,112,017**	**-**	**27,313,252**	**-**	**19,974,754**	**-**	**340,202**	**-**	**-**	**-**	**117,740,225**	**-**

table of contents

Form 20-F

The following table shows our securities portfolio by currency as of the dates indicated:

	In thousands of R$			
	At fair value		Amortized cost	
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
December 31, 2013				
Indexed to *reais*	95,269,738	60,435,790	23,023,353	178,728,881
Denominated in foreign currency (1)	822,785	7,402,621	45,673	8,271,079
December 31, 2013 (Restated)				
Indexed to *reais*	111,489,760	76,095,967	3,659,576	191,245,303
Denominated in foreign currency (1)	348,742	5,426,163	56,097	5,831,002
December 31, 2013 (Restated)				
Indexed to *reais*	94,604,099	43,213,963	3,490,502	141,308,564
Denominated in foreign currency (1)	1,992,976	1,993,671	620,485	4,607,132

(1) Predominantly U.S. dollars.

The following table shows our assets pledged as collateral by currency as of the dates indicated:

	R$ in thousands				
	At fair value			Amortized cost	
	Financial assets held for trading	Financial assets available for sale	Loans and advances to banks	Investments held to maturity	Total
December 31, 2013					
Indexed to *reais*	2,924,653	44,667,818	67,750,725	-	115,343,196
Denominated in foreign currency (1)	-	2,392,669	-	4,360	2,397,029
December 31, 2012 (Restated)					
Indexed to reais	8,609,468	19,308,061	73,913,035	-	101,830,564
Denominated in foreign currency (1)	-	4,035,314	-	267,421	4,302,735
December 31, 2011 (Restated)					
Indexed to reais	59,224,886	3,465,119	30,902,540	-	93,592,545
Denominated in foreign currency (1)	-	3,237,004	-	292,531	3,529,535

(1) Predominantly U.S. dollars.

Loans and advances to customers

The following tables summarize our outstanding loans and advances to customers by category of transaction. Substantially all of our loans and advances to customers are to borrowers domiciled in Brazil and are denominated in reais. The majority of our loans and advances are denominated in reais and indexed to fixed or variable interest rates. A smaller portion of them are denominated in, or indexed to, the U.S. dollar and subject to, fixed interest rates.

	R$ in thousands				
December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**	**2010**	**2009**
Type of loans and advances to customers					
Working capital	59,180,627	53,298,176	49,461,882	39,996,835	30,031,028
Personal credit	41,922,683	32,240,786	24,374,640	20,368,434	16,148,266
BNDES/Finame onlendings	40,543,267	35,703,861	35,398,656	29,554,340	18,240,421
Vehicles - Direct Consumer Financing (CDC)	32,209,642	33,820,338	30,651,218	25,193,370	19,689,134
Housing loans	27,870,462	22,302,967	15,930,568	10,186,535	6,942,703
Export financing	25,662,214	22,665,551	20,504,778	16,659,872	16,786,285
Credit cards	25,473,079	22,367,978	19,776,579	18,474,095	14,676,565
Rural loans	13,651,917	11,580,061	11,036,251	10,179,753	9,136,566
Guaranteed account	10,422,370	9,800,968	9,671,487	9,042,191	8,864,265
Import financing	8,598,811	6,580,312	5,072,822	3,834,498	3,483,516
Leasing	5,713,481	8,035,454	11,550,838	16,365,943	21,468,019
Insurance premiums receivable	3,717,227	2,893,506	2,472,923	2,048,186	2,357,544
Overdraft facilities	3,312,666	2,988,632	2,745,695	3,207,207	2,747,461
Others	25,701,122	24,657,024	24,154,584	20,524,659	18,593,722
Total portfolio	**323,979,568**	**288,935,614**	**262,802,921**	**225,635,918**	**189,165,495**
Impairment of loans and advances	(19,858,234)	(19,914,294)	(17,551,042)	(15,355,736)	(14,925,145)
Net loans and advances to customers	**304,121,334**	**269,021,320**	**245,251,879**	**210,280,182**	**174,240,350**

The types of loans and advances presented are as follows:

Working capital – line of credit to meet company cash requirements, finance operational cycle and honor commitments such as purchases of raw materials, goods, and other items;

BNDES/FINAME onlendings – BNDES financing programs are intended for financing the implementation, expansion and modernization of production activities and infrastructure. FINAME operations consist of financing of machinery and equipment manufactured in Brazil;

Vehicles – CDC – this line of credit is directly linked to financing for the purchase of new and used vehicles;

Personal loans – credit for individuals;

Credit card – credit line by way of previously approved limits for acquisition of goods or services;

Export financing – advances on exchange contracts to customers, individuals and companies, exporting through exchange contracts that are normally short- and medium-term loans structured by our units abroad;

Leasing – leasing contracts consist primarily of leases of equipment and automobiles to both corporate and individual borrowers;

Housing loans – loans to acquire real estate that are usually long-term and mortgage loans to construction companies;

Rural credit – line of credit for farmers and agricultural cooperatives, funds to cover current costs, investment and marketing of agricultural products; and

Impairment of loans and advances – impairment of loans and advances represent management's estimates of incurred losses in our portfolio of loans and advances. The assessment of this estimate is based on frequent revisions of individual loans and loans collectively assessed for impairment.

Our criteria for segmenting clients for individual credit analysis purposes include those with transactions involving R$30 million or more, which is aligned with our evidence-based credit risk management process.

After this initial classification, customers are assessed as to whether one or more events indicate objective evidence of impairment. As sometimes it may not be possible to identify a specific event that caused impairment, in which case the combined effect of several events is noted. In addition, loss events may be specific, i.e. referring to only one customer, such as the delay in making contractual payments, a debt rescheduling or insolvency event; or they may be collective events affecting a larger group of assets in view, for example, of interest rates or exchange rates, or falling activity affecting one or more sectors of the economy.

For individually significant customers showing specific objective evidence, impairment is estimated individually in light of expected future cash flows, including cash flows of collateral attached to the transactions.

For customers that are not individually significant and show specific objective evidence, impairment will be estimated according to historic loss experience based on information that is observable on the current date, so as to reflect effects according to our internal models.

Customers not showing specific objective evidence of impairment, both individually significant and non-significant, are collectively assessed using our internal models based on collective parameters for observed losses and macroeconomic parameters for economic activity and delinquency.

Models used for collective assessment are Probability of Default, Loss Given Default, and Loss Identification Period factor.

Probability of Default (PD): states the probability of perceived default by the organization for the customer using an internal model. This risk parameter varies depending on the segment it belongs to: retail models are quantitative, while wholesale models are quantitative and qualitative (judgmental).

Loss Given Default (LGD): refers to the percentage effectively lost after recovery attempts from breach of contract, defined in terms of percentage exposure.

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

table of contents

Charge-offs on loans and advances to customers

Loans and advances are charged-off against the impairment when the loan is considered uncollectible or is considered permanently impaired. Loans and advances are charged off usually when they are between 180 and 360 days overdue. However, longer-term loans and advances, that have original terms greater than 36 months, are charged off when they are between 360 and 540 days overdue.

We generally carry overdue loans as non-performing loans before charging them off. Impairment of loans and advances related to any loans remains on our books until the loan is charged-off.

For more information on our categorization of loans, see "Regulation and Supervision – Bank regulations – Treatment of loans and advances."

Credit approval process

For a description of our credit approval process, see "Credit Policy."

Indexation

The majority of our portfolio of loans and advances is denominated in *reais*. However, a portion of our portfolio of loans and advances is indexed or denominated in foreign currencies, predominantly the U.S. dollar. Our loans and advances indexed to and denominated in foreign currency consist of onlending of Eurobonds and export and import financing, and represented 10.2% in 2013, and 9.2% in 2012 and 2011 of our portfolio of loans and advances. In many cases our customers hold derivative instruments to minimize exchange rate variation risk.

table of contents

Maturities and interest rates of loans and advances to customers

The following tables show the distribution of maturities of our loans and advances to customers by type, as well as the composition of our loans and advances to customers' portfolio by interest rate and maturity, as of the dates indicated:

	R$ in thousands								
As of December 31, 2013	**Due within 30 days or less**	**Due in 31 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 360 days**	**Due in 1 to 3 years**	**Due after 3 years**	**No stated maturity[(1)]**	**Total loans and advances, gross**	**Impa of lo adv**
Type of loans and advances to customers									
Working capital	8,776,349	6,850,037	6,615,150	9,858,566	20,516,923	4,724,725	1,838,877	59,180,627	(2,0
Personal credit	2,407,341	4,260,726	4,953,170	7,750,348	15,198,228	5,467,166	1,885,704	41,922,683	(2,8
BNDES/Finame onlendings	1,699,783	1,582,311	2,126,300	3,864,688	21,824,745	9,106,592	338,848	40,543,267	(8
Vehicles - Direct Consumer Financing (CDC)	1,475,841	3,025,648	4,141,617	7,098,553	13,141,517	1,510,704	1,815,762	32,209,642	(2,2
Housing loans	98,281	215,188	435,821	1,494,038	8,692,510	16,635,094	299,530	27,870,462	(7
Export financing	1,459,666	2,774,973	3,483,660	4,488,177	7,910,773	5,500,210	44,755	25,662,214	(4
Credit cards	-	-	-	-	-	-	25,473,079	25,473,079	(3,0
Rural loans	312,691	1,022,052	1,814,397	6,455,002	1,270,275	2,617,992	159,508	13,651,917	(3
Guaranteed account	2,472,462	4,923,015	2,602,966	58,472	139,348	-	226,107	10,422,370	(2
Import financing	1,014,658	1,851,281	2,007,882	1,177,132	2,433,975	104,153	9,730	8,598,811	(
Leasing	325,276	574,925	758,868	1,208,492	2,239,135	426,875	179,910	5,713,481	(4
Insurance premiums receivable	3,108,891	337,666	73,299	35,789	161,582	-	-	3,717,227	(2
Overdraft facilities	1,136,670	1,379,059	33,914	-	152,094	-	610,929	3,312,666	(4
Others	9,644,879	6,200,571	2,466,234	1,732,212	749,196	1,245,176	3,662,854	25,701,122	(5,7
Total	**33,932,788**	**34,997,452**	**31,513,278**	**45,221,469**	**94,430,301**	**47,338,687**	**36,545,593**	**323,979,568**	**(19,8**

[(1)] Primarily composed of non-performing loans and advances to customers over 60 days, excluding credit cards operations.

	R$ in thousands							
As of December 31, 2013	**Due within 30 days or less**	**Due in 31 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 360 days**	**Due in 1 to 3 years**	**Due after 3 years**	**No stated maturity**	**Total loans, gross**
Types of loans and								

advances to customer by maturity								
Fixed rates	31,480,465	29,631,035	25,552,704	35,903,573	61,975,297	15,395,572	36,004,302	235,942,948
Floating rates	2,452,323	5,366,417	5,960,574	9,317,896	32,455,004	31,943,115	541,291	88,036,620
Total	**33,932,788**	**34,997,452**	**31,513,278**	**45,221,469**	**94,430,301**	**47,338,687**	**36,545,593**	**323,979,568**

table of contents

Outstanding foreign loans

The majority of our outstanding cross-border commercial loans that are denominated in foreign currencies areraised in U.S. dollars by subsidiaries of Brazilian companies through our Cayman branch. These loans represented, on average, approximately 3.0% of our total assets over the last three years. We believe that there are no significant cross-border risks on these transactions, since a substantial part of the related credit risk is guaranteed by the parent company in Brazil. The remainder of our outstanding cross-border transactions mainly includes investments in securities, which represented, on average, approximately 2.0% of our total assets over the last three years.

