

BANK BRADESCO  
Form 20-F  
April 18, 2016

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## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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

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

Our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 and the corresponding notes, which are included under "Item 18. Financial Statements" of this annual report, were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

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

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

References to "common share ADSs" in this annual report are related to common share American Depositary Shares, with each common share ADS representing one common share. The common share ADSs are evidenced by common share American Depositary Receipts, or common share ADRs, issued pursuant to 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.

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

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**PART I**

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- current weakness in Brazilian macroeconomic conditions;
- 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;
- authorization from Brazilian anti-trust authorities for our acquisition of HSBC Brasil and the integration of the acquired business;
- loss of customers or other sources of income;
- our ability to execute our investment strategies and 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, fluctuations in the value of the *real* and/or interest rates, which could adversely affect our margins;
- competitive conditions in the banking, financial services, credit card, asset management, insurance sectors and related industries;
- the market value of securities, particularly government securities; and
- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax matters.

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

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

**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**

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**3.A. Selected Financial Data**

We present below our selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and audited by KPMG Auditores Independentes, an independent registered public accounting firm. The data as of and for the years ended December 31, 2015, 2014 and 2013, is derived from our consolidated financial statements included in this annual report. The data for the years ended December 31, 2012 and 2011 is derived from our consolidated financial statements, which are not included herein.

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,	US\$ in		R\$ in thousands			
	thousands (1)					
2015	2015	2014	2013	2012	2011	
<b>Data from the Consolidated Statement of Income</b>						
Interest and similar income	35,698,742	127,048,252	103,893,096	90,682,625	83,031,854	82,152,096
Interest and similar expenses	(20,065,810)	(71,412,210)	(53,847,329)	(41,382,142)	(39,646,131)	(46,763,775)
<b>Net interest income</b>	<b>15,632,932</b>	<b>55,636,042</b>	<b>50,045,767</b>	<b>49,300,483</b>	<b>43,385,723</b>	<b>35,388,321</b>
Fee and commission income	5,017,526	17,856,873	16,759,980	14,535,723	12,757,131	10,932,237
Fee and commission expenses	(10,173)	(36,203)	(20,724)	(36,041)	(36,391)	(33,978)
<b>Net fee and commission income</b>	<b>5,007,353</b>	<b>17,820,670</b>	<b>16,739,256</b>	<b>14,499,682</b>	<b>12,720,740</b>	<b>10,898,259</b>
Net gains/(losses) on financial instruments classified as held for trading	(2,318,709)	(8,252,055)	(1,933,003)	(5,790,089)	2,110,112	(608,271)
Net gains/(losses) on financial assets classified as available for sale	(188,769)	(671,810)	(991,894)	(6,100,782)	1,895,974	365,302
Net gains/(losses) on foreign currency transactions	(989,939)	(3,523,095)	(1,244,680)	(1,093,597)	(1,087,595)	2,625,816

Income from insurance and pension plans	1,544,720	5,497,505	5,411,845	6,933,680	1,413,016	3,076,175
Impairment of loans and advances	(4,136,433)	(14,721,152)	(10,291,386)	(9,623,870)	(11,451,383)	(8,239,358)
Personnel expenses	(3,950,110)	(14,058,047)	(13,667,639)	(12,354,418)	(11,559,002)	(11,094,794)
Other administrative expenses	(3,855,677)	(13,721,970)	(12,971,521)	(12,151,537)	(11,803,989)	(11,380,270)
Depreciation and amortization	(826,661)	(2,942,003)	(2,932,687)	(2,740,830)	(2,488,182)	(2,117,666)
Other operating income/(expenses)	(3,649,598)	(12,988,553)	(10,223,083)	(7,622,240)	(8,674,178)	(5,106,092)
<b>Income before income taxes and equity in the earnings of associates</b>	<b>2,269,109</b>	<b>8,075,532</b>	<b>17,940,975</b>	<b>13,256,482</b>	<b>14,461,236</b>	<b>13,807,422</b>
Equity in the earnings of associates and joint ventures	429,360	1,528,051	1,389,816	1,062,687	980,212	803,820
<b>Income before income taxes</b>	<b>2,698,469</b>	<b>9,603,583</b>	<b>19,330,791</b>	<b>14,319,169</b>	<b>15,441,448</b>	<b>14,611,242</b>
Income tax and social contribution	2,426,121	8,634,322	(3,914,313)	(1,833,031)	(4,089,754)	(3,521,800)
<b>Net income for the year</b>	<b>5,124,590</b>	<b>18,237,905</b>	<b>15,416,478</b>	<b>12,486,138</b>	<b>11,351,694</b>	<b>11,089,442</b>
<b>Attributable to shareholders</b>						
Controlling	5,095,087	18,132,906	15,314,943	12,395,920	11,291,570	10,958,054
Non-controlling interest	29,503	104,999	101,535	90,218	60,124	131,388

