

BANK BRADESCO
Form 6-K
September 02, 2014

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

FORM 6-K

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

**For the month of September, 2014
Commission File Number 1-15250**

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

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

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

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

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

Yes No

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Statement of Financial Position – Prudential conglomerate in Reais

Assets	At June 30, 2014
Current assets	453,158,987,417.03
Cash and due from banks (Note 4)	11,281,058,167.10
Interbank investments (Notes 3d and 5)	136,983,859,052.98
Investments in federal funds sold and securities borrowed under agreements to resell	125,321,860,655.17
Interbank investments	11,675,372,467.30
Allowance for losses	(13,374,069.49)
Securities and derivative financial instruments (Notes 3e, 3f, 6 and 30b)	55,647,529,878.97
Own portfolio	33,060,877,001.79
Subject to repurchase agreements	15,382,529,436.44
Derivative financial instruments (Notes 3f, 6e II and 30b)	4,744,982,749.32
Underlying guarantees provided	2,205,340,775.02
Securities subject to unrestricted repurchase agreements	253,799,916.40
Interbank accounts	55,273,363,563.99
Unsettled payments and receipts	1,635,919,759.69
Reserve requirement (Note 7):	
- Reserve requirement - Brazilian Central Bank	53,501,825,613.55
- SFH	4,248,885.69
Correspondent banks	131,369,305.06
Interdepartmental accounts	320,341,718.12
Internal transfer of funds	320,341,718.12
Loans (Notes 3g, 8 and 30b)	131,953,838,590.45
Loans:	
- Public sector	31,779,209.26
- Private sector	145,465,605,947.01
Loans Related Assignment	11,897,171.64
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(13,555,443,737.46)
Leasing (Notes 3g, 8 and 30b)	(153,334,929.64)
Leasing receivables:	
- Private sector	2,180,797,203.96
Unearned income from leasing	(2,103,806,619.95)
Allowance for leasing losses (Notes 3g, 8f, 8g and 8h)	(230,325,513.65)
Other receivables	59,786,229,731.81
Receivables on sureties and guarantees honored (Note 8a-3)	30,304,013.36
Foreign exchange portfolio (Note 9a)	11,476,109,830.76
Receivables	6,187,199,907.96
Securities trading	1,846,928,083.38
Specific receivables	3,291,881.19
Sundry (Note 9b)	41,023,717,774.57
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(781,321,759.41)
Other assets (Note 10)	2,066,101,643.25
Other assets	1,571,131,873.75

Provision for losses	(632,520,404.37)
Prepaid expenses (Notes 3i and 10b)	1,127,490,173.87
Long-term receivables	278,344,373,210.45
Interbank investments (Notes 3d and 5)	669,821,239.93
Interbank investments	669,821,239.93
Securities and derivative financial instruments (Notes 3e, 3f, 6 and 30b)	104,742,255,292.09
Own portfolio	50,603,267,365.80
Subject to repurchase agreements	46,272,104,737.66
Derivative financial instruments (Notes 3f, 6e II and 30b)	1,001,858,432.29
Subject to the Brazilian Central Bank	19,007,953.91
Privatization currencies	62,236,849.60
Underlying guarantees provided	5,958,108,365.32
Securities subject to unrestricted repurchase agreements	825,671,587.51

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Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Statement of Financial Position –Prudential conglomerate -In Reais

Assets	At June 30, 2014
Interbank accounts	599,801,329.44
Reserve requirement (Note 7):	
- SFH	599,801,329.44
Loans (Notes 3g, 8 and 30b)	145,031,277,576.48
Loans:	
- Public sector	1,919,401,216.70
- Private sector	145,510,574,838.27
Loans related to assignment	4,205,712,480.68
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(6,604,410,959.17)
Leasing (Notes 3g, 8 and 30b)	(155,682,001.98)
Leasing receivables:	
- Private sector	2,528,722,519.95
Unearned income from leasing	(2,528,065,378.77)
Allowance for leasing losses (Notes 3g, 8f, 8g and 8h)	(156,339,143.16)
Other receivables	26,408,307,280.88
Receivables	51,509.89
Securities trading	126,860,282.70
Sundry (Note 9b)	26,360,504,135.43
Allowance for loan losses (Notes 3g, 8f, 8g and 8h)	(79,108,647.14)
Other assets (Note 10)	1,048,592,493.61
Prepaid expenses (Notes 3i and 10b)	1,048,592,493.61
Permanent assets	47,447,013,701.01
Investments (Notes 3j, 11 and 30b)	29,115,241,025.74
Equity in the earnings (losses) of unconsolidated companies	
- In Brazil	27,942,509,662.52
- Foreign	871,508,127.84
Other investments	443,835,042.41
Allowance for losses	(142,611,807.03)
Premises and equipment (Notes 3k and 12)	2,798,250,085.99
Premises	189,027,900.74
Other assets	7,141,817,010.37
Accumulated depreciation	(4,532,594,825.12)
Leased assets (Note 12)	9.496.169.280.58
Leased goods	14.506.855.269,62
Accumulated depreciation	(5.010.685.989,04)
Difered assets (Notes 3l and 13)	60,693,176.91
Organization and expansion expenses	1,736,294,081.72
Accumulated amortization	(1,675,600,904.81)
Intangible assets (Notes 3m and 14)	5,976,660,131.79
Intangible assets	9,883,006,606.58
Accumulated amortization	(3,906,346,474.79)

Total

778,950,374,328.49

The accompanying notes are an integral part of these Consolidated Financial Statements of the Prudential Conglomerate.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Statement of Financial Position –Prudential conglomerate -In Reais