Additionally, our deposit base is primarily composed of customers residing in Brazil and deposits in our branches outside Brazil account for less than 11.0% of our total deposits, and is therefore not considered significant.

Loans and advances to customers by economic activity

The following table summarizes our loans and advances to customers by borrowers' economic activity, as of the dates indicated.

	R$ in thousands, except %					
	2013		**2012 (Restated)**		**2011 (Restated)**	
As of December 31,	**Loans and advances portfolio**	**% of loans and advances portfolio**	**Loans and advances portfolio**	**% of loans and advances portfolio**	**Loans and advances portfolio**	**% of loans and advances portfolio**
Public sector	**2,188,831**		**423,180**		**1,046,107**	
Federal Government	**2,148,497**		**260,544**		**764,524**	
Petrochemicals	2,148,497	0.7%	260,544	0.1%	759,953	0.3%
Financial intermediaries	-	-	-	-	4,571	0.0%
State Government	**40,334**		**162,636**		**281,583**	
Production and distribution of electricity	40,334	0.0%	162,636	0.1%	281,583	0.1%
Private sector	**321,790,737**		**288,512,434**		**261,756,814**	
Manufacturing	**58,245,854**		**54,187,104**		**52,582,415**	
Food and beverages	13,195,437	4.1%	12,675,722	4.4%	13,001,645	4.9%
Steel, metallurgy and mechanics	11,378,577	3.5%	9,319,624	3.2%	8,224,447	3.1%
Chemicals	4,484,287	1.4%	4,667,812	1.6%	3,323,993	1.3%
Pulp and paper	3,624,721	1.1%	4,104,273	1.4%	3,809,106	1.4%
Textile and clothing	3,203,296	1.0%	3,118,933	1.1%	3,160,700	1.2%
Oil refining and production of alcohol	2,732,785	0.8%	3,915,587	1.4%	3,384,333	1.3%
Rubber and plastic articles	2,876,366	0.9%	2,630,216	0.9%	2,593,684	1.0%
Extraction of metallic and non-metallic minerals	1,707,413	0.5%	1,691,074	0.6%	1,678,188	0.6%
Light and heavy vehicles	4,630,370	1.4%	2,994,134	1.0%	2,849,552	1.1%
Furniture and wood products	2,332,805	0.7%	2,100,539	0.7%	1,979,906	0.8%
Electro and electronic products	1,915,767	0.6%	1,927,052	0.7%	2,155,117	0.8%
Non-metallic materials	2,161,609	0.7%	1,669,913	0.6%	1,735,887	0.7%
Automotive parts and accessories	1,296,869	0.4%	1,096,739	0.4%	1,032,833	0.4%
Leather articles	818,542	0.3%	793,081	0.3%	764,423	0.3%
Publishing, printing and reproduction	769,280	0.2%	725,450	0.3%	718,032	0.3%
Other industries	1,117,730	0.3%	756,955	0.3%	2,170,569	0.8%

Commercial	**45,979,578**		**45,315,607**		**43,018,181**	
Specialty stores	11,093,681	3.4%	12,155,901	4.2%	11,618,405	4.4%
Food, beverages and tobbaco	5,490,367	1.7%	5,350,015	1.9%	4,927,119	1.9%
Non-specialized retailer	5,046,434	1.6%	4,329,860	1.5%	4,074,991	1.6%
Motor vehicles	4,195,342	1.3%	3,925,530	1.4%	3,819,979	1.5%
Parts, acessories and motor vehicle repairing	3,402,385	1.1%	3,205,393	1.1%	2,999,227	1.1%
Clothing and footwear	3,522,719	1.1%	3,336,304	1.2%	3,443,340	1.3%
Personal and household goods	2,788,145	0.9%	2,780,625	1.0%	2,537,517	1.0%
Waste and scrap	2,366,354	0.7%	2,136,467	0.7%	2,053,469	0.8%
Fuel	1,901,922	0.6%	1,916,698	0.7%	1,796,472	0.7%
Trade intermediaries	1,533,412	0.5%	1,581,767	0.5%	1,667,236	0.6%
Wholesale of goods in general	1,716,400	0.5%	1,624,754	0.6%	1,560,379	0.6%
Agricultural products	1,352,744	0.4%	1,499,320	0.5%	1,156,628	0.4%
Other commercial activities	1,569,673	0.5%	1,472,973	0.5%	1,363,419	0.5%
Services	**84,554,012**		**72,446,408**		**62,550,319**	
Transportation and storage	16,825,914	5.2%	15,412,301	5.3%	15,132,820	5.8%
Real estate activities, rentals and corporate services	14,504,420	4.5%	12,561,211	4.3%	10,868,753	4.1%
Civil construction	20,475,364	6.3%	17,453,598	6.0%	14,953,070	5.7%
Production and distribution of electricity, gas and water	4,408,326	1.4%	4,633,717	1.6%	4,945,479	1.9%
Holding companies, legal, accounting and business advisory services	5,386,952	1.7%	3,186,663	1.1%	2,682,721	1.0%
Social services, education, health, defense and social security	4,007,990	1.2%	2,381,784	0.8%	2,749,685	1.0%
Lodging and catering services	2,824,681	0.9%	2,653,359	0.9%	2,297,976	0.9%
Club, leisure, cultural and sport activities	2,234,255	0.7%	2,116,085	0.7%	1,758,810	0.7%
Telecommunications	484,397	0.1%	540,476	0.2%	577,396	0.2%
Other services	13,401,713	4.1%	11,507,214	4.0%	6,583,609	2.5%
Individuals	**128,635,645**	**39.7%**	**112,989,410**	**39.1%**	**100,189,826**	**38.1%**
Agribusiness	**4,375,648**	**1.4%**	**3,573,905**	**1.2%**	**3,416,073**	**1.3%**
Total	**323,979,568**	**100.0%**	**288,935,614**	**100.0%**	**262,802,921**	**100.0%**
Impairment of loans and advances	**(19,858,234)**		**(19,914,294)**		**(17,551,042)**	

table of contents

Non-performing loans and advances and impairment of loans and advances

The following table summarizes our non-performing loans and advances, whether they are subject to impairment or not, as well as those neither due nor impaired, and certain asset quality ratios for the dates shown.

	R$ in thousands, except %				
December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**	**2010**	**2009**
Non performing loans and advances to customers, over 60 days	13,650,513	14,455,265	12,968,613	10,014,909	9,554,019
Foreclosed assets	832,546	532,973	445,351	412,142	455,874
Total non-performing loans and advances to customers and foreclosed assets	**14,483,059**	**14,988,238**	**13,413,964**	**10,427,051**	**10,009,893**
Total loans and advances to customers	**323,979,568**	**288,935,614**	**262,802,921**	**225,635,918**	**189,165,495**
Impairment of loans and advances	**19,858,234**	**19,914,294**	**17,551,042**	**15,355,736**	**14,925,145**
Non performing loans and advances as a percentage of total loans and advances to customers	4.2%	5.0%	4.9%	4.4%	5.1%
Non performing loans ad advances and foreclosed assets as a percentage of total loans and advances to customers	4.5%	5.2%	5.1%	4.6%	5.3%
Impairment of loans and advances as a percentage of total loans and advances	6.1%	6.9%	6.7%	6.8%	7.9%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers	145.5%	137.8%	135.3%	153.3%	156.2%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers and foreclosed assets	137.1%	132.9%	130.8%	147.3%	149.1%
Net charge offs for the period as a percentage of the average balance of loans and advances to customers (including non performing loans and advances)	3.2%	3.3%	2.5%	2.6%	3.5%

We do not have a significant amount of foreign loans. The majority of our assets are denominated in *reais*.

Impairment of loans and advances

The following table shows impairment of loans and advances by type for the periods indicated:

	R$ in thousands, except %				
December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**	**2010**	**2009**
Balance at the beginning of the period	**19,914,294**	**17,551,042**	**15,245,205**	**14,925,145**	**10,292,214**
Charge–off from assets					
Working capital	(1,447,051)	(1,368,689)	(700,164)	(743,329)	(591,517)
BNDES/Finame onlendings	(232,101)	(152,070)	(117,580)	(172,608)	(232,984)
Personal credit	(1,447,057)	(1,111,746)	(872,786)	(805,975)	(859,668)
Credit cards	(1,626,581)	(1,578,143)	(1,293,047)	(778,644)	(981,467)
Export financing	(58,366)	(27,148)	(86,792)	(80,564)	(147,606)
Leasing	(381,582)	(477,859)	(627,566)	(529,041)	(191,136)
Housing loans	(94,700)	(67,803)	(66,270)	(45,838)	(47,943)
Rural loans	(69,683)	(56,723)	(54,155)	(72,472)	(59,382)
Guaranteed account	(252,838)	(255,157)	(159,945)	(252,400)	(256,805)
Import financing	(6,910)	(2,543)	(54)	(1,415)	(9,376)
Overdraft facilities	(676,805)	(593,045)	(436,984)	(367,394)	(389,535)
Others (1)	(7,026,270)	(6,383,844)	(4,317,347)	(4,152,737)	(4,104,138)
Total charge–off from assets	**(13,319,944)**	**(12,074,770)**	**(8,732,690)**	**(8,002,417)**	**(7,871,557)**
Recoveries					
Working capital	294,657	209,557	627	477	483
BNDES/Finame onlendings	69,533	58,937	92,432	80,879	36,185
Personal credit	492,383	388,535	379,973	376,857	217,929
Credit cards	370,184	614,381	436,625	363,039	255,581
Export financing	7,139	1,400	28,254	81,650	2,535
Leasing	83,813	126,208	105,887	68,772	26,986
Housing loans	720	1,492	107,562	31,551	43,678
Rural loans	42,177	33,778	59,040	42,480	33,146
Guaranteed account	36,268	35,092	45,314	41,003	24,529
Import financing	1,500	12	176	1,265	-
Overdraft facilities	162,306	143,548	125,122	127,937	86,756
Others (1)	2,079,334	1,373,699	1,418,157	1,460,973	967,069
Total recoveries	**3,640,014**	**2,986,639**	**2,799,169**	**2,676,883**	**1,694,877**
Net charge–offs	**(9,679,930)**	**(9,088,131)**	**(5,933,521)**	**(5,325,534)**	**(6,176,680)**
Net impairment losses on loans and advances	9,623,870	11,451,383	8,239,358	5,756,125	10,809,611
Balance at the end of the period	**19,858,234**	**19,914,294**	**17,551,042**	**15,355,736**	**14,925,145**
Net charge offs for the period as a percentage of the average balance of loans and advances to customers (including non-performing loans and advances, over 60 days)	3.2%	3.3%	2.5%	2.6%	3.5%

Based on information available regarding our debtors, we believe the impairment of loans and advances recognized is sufficient to cover probable losses on our loans and advances.

table of contents

Form 20-F

Allocated impairment of loans and advances

The following tables set forth allocated impairment of loans and advances for the periods indicated. The allocated loss amount and the loans and advances category are stated as a percentage of total loans and advances.