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R\$3.5589 per US\$1.00, the Central Bank exchange rate on March 31, 2016. 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,	2015	R\$, except for number of shares		
		2014	2013	2012
Data on Earnings and Dividends per Share <sup>(1)</sup>				
Earnings per share <sup>(2)</sup>				
Common	3.43	2.90	2.34	2.13
Preferred	3.78	3.19	2.58	2.35
Dividends/interest on equity per share <sup>(3)</sup>				
Common	1.15	0.96	0.78	0.73
Preferred	1.27	1.05	0.85	0.81
Weighted average number of outstanding shares <sup>(1)</sup>				
Common	2,520,790,423	2,520,886,223	2,520,886,223	2,520,999,776
Preferred	2,510,675,124	2,514,701,048	2,515,928,218	2,518,167,013

(1) Adjusted for corporate events occurred in the periods. For more information about the company events, see "Item 10.B. Memorandum and Listing Details;"

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

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

Articles of Association."

Year ended December 31,	In US\$				
	2015	2014	2013	2012	2011
<b>Dividends/interest on equity per share <sup>(1)</sup></b>					
Common	0.29	0.36	0.33	0.36	0.37
Preferred	0.33	0.40	0.36	0.40	0.41

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

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As of December 31,	US\$ in thousands (1)		R\$ in thousands	
	2015	2015	2014	2013
<b>Data from the Consolidated Statement of Financial Position</b>				
<b>Assets</b>				
Cash and balances with banks	20,256,755	72,091,764	65,430,300	67,450,300
Financial assets held for trading	44,851,906	159,623,449	78,498,311	96,092,300
Financial assets available for sale	33,070,738	117,695,450	120,961,734	67,838,300
Investments held to maturity	11,240,428	40,003,560	25,071,031	23,069,300
Assets pledged as collateral	40,599,601	144,489,921	152,612,689	117,740,300
Loans and advances to banks	10,008,826	35,620,410	72,974,619	78,719,300
Loans and advances to customers, net of impairment	96,903,106	344,868,464	328,064,004	304,121,300
Non-current assets held for sale	350,419	1,247,106	1,006,461	832,300
Investments in associates and joint ventures	1,634,023	5,815,325	3,983,780	3,392,300
Property and equipment, net of accumulated depreciation	1,546,668	5,504,435	4,700,518	4,501,300
Intangible assets and goodwill, net of accumulated amortization	2,082,001	7,409,635	7,529,915	8,220,300
Taxes to be offset	1,915,599	6,817,427	6,130,191	5,293,300
Deferred income tax assets	12,756,155	45,397,879	28,388,183	25,661,300
Other assets	11,272,780	40,118,697	35,099,280	35,367,300
<b>Total assets</b>	<b>288,489,006</b>	<b>1,026,703,522</b>	<b>930,451,016</b>	<b>838,301,300</b>
<b>Liabilities</b>				
Deposits from banks	82,582,649	293,903,391	279,940,227	243,100,300
Deposits from customers	54,654,556	194,510,100	210,031,505	216,218,300
Financial liabilities held for trading	5,435,873	19,345,729	3,315,573	1,826,300
Funds from securities issued	30,866,292	109,850,047	85,030,399	57,883,300
Subordinated debt	14,128,786	50,282,936	35,821,666	35,885,300
Insurance technical provisions and pension plans	48,031,959	170,940,940	146,559,220	130,329,300
Other provisions	4,317,153	15,364,317	13,864,401	13,752,300
Current income tax liabilities	781,450	2,781,104	3,602,333	3,082,300
Deferred income tax liabilities	216,960	772,138	808,178	799,300
Other liabilities	21,927,578	78,038,058	69,185,709	63,321,300
<b>Total liabilities</b>	<b>262,943,258</b>	<b>935,788,760</b>	<b>848,159,211</b>	<b>766,198,300</b>
<b>Equity</b>				
Share capital	12,110,484	43,100,000	38,100,000	38,100,000
Treasury shares	(121,118)	(431,048)	(298,015)	(269,000)
Capital reserves	10,108	35,973	35,973	35,973
Profit reserves	14,026,812	49,920,020	43,765,349	34,122,300
Additional paid-in capital	19,808	70,496	70,496	70,496
Other comprehensive income	(1,124,708)	(4,002,724)	(659,501)	(1,102,800)
Retained earnings	589,146	2,096,710	1,153,439	927,300