Liabilities	At June 30, 2014
Current liabilities	510,463,367,094.96
Deposits (Notes 3o and 15a)	165,799,445,367.58
Demand deposits	36,421,103,003.46
Savings deposits	84,318,918,474.07
Interbank deposits	332,802,275.35
Time deposits (Notes 15a and 30b)	44,726,621,614.70
Federal funds purchased and securities sold under agreements to repurchase (Notes 3o and 15b)	215,014,630,236.27
Own portfolio	105,045,916,955.00
Third-party portfolio	108,520,557,444.42
Unrestricted portfolio	1,448,155,836.85
Funds from issuance of securities (Notes 15c and 30b)	36,898,189,396.74
Mortgage and real estate notes, letters of credit and others	33,703,331,527.92
Securities issued abroad	3,043,454,847.75
Structured operations certificates	151,403,021.07
Interbank accounts	1,988,364,247.45
Receipts and payments pending settlement	77,933,731.47
Correspondent banks	1,910,430,515.98
Interdepartmental accounts	3,762,882,825.33
Third-party funds in transit	3,762,882,825.33
Borrowing (Notes 16a and 30b)	12,867,545,050.27
Borrowing abroad	12,867,545,050.27
Onlending in Brazil - official institutions (Notes 16b and 30b)	11,860,115,163.63
National treasury	1,108,859.34
BNDES	3,261,698,509.24
CEF	16,387,745.51
FINAME	8,579,661,976.06
Other institutions	1,258,073.48
Onlending abroad (Notes 16b and 30b)	212,744,741.89
Onlending abroad	212,744,741.89
Derivative financial instruments (Notes 3f, 6e II and 30b)	3,990,506,434.95
Derivative financial instruments	3,990,506,434.95
Other liabilities	58,068,943,630.85
Payment of taxes and other contributions	3,639,961,467.82
Foreign exchange portfolio (Note 9a)	5,551,655,391.65
Social and statutory	2,329,906,698.20
Tax and social security (Note 19a)	4,659,618,762.35
Securities trading	3,004,187,847.26
Financial and development funds	1,236,184.45
Subordinated debts (Notes 18 and 30b)	2,678,856,151.03
Sundry (Note 19b)	36,203,521,128.09

Long-term liabilities	191,364,181,378.27
Deposits (Notes 3o and 15a)	48,442,416,685.97
Interbank deposits	191,281,372.97
Time deposits (Notes 15a and 30b)	48,251,135,313.00
Federal funds purchased and securities sold under agreements to repurchase (Notes 3o and 15b)	26,812,932,763.59
Own portfolio	26,812,932,763.59
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Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Statement of Financial Position – Prudential conglomerate in of Reais

	At June 30, 2014
Liabilities	
Funds from issuance of securities (Notes 15c and 30b)	38,747,732,324.99
Mortgage and real estate notes, letters of credit and others	33,650,611,069.43
Securities issued abroad	5,038,362,972.21
Structured operations certificates	58,758,283.35
Borrowing (Notes 16a and 30b)	843,257,979.29
Borrowing abroad	843,257,979.29
Onlending in Brazil - official institutions (Notes 16b and 30b)	28,340,765,521.78
BNDES	8,124,314,673.05
CEF	13,515,085.63
FINAME	20,202,563,940.14
Other institutions	371,822.96
Derivative financial instruments (Notes 3f, 6e II and 30b)	741,052,587.10
Derivative financial instruments	741,052,587.10
Other liabilities	47,436,023,515.55
Tax and social security (Note 19a)	7,989,463,981.23
Subordinated debts (Notes 18 and 30b)	32,734,623,616.71
Sundry (Note 19b)	6,711,935,917.61
Deferred income	220,623,301.21
Deferred income	220,623,301.21
Non-controlling interests in subsidiaries (Note 20)	101,924,277.30
Shareholders' equity (Note 21)	76,800,278,276.75
Capital:	
- Domiciled in Brazil	37,622,310,306.43
- Domiciled abroad	477,689,693.57
Capital reserves	11,441,258.19
Profit reserves	38,976,928,763.74
Asset valuation adjustments	9,923,000.32
Treasury shares (Notes 21d and 30b)	(298,014,745.50)
Total	778,950,374,328.49

The accompanying notes are an integral part of these Consolidated Financial Statements of the Prudential Conglomerate.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Income Statement - Prudential Conglomerate~~In Reais~~

	2014
	1st Semester
Revenue from financial intermediation	48,850,729,754.27
Loans (Note 8j)	27,916,278,676.95
Leasing (Note 8j)	2,852,550,273.23
Operations with securities (Note 6g)	14,690,185,780.18
Derivative financial instruments (Note 6g)	1,063,381,710.97
Foreign exchange operations (Note 9a)	66,121,770.53
Reserve requirement (Note 7b)	2,221,747,676.35
Sale or transfer of financial assets	40,463,866.06
Financial intermediation expenses	29,318,557,552.30
Federal funds purchased and securities sold under agreements to repurchase (Note 15e)	21,571,496,750.97
Borrowing and onlending (Note 16c)	(1,613,434,064.96)
Leasing (Note 8j)	2,510,321,748.31
Allowance for loan losses (Notes 3g, 8g and 8h)	6,850,173,117.98
Gross income from financial intermediation	19,532,172,201.97
Other operating income (expenses)	(8,583,700,792.86)
Fee and commission income (Note 22)	8,916,574,073.54
Other fee and commission income	6,577,968,562.55
Income from banking fees	2,338,605,510.99
Payroll and related benefits (Note 23)	(5,698,684,784.50)
Other administrative expenses (Note 24)	(7,471,583,280.34)
Tax expenses (Note 25)	(1,814,079,589.21)
Equity in the earnings (losses) of unconsolidated companies (Note 11a)	804,206,944.66
Other operating income (Note 26)	2,109,989,792.73
Other operating expenses (Note 27)	(5,430,123,949.74)
Operating income	10,948,471,409.11
Non-operating income (loss) (Note 28)	(216,639,615.53)
Income before income tax and social contribution and non-controlling interests	10,731,831,793.58
Income tax and social contribution (Notes 32a and 32b)	(3,505,228,962.81)
Non-controlling interests in subsidiaries	(5,672,771.90)
Net income	7,220,930,058.87

The accompanying notes are an integral part of these Consolidated Financial Statements of the Prudential Conglomerate.