December 31, 2013	R$ in thousands, except %		
	Allocated impairment of loans and advances	**Allocated impairment of loans and advances as a percentage of total loans and advances to customers [1]**	**Loan and advances category as a percentage of total loans and advances [1]**
Type of loans and advances to customers			
Working capital	2,018,116	0.7%	18.5%
BNDES/Finame onlendings	862,551	0.3%	13.0%
Vehicles - Direct Consumer Financing (CDC)	2,298,898	0.7%	9.8%
Personal credit	2,893,310	0.9%	12.9%
Credit cards	3,072,543	1.0%	7.4%
Export financing	453,652	0.1%	8.2%
Leasing	463,771	0.1%	1.8%
Housing loans	796,768	0.3%	8.9%
Rural loans	314,732	0.1%	4.2%
Guaranteed account	324,615	0.1%	3.3%
Import financing	39,942	-	2.8%
Overdraft facilities	416,282	0.1%	0.9%
Insurance premiums receivable	218,945	0.1%	1.2%
Others	5,784,109	1.9%	7.1%
Total	**19,958,234**	**6.4%**	**100.0%**

[1] Excludes non-performing loans and advances.

December 31, 2012 (Restated)	R$ in thousands, except %		
	Allocated impairment of loans and advances	**Allocated impairment of loans and advances as a percentage of total loans and advances to customers [1]**	**Loan and advances category as a percentage of total loans and advances [1]**

Type of loans and advances to customers			
Working capital	2,132,210	0.8%	18.8%
BNDES/Finame onlendings	933,707	0.3%	12.8%
Vehicles - Direct Consumer Financing (CDC)	3,230,958	1.2%	11.3%
Personal credit	3,409,864	1.2%	11.1%
Credit cards	3,113,122	1.2%	7.2%
Export financing	289,968	0.1%	8.2%
Leasing	951,000	0.3%	2.8%
Housing loans	557,365	0.2%	8.0%
Rural loans	292,928	0.1%	4.1%
Guaranteed account	257,990	0.1%	3.5%
Import financing	30,255	-	2.4%
Overdraft facilities	538,749	0.2%	0.9%
Insurance premiums receivable	182,561	0.1%	1.1%
Others	3,993,617	1.5%	7.8%
Total	**19,914,294**	**7.3%**	**100.0%**

(1) Excludes non-performing loans and advances.

December 31, 2011 (Restated)	R$ in thousands, except % Allocated impairment of loans and advances	Allocated impairment of loans and advances as a percentage of total loans and advances to customers [1]	Loan and advances category as a percentage of total loans and advances [1]
Type of loans and advances to customers			
Working capital	1,516,512	0.6%	19.2%
BNDES/Finame onlendings	811,127	0.3%	14.0%
Vehicles - Direct Consumer Financing (CDC)	2,458,920	1.0%	11.4%
Personal credit	1,262,259	0.5%	9.3%
Credit cards	3,135,652	1.3%	7.0%
Export financing	170,655	0.1%	8.2%
Leasing	954,104	0.4%	4.3%
Housing loans	378,406	0.2%	6.3%
Rural loans	293,013	0.1%	4.3%
Guaranteed account	243,392	0.1%	3.8%
Import financing	25,618	-	2.0%
Overdraft facilities	485,462	0.2%	0.9%
Insurance premiums receivable	149,948	0.1%	1.0%
Others	5,665,974	2.3%	8.3%
Total	**17,551,042**	**7.2%**	**100.0%**

[1] Excludes non-performing loans and advances.

December 31, 2010	R$ in thousands, except % Allocated impairment of loans and advances	Allocated impairment of loans and advances as a percentage of total loans and advances to customers [1]	Loan and advances category as a percentage of total loans and advances [1]
Type of loans and advances to customers			
Working capital	2,003,554	0.9%	18.1%
BNDES/Finame onlendings	786,083	0.4%	13.5%
Vehicles - Direct Consumer Financing (CDC)	857,750	0.4%	11.1%

Personal credit	1,318,487	0.6%	9.0%
Credit cards	1,751,911	0.8%	7.6%
Export financing	309,876	0.1%	7.7%
Leasing	1,719,095	0.8%	7.1%
Housing loans	385,751	0.2%	4.7%
Rural loans	520,209	0.2%	4.6%
Guaranteed account	250,072	0.1%	4.1%
Import financing	23,725	-	1.8%
Overdraft facilities	235,361	0.1%	1.3%
Insurance premiums receivable	131,124	0.1%	1.0%
Others	5,062,738	2.3%	8.4%
Total	**15,355,736**	**7.0%**	**100.0%**

(1) Excludes non-performing loans and advances.

table of contents

Form 20-F

December 31, 2009	R$ in thousands, except % Allocated impairment of loans and advances	Allocated impairment of loans and advances as a percentage of total loans and advances to customers (1)	Loan and advances category as a percentage of total loans and advances (1)
Type of loans and advances to customers			
Working capital	1,795,049	1.1%	16.5%
BNDES/Finame onlendings	554,711	0.4%	10.1%
Vehicles - Direct Consumer Financing (CDC)	786,684	0.5%	10.0%
Personal credit	1,456,021	0.7%	8.5%
Credit cards	2,673,552	1.0%	7.3%
Export financing	375,949	0.2%	9.2%
Leasing	1,889,299	1.0%	11.1%
Housing loans	298,013	0.2%	3.8%
Rural loans	585,751	0.3%	5.0%
Guaranteed account	520,103	0.1%	4.8%
Import financing	55,341	-	2.0%
Overdraft facilities	418,609	0.1%	1.3%
Insurance premiums receivable	112,688	0.1%	1.3%
Others	3,403,375	2.8%	9.1%
Total	**14,925,145**	**8.5%**	**100.0%**

(1) Excludes non-performing loans and advances.

Loans and advances to banks

The following tables summarize our outstanding loans and advances to banks by type, and changes in impairment on loans and advances for the periods shown.

December 31,	2013	in thousands of R$ 2012 (Restated)	2011 (Restated)
Repurchase agreements			
Own portfolio position			
Financial treasury bills	17,661	226,140	2,311,436

National treasury bills	18,755,345	39,918,804	10,694,594
National treasury notes	33,173,862	17,835,940	24,248,758
Debentures	-	35,981	1,163,330
Others	58,692	10,182	-
Short position			
Brazilian government securities	5,216,744	10,641,422	3,369,025
Total of repurchase agreements	**57,222,304**	**68,668,469**	**41,787,143**
Loans and advances to banks			
Interbank deposits	7,278,913	7,832,607	8,195,549
Foreign currency transactions	3,290,687	1,540,422	2,582,484
Bank deposit certificates	6,391,631	7,862,591	10,101,437
Credit acquisition with co-obligation	4,579,430	6,589,190	10,047,742
Impairment of loans and advances	(43,242)	(33,932)	(53,759)
Total of loans and advances to banks	**21,497,419**	**23,790,878**	**30,873,453**
Total	**78,719,723**	**92,459,347**	**72,660,596**

	in thousands of R$		
December, 31	**2013**	**2012 (Restated)**	**2011 (Restated)**
Balance at the beginning of the year	**33,932**	**53,759**	**51,228**
Additions/Reductions	9,310	(19,827)	2,531
Balance at the end of the year	**43,242**	**33,932**	**53,759**

table of contents

Average deposit balances and interest rates

The following table shows the average balances of deposits as well as the average interest rate paid on deposits for the periods indicated:

Year ended December 31,	R$ in thousands, except % 2013		2012 (Restated)		2 (Re
	Average balance	Average rate	Average balance	Average rate	Average bala
Deposits					
Non–interest–bearing deposits					
Demand deposits	36,876,193	-	33,138,109	-	32,539,
Interest–bearing deposits					
Interbank deposits	671,404	9.4%	471,502	10.3%	360,
Savings deposits	73,307,137	5.6%	62,758,934	5.8%	55,515,
Time deposits	99,565,994	5.9%	117,960,891	6.4%	122,478,
Total interest–bearing deposits	**173,544,535**		**181,191,327**		**178,354,**
Total deposits	**210,420,728**		**214,329,436**		**210,894,**

Maturity of deposits

The following table shows the distribution of our deposits by maturity at the date indicated:

December 31, 2013	R$ in thousands Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year	Total
Domestic deposits					
Non–interest–bearing deposits					
Demand deposits (1)	39,876,154	-	-	-	39,876,154
Interest–bearing deposits					
Interbank deposits	455,415	101,012	29,928	203,820	790,175
Savings deposits (1)	80,717,805	-	-	-	80,717,805
Time deposits	4,152,827	5,519,143	11,917,198	50,035,929	71,625,097
Total interest–bearing deposits	**85,326,047**	**5,620,155**	**11,947,126**	**50,239,749**	**153,133,077**
Total domestic deposits	**125,202,201**	**5,620,155**	**11,947,126**	**50,239,749**	**193,009,231**
International deposits (2)					
Non–interest–bearing deposits					
Demand deposits	743,583	-	-	-	743,583
Interest–bearing deposits					

Interbank deposits	173,680	-	-	-	173,680
Time deposits	20,608,530	1,067,309	1,030,839	1,535,050	24,241,728
Total interest–bearing deposits	**20,782,210**	**1,067,309**	**1,030,839**	**1,535,050**	**24,415,408**
Total international deposits	**21,525,793**	**1,067,309**	**1,030,839**	**1,535,050**	**25,158,991**
Total deposits	**146,727,994**	**6,687,464**	**12,977,965**	**51,774,799**	**218,168,222**

(1) Demand deposits and savings deposits are classified as due in up to three months, without taking into account the average turnaround history; and
(2) Denominated in currencies other than *reais*, primarily U.S. dollars.

The following table shows maturity of outstanding time deposits with balances of over US$100,000 (or its equivalent), by maturity, as of the date indicated:

	R$ in thousands	
December 31, 2013	**Domestic currency**	**International currency**
Maturity within 3 months	2,145,728	20,606,565
Maturity after 3 months but within 6 months	3,510,537	1,064,803
Maturity after 6 months but within 12 months	7,365,198	1,029,867
Maturity after 12 months	25,644,816	1,535,050
Total deposits in excess of US$100,000	**38,666,279**	**24,236,285**

Form 20-F

Funding in the open market

Funding in the open market amounted to R$185,055 million as of December 31, 2013, R$175,646 million as of December 31, 2012 and R$150,002 million as of December 31, 2011.

The following table summarizes funding in the open market for the periods indicated:

	R$ in thousands, except %		
Year ended December 31,	**2013**	**2012 (Restated)**	**2011 (Restated)**
Funding in the open market			
Amount outstanding	185,055,358	175,646,854	150,001,844
Maximum amount outstanding during the period	185,055,358	175,530,009	150,001,844
Weighted average interest rate at period end [1]	7.2%	5.3%	11.1%
Average amount outstanding during period	182,981,063	152,443,947	128,494,578
Weighted average interest rate	9.1%	7.7%	10.9%
Total	**185,055,358**	**175,646,854**	**150,001,844**

(1) We calculated the average balances using the month-end book balances, including the related allocated interest.

4.C. Organizational Structure

We are a publicly-held company controlled by Cidade de Deus Participações, a holding company owned by the Aguiar Family, *Fundação Bradesco* and another holding company, Nova Cidade de Deus Participações S.A., or "Nova Cidade de Deus." Nova Cidade de Deus is owned by Fundação Bradesco and by BBD Participações. See "Item 7.A. Major Shareholders." Our list of significant subsidiaries as of December 31, 2013, can be found in Exhibit 8.1 to this document.

4.D. Property, Plants and Equipment

As of December 31, 2013, we owned 822 properties and leased 3,747 properties throughout Brazil and 10 properties abroad, all of which we used for the operation of our network of branches and our business. We own the buildings where our headquarters are located in Cidade de Deus, Osasco, São Paulo metropolitan region, State of São Paulo. Rental agreements have an average duration of 9 years.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. Operating Results

This discussion should be read in conjunction with our audited consolidated financial statements, the notes thereto and other financial information included elsewhere in this annual report.

Overview

Our results of operations are affected by, among others, the following factors.