<b>Equity attributable to controlling shareholders</b>	<b>25,510,531</b>	<b>90,789,427</b>	<b>82,167,741</b>	<b>71,884,</b>
<b>Non-controlling interest</b>	<b>35,217</b>	<b>125,335</b>	<b>124,064</b>	<b>218,</b>
<b>Total equity</b>	<b>25,545,748</b>	<b>90,914,762</b>	<b>82,291,805</b>	<b>72,102,</b>
<b>Total liabilities and equity</b>	<b>288,489,006</b>	<b>1,026,703,522</b>	<b>930,451,016</b>	<b>838,301,</b>

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reals* at an exchange rate of R\$3.5589 per US\$1.00 exchange rate on March 31, 2016. Such translations should not be construed as a representation that the Brazilian amounts have been or could be converted into U.S. dollars at that rate.

### **Exchange Rate Information**

Over the past years, the exchange rate between the *real* and the U.S. dollar has experienced significant variation:

In 2011, the *real* depreciated 12.6% against the U.S. dollar, reaching R\$1.8758 as of December 31, 2011. In 2012, the *real* depreciated 8.9% against the U.S. dollar, reaching R\$2.0435 as of December 31, 2012. In 2013, the *real* depreciated 14.6% against the U.S. dollar, reaching R\$2.3426 as of December 31, 2013. In 2014, the *real* depreciated 13.4% against the U.S. dollar, reaching R\$2.6562 as of December 31, 2014. In 2015, the *real* depreciated 47.0% against the U.S. dollar, reaching R\$3.9048 as of December 31, 2015.

On March 31, 2016, the exchange rate was R\$3.5589 per US\$1.00, a 8.9% appreciation against the U.S. dollar, when compared to December 31, 2015. 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.

**3.B. Capitalization and Indebtedness**

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The following table sets forth the period end, average and high and low selling rates reported by the Central Bank at closing, for the periods and dates indicated:

Period	Closing Selling Rate for U.S. dollars – R\$ per US\$1.00			
	Period-End	Average <sup>(1)</sup>	High <sup>(1)</sup>	Low <sup>(1)</sup>
<b>2011</b>	1.8758	1.6705	1.8758	1.5563
<b>2012</b>	2.0435	1.9524	2.1074	1.7092
<b>2013</b>	2.3426	2.1641	2.3725	1.9754
<b>2014</b>	2.6562	2.3586	2.6562	2.2025
<b>2015</b>	3.9048	3.3314	3.9729	2.6562
October	3.8589	3.2320	3.9729	2.6562
November	3.8506	3.2836	3.9729	2.6562
December	3.9048	3.3314	3.9729	2.6562
<b>2016</b>				
January	4.0428	3.9738	4.0428	3.9048
February	3.9796	3.9757	4.0428	3.9048
March	3.5589	3.8715	4.0428	3.5589

<sup>(1)</sup> Average, high and low 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***

***The current weakness in Brazilian macroeconomic conditions and perception of certain risks and uncertainties relating to Brazil may have a material adverse effect on our financial condition and results of operations.***

We conduct the vast majority of our operations in Brazil and, accordingly, our results of operations are significantly impacted by macroeconomic conditions in Brazil. In prior years, we have benefited from Brazil's generally stable economic environment and relatively strong annual GDP growth. However, starting in 2013, GDP growth in Brazil began to decelerate as a result of a variety of factors including a weakening of

the Brazilian *real*, the increasing level of the current account deficit and persistent inflation.