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Statement of Changes in Shareholders' Equity – In Reais

Events	Paid-in	Capital reserves Share premium	Profit reserves		Asset valuation
			Legal	Statutory	Bradesco
Balance at 1st January 2014	38,100,000,000.00	11,441,258.19	4,439,025,822.29	29,712,870,906.41	(865,372,757.05)
Acquisition of treasury shares	-	-	-	-	-
Asset valuation adjustments	-	-	-	-	587,418,989.54
Net income	-	-	-	-	-
Allocations:- Reserves	-	-	361,046,502.94	4,463,985,532.10	-
- Interest on shareholders' equity paid and/or provisioned	-	-	-	-	-
- Interim Dividends Provisioned	-	-	-	-	-
Balance on June 30, 2014	38,100,000,000.00	11,441,258.19	4,800,072,325.23	34,176,856,438.51	(277,953,767.51)

The accompanying notes are an integral part of these Consolidated Financial Statements of the Prudential Conglomerate.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Consolidated Cash Flow Statement Prudential Conglomerate - In Reais

	2014
	1st Semester
Cash flow from operating activities:	
Net Income before income tax and social contribution	10,731,831,793.58
Adjustments to net income before income tax and social contribution	10,238,632,531.94
Allowance for loan losses	6,850,173,117.98
Depreciation and amortization	1,464,838,130.07
Expenses with civil, labor and tax provisions	1,319,963,318.94
Equity in the earnings (losses) of unconsolidated companies	(804,206,944.66)
(Gain) on sale of fixed assets	9,315,676.80
Loss on sale of foreclosed assets	147,462,716.66
Other	1,251,086,516.15
Adjusted net income before taxes	20,970,464,325.52
Increase in interbank investments	14,555,560,183.18
Decrease in trading securities and derivative financial instruments	(5,750,677,744.85)
Decrease in interbank and interdepartmental accounts	(2,189,614,754.65)
(Increase) in loan and leasing	(12,743,372,172.00)
Decrease in deferred income	(367,062,933.01)
Decrease in other receivables and other assets	2,706,308,537.58
Decrease in reserve requirement - Brazilian Central Bank	1,879,163,847.30
Decrease in deposits	(4,781,566,790.00)
Decrease in federal funds purchased and securities sold under agreements to repurchase	(960,966,299.00)
Increase in funds from issuance of securities	12,867,170,771.81
Decrease in borrowings and onlending	(1,961,273,162.00)
Increase in other liabilities	4,945,209,348.53
Income tax and social contribution paid	(2,182,214,711.59)
Net cash provided by/(used in) operating activities	26,987,128,446.82
Cash flow from investing activities:	
(Increase) in held-to-maturity securities	(7,159,555.42)
Sale of/maturity of and interests on available-for-sale securities	18,656,571,318.53
Proceeds from sale of foreclosed assets	268,005,272.34
Sale of premises, equipment and leasing	447,214,805.13
Purchases of available-for-sale securities	(24,957,104,631.95)
Foreclosed asset acquisitions	(655,409,737.00)
Investment acquisitions	(18,381,980.34)
Purchase of premises, equipment and leasing	(1,471,050,915.00)
Intangible asset acquisitions	(216,749,105.00)
Dividends and interest on shareholders' equity received	106,888,217.07
Net cash provided by/(used in) investing activities	(7,847,176,311.64)
Cash flow from financing activities:	

Decrease in subordinated debts	(505,234,573.68)
Dividends and interest on shareholders' equity paid	(2,595,321,242.74)
Non-controlling interest	(29,361,420.48)
Acquisition of own shares	(28,921,647.00)
Net cash provided by/(used in) financing activities	(3,158,838,883.90)
Net increase in cash and cash equivalents	15,981,113,251.28
Cash and cash equivalents - at the beginning of the period	117,680,011,641.11
Cash and cash equivalents - at the end of the period	133,661,124,892.39
Net increase in cash and cash equivalents	15,981,113,251.28

The accompanying notes are an integral part of these Consolidated Financial Statements of the Prudential Conglomerate.

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Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Financial Statements of the Prudential Conglomerate Index

Notes to Bradesco's Consolidated Financial Statements of the Prudential Conglomerate are as follows:

	Page
1) OPERATIONS	11
2) PRESENTATION OF THE FINANCIAL STATEMENTS	11
3) SIGNIFICANT ACCOUNTING PRACTICES	13
4) CASH AND CASH EQUIVALENTS	18
5) INTERBANK INVESTMENTS	19
6) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	20
7) INTERBANK ACCOUNTS - RESERVE REQUIREMENT	29
8) LOANS	30
9) OTHER RECEIVABLES	41
10) OTHER ASSETS	43
11) INVESTMENTS	44
12) PREMISES AND EQUIPMENT	45
13) DEFERRED ASSETS	45
14) INTANGIBLE ASSETS	46
15) DEPOSITS, FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND FUNDS FROM ISSUANCE OF SECURITIES	47
16) BORROWING AND ONLENDING	49
17) PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES - TAX AND SOCIAL SECURITY	50
18) SUBORDINATED DEBT	53
19) OTHER LIABILITIES	55
20) NON-CONTROLLING INTERESTS IN SUBSIDIARIES	55
21) SHAREHOLDERS' EQUITY (PARENT COMPANY)	55
22) FEE AND COMMISSION INCOME	57
23) PAYROLL AND RELATED BENEFITS	58
24) OTHER ADMINISTRATIVE EXPENSES	58
25) TAX EXPENSES	58
26) OTHER OPERATING INCOME	59
27) OTHER OPERATING EXPENSES	59
28) NON-OPERATING INCOME (LOSS)	59
29) RELATED-PARTY TRANSACTIONS (DIRECT AND INDIRECT)	60
30) FINANCIAL INSTRUMENTS	62
31) EMPLOYEE BENEFITS	68
32) INCOME TAX AND SOCIAL CONTRIBUTION	69
33) OTHER INFORMATION	72

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

1) OPERATIONS

Banco Bradesco S.A. (Bradesco) is a private-sector publicly traded company and universal bank that carries out all types of banking activities that it is authorized to do so through its commercial, foreign exchange, consumer financing and housing loan portfolios. The Bank has a number of other activities, either directly or indirectly, through its subsidiaries, particularly in leasing, investment banking, brokerage, consortium management, credit cards, real estate projects, insurance, pension plans and capitalization bonds. Operations are conducted within the context of the companies within the Bradesco Organization, working together in the market.

2) PRESENTATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the prudential conglomerate have been prepared to comply with the requirements of Resolution nº4280/13, of the National Monetary Council (CMN) and supplementary regulations of the Central Bank of Brazil (Bacen). This way, specific requirements were observed in the consolidation and/or combination of entities listed in Resolution nº4280/13 determined by CMN and Bacen, which are not necessarily the same established by Brazilian corporate law and by CMN or Bacen for other types of consolidation. In this sense, the financial statements of Banco Bradesco, its foreign branch, controlled companies and investment funds are included as required by Resolution nº4280/13.

This is the first presentation of the consolidated financial statements of the prudential conglomerate and Bradesco has chosen the option provided in paragraph 2º of Art. 10, of the Circular nº3701/14, of Bacen, and are not presenting the comparative information related to the periods before June 30, 2014.

In the preparation of these consolidated financial statements of the prudential conglomerate, intercompany transactions, including investments, assets and liabilities, revenue, expenses and unrealized profit were eliminated and net income and shareholders' equity attributable to the non-controlling interests were accounted for on a separate line. For jointly-controlled investments with other shareholders, assets, liabilities and income and losses were proportionally consolidated in the consolidated financial statements according to the interest on shareholders' equity of each investee. Goodwill on the acquisition of investments in subsidiary/unconsolidated companies or jointly-controlled entities is included in investments and intangible assets (Note 14a).

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

Bradesco's consolidated financial statements of the prudential conglomerate were approved by the Board Directors on August 28, 2014.

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Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

Below are the primary direct and indirectly owned companies included in the consolidation:

	Activity	June 30, 2014
Financial Institutions		
Banco Bradesco S.A.	Banking	Controller
Banco Alvorada S.A.	Banking	99.99%
Banco Bradesco Financiamentos S.A.	Banking	100.00%
BMC Asset Management - DTVM Ltda.	Asset management	100.00%
Banco Bradesco BBI S.A.	Investment bank	98.35%
Banco Boavista Interatlântico S.A.	Banking	100.00%
Banco CBSS S.A.	Banking	100.00%
Banco Bradesco Cartões S.A.	Cards	100.00%
Banco Bradesco BERJ S.A.	Banking	100.00%
Bradesco Leasing S.A. Arrendamento Mercantil	Leasing	100.00%
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Brokerage	100.00%
BEC - Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset management	100.00%
BEM - Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset management	100.00%
BRAM - Bradesco Asset Management S.A. DTVM	Asset management	100.00%
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	100.00%
Banco Bradescard S.A.	Cards	100.00%
Crediare S.A. - Crédito, Financiamento e Investimento	Banking	50.00%
Cidade Capital Markets Limited	Banking	100.00%
Everest Leasing S.A. Arrendamento Mercantil	Leasing	100.00%
Tibre Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset management	100.00%
Banco Bradesco Argentina S.A.	Banking	99.99%
Banco Bradesco Europa S.A.	Banking	100.00%
Banco Bradesco S.A. Grand Cayman Branch (1)	Banking	100.00%
Banco Bradesco S.A. Grand Cayman Branch II	Banking	100.00%
Banco Bradesco New York Branch	Banking	100.00%
Bradesco Securities, Inc.	Brokerage	100.00%
Bradesco Securities, UK.	Brokerage	100.00%
Bradesco Securities Hong Kong	Brokerage	100.00%
Bradescard México, Sociedad de Responsabilidad Limitada	Cards	100.00%
Consortium management		
Bradesco Administradora de Consórcios Ltda.	Consortium management	100.00%
Payment Institutions		
Cielo S.A. (2)	Services	28.65%
Cia. Brasileira de Soluções e Serviços - Alelo (2)	Services	50.01%
Securitization		
Cia. Securitizadora de Créditos Financeiros Rubi	Purchase of credits	100.00%
Alvorada Cia. Securitizadora de Créditos Financeiros	Purchase of credits	100.00%
Promosec Cia. Securitizadora de Créditos	Purchase of credits	100.00%

Investment funds

Bradesco FI MULT Cred. Priv. Inv. Exterior Pioneiro	Investment funds	100.00%
Bradesco F.I.C. F.I. Referenciado DI Galáxia	Investment funds	100.00%
Bradesco FI Multimercado Cred. Privado Apolo	Investment funds	100.00%
F II - Fundo de Investimento RF Cred. Privado	Investment funds	100.00%
FIDC Hiper	Investment funds	100.00%
FIP Multisetorial Plus	Investment funds	100.00%
BMC FIDC - Crédito Consignado INSS Subordinada (3)	Investment funds	100.00%
Bradesco FI Referenciado DI União	Investment funds	94.12%
Bradesco F.I. Referenciado DI Performance	Investment funds	100.00%
BRAD FI Mult. Cred. Priv. Inv. Exterior Andromeda	Investment funds	100.00%
Strong Fundo de Inv. em Cotas FUN Inv. Multimercado	Investment funds	100.00%
Fundo Inv. em Participações Multisetorial Plus II	Investment funds	100.00%
Bradesco FIC Fundo Inv. Referenciado DI Carnaúba	Investment funds	50.01%

(1) The special purpose entity International Diversified Payment Rights Company is being consolidated. The company takes part in the securitization operation of future flow of payment orders received from overseas (Note 15d);

(2) Company proportionally consolidated, pursuant to CMN Resolution nº 2723/00 and CVM Rule nº 247/96; and

(3) Ended in May 2014.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

3) SIGNIFICANT ACCOUNTING PRACTICES

a) Functional and Presentation Currencies

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

b) Income and Expense Recognition

Income and expenses are recognized on an accrual basis together to determine the net income for the period to which they relate, regardless of receipt or payment of funds.

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

Floating rate or foreign-currency-indexed transactions are adjusted for inflation at the end of the reporting period.

c) Cash and cash equivalents

Cash and cash equivalents include: funds available in currency, investments in gold, investments in federal funds purchases and securities sold under agreements to repurchase and interest-earning deposits in other

banks, maturing in 90 days or less, and are exposed to insignificant risk of change in fair value. These funds are used by Bradesco to manage its short-term commitments.

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

d) Interbank investments

Unrestricted purchase and sale commitments are stated at their fair value. Other investments are stated at cost, plus income earned up to the end of the reporting period, net of any devaluation allowance, if applicable.