Brazilian Economic Conditions

Our results of operations are directly affected by economic conditions in Brazil. Economic conditions directly impact our customers' ability to pay their financial obligations on time, which affects our impairment of loans and advances and our balance of outstanding loans and advances. In addition, the impact of economic conditions on exchange rates affects our net interest income, since part of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily U.S. dollars.

In 2011, GDP grew by 2.7%. The *real* depreciated to R$1.8758 per U.S. dollar as of December 31, 2011 compared to R$1.6662 as of December 31, 2010. The COPOM increased the base interest rate from 10.75% as of December 31, 2010 to 11.00% as of December 31, 2011, after reaching 12.50% in July of that year, before the deterioration of the world economy. Inflation for the year ended December 31, 2011, as measured by the IGP-DI, was 5.0%.

The Brazilian Institute of Geography and Statistics (IBGE) reviewed the results of the GDP for 2012, which was revised from a growth of 0.9% to a growth of 1.0% compared to 2011. The *real* depreciated to R$2.0435 per U.S. dollar as of December 31, 2012, as compared to R$1.8758 as of December 31, 2011. The COPOM reduced the base interest rate from 11.00% as of December 31, 2011 to 7.25% as of December 31, 2012, leading to its lower level in the history. Inflation, as measured by the IGP-DI, was 8.1% for the year ended December 31, 2012.

In 2013, GDP grew by 2.3%. The *real* depreciated to R$2.3426 per U.S. dollar as of December 31, 2013, as compared to R$2.0435 as of December 31, 2012. The COPOM increased the base interest rate from 7.25% as of December 31, 2012 to 10.0% as of December 31, 2013. Inflation, as measured by IGP-DI, was 5.5% for the year ended December 31, 2013.

The following table shows Brazilian inflation measured by IGP-DI, the depreciation of the *real* against the U.S. dollar, the exchange rate at the end of each year and the average exchange rate for the periods indicated:

December 31,	**In R$, except %**		
	2013	**2012**	**2011**
Inflation (IGP DI)	5.5%	8.1%	5.0%
Depreciation of the real against the U.S. dollar	(14.6)%	(8.9)%	(12.6)%
Period-end exchange rate-US$1.00	2.3426	2.0435	1.8758
Average exchange rate US$1.00 [1]	2.1641	1.9524	1.6705

[1] The average exchange rate is the sum of the closing exchange rates at the end of each month in the period divided by the number of months in the period.
Sources: FGV and the Central Bank.

The following table shows GDP variation in real terms and average interbank interest rates for the periods indicated:

December 31,	**2013**	**2012**	**2011**
Change in *real* GDP [1]	2.3%	1.0%	2.7%
Average base interest rates [2]	8.2%	8.5%	11.6%
Average interbank interest rates [3]	8.1%	8.4%	11.6%

[1] Calculated by dividing the change in *real* GDP during a year by the *real* GDP of the previous year;
[2] Calculated in accordance with Central Bank methodology (based on nominal rates); and
[3] Calculated in accordance with Clearing and Custody Chamber ("CETIP") methodology (based on nominal rates).
Sources: The Central Bank, the Brazilian Geography and Statistics Institute and CETIP.

Effects of the global financial markets on our financial condition and results of operations

2013 was characterized by higher volatility in global financial markets. One of the most critical moments of the period occurred between the months of May and June, vis-à-vis the intensification of perceptions that the Federal Reserve would begin the process of imminently reducing monetary stimuli (Quantitative Easing). Most relevant impacts occurred in relation to long-term interest rates, which led to significant increases in the strength of the U.S. dollar and continued its trend of appreciation. As a result, long-term interest rates worldwide were put under pressure, while the currencies of various countries depreciated, particularly in emerging markets, which were already under pressure as a result of fears of a sharp slowdown in China's economy. Interest rates and foreign exchange rates in Brazil were impacted by this complex external situation, in a context of inflationary pressures, and downgrading the outlook of Brazil's sovereign credit rating by two risk rating agencies. One of these outlook changes turned into a downgrade of Brazil's sovereign credit rating in March 2014.

In the last months of 2013, the outlook for the recovery of economic activity of developed countries gained momentum vis-à-vis improvements of several indicators. At the same time, China's economy showed signs of stabilization and the economic reforms announced in November allayed fears of a hard landing. In December 2013, the Federal Reserve announced that it would begin reducing the pace of monetary stimuli starting in January 2014, albeit gradually. This announcement was accompanied by explicit signals that the monetary policy of the foremost global economy will remain accommodative for an extended period, but did not prevent a further round of increases in long-term interest rates and the depreciation of emerging countries' currencies.

table of contents

Commodities, in this global context, maintained a general trend of price decline since 2011. We believe that this trend is expected to persist, both on account of macroeconomic vectors (increase in long-term interest rates, appreciation of the U.S. dollar) and the influence of specific factors related to a strong expansion of the offering in certain segments. If this situation reduces inflationary concerns, it would enable the gradual and widely-signaled normalization of monetary policy in developed countries. However, it could also accentuate the challenges of managing economic policy in emerging countries.

In summary, the risks to the global economy remain present in spite of the outlook of accelerated economic activity in the foremost developed economies and stabilization of Chinese growth, still at a high level. In particular, structural and long-term fiscal imbalances in developed economies maintain the outlook of economic growth lower than that seen in the pre-crisis years. Political uncertainty remains, particularly regarding public finances in the United States. Even so, 2014 began with the prospect of intensifying the resumption of global growth, supported by accommodative monetary policies.

Effects of interest rates and devaluation/appreciation on net interest income

During periods of high interest rates, our interest income increases due to increasing interest rates on our interest-earning assets. At the same time, our interest expense increases as interest rates on our interest-bearing liabilities also increase. Changes in the volumes of our interest-earning assets and interest-bearing liabilities also affect our interest income and interest expense. For example, an increase in our interest income attributable to an increase in interest rates may be offset by a decrease in the volume of our outstanding loans.

In addition, when the *real* depreciates, we incur: (i) 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, as the cost in *reais* of the related interest expense increases; and (ii) gains in our assets denominated in, or indexed to, foreign currencies, such as our dollar-indexed securities and loans and advances, as the income from such assets as measured in *reais* increases. Conversely, when the *real* appreciates, as was the case from 2003 to 2007 and 2009 to 2010, we incur: (i) losses on our assets denominated in, or indexed to, foreign currencies; and (ii) gains in our liabilities denominated in, or indexed to, foreign currencies.

In 2012, our net interest income increased by 22.6% as compared to 2011, from R$35,388 million in 2011 to R$43,386 million in 2012. This growth is mainly related to the increase: (i) of the average interest rate from 6.2% in 2011 to 6.7% in 2012, positively impacting the results by R$4,368 million, mainly due to a decrease of 3.2 p.p. in the average interbank interest rate, which went from 11.6% in 2011 to 8.4% in 2012; and (ii) the average business volume, which contributed R$3,630 million, reflecting an increase of 13.0% in the average balance of interest-earning assets, increasing our revenues by R$9,937 million, highlighting the increase of: (a) 11.8% in the average balance of loans and advances to customers; (b) 25.2% in the average balance of assets pledged as collateral; and (c) 99.5% in the average balance of financial assets available for sale.

In 2013, our net interest income increased by 13.6% as compared to 2012, from R$43,386 million in 2012 to R$49,300 million in 2013. This growth is mainly related to the increase in the average business volume, which contributed with R$5,106 million, reflecting an increase of 10.6% in the average balance of interest-earning assets, increasing our revenues by R$8,841 million, highlighting the increase of: (a) 10.3% in the average balance of loans and advances to customers; (b) 18.7% in the average balance of assets pledged as collateral; (c) 32.0% in the average balance of loans and advances to banks; and (d) 19.5% in the average balance of financial assets available for sale.

The following tables show our foreign-currency denominated and indexed assets and liabilities as of the dates indicated:

December 31,		R$ in thousands	
	2013	2012 (Restated)	2011 (Restated)
Assets			
Cash and balances with banks	3,050,450	3,151,043	6,474,772
Financial assets held for trading	822,785	348,742	1,992,976
Financial assets available for sale	7,402,621	5,426,163	1,993,671
Investments held to maturity	45,673	56,097	620,485
Assets pledged as collateral	2,397,029	4,302,735	3,529,535
Loans and advances to banks	3,582,833	2,171,236	3,139,512
Loans and advances to customers	33,037,149	26,557,416	24,208,464
Investments in associated companies and joint ventures	-	4,976	30,152
Property and equipment	14,570	15,801	16,238
Intangible assets and goodwill	28,477	25,942	26,655
Taxes to be offset	31,339	25,867	32,490
Deferred income tax assets	106,057	15,842	188,915
Other assets	8,924,365	8,120,292	9,140,914
Total assets	**59,443,348**	**50,222,152**	**51,394,779**
Off balance sheet accounts – notional value			
Derivatives			
Futures	30,196,878	27,408,058	9,179,950
Forward	12,274,295	11,095,747	14,327,285
Options	610,496	1,420,300	172,554
Swaps	45,167,298	39,595,426	20,109,015
Total assets with derivatives (a)	**147,692,315**	**129,741,683**	**95,183,583**

December 31,		R$ in thousands	
	2013	2012 (Restated)	2011 (Restated)
Liabilities			
Deposits from banks	18,213,248	12,416,316	21,079,983
Deposits from customers	24,865,557	23,666,709	20,459,581
Financial liabilities held for trading	346,724	298,041	71,094
Funds from securities issued	11,474,847	14,188,239	8,409,878
Subordinated debt	8,951,638	8,806,973	6,404,048

Insurance technical provisions and pension plans	1,075	1,100	1,183
Other provisions	7,099	4,367	4,009
Current income tax liabilities	30,694	19,791	11,474
Deferred income tax liabilities	22,794	229,536	120,191
Other liabilities	8,002,170	5,880,489	3,505,029
Total liabilities	**71,915,846**	**65,511,561**	**60,066,470**
Off balance sheet accounts – notional value			
Derivatives			
Futures	41,515,506	37,422,501	18,363,963
Forward	12,826,691	9,869,571	12,050,673
Options	781,401	1,467,968	653,746
Swap	44,851,978	36,451,019	20,328,448
Total liabilities with derivative (b)	**171,891,422**	**150,722,620**	**111,463,300**
Net exposure (a-b)	**(24,199,107)**	**(20,980,937)**	**(16,279,717)**

We use swaps, futures contracts and other hedging instruments in order to minimize the potential impact of currency changes on us. For more information on our use of derivatives for hedging purposes, see Notes 2(e), and 20(c) to our consolidated financial statements in "Item 18. Financial Statements."

Our net exposure in relation to our total assets amounted to 2.3% as of December 31, 2011, 2.6% as of December 31, 2012 and 2.9% as of December 31, 2013.

Taxes

Our income tax expenses comprise two federal taxes: (i) IRPJ, which is assessed at a rate of 15.0% on our adjusted net income, plus an additional of 10.0%; and (ii) the social contribution tax, which is assessed at a rate of 15.0% on our adjusted net income.

In January 2008, the Brazilian government increased the social contribution tax rate for the financial segment from 9.0% to 15.0%. Financial institutions have been incurring the social contribution tax on adjusted net income at a 15.0% rate since May 1, 2008. The legality of this increase is being challenged in actions brought before the Brazilian Supreme Court. If the Brazilian Supreme Court decides that this increase is not legal, we will be entitled to recover any amount we have paid under the 15.0% tax rate regime in excess of what we would have incurred for the social contribution tax under the 9.0% regime.