The decrease in primary balances in recent years and the increase in net public sector debt contributed to a further deterioration in macroeconomic conditions. Other events in the past year have contributed to a further slowdown in economic activities, as such events have adversely affected the perception of risks associated with Brazil. Further, the increase in unemployment rates as a result of macroeconomic conditions created risks to banking activities (especially due to the possibility of increased default rates for individuals and corporations). Moreover, high inflation rates may lead to an increase in basic interest rates in respect of financial assets, which may impact our operations.

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

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In addition, our subsidiary Banco Bradesco BBI S.A. (“Bradesco BBI”) is a party to certain legal and administrative proceedings filed against Petrobras and other defendants, due to its role as underwriter in a note offering of Petrobras. We or our subsidiaries may become a party to other legal and/or administrative proceedings against Petrobras or other companies which have not yet been filed. A negative outcome of these ongoing legal proceedings or any new legal proceedings may harm our reputation and may adversely affect our financial condition and our results of operations.

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

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

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

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

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

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



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

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

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

### 3.D. Risk Factors

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

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

As of December 31, 2015, the net exposure in relation to our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 3.3% of our total assets. If the Brazilian currency devaluates or depreciates, we risk losses on our liabilities denominated in, or indexed to, foreign currencies, such as our U.S. dollar denominated long term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into reais. Accordingly, if our liabilities denominated in, or indexed to, foreign currencies significantly exceed our monetary assets denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large devaluation or depreciation of the Brazilian currency could materially and adversely affect our financial results and the market price of our shares, preferred share ADSs and common share ADSs, even if the value of the liabilities has not changed in their originated currency. In addition, our lending 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 may incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and we may experience decreases in our liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currencies significantly exceed our liabilities denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their originated currency.

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

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

The memory of, and potential for inflation, is still present, despite the monetary stability achieved in the mid-1990s, which intensified after 1999 as a result of the adoption of inflation targeting norms. There are still concerns that inflation levels might rise again in the future. Current economic policy in Brazil is premised on a monetary regime which the Central Bank oversees in order to assure that the effective rate of inflation keeps in line with a predetermined and previously announced target. In 2015, Brazil's rates of inflation reached 10.7%, while in 2014 rates of inflation reached 6.4%, and in 2013 reached 5.9%, as measured by the Extended Consumer Price Index - "IPCA" (*Índice Nacional de Preços ao Consumidor Amplo*).

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

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

The COPOM establishes the base interest rates for the Brazilian banking system (SELIC). The base interest rate was 14.25%, 11.75% and 10.0% *per annum* (“*p.a.*”) as of December 31, 2015, 2014 and 2013, respectively. Changes in the base interest rate may adversely affect our results of operations as we have assets and liabilities indexed to the SELIC. At the same time, high base interest rates may increase the likelihood of customer delinquency, due to the deceleration in the economic activity. Similarly, low base interest rates may increase the leverage of borrowers, generating additional risk to financial system.

The COPOM adjusts the SELIC rate in order to 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 issuers based in Brazil. Crises in other emerging market countries may diminish investor interest in securities of issuers based in Brazil, including ours, which could adversely affect the market price of our shares, preferred share ADSs and common share ADSs.

The global financial crisis has had significant consequences worldwide, including in Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy and volatile exchange rates, 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 issuers based in Brazil, including ours, and our ability to finance our operations.