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

e) Securities - Classification

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

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

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

Classification, breakdown and segmentation of securities are presented in Note 6 (a to d).

f) Derivative financial instruments (assets and liabilities)

Classified according to intended use by Management, on the date that the operation was contracted and considering if it was intended for hedging purposes or not.

Operations involving derivative financial instruments are designed to meet the Bank's own needs in order to manage overall exposure, as well as to meet customer requests to manage their positions. Gains and losses are recorded in income or expenses accounts of the respective financial instruments.

Derivative financial instruments used to mitigate risk deriving from exposure to variations in the Fair value of financial assets and liabilities are designated as hedges and are classified according to their nature:

- Market risk hedge: financial instruments classified in this category as well as the hedge-related financial assets and liabilities, gains and losses, realized or not, are recorded in the income statement; and
- Cash flow hedge: effective portion of valuation or devaluation of financial instruments classified in this category is recorded, net of taxes, in a specific account under shareholders' equity. The ineffective portion of the respective hedge is directly recognized in profit or loss.

A breakdown of amounts included in derivative financial instruments, in the balance sheet and off-balance-sheet accounts, is disclosed in Note 6 (e to g).

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

Loans and leasing, advances on foreign exchange contracts and other receivables with credit characteristics are classified by risk level, based on: (i) the parameters established by CMN Resolution n° 2682/99, which requires risk ratings to have nine levels, where “AA” is (minimum risk) and “H” (maximum risk). and (ii) the Administration’s assessment of the risk level. This assessment, which is carried out regularly, considers current economic conditions and past experience with loan losses, as well as specific and general risks relating to operations, debtors and guarantors. Moreover, the period of late payment defined in CMN Resolution n° 2682/99 is also considered to rate customer risk as follows:

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

(1) For transactions with terms of more than 36 months, past-due periods are doubled, as allowed under CMN Resolution n° 2682/99.

Interest and inflation adjustments on past-due transactions are only recognized up to the 59th day that they are past due. As from the 60th day, they are initially recognized in deferred income and are recognized in income only after affectively received.

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

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

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

The estimated allowance for loan losses is calculated to sufficiently cover probable losses, considering CMN and Bacen standards and instructions, together with Management assessment to determine credit risk.

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

Leasing

The leasing portfolio consists of contracts registered under Portaria 140/84, of the Ministry of Finance, which contains clauses: a) non cancellation; b) put option; and c) accrual based on floating or prefixed rates and accounted in accordance to the standards established by Bacen, as follows:

I- Receivable Leases

Reflect the balance of receivable counter installments, updated according to the indexes and criteria established contractually.

II- Lease deferred income and Guaranteed Residual Value (VRG)

Recorded at contract value, in contrast to the lease deferred income accounts and residual Value to be balanced, both presented by agreed conditions. The VRG received in advance is recorded in Other Liabilities – Lenders by Anticipation of the Residual Value, up to the maturity date of the contract. The present value adjustment of counter installments and receivable VRG of financial leasing operations is recognized as excess/insufficient depreciation on leased assets, aiming to align accounting practices. For operations that are 60 or more days past due, the appropriation to the income statements occurs when contractual installments are received, according to the CMN Resolution nº 2682/99.

III- Leased assets

Are stated at acquisition cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method, with the benefit of 30% reduction on the normal useful life of the asset, provided in the existing legislation. The main annual rates of depreciation used, which are the basis for this reduction, are as follows: vehicles and related, 20%; furniture and utensils, 10%; machinery and equipment, 10%; and other assets, 10% and 20%.

IV- Losses on lease

The losses recorded in the sale of leased assets are deferred and amortized over the remaining term of the normal useful life of the assets, being demonstrated along with the Leased Asset (Note 8k).

V- Excess (insufficiency) of depreciation

The accounting records of the leasing operations are maintained in accordance with legal requirements, specific to this type of operation. The procedures adopted and summarized in "II" to "IV" above differ from accounting practices provided in Brazilian corporate legislation, especially with regards to the accrual basis of accounting on recording revenue and expenses related to leasing contracts. As a result, according to Circular Bacen nº1429/89, the present value of the open counter installments has been calculated, using the internal rate of return of each contract, registering a revenue or expense of leasing, in contrast to excess or insufficiency of depreciation accounts, respectively, recorded in the Permanent Asset, aiming to suit leasing operations to an accrual basis of accounting (Note 8k).

Bradesco _____

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

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

Income tax and social contribution credits, calculated on income tax losses, social contribution losses and temporary additions are recorded in "Other Receivables - Sundry" and the provisions for deferred tax liabilities on tax differences in leasing depreciation and mark-to-market adjustments on securities are recorded in "Other Liabilities - Tax and Social Security". The income tax rate only applies to tax differences in leasing depreciation.

Tax credits on temporary additions are used and/or reversed against the corresponding provision. Tax credits on income tax and social contribution losses are used when taxable income is generated, under the 30% limit of the taxable profit for the period. Such tax credits are recorded based on current expectations on when the deduction can be used, considering technical studies and analyses carried out by Management.

The provision for income tax is calculated at 15% of taxable income plus a 10% surcharge. Social contribution on net income is calculated at 15% for financial institutions and insurance companies and at 9% for other companies.

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

Pursuant to Law n^o 11941/09, changes in the criteria to recognize for revenue, costs and expenses included in the net income for the period, enacted by Law n^o 11638/07 and by Articles n^o 37 and n^o 38 of Law n^o 11941/09, shall not affect taxable income, and, for tax purposes, accounting methods and criteria in force on December 31, 2007 are considered. For accounting purposes, the tax effects of adopting the aforementioned laws are recorded in the corresponding deferred tax assets and liabilities.

The breakdown of income tax and social contribution, showing the calculations, the origin and expected use of tax credits, as well as unrecorded tax credits, are presented in Note 32.

i) Prepaid expenses

Prepaid expenses are represented by use of funds for future benefits or services, which are recognized in the profit or loss on an accrual basis.

Incurred costs relating to corresponding assets that will generate revenue in subsequent periods are recorded in profit or loss according to the terms and the amount of expected benefits and directly written-off in profit or loss when the corresponding assets or rights are no longer part of the institution's assets or when future benefits are no longer expected.