Brazilian corporations may pay shareholders interest on equity as an alternative form of making a portion of dividend distributions, which are deductible from taxable income. We intend to maximize the amount of dividends we pay in the form of interest on equity. For further information on our tax expenses, see "Item 4.B. Business Overview-Regulation and Supervision-Taxation" and "Item 10.B Memorandum and Articles of Incorporation-Organization-Allocation of net income and distribution of dividends" and "Item 10.E. Taxation-Brazilian tax considerations-Distributions of interest on equity."

Impact of material acquisitions on our future financial performance

We believe that the acquisitions and strategic alliances conducted in the last years will contribute to increase our future results. The amount of these increases is uncertain, and we therefore cannot estimate their impact on our future financial performance. For more information, see "Item 4.A. History, Development of the Company and Business Strategy-Recent acquisitions" and “Item 4.A. History, Development of the Company and Business Strategy - Other strategic alliances.”

Critical accounting policies

Our significant accounting policies are described in Note 4 to our audited consolidated financial statements in "Item 18. Financial Statements." The following discussion describes the areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates we make in these contexts involve making assumptions about highly uncertain matters. In each case, other estimates or changes in the estimates between periods could have had a material impact on our financial condition and results of operations, as shown in our financial statements.

Impairment of loans and advances

At the end of each reporting period, we adjust our impairment of loans and advances based on an analysis of our portfolio, including estimated impairment of loans and advances.

The determination of the impairment of loans and advances, by nature requires judgments and assumptions about the portfolio of loans and advances, for both specific products and portfolios and on an individual basis. When we analyze our portfolio as a whole, several factors can affect our estimate of the likely range of losses, depending on the methodology we use for measuring historical delinquency rates and the historical period we consider in making those measurements.

Additional factors that may affect the determination of impairment of loans and advances include:

- general economic conditions and conditions in the relevant industry;
- past experience with the relevant debtor or industry, including recent loss experience;
- trends affecting quality of loans;
- value of collateral for loans and advances;

- volume, composition and growth of our loans and advances;
- the Brazilian government's monetary policy; and
- any delays in receiving information needed to value loans and advances or confirm existing impairment.

We use models to analyze portfolio of loans and advances and determine the extent of impairment. Statistical loss factors and other risk indicators are applied to loan and advances pools with similar risk characteristics in arriving at an estimate of incurred losses in the portfolio to calculate the models. Although models are often monitored and reviewed, by their nature, they depend on judgments made in relation to information and/or forecasts used. The volatility of the Brazilian economy is one of the reasons that may lead to greater uncertainty in our models than would be expected in more stable macroeconomic environments. Consequently, our impairment of loan and advances estimate may not be indicative of actual future losses.

For a sensitivity analysis, we assess the impact of an increase in the probability of default (PD) over the amount of impairment. In this assessment, an increase in 10% of the PD as of December 31, 2013, would have increased the impairment by approximately R$287 million. This sensitivity analysis is hypothetical, and is only meant to illustrate the impact that the defaults have on determining impairment.

The process of determining the level of impairment loss requires use of estimates, assumptions and judgment. Actual results for losses in the period as shown in subsequent periods may differ from initial calculations based on such estimates and assumptions.

For additional information regarding our practices related to the impairment of loans and advances, see "Item 4.B. Business Overview-Selected Statistical Information-Loans and advances" and "Item 4.B. Business Overview-Selected Statistical Information-Non-performing loans and advances and impairment of loans and advances."

Fair value of financial instruments

The financial instruments recorded at fair value in our consolidated financial statements consist primarily of financial assets classified as held for trading, including derivatives and financial assets classified as available for sale. The fair value of a financial instrument is the amount for which it could be traded in an arm’s length transactionbetween willing parties, without any forced sale and settlement.

These financial instruments are categorized in a ranking based on the lowest level of information significant for measuring fair value. For instruments classified as Level 3, we have to use a significant amount of our own judgment to measure fair market value. We base our judgment on our knowledge and observations of the markets for individual assets and liabilities and these judgments may vary based on market conditions.

In applying our judgment, we analyze a series of third-party prices and transaction volumes to understand and assess the extent of available market benchmarks and the judgment or modeling required in processes with third parties. Based on these factors, we determine whether fair values are observable in active markets or markets are inactive.

The fair values of financial assets held for trading and available for sale are primarily based on actively traded markets where prices are based on direct market quotes, observed transactions or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of financial assets held for trading and available for sale. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, the financial assets are classified within Level 3 of the valuation hierarchy once the fair value is determined, based on unobservable inputs that are supported by limited available market information and that are significant to the fair value of the assets, as well as other factors which require Management to exercise significant judgment or estimation. As of December 31, 2013, R$41.769 million, or 25.5%, of financial assets held for trading and available for sale were classified as Level 3 fair value assets.

Exchange-traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivatives contracts are listed on the exchange. Therefore, the majority of our derivative positions are determined by using quantitative models that require the use of multiple inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, including the period to maturity. These inputs are used to value the position. Most market inputs are observable and can be obtained mainly from BM&FBOVESPA and the secondary market. As of December 31, 2013, we did not have derivatives assets and liabilities classified as Level 3.

The imprecise nature of estimating non-observable market data may impact amounts of revenue or loss posted for a particular position. In addition, although we believe our valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments may result in a different estimate of fair value on reporting date. For a detailed discussion of the determination of fair value of financial instruments, see Note 3 to our consolidated financial statements in "Item 18. Financial Statements."

Impairment of financial assets available for sale

Periodically, we assess the existence of impairment of financial assets available for sale if there is a prolonged or significant decrease in their fair value, see Note 2(e)(viii)(b). Determining a prolonged or significant decrease in value requires the use of judgment, as to what normal volatility is for asset prices, among other factors.

In addition, valuations use market prices or models that require the use of certain assumptions or judgment to estimate fair value.

Classification of securities

The classification of securities into financial assets held for trading, available for sale, or investments held to maturity categories is based on Management's intention to hold or trade such securities at the time of acquisition. The accounting treatment of the securities we hold depends on whether we classify them at acquisition as financial assets held for trading, available for sale or investments held to maturity. Changes in circumstances may modify our strategy with respect to a specific security, requiring transfers among the three categories.

In 2013, we reclassified securities from financial assets available for sale to investments held to maturity, in the amount of R$19,121 million, resulting from a change in our Management’s intention in relation to the holding of these securities. The mark-to-market accounting of these securities, in the amount of R$479 million, was held in shareholders' equity, and will be recognized in our results for the remaining term of securities.

Impairment of goodwill

At least every year, we have to determine whether the current carrying value of goodwill has been impaired or not. The first step in the process is identifying independent cash generating units and their allocations of goodwill. A unit's carrying amount, including allocated goodwill, is then compared to value in use to see whether there is impairment. If a cash-generating unit's value in use is less than carrying amount, goodwill is impaired. Detailed calculations to reflect changes in the market in which a business operates may be required (e.g. competition and regulatory change). Calculations are based on discounted cash flows before tax at an interest rate adjusted by appropriate risk for the operational unit; in both cases determining these values requires the use of judgment. Although predictions are compared to current performance and external economic data, expected cash flows reflect our outlook for future performance.

Income tax

The determination of our income tax liability (including CSLL social contribution) is a complex task that is related to our analysis of deferred tax assets and liabilities and income tax to be paid. In general, our assessment requires us to estimate future amounts of current and deferred income tax. Our assessment of the possibility of realizing deferred tax is subjective and involves assessments and assumptions that are inherently uncertain. Realization of deferred tax assets is subject to changes in future interest rates and developments of our strategies. Support for our judgments and assumptions may change over time because of unanticipated events or circumstances that affect the determination of our tax liability.

Significant judgment is required to determine whether an income tax position will be sustained upon examination, even after the outcome of any administrative or judicial proceeding based on the technical merits. Judgment is also required to determine the value of a benefit eligible for recognition in our consolidated financial statements.

Additionally, we monitor interpretation of tax legislation and decisions made by tax authorities and courts, in order to adjust any previous judgment as to accrued income tax. This monitoring may also arise from our income tax planning and or settlement of income tax disputes and may be significant for our operating income in any given period. For further information on our income tax, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

For additional information regarding our income tax, see "Item 4.B. Business Overview-Regulation and Supervision-Taxation-Income and social contribution taxes on profits."

Insurance technical provisions and pension plans

Our insurance technical provisions and pension plans are liabilities for amounts we estimate will be due to our policyholders and plan participants at a certain point in the future. These values represent the future claims/benefits stated in contracts, such as retirement payments, pensions, individual and group life insurance, health insurance and accident insurance, among other items.

Benefits and claims stated in contracts also include provisions for claims incurred but not reported relating to health, property and life insurance. We recognize claims in the period in which the service was provided to our policyholders. However, claim costs incurred in a particular period are not known with certainty until we receive the reports, process them, and pay out the claims. We determine the amount of such provision using actuarial methods based on historical payments of claims to determine our estimates of claim liabilities. Methods used to determine these estimates and to make technical provisions are regularly reviewed and updated. The resulting adjustments are recognized in earnings for the respective period. For additional information, see Note 2(p) to our consolidated financial statements. In short-term contracts, provisions for insufficient premium can also be recognized to cover any resulting differences between the expected value of the future claims and future related expenses and the expected value of future premiums.

For certain products offered, such as pension plans and funds, participants go through two distinct phases as part of the contract: first accumulating assets, then enjoying benefits. During the accumulation phase, technical provisions increase as contributions are received and interest is credited (based on contractual arrangements) and decrease by the redemptions paid. If provisions are insufficient to honor future commitments, provision for insufficient contributions is made. The technical provisions are computed using assumptions of mortality, disability, cancellation, interest rates, inflation and costs, which are based on our experience and are periodically reassessed in relation to the sector patterns.

For sensitivity analysis purposes, regarding damage, life and health insurance, we assessed the impacts of both an increase and a decrease in loss events. In this assessment, an increase (1%) or a decrease (1%) in loss events in the 12 months prior to calculation base date would represent an impact of R$64 million in expenses or revenues, respectively, on income and shareholders' equity after taxes and contributions.

In relation to life insurance with living benefits and pension plan and individual life insurance, we assessed the impact of decreasing interest rates and increasing beneficiary longevity on income and shareholders' equity after taxes and contributions and increase in the income-conversion option. In this assessment, a decrease of 5.0% in interest rates would lead to a R$393 million decrease on income and shareholders' equity after taxes and contributions. The increase of 0.002% in the longevity of beneficiaries would represent a negative impact of R$61 million on income and shareholders' equity after taxes and contributions, while an increase of 5.0% in the conversion into income would represent a negative impact of R$16 million on income and shareholders' equity after taxes and contributions.

Use of estimates

Upon issuance of the financial statements, Management also makes estimates and assumptions concerning useful lives of certain non-financial assets and possible impairment of a specific asset or group of assets. Estimates are by nature based on judgment and available information. Therefore, actual results may differ from these estimates.

table of contents

Form 20-F

Commitments and contingencies

We have contractual obligations to make certain payments to third parties, in accordance with the amounts presented in the following table:

Contractual Obligations	R$ in thousands Payments due as of December 31, 2013				
	Less than 1 year (1)	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	
Time deposits	44,295,846	50,492,097	873,575	205,307	95
Funding in the open market	168,503,295	15,590,782	578,238	383,043	185
Borrowings	14,194,746	1,034,225	1,883	-	15
Onlendings	12,227,927	17,874,789	6,612,751	4,148,529	40
Funds from securities issued	20,848,266	31,102,295	4,737,758	1,194,749	57
Subordinated debt	2,581,899	2,359,787	18,657,143	12,286,174	35
Other obligations (2)	169,296,764	23,857,614	128,364	367,686	193
Total	**431,948,743**	**142,311,589**	**31,589,712**	**18,585,488**	**624**

(1) Based on our historical experience, we expect that most of our obligations that are contractually due within one y be rolled over; and
(2) Includes insurance technical provisions and pension plans.