***Risks relating to us and the Brazilian banking industry***

***It may take longer than we expect for us to receive the authorization from the Brazilian anti-trust authorities for our acquisition of HSBC Brasil or we may not be able to successfully integrate the acquired business of HSBC Brasil.***

The global financial crisis has had significant consequences worldwide, including in Brazil, such as capital markets

**On August 3, 2015, we announced to the market that we had entered into a share purchase and sale agreement with HSBC Latin America Holdings for the acquisition of its Brazilian operations (“HSBC Brasil”). The acquisition was approved by the Central Bank on December 31, 2015 and, as of the date of this annual report, the acquisition is pending approval by the Brazilian anti-trust authorities.**

The acquisition and the integration of HSBC Brasil involves certain risks including the risk that:

- in integrating new networks, information systems, personnel, financial and accounting systems, risk and other management systems, financial planning and reporting, products and customer bases into our existing business, we may run into difficulties or unexpected costs and place additional demands on our Senior Management, information systems, head office and back office operations and marketing resources;
- unexpected events may occur, such as asset losses and/or recognition of liabilities or contingencies relating to the acquired business;
- antitrust and other regulatory authorities may impose restrictions or limitations on the terms of the acquisition, require disposition of certain assets or businesses or withhold their approval of the transaction; and
- delays in the integration process may cause us to incur greater operating expenses than expected with respect to the acquired business.

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**In addition, the expected operation and financial synergies and other benefits from the acquisition may not be fully achieved. If we fail to achieve the business growth opportunities and other benefits from this acquisition, or incur greater integration costs than we have estimated, our results of operations and financial condition may be adversely affected.**

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

Our loans and advances portfolio has grown over recent years. Any corresponding rise in our level of non-performing loans and advances may lag behind the rate of loan growth, as loans typically do not have payments falling due for a short period of time after their origination. Levels of past due loans are normally higher among our individual clients than our corporate clients.

As of December 31, 2015, our provision for impairment of loans and advances increased by 20.5% when compared to December 31, 2014, while our portfolio of loans and advances to customers grew by 6.1% over that same period.

As of December 31, 2014, our provision for impairment of loans and advances increased by 6.4% when compared to December 31, 2013, while our portfolio of loans and advances to customers grew by 7.8% over that same period.

In 2015, our delinquency ratio increased to 4.1%, due to the weakening economic environment in the period. In 2014 and 2013 and, our delinquency ratios, calculated based on information prepared in accordance with accounting practices adopted in Brazil (“BR GAAP”), which is defined as the total operations overdue for over 90 days in relation to the total portfolio of loans and advances, remained stable at 3.5%.

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.***

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 banks and insurance companies, both public and private based in Brazil and internationally.

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.

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 in the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

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***Losses on our investments in financial assets held for trading and available for sale 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, 2015, investments in financial assets held for trading and available for sale represented 27.0% of our assets, and realized gains and losses or unrealized gains and losses for financial assets held for trading and available for sale have had and may 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 when they are 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, and we may not successfully realize the appreciation 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, as a result of entering into swap or other derivative contracts under which counterparties have obligations to make payments to us, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in complex markets where the risk of failure of counterparties is higher.

***Our trading activities and derivatives transactions may produce material losses.***

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, 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 or decreases in exchange rates or interest rates.

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

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the government. We have no control over government

In addition, the expected operation and financial synergies and other benefits from the acquisition may not be fully



regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory deposit/reserve requirements;
- fixed assets investment limitations;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- minimum coverage; and
- mandatory provisioning policies.

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

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

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

As of December 31, 2015, Fundação Bradesco directly and indirectly held 56.7% 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 that have been working with us for more than ten years serve as members of the Board of Trustees of Fundação Bradesco. The Board of Trustees has no other members.

Our Board of Directors has 8 members, none of whom are considered independent in accordance with the criteria included in Brazilian Corporate Law, which provides that only individuals may be appointed to a company's board of directors. Accordingly, there is no legal or statutory provision requiring us to have independent directors. As a result, the interests of our Board of Directors may not always be in line with the interests of our common shareholders and these holders do not have the same protections they would have if most of the directors were independent. Furthermore, our directors are associated to Fundação Bradesco and circumstances may arise in which the interests of Fundação Bradesco, and its associates, conflict with our other investors' interests.

Fundação Bradesco and our Board of Directors could make decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions, which may be contrary to the interests of holders of common shares and 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 may reduce operating margins.***

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

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

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

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

In addition, the expected operation and financial synergies and