Prepaid expenses are shown in details in Note 10b.

j) Investments

Investments in unconsolidated companies, with significant influence over the investee or with at least 20% of the voting rights, are accounted for by the equity method.

Tax incentives and other investments are stated at cost, less allowance for losses/impairment, where applicable.

Subsidiaries and jointly-controlled entities are consolidated - The composition of the main companies can be found in Note 2. The composition of unconsolidated companies, as well as other investments, can be found in Note 11.

k) Premises and equipment

Relates to the tangible assets used by the Bank in its activities or used for that purpose, including those transactions which transfer risks, benefits and controls of the assets to the entity.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

Premises and equipment are stated at acquisition cost, net of accumulated depreciation, calculated by the straight-line method based on the assets' estimated economic useful life, using the following rates: real estate - 4% per annum. furniture and utensils and machinery and equipment - 10% per annum. transport systems - 20% per annum. and data-processing systems - 20% to 50% per annum, and adjusted through impairment, when applicable.

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

l) Deferred assets

It is stated at a cost of acquisition or net formation of their accumulated depreciation of 20% per annum, calculated by the straight-line method. From December 8, 2008, the new operations have been recorded in intangible assets in accordance with the Circular Letter in 3,357/08 of Bacen.

The values composition of the assets costs and their depreciation are presented in Note 13.

m) Intangible assets

Relates to the right over intangible assets used by the Bank in its activities or used for that purpose.

Intangible assets comprise:

- Future profitability/acquired client portfolio and acquisition of right to provide banking services: they are recorded and amortized, as applicable, over the period in which the asset will directly and indirectly contribute to future cash flows and adjusted through impairment, where applicable; and
- Software: stated at cost less amortization calculated on a straight-line basis over the estimated useful life (20% to 50% p.a.), from the date it is available for use and adjusted through impairment, where applicable. Internal software development costs are recognized as an intangible asset when it is possible to show the intention and ability to complete such development, as well as to reliably measure costs directly attributable to the intangible asset. These costs are amortized during its estimated useful life, considering the expected future economic benefits.

Goodwill and other intangible assets, including their changes by class, are broken down in Note 14.

n) Impairment

Financial and non-financial assets are tested for impairment.

Impairment evidence may comprise the non-payment or payment delay by the debtor, possible bankruptcy process or even significant or extended decline in asset value.

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

Impairment losses are presented in Note 6d(8).

o) Deposits and federal funds purchased and securities sold under agreements to repurchase

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

A breakdown of securities recorded in deposits and federal funds purchased and securities sold under agreements to repurchase, as well as terms and amounts recognized in the statement of financial position and income statement, is presented in Note 15.

p) Provisions, contingent assets and liabilities and legal obligations - tax and social security

Provisions, contingent assets and liabilities, and legal obligations, as defined below, are recognized, measured and disclosed in accordance with the criteria set out in CPC 25, approved by CMN Resolution n° 3823/09 and CVM Resolution n° 594/09:

Bradesco _____

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

- **Contingent assets:** these are not recognized in the financial statements, except when Management has control over the outcome or when there are real guarantees or favorable judicial decisions, to which no further appeals are applicable, classifying the gain as practically certain by confirming the expectation of receipt or compensation against another liability. Contingent assets with a chance of probable success are disclosed in the notes to the financial statements;
- **Provisions:** these are recorded taking into consideration the opinion of legal counsel, the nature of the lawsuits, similarity with previous lawsuits, complexity and positioning of the courts, whenever the loss is deemed probable which would cause a probable outflow of funds to settle the obligation and when amounts can be reliably measured;
- **Contingent liabilities:** according to CPC 25, the term "contingent" is used for liabilities that are not recognized because their existence will only be confirmed by the occurrence of one or more uncertain future events beyond Management's control. Contingent liabilities considered as possible losses should only be disclosed in the notes when relevant. Obligations deemed remote are not recorded as a provision nor disclosed; and
- **Legal obligations - provision for tax risks:** results from judicial proceedings, being contested on the grounds of legality or constitutionality, which, regardless of the assessment of the probability of success, are fully recognized in the financial statements.

Details on lawsuits, as well as segregation and changes in amounts recorded, by type, are presented in Note 17.

q) Other assets and liabilities

Assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations (on a daily prorated basis), less provision for losses, when deemed appropriate.

Liabilities include known or measurable amounts, including related charges and monetary and exchange variations (on a daily prorated basis).

r) Subsequent events

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

They comprise the following:

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

Subsequent events, if any, are described in Note 33.

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

4) CASH AND CASH EQUIVALENTS

	June 30, 2014 – R\$
Cash and due from banks in domestic currency	7,418,517,480.32
Cash and due from banks in foreign currency	3,862,441,878.23
Investments in gold	98,808.55
Total cash and due from banks	11,281,058,167.10
Interbank investments (1)	122,380,066,725.29
Total cash and cash equivalents	133,661,124,892.39

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

Bradesco _____

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

5) INTERBANK INVESTMENTS

a) Breakdown and maturity

	1 to 3 days
Investments in federal funds purchased and securities sold under agreements to repurchase:	
Own portfolio position	16,792,542
National treasury notes	7,409,567
National treasury bills	9,370,767
Other	12,214
Funded position	104,783,266
Financial treasury bills	76,293
National treasury notes	68,175,986
National treasury bills	36,530,986
Short position	218,000
National treasury bills	218,000
Subtotal	121,793,811
Interest-earning deposits in other banks:	
Interest-earning deposits in other banks	3,210,343
Provision for losses	(2,056)
Subtotal	3,208,287
Total on June 30, 2014	125,002,098
%	

b) Income from interbank investments

Classified in the income statement as income on securities transactions.