Off-balance sheet financial guarantees

In addition to our loans and advances, we have credit-related transactions with our customers for attending to their financing needs. In accordance with IFRS, these transactions are not recorded on our balance sheet. The following table summarizes these off-balance sheet financial arrangements as of December 31, 2013:

Contractual Obligations	R$ in thousands Payments due as of December 31, 2013				
	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Financial guarantees	15,711,961	12,336,956	5,355,524	34,181,803	67,586,244
Letters of credit	735,505	-	-	-	735,505
Total	**16,447,466**	**12,336,956**	**5,355,524**	**34,181,803**	**68,321,749**

We guarantee our customers' performance in obligations with third parties. We have the right to seek reimbursement from our customers for any amounts paid under these guarantees. Additionally, we may hold cash or other collateral with higher liquidity to guarantee these obligations. These agreements are subject to the same credit evaluation as other loan originations.

Letters of credit are conditional commitments issued by us to guarantee the performance of a customer's obligations with third parties. We issue commercial letters of credit to facilitate foreign trade transactions and to support public and private borrowing agreements, including commercial papers, bond financing and similar transactions. These instruments are short-term commitments to pay a third-party beneficiary under certain contractual conditions. Letters of credit are subject to the same credit evaluations as other extensions of credit.

We expect many of these guarantees to expire without the need to advance any cash. Therefore, in the ordinary course of business, we expect that these transactions will have virtually no impact on our liquidity.

Results by segment

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 following data about different segments were prepared based on reports made for Management to assess performance and make decisions on allocating funds for investments and other purposes. Our Management uses various data, including financial data prepared under accounting practices adopted in Brazil and non-financial metrics compiled on different bases. Hence, the segment data presented and discussed herewith is prepared in accordance with accounting practices adopted in Brazil. Our consolidated financial statements and consolidated financial data included in this analysis are prepared in accordance with International Financial Reporting Standards ("IFRS"), when results by segments significantly differ to income derived from our consolidated financial statements, such differences will be explained in conjunction with the explanations of the results that precede them. See Note 5 to our consolidated financial statements in "Item 18. Financial Statements."

In our banking segment, we offer a range of banking products and services to our customers, including deposit-taking, loans and advances, credit and debit card services and capital markets services, through our broad distribution network. For a description of the banking segment's operations, see "Item 4.B. Business Overview-Banking activity."

In our insurance, pension plan and capitalization bond segment, we offer a range of products and services to our customers, including health, life, automobile and property/casualty, individual and corporate pension plans, and capitalization bonds, through our broad distribution network. For a description of the operations of the insurance, pension plan and capitalization bond segment, see "Item 4.B. Business Overview-Insurance, pension plans and capitalization bonds."

Results of operations for the year ended December 31, 2013 compared with the year ended December 31, 2012

As described in “Item 3.A. Selected Financial Data”, beginning 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. Therefore, on a consolidated basis, data as of and for the years ended December 31, 2012 and 2011 presented in this annual report has been restated to reflect the effects of this adoption. For more information regarding the adoption of this policy, see Note 2(a)iii to our 2013 financial statements in "Item 18. Financial Statements.”

The following tables set forth the principal components of our net income for 2013 and 2012, on a consolidated basis and by segment.

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.

Consolidated	**R$ in thousands, except % For the year ended December 31,**		
	2013	**2012 (Restated)**	**% change**
Net interest income	49,300,483	43,385,723	13.6%
Impairment of loans and advances	(9,623,870)	(11,451,383)	(16.0)%
Non interest income	59,102,884	66,396,380	(11.0)%
Non interest expense	(84,460,328)	(82,889,272)	1.9%
Income before income taxes	**14,319,169**	**15,441,448**	**(7.3)%**
Income and social contribution taxes	(1,833,031)	(4,089,754)	(55.2)%
Net income for the year	**12,486,138**	**11,351,694**	**10.0%**
Net income attributable to controlling shareholders	12,395,920	11,291,570	9.8%

Net income attributable to non-controlling interest	90,218	60,124	50.1%

Segment	R$ in thousands, except % For the year ended December 31, Banking			Insurance, Pension Plans and Capitalization Bonds		
	2013	**2012**	**% Change**	**2013**	**2012**	**% Change**
Net interest income	41,600,095	39,181,426	6.2%	5,589,989	3,124,512	78.9%
Impairment of loans and advances	(9,731,376)	(10,925,404)	(10.9)%	-	-	-
Non interest income	13,863,017	19,154,236	(27.6)%	47,559,845	48,899,792	(2.7)%
Non interest expense	(38,318,914)	(39,455,611)	(2.9)%	(47,113,728)	(46,174,120)	2.0%
Income before income taxes	**7,412,822**	**7,954,647**	**(6.8)%**	**6,036,106**	**5,850,184**	**3.2%**
Income and social contribution taxes	789,516	(273,930)	-	(2,253,451)	(2,196,399)	2.6%
Net income	**8,202,338**	**7,680,717**	**6.8%**	**3,782,655**	**3,653,785**	**3.5%**
Net income attributable to controlling shareholders	8,195,099	7,672,233	6.8%	3,692,531	3,591,743	2.8%
Net income attributable to non-controlling interest	7,239	8,484	(14.7)%	90,124	62,042	45.3%

table of contents

Form 20-F

Net interest income

The table below shows the main components of our net interest income before impairment of loans and advances for 2013 and 2012, on a consolidated basis and by segment:

	R$ in thousands, except %		
	2013	**2012**	**% Change**
Consolidated (2012 - Restated)			
Interest and similar income	90,682,625	83,031,854	9.2%
Interest and similar expenses	(41,382,142)	(39,646,131)	4.4%
Net interest income	**49,300,483**	**43,385,723**	**13.6%**
Banking			
Interest and similar income	79,935,892	75,293,246	6.2%
Interest and similar expenses	(38,335,797)	(36,111,820)	6.2%
Net interest income	**41,600,095**	**39,181,426**	**6.2%**
Insurance, Pension Plans and Capitalization Bonds			
Interest and similar income	11,578,317	11,110,483	4.2%
Interest and similar expenses	(5,988,328)	(7,985,971)	(25.0)%
Net interest income	**5,589,989**	**3,124,512**	**78.9%**

The following table shows, on a consolidated basis and by segment, how much of the increase in our net interest income was attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and how much was attributable to changes in average interest rates (including the effects of the appreciation/depreciation of the *real*) in each case for 2013 and 2012:

	R$ in thousands		
	Consolidated	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
	2013/2012 Increase/(decrease)		
Due to changes in average volume of interest earning assets and interest bearing liabilities	5,105,624	4,414,215	689,596
Due to changes in average interest rates	809,136	(1,995,544)	1,775,881
Net change	**5,914,760**	**2,418,669**	**2,465,477**

Banking

Our net interest income increased by 6.2%, from R$39,181 million in 2012 to R$41,600 million in 2013. This increase was mainly due to an increase in the average volume of business of R$4,414 million as a result of: (i) a 9.8% increase in the average balance of interest-earning assets, increasing our revenues by R$7,753 million, highlighting the increase of: (a) 36.6% in the average balance of loans and advances to banks; (b) 18.7% in the average balance of assets pledged as collateral; and (c) 10.1% in the average balance of loans and advances to customers, partially offset by: (ii) a 7.8% increase in the average balance of interest-bearing liabilities, which impacted the results by R$3,338 million, in particular the increase of: (a) 20.5% in the average balance of funding in the open market; and (b) 16.8% in the average balance of savings deposits. Our net interest income decreased by R$1,996 million, due to changes in average interest rates that was mainly impacted by the decrease in the average interest rate earned from loans and advances to customers, from 18.1% in 2012 to 16.8% in 2013.

table of contents

Insurance, pension plans and capitalization bonds

Our net interest income increased by 78.9%, from R$3,125 million in 2012 to R$5,590 million in 2013. This increase was mainly due to: (i) a 17.8% increase in the average volume of interest-earning assets, from R$116,902 million in 2012 to R$137,759 million in 2013, contributing with R$1,854 million in the results; and (ii) a decrease in the average interest rate for insurance technical provisions and pension plans, from 7.4% in 2012 to 4.8% in 2013, reducing our expenses by R$3,162 million. These events were partially offset by: (i) a 16.4% increase in the average volume of the insurance technical provisions and pension plans, from R$107,520 million in 2012 to R$125,179 million in 2013, impacting the results by R$1,164 million; and (ii) the decrease in the average interest rate to loans and advances to banks, from 8.9% in 2012 to 6.2% in 2013.

Interest and similar income

The following tables show, on a consolidated basis and by segment, the average balance of the principal components of our interest-earning assets and the average interest rates earned in 2013 and 2012:

Consolidated	R$ in thousands, except % As of December 31,		
	2013	2012 (Restated)	% Change
Average balance of interest earning assets			
Financial assets held for trading	80,909,973	89,783,466	(9.9)%
Financial assets available for sale	79,895,464	66,875,502	19.5%
Investments held to maturity	3,791,552	3,657,763	3.7%
Assets pledged as collateral	112,404,700	94,667,517	18.7%
Loans and advances to banks	104,232,013	78,977,399	32.0%
Loans and advances to customers	289,336,399	262,228,228	10.3%
Compulsory deposits with the Central Bank	42,757,972	48,722,266	(12.2)%
Other interest earning assets	575,113	546,918	5.2%
Total	**713,903,186**	**645,459,059**	**10.6%**
Average interest rate earned	**12.7%**	**12.9%**	

Segment	R$ in thousands, except %					
	Banking			Insurance, Pension Plans anc Capitalization Bonds		
	2013	2012	% Change	2013	2012	% Chang
Average balance of interest–earning assets						
Financial assets held for trading	40,282,390	58,372,486	(31.0)%	40,215,667	31,055,915	29.5

Financial assets available for sale	41,194,576	32,788,082	25.6%	38,700,888	34,127,161	13.4
Investments held to maturity	61,905	93,368	(33.7)%	3,729,647	3,564,395	4.6
Assets pledged as collateral	112,404,700	94,667,517	18.7%	-	-	
Loans and advances to banks	103,829,578	76,013,965	36.6%	55,112,417	48,154,198	14.4
Loans and advances to customers	289,305,361	262,825,554	10.1%	-	-	
Compulsory deposits with the Central Bank	42,757,972	48,722,266	(12.2)%	-	-	
Other interest earning assets	575,113	546,918	5.2%	-	-	
Total	**630,411,595**	**574,030,156**	**9.8%**	**137,758,619**	**116,901,669**	**17.8**
Average interest rate earned	**12.7%**	**13.1%**		**8.4%**	**9.5%**	

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

table of contents

Form 20-F

The following table shows, on a consolidated basis and by segment, how much of the increase in our interest and similar income was attributable to changes in the average volume of interest-earning assets, and how much was attributable to changes in average interest rates (including the effects of the floating of the *real*), in each case comparing 2013 and 2012:

	R$ in thousands		
	Consolidated	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
	2013/2012 Increase/(decrease)		
Due to changes in average volume of interest earning assets	8,840,588	7,752,674	1,853,822
Due to changes in average interest rates	(1,189,817)	(3,110,028)	(1,385,988)
Net change	**7,650,771**	**4,642,646**	**467,834**

Banking

Interest and similar income increased by 6.2% from R$75,293 million in 2012 to R$79,936 million in 2013. This increase was largely due to a higher average volume of business, which had a positive impact of R$7,753 million on our results, particularly in interest and similar income from: (i) loans and advances to customers; (ii) assets pledged as collateral; (iii) loans and advances to banks; and (iv) financial assets available for sale, partially offset by changes in the average interest rates earned, negatively impacting the results by R$3,110 million, essentially due to the decrease in the average interest rate to loans and advances to customers.