	R\$
	2014
	1st Semester
Income from investments in purchase and sale commitments:	

•Own portfolio position	149,568,077.78
•Funded position	5,632,854,871.25
•Short position	148,220,111.00
Subtotal	5,930,643,060.03
Income from interest-earning deposits in other banks	326,512,492.49
Total (Note 6g)	6,257,155,552.52

_____ June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate**6) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS**

Information on securities and derivative financial instruments is as follows:

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

	2014		R\$	
	Financial	Other Activities	June 30	%
Trading securities (4)	53,000,480,562.90	447,279,786.71	53,447,760,349.61	33.3
- Government securities	31,081,998,356.22	-	31,081,998,356.22	19.4
- Corporate securities	16,171,641,025.07	447,279,786.71	16,618,920,811.78	10.4
- Derivative financial instruments (1)	5,746,841,181.61	-	5,746,841,181.61	3.5
Available-for-sale securities (4)	106,902,496,964.50	2,770,712.24	106,905,267,676.74	66.7
- Government securities	58,652,653,697.60	2,770,712.24	58,655,424,409.84	36.6
- Corporate securities	48,249,843,266.90	-	48,249,843,266.90	30.1
Held-to-maturity securities (3)	36,757,144.71	-	36,757,144.71	-
- Government securities	36,757,144.71	-	36,757,144.71	-
Overall total	159,939,734,672.11	450,050,498.95	160,389,785,171.06	100.0
- Government securities	89,771,409,198.53	2,770,712.24	89,774,179,910.77	56.0
- Corporate securities	70,168,325,473.58	447,279,786.71	70,615,605,260.29	44.0
Overall total	159,939,734,672.11	450,050,498.95	160,389,785,171.06	100.0

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Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate**b) Breakdown of the consolidated portfolio by issuer**

Securities (2)	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	F
Government securities	5,348,090,438.86	3,612,847,518.97	8,583,691,181.53	72,229,550,771.41	85
Financial treasury bills	3,140,303,505.84	252,852,783.63	513,181,199.80	4,516,454,981.38	8
National treasury bills	289,368,100.34	4,486,513.68	6,393,472,778.51	18,459,689,252.28	25
National treasury notes	13,997,464.86	3,335,160,354.37	1,677,037,203.22	48,888,543,754.07	53
Brazilian foreign debt notes	11,119,975.68	-	-	302,625,934.08	-
Privatization currencies	-	-	-	62,236,849.60	-
Other	1,893,301,392.14	20,347,867.29	-	-	-
Private securities	13,277,930,731.88	4,459,958,525.00	3,275,099,383.70	49,602,616,619.71	70
Bank deposit certificates	73,773,544.75	512,034,354.66	835,498.72	51,133,697.47	-
Shares	3,769,072,295.24	-	-	-	3
Debentures	494,127,083.64	2,698,807,794.66	1,438,701,521.80	27,854,889,132.97	32
Promissory notes	200,058,697.83	783,706,916.29	-	-	-
Foreign corporate securities	125,462,515.14	14,423,796.89	442,009,000.06	8,000,975,675.59	8
Derivative financial instruments (1)	4,149,432,700.93	366,659,181.46	228,890,866.93	1,001,858,432.29	5
Other	4,466,003,894.35	84,326,481.04	1,164,662,496.19	12,693,759,681.39	18
Subtotal	18,626,021,170.74	8,072,806,043.97	11,858,790,565.23	121,832,167,391.12	160
Hedge - cash flow (Note 6f)	-	-	-	-	-
Overall total	18,626,021,170.74	8,072,806,043.97	11,858,790,565.23	121,832,167,391.12	160

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

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

Securities (2)	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days
- Financial (4)	15,808,646,124.04	6,046,414,618.32	7,183,855,782.26	23,961,564,0
National treasury bills	236,389,948.53	4,486,513.68	3,974,970,109.47	533,046,6
Financial treasury bills	3,140,303,505.84	171,173,205.84	347,491,686.16	4,409,654,9
Bank deposit certificates	66,230,784.23	512,034,354.66	835,498.72	16,412,3
Derivative financial instruments (1)	4,149,432,700.93	366,659,181.46	228,890,866.93	1,001,858,4
Debentures	373,163,253.83	2,016,720,639.03	237,218,106.02	3,307,184,6
Promissory notes	78,767,583.37	74,837,286.81	-	-
National treasury notes	13,997,464.86	2,804,521,032.48	1,219,527,295.93	12,312,781,7
Other	7,750,360,882.45	95,982,404.36	1,174,922,219.03	2,380,625,2
- Other activities	447,279,786.71	-	-	-
Financial treasury bills	447,279,786.71	-	-	-
Overall total	16,255,925,910.75	6,046,414,618.32	7,183,855,782.26	23,961,564,0
Derivative financial instruments (liabilities)	3,553,799,817.26	249,124,047.89	187,582,569.80	741,052,5

Bradesco _____

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate**II) Available-for-sale securities**

Securities (2)	June 30, 2014				Fair/book value (5) (6) (7)
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	
- Financial (4)	2,370,095,259.99	2,026,391,425.65	4,674,934,782.97	97,831,075,495.89	106,902,496,253.50
National treasury bills	52,978,151.81	-	-2,418,502,669.04	17,926,642,594.57	20,398,123,451.44
Brazilian foreign debt notes	11,119,975.68	-	-	265,868,789.37	276,988,765.05
Foreign corporate securities	124,469,883.45	14,423,796.89	430,312,980.61	7,946,144,616.48	8,515,351,177.43
National treasury notes	-	530,639,321.89	457,509,907.29	36,575,761,986.65	37,563,911,035.83
Financial treasury bills	-	81,679,577.79	165,689,513.64	104,029,327.02	351,398,498.25
Bank deposit certificates	7,542,760.52	-	-	34,721,297.94	42,264,058.46
Debentures	120,963,829.81	682,087,155.63	1,201,483,415.78	24,547,704,506.36	26,552,238,995.61
Shares	1,931,431,550.18	-	-	-	1,931,431,550.18
Other	121,589,108.54	717,561,573.45	1,436,296.61	10,430,202,377.50	11,270,789,458.14
- Other activities	-	-	-	2,770,712.24	2,770,712.24
Financial treasury bills	-	-	-	2,770,712.24	2,770,712.24
Subtotal	2,370,095,259.99	2,026,391,425.65	4,674,934,782.97	97,833,846,208.13	106,905,267,253.50
Hedge - cash flow (Note 6f)	-	-	-	-	-
Overall total	2,370,095,259.99	2,026,391,425.65	4,674,934,782.97	97,833,846,208.13	106,905,267,253.50