Interest and similar income from loans and advances to customers increased by 2.1%, from R$47,675 million in 2012 to R$48,663 million in 2013. This increase is related to a 10.1% growth in the average balance of our portfolio of loans and advances to customers, from R$262,826 million in 2012 to R$289,305 million in 2013, positively impacting our interest and similar income, in the amount of R$4,600 million. The main reason for this increase is our strategic focus on housing loans, import/export financing, personal credit, and rural loans.

Interest and similar income originated from assets pledged as collateral increased by 40.5%, from R$9,090 million in 2012 to R$12,771 million in 2013. This variation reflects the 18.7% increase in the average volume of these operations, from R$94,668 million in 2012 to R$112,405 million in 2013, which positively impacted our interest and similar income, in the amount of R$1,861 million.

Interest and similar income from loans and advances to banks increased by 31.7%, from R$6,759 million in 2012 to R$8,898 million in 2013. This increase is related to a 36.6% growth in the average balance of our portfolio of loans and advances to banks, from R$76,014 million in 2012 to R$103,830 million in 2013, positively impacting our interest and similar income, in the amount of R$2,392 million.

Interest and similar income from financial assets available for sale increased by 22.2%, from R$2,916 million in 2012 to R$3,564 million in 2013. This increase was mainly due to a growth of 25.6% in the average balance of these operations, from R$32,788 million in 2012 to R$41,195 million in 2013, which contributed R$729 million to our results.

The increase in the interest and similar income was partially offset by the decrease in the revenue from financial assets held for trading, in the amount of R$2,116 million, mainly due to the reduction in the average volume of these assets, from R$58,372 million in 2012 to R$40,282 million in 2013.

The decrease in the interest and similar income, in the amount of R$ 3,110 million, due to changes in average interest rates, is primarily due to the reduction of the average rate earned from loans and advances to customers, from 18.1% in 2012 to 16.8% in 2013, due to the change in loan mix, partially offset by the increase in SELIC rate, from 7.25% in 2012 to 10.0% in 2013.

Insurance, pension plans and capitalization bonds

Our interest and similar income increased by 4.2%, from R$11,110 million in 2012 to R$11,578 million in 2013. This increase was mainly due to the growth in the average business volume, which contributed R$1,854 million to the results, basically due to the increase of: (i) 29.5% in the average balance of financial assets held for trading, positively impacting our revenues by R$803 million; (ii) 14.4% in the average balance of loans and advances to banks, positively impacting our revenues by R$558 million; and (iii) 13.4% in the average balance of the financial assets available for sale, increasing our revenues by R$466 million. These events were partially offset by the changes in the average interest rates, which impacted the results in R$1,386 million, largely due to the decrease in the average interest rate to loans and advances to banks, from 8.9% in 2012 to 6.2% in 2013.

table of contents

Interest and similar expenses

The tables below show the average balance of the main components of our interest-bearing liabilities and the average interest rates paid on them in 2013 and 2012, on a consolidated basis and by segment:

Consolidated	R$ in thousands, except % As of December 31,		
	2013	2012 (Restated)	% Change
Average balance of interest bearing liabilities			
Interbank deposits	671,404	471,502	42.4%
Savings deposits	73,307,137	62,758,934	16.8%
Time deposits	99,565,994	117,960,891	(15.6)%
Funding in the open market	182,981,063	152,443,947	20.0%
Borrowings and onlendings	49,273,352	47,408,499	3.9%
Funds from securities issued	52,476,783	50,848,755	3.2%
Subordinated debt	35,560,706	32,278,136	10.2%
Insurance technical provisions and pension plans	125,179,124	107,519,858	16.4%
Total	**619,015,563**	**571,690,522**	**8.3%**
Average interest rate paid	**6.7%**	**6.9%**	

Segment	R$ in thousands, except % Banking			Insurance, Pension Plans and Capitalization Bonds		
	2013	2012	% Change	2013	2012	% Change
Average balance of interest bearing liabilities						
Interbank deposits	671,404	471,574	42.4%	-	-	-
Savings deposits	73,307,137	62,758,934	16.8%	-	-	-
Time deposits	99,584,128	117,825,606	(15.5)%	-	-	-
Funding in the open market	237,777,033	197,363,060	20.5%	-	-	-
Borrowings and onlendings	49,273,352	47,408,499	3.9%	-	-	-
Funds from securities issued	52,550,531	50,848,755	3.3%	-	-	-
Subordinated debt	35,560,706	32,278,136	10.2%	-	-	-
Insurance technical provisions and pension plans	-	-	-	125,179,124	107,519,858	16.4%
Total	**548,724,291**	**508,954,564**	**7.8%**	**125,179,124**	**107,519,858**	**16.4%**
Average interest rate paid	**7.0%**	**7.1%**		**4.8%**	**7.4%**	

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

The following table shows, on a consolidated basis and by segment, how much of the increase in our interest and similar expenses was attributable to changes in the average volume of interest-bearing liabilities and how much was attributable to changes in average interest rates (including the effects of the fluctuations in the *real*/U.S. dollar rate), in each case, for 2013 as compared to 2012:

	R$ in thousands		
	Consolidated	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
	2013/2012 Increase/(decrease)		
Due to changes in average volume of interest bearing liabilities	3,734,964	3,338,459	1,164,226
Due to changes in average interest rates	(1,998,953)	(1,114,482)	(3,161,868)
Net change	**1,736,011**	**2,223,977**	**(1,997,642)**

table of contents

Banking

Our interest and similar expenses increased by 6.2% from R$36,112 million in 2012 to R$38,336 million in 2013. This increase primarily reflects the 7.8% growth in the average volume of our interest-bearing liabilities, from R$508,955 million in 2012 to R$548,724 million in 2013, impacting the expenses by R$3,338 million, mainly due to the increase of 20.5% in the average balance of funding in the open market, impacting our expenses by R$3,333 million. The decrease in our expenses due to changes in the average interest rates, in the amount of R$1,114 million, reflects the lower average interest rates paid in the operations of: (i) time deposits, from 6.4% in 2012 to 5.9% in 2013, reducing our expenses by R$619 million; and (ii) borrowings and onlendings, from 5.0% in 2012 to 3.9% in 2013, reducing our expenses by R$501 million.

Insurance, pension plans and capitalization bonds

Our interest and similar expenses decreased 25.0%, from R$7,986 million in 2012 to R$5,988 million in 2013. This decrease primarily reflects the reduction in the average interest rate, from 7.4% in 2012 to 4.8% in 2013, reducing our expenses in R$3,162 million, primarily reflecting the reduction of the IGP-M, from 7.8% in 2012 to 5.5% in 2013. This decrease was partially offset by the increase in the average balance of insurance technical provisions and pension plans, from R$107,520 million in 2012 to R$125,179 million in 2013, increasing our expenses by R$1,164 million.

Net impairment losses on loans and advances to customers

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

	R$ in thousands, except %		
	2013	**2012**	**% Change**
Net Impairment losses on loans and advances			
Banking - BR GAAP	(9,731,376)	(10,925,404)	(10.9)%
Accounting Practices Diference	**107,506**	**(525,979)**	**-**
Consolidated - IFRS (2012 - Restated)	(9,623,870)	(11,451,383)	(16.0)%

The following table shows changes in our impairment of loans and advances, net impairment losses on loans and advances, loans recovered and loan charge-offs for the years ended 2013 and 2012, as well as our ratio of net impairment losses on loans and advances to loans and advances to customers (shown as a percentage of the average balance of our loans and advances to customers) in all cases based on consolidated financial information prepared in accordance with IFRS:

	R$ in thousands, except %		
As of December 31,	**2013**	**2012 (Restated)**	**% Change**
Impairment of loans and advances at the beginning of the year	**19,914,294**	**17,551,042**	**13.5%**
Net impairment losses on loans and advances	9,623,870	11,451,383	(16.0)%
Loan recoveries	3,640,014	2,986,639	21.9%
Loan charge offs	(13,319,944)	(12,074,770)	10.3%
Impairment of loans and advances at the end of the year	**19,858,234**	**19,914,294**	**(0.3)%**
Ratio of net impairment losses on loans and advances to average loans and advances outstanding	3.3%	4.4%	

The balance of our impairment of loans and advances to customers decreased by 0.3% from R$19,914 million in 2012 to R$19,858 million in 2013. This decrease was mainly due to the: (i) increase of 13.3% in the balance of our operations classified as neither past due nor impaired, (ii) decrease in delinquencies, evidenced by our level of loans and advances to customers that are overdue for more than 90 days, from 4.2% in 2012 to 3.5% in 2013; and (iii) change in our mix of loans and advances portfolio, which basically impacted the following products: (a) vehicles, whose allocated impairment went from R$3,231 million in 2012 to R$2,299 million in 2013, representing 0.7% of our interest-earning loans and advances to customers, whereas in 2012 it represented 1.2%; (b) personal credit, whose allocated impairment decreased from R$3,410 million in 2012 to R$2,893 million in 2013, representing 0.9% of our interest-earning loans and advances to customers, whereas in 2012 it represented 1.2%; and (c) credit cards, in respect of which impairment decreased from R$3,113 million in 2012 to R$3,073 million in 2013, reaching a 1.0% share of interest-earning loans and advances to customers as opposed to 1.2% in 2012.

Loans and advances to customers neither past due nor impaired increased by 13.3%, from R$253,317 million in 2012 to R$287,052 million in 2013, of which 98.7% were rated "low risk."

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

As of December 31,	R$ in thousands 2013	2012 (Restated)	% Change
Impaired loans and advances to customers	774,795	1,122,674	(31.0)%
Losses on loans and advances to customers collectively assessed for impairment	19,083,439	18,791,620	1.6%
Total	**19,858,234**	**19,914,294**	**(0.3)%**

The decrease of 16.0% in net impairment losses on loans and advances is related to an improvement in the delinquency ratio, from 4.2% in 2012 to 3.5% in 2013, as well as a change in product mix. Loan recoveries and charge-offs increased by 21.9% and 10.3% respectively, when compared to 2012.

Our level of loan losses, defined as the amount of net charge-offs compared to the average balance of loans and advances to customers, including overdue loans, decreased from 3.3% in 2012 to 3.2% in 2013. In 2013, impairment of loans and advances as a percentage of loans and advances to customers was 6.1%, which we believe is a comfortable margin based on our experience of historical loan loss levels in our portfolio.

Loans to individuals increased by 13.8% from R$112,989 million in 2012 to R$128,636 million in 2013, mainly due to the following products: (i) housing loans; (ii) credit card; and (iii) personal credit.

Loans and advances to corporate customers, increased by 11.0% from R$175,946 million in 2012 to R$195,344 million in 2013, mainly due to the following products: (i) housing loans – company plan; (ii) working capital; and (iii) export/import financing.

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

Non-interest income

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest income for 2013 and 2012.