III) Held-to-maturity securities

Securities (2)	June 30, 2014				Original amortized cost (5) (6)	R\$
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days		
Financial	-	-	-	-36,757,144.71	36,757,144.71	
Brazilian foreign debt notes	-	-	-	-36,757,144.71	36,757,144.71	
Overall total (3)	-	-	-	-36,757,144.71	36,757,144.71	
<u>June 2014</u>						

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate**d) Breakdown of the portfolios by financial statement classification**

Securities	1 to 30 days	31 to 180 days	June 30, 2011 181 to 360 days
Own portfolio	14,149,580,758.75	4,150,863,369.81	8,334,739,441.14
Fixed income securities	10,380,508,463.51	4,150,863,369.81	8,334,739,441.14
Financial treasury bills	2,856,068,574.90	32,729,645.30	6,188,500.00
National treasury notes	13,997,464.86	-	184,210.00
Brazilian foreign debt securities	11,119,975.68	-	-
Bank deposit certificates	73,773,544.75	512,034,354.66	835,490.00
National treasury bills	289,368,100.34	4,486,513.68	5,282,158.20
Foreign corporate securities	89,720,489.16	14,423,796.89	442,009,000.00
Debentures	494,127,083.64	2,698,807,794.66	1,438,701,520.00
Other	6,552,333,230.18	888,381,264.62	1,164,662,490.00
Equity securities	3,769,072,295.24	-	-
Shares of listed companies	3,769,072,295.24	-	-
Restricted securities	327,007,711.06	3,555,283,492.70	3,295,160,250.00
Repurchase agreements	35,742,025.98	3,356,568,186.36	2,789,062,400.00
National treasury bills	-	-	1,101,889,040.00
Financial treasury bills	-	21,407,831.99	10,320,380.00
National treasury notes	-	-3,335,160,354.37	1,676,852,980.00
Foreign corporate securities	35,742,025.98	-	-
Brazilian Central Bank	-	-	-
National treasury bills	-	-	-
Privatization currencies	-	-	-
Guarantees provided	291,265,685.08	198,715,306.34	506,097,840.00
National treasury bills	-	-	9,425,530.00
Financial treasury bills	284,234,930.94	198,715,306.34	496,672,300.00
Other	7,030,754.14	-	-
Derivative financial instruments (1)	4,149,432,700.93	366,659,181.46	228,890,860.00
Securities subject to unrestricted repurchase agreements	-	-	-
National treasury bills	-	-	-
National treasury notes	-	-	-
Overall total	18,626,021,170.74	8,072,806,043.97	11,858,790,560.00
%	11.6	5.0	-

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

- (1) Consistent with the criterion adopted by Bacen Circular Letter nº 3068/01 and due to the characteristics of the securities, we are considering the derivative financial instruments, except those considered as cash flow hedges under the category Trading Securities;
- (2) The investment fund quotas were distributed according to the instruments composing their portfolios and maintaining the fund category classification;
- (3) In compliance with Article 8 of Bacen Circular Letter nº 3068/01, Bradesco declares that it has financial capacity and intention to maintain held-to-maturity securities up to their maturity dates. This financial capacity is proven in Note 30a, which presents the maturity of asset and liability operations;
- (4) In June 2014, the amount of R\$ 4,571,838,220.04 was reclassified from "Held-for-trading securities" to "Available-for-sale securities";
- (5) The number of days to maturity was based on the maturity of the instruments, regardless of their accounting classification;
- (6) This column reflects book value after mark-to-market accounting in accordance with item (7), except for held-to-maturity instruments, whose fair value is higher than the original amortized cost for the amount of R\$ \$ 6,168,921.93;
- (7) The fair value of securities is determined based on the market price available at the end of the reporting period. If no market price quotation is available at the end of the reporting period, amounts are estimated based on the prices quoted by dealers, pricing models, quotation models or price quotations for instruments with similar characteristics; for investment funds, the original amortized cost reflects the fair value of the respective quotas. For investment funds, the original amortized cost reflects the fair value of the respective quotas; and
- (8) In the 1st semester of 2014 there were no losses by impairment under the heading "equity securities", for the securities classified under the category "Available-for-sale securities".

June 2014

Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate

e) Derivative financial instruments

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

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

Quoted market prices are used to determine the fair value of derivative financial instruments. The fair value of swaps is determined by using discounted cash flow modeling techniques that use yield curves, reflecting adequate risk factors. The information to build yield curves is mainly obtained from the Securities, Commodities and Futures Exchange (BM&FBOVESPA) and the domestic and international secondary market. These yield curves are used to determine the fair value of currency swaps, interest rate and other risk factor swaps. The fair value of forward and futures contracts is also determined based on market price quotations for derivatives traded at the stock exchange or using methodologies similar to those outlined for swaps. The fair values of loan derivative instruments are determined based on market price quotation or from specialized entities. The fair value of options is determined based on mathematical models, such as Black & Scholes, using yield curves, implied volatilities and the fair value of corresponding assets. Current market prices are used to calculate volatility.

Derivative financial instruments in Brazil mainly refer to swap and futures operations and are registered at the OTC Clearing House (Cetip) and BM&FBOVESPA.

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

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

Bradesco _____



Consolidated Financial Statements of the Prudential Conglomerate and Independent Auditors' Report

Notes to the Consolidated Financial Statements of the Prudential Conglomerate**l) Amount of derivative financial instruments recorded in balance sheet and off-balance-sheet accounts**

	2014		R\$
	June 30		
	Overall amount	Net amount	
Futures contracts			
Purchase commitments:	49,450,415,064.56		
- Interbank market	36,643,962,610.46		-
- Foreign currency	12,460,659,824.14		-
- Other	345,792,629.96		-
Sale commitments:	174,405,139,718.82		
- Interbank market (1)	146,091,257,450.62	109,447,294,840.16	
- Foreign currency (2)	27,925,678,835.67	15,465,019,011.53	
- Other	388,203,432.53	42,410,802.57	
Option contracts			
Purchase commitments:	182,675,162,523.79		
- Interbank market	174,189,300,000.00		-
- Foreign currency	8,438,490,482.33		-
- Other	47,372,041.46		-
Sale commitments:	192,330,117,530.40		
- Interbank market	182,179,923,500.00	7,990,623,500.00	
- Foreign currency	10,001,890,782.88	1,563,400,300.55	