Consolidated	R$ in thousands, except % For the year ended December 31, 2013	2012	% Change

		(Restated)	
Net fee and commission income	14,499,682	12,720,740	14.0%
Net gains/(losses) on financial assets and liabilities classified as held for trading	(5,790,089)	2,110,112	-
Net gains/(losses) on financial assets classified as available for sale	(6,100,782)	1,895,974	-
Premiums retained from insurance and pension plans	44,887,215	40,176,745	11.7%
Equity in the earnings of associates and joint ventures	1,062,687	980,212	8.4%
Other non-interest income	10,544,171	8,512,597	23.9%
Total	**59,102,884**	**66,396,380**	**(11.0)%**

table of contents

Segment	R$ in thousands, except			
	Banking			Insurance, Capital
	2013	**2012**	**% Change**	**2013**
Net fee and commission income	15,639,215	13,885,450	12.6%	1,264,869
Net gains/(losses) on financial assets and liabilities classified as held for trading	(4,100,749)	1,095,588	-	(1,914,579)
Net gains/(losses) on financial assets classified as available for sale	(3,880,575)	(455,476)	752.0%	(2,526,016)
Premiums retained from insurance and pension plans	-	-	-	44,887,215
Equity in the earnings of associates and joint ventures	1,031,280	752,353	37.1%	31,151
Other non-interest income	5,173,846	3,876,321	33.5%	5,817,205
Total	**13,863,017**	**19,154,236**	**(27.6)%**	**47,559,845**

Banking

Our non-interest income decreased by 27.6%, from R$19,154 million in 2012 to R$ 13,863 million in 2013. This decrease was mainly due to: (i) net losses from financial assets and liabilities available for sale, from R$455 million as of December 31, 2012 to R$3,881 million as of December 31, 2013, which was principally due to the adjustment of rates to market value of the available-for-sale NTNs (national treasury notes) portfolio, by trading these securities in the market; and (ii) net losses from financial assets and liabilities classified as held for trading, from gains of R$1,096 million as of December 31, 2012 to losses of R$4,101 million as of December 31, 2013, largely due to the income obtained from fixed income securities.

These effects were partially offset by the increase of: (i) 12.6% in net fee and commission income, driven by an increase of: (a) 21.7% in revenues from credit cards, with an increase of 15.4% in billings, which reached R$119.407 million in 2013; (b) 11.2% in revenues related to checking accounts, primarily due to the expansion of our customer base, which net increase represented 707,000 active checking account holders; and the increase of the services portfolio to our customers and the realignment of fees; (c) 17.8% in revenues from consortium management, due to the increase in: received bids, average ticket size and sales of new quotas, increasing from 736,000 active quotas as of December 31, 2012 to 924,000 active quotas as of December 31, 2013; and (d) 18.5% in revenue from guarantees pledged, due to the increase of R$7,676 million, or 12.8%, in the balance of financial guarantees that we mostly offer to our corporate customers; and (ii) 33.5% in other non-financial revenues deriving from results obtained from the adhesion to a program for payment in installments and sight payment of tax debts - REFIS, in the amount of R$1,950 million.

Insurance, pension plans and capitalization bonds

Our non-interest income decreased by 2.7%, from R$48,900 million in 2012 to R$47,560 million in 2013. This was due mainly to: (i) net gains on financial assets classified as available for sale, from gains of R$2,418 million in 2012 to losses of R$2,526 million in 2013, principally due to the adjustment of rates to market value of the available-for-sale NTNs portfolio, by trading these securities in the market; and (ii) net losses on financial assets and liabilities classified as held for trading, from R$7 million in 2012 to R$1,915 million in 2013, basically due to the income obtained from fixed income securities; partially offset by: (iii) a 11.7% increase in retained insurance premiums and pension plans income, from R$40,177 million in 2012 to R$44,887 million in 2013, mainly due to: (a) an increase in insurance written premiums from R$37,899 million in 2012 to R$42,226 million in 2013; and (b) an increase in revenues from pension plan contributions, from R$3,273 million in 2012 to R$3,584 million in 2013.

Main differences between balances by segment and consolidated balances

In addition to the above explanations, we highlight below the main differences between our non-interest income by segment (according to accounting practices adopted in Brazil) and our consolidated non-interest income (according to "IFRS") for the year ended December 31, 2013:

- ***Net fee and commission income:*** The difference of R$2,404 million refers to: (i) the effective interest rate method in the amount of R$1,242 million; (ii) eliminations in the amount of R$ 1,519 million; which was partly offset by: (iii) adjustments of other operations in the amount of R$ 357 million.

- ***Net gains (losses) on financial assets classified as held for trading:*** The adjustment in the amount of R$ 225 million was mainly due to: (i) adjustment of cash flow hedge, in the amount of R$ 285 million; (ii) the consolidation of exclusive funds in the amount of R$ 550 million; and offset by: (iii) the effect of exchange-rate variation on our financial assets held for trading in the amount of R$ 598 million.

- ***Net gains (losses) on financial assets classified as available for sale:*** The adjustment in the amount of R$306 million, was mainly due to lower impairment charges in our portfolio of shares, in the amount of R$280 million in 2013.

Non-interest expense

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest expense for 2013 and 2012:

Consolidated	R$ in thousands, except % For the year ended December 31, 2013	2012 (Restated)	% Change
Personnel expenses	(12,354,418)	(11,559,002)	6.9%
Administrative expenses	(12,151,537)	(11,803,989)	2.9%
Depreciation and amortization	(2,740,830)	(2,488,182)	10.2%
Changes in the insurance technical provisions and pension plans	(20,001,807)	(23,326,101)	(14.3)%
Retained claims	(15,484,691)	(13,123,833)	18.0%
Selling expenses for insurance and pension plans	(2,467,037)	(2,313,795)	6.6%
Net gains/(losses) of foreign currency transactions	(1,093,597)	(1,087,595)	0.6%
Other non-interest expense	(18,166,411)	(17,186,775)	5.7%
Total	**(84,460,328)**	**(82,889,272)**	**1.9%**

Segment	R$ in thousands, except % Banking 2013	2012	% Change	Insurance, Capita 2013
Personnel expenses	(11,200,617)	(10,586,643)	5.8%	(1,092,479)
Administrative expenses	(12,068,420)	(11,592,512)	4.1%	(1,102,065)
Depreciation and amortization	(2,625,748)	(1,459,721)	79.9%	(180,381)
Changes in the insurance technical provisions and pension plans	-	-	-	(20,001,807)
Retained claims	-	-	-	(15,484,691)
Selling expenses for insurance and pension plans	-	-	-	(2,468,101)
Net gains/(losses) of foreign currency transactions	(1,093,597)	(1,589,833)	(31.2)%	-
Other non-interest expense	(11,330,532)	(14,226,902)	(20.4)%	(6,784,204)
Total	**(38,318,914)**	**(39,455,611)**	**(2.9)%**	**(47,113,728)**

Banking

Our non-interest expenses decreased by 2.9%, from R$ 39,456 million in 2012 to R$ 38,319 million in 2013. This decrease was mainly the result of a 20.4% decrease in other non-interest expenses from R$14,227 million as of December 31, 2012 to R$11,331 million as of December 31, 2013, mainly due to: (i) the full amortization of the goodwill of BERJ, in the amount of R$ 1,156 million; and (ii) the recognition of losses related to intangible assets – acquisition of bank services in the amount of R$527 million (both of these events occurred in 2012). This fall was mainly offset by: (i) an increase of 5.8% in personnel expenses from R$ 10,587 million on December 31, 2012 to R$ 11,201 million on December 31, 2013, due to: (a) an increase in expenses from proceedings, payroll charges and benefits as a result of increase in salaries, in conformity with 2012 and 2013 collective agreements; and (b) higher expenses from provisions for labor lawsuits and profit sharing; and (ii) a 4.1% increase in administrative expenses, mainly resulting from: (a) a chain expansion of 3,819 additional service points, totaling 72,736 points; (b) contract adjustments which were below the behavior of the IPCA and IGP-M inflation rates in the last 12 months, which reached 5.9% and 5.5%, respectively.

Insurance, pension plans and capitalization bonds

Our non-interest expense increased by 2.0%, from R$46,174 million in 2012 to R$ 47,113 million in 2013. This increase was mainly due to increases of (i) 26.9% increase in other non-financial expenses; (ii) 18.0% in retained claims, mainly in health insurance; and (iii) 18.2% in administrative expenses. Such increases were partially offset by the 14.3% reduction in our expenses from variation of insurance and pension plan technical provisions from R$23,326 million in 2012 to R$20,002 million in 2013, deriving from compliance with SUSEP Circular letter no. 462/13 by the Grupo Bradesco Seguros that resulted in the adoption of "Term Structure of Interest Rate free from risks – ETTJ" as discount rate of actuarial liability flow that caused net reversion of a portion of the technical provisions balance, in the amount of R$2,572 million.

table of contents

Income and social contribution taxes

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

Income and social contribution tax expenses decreased from R$4,090 million in 2012 to R$ 1,833 million in 2013. This variation was primarily due to: (i) the decrease in gross income, which went from R$ 15,445 million in 2012 to R$ 14,319 million in 2013; (ii) the greater tax effect of foreign exchange variation of investments abroad, which went from R$727 million in 2012 to R$1,320 million in 2013; (iii) the recognition of tax credits in the amount of R$462 million in 2013; and (iv) the greater effect of net non-deductible expenses of non-taxable revenues, which went from negative adjustment of R$503 million to a positive adjustment of R$326 million, mainly due to adhesion to the program for payment in installments and sight payment of tax debts – REFIS in 2013For more information on Income and social contribution taxes, see Note 17 to our consolidated financial statements in “Item 18. Financial Statements.”

The effective rate of taxation as a percentage of our income before income and social contribution taxes, varied from an expense of 26.5% in 2012 to an expense of 12.8% in 2013.

Net Income

As a result of the above, our net income attributable to controlling shareholders increased by 9.8%, from R$ 11,292 million in 2012 to R$ 12,396 million in 2013. Our net income for the year increased by 10.0%, from R$11,352 million in 2012 to R$12,486 million in 2013.

Results of operations for the year ended December 31, 2012 compared with the year ended December 31, 2011

The following tables set forth the principal components of our net income for 2012 and 2011, on a consolidated basis and by segment:

Consolidated	R$ in thousands, except % For the year ended December 31, 2012 (Restated)	2011 (Restated)	% Change
Net interest income	43,385,723	35,388,321	22.6%
Impairment of loans and advances	(11,451,383)	(8,239,358)	39.0%
Non interest income	66,396,380	57,893,938	14.7%
Non interest expense	(82,889,272)	(70,431,659)	17.7%
Income before income taxes	**15,441,448**	**14,611,242**	**5.7%**
Income and social contribution taxes	(4,089,754)	(3,521,800)	16.1%
Net income for the year	**11,351,694**	**11,089,442**	**2.4%**
Net income attributable to controlling shareholders	11,291,570	10,958,054	3.0%
Net income attributable to non-controlling interest	60,124	131,388	(54.2)%

table of contents

Segment	R$ in thousands, except % Banking			Insurance, Pension Plans and Capitalization Bonds		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
Net interest income	39,181,426	31,379,722	24.9%	3,124,512	3,274,715	(4.6)%
Impairment of loans and advances	(10,925,404)	(9,275,421)	17.8%	-	-	-
Non interest income	19,154,236	19,499,077	(1.8)%	48,899,792	39,730,424	23.1%
Non interest expense	(39,455,611)	(32,562,339)	21.2%	(46,174,120)	(37,824,847)	22.1%
Income before income taxes	**7,954,647**	**9,041,039**	**(12.0)%**	**5,850,184**	**5,180,292**	**12.9%**
Income and social contribution taxes	(273,930)	(1,305,702)	(79.0)%	(2,196,399)	(1,850,139)	18.7%
Net income for the year	**7,680,717**	**7,735,337**	**(0.7)%**	**3,653,785**	**3,330,153**	**9.7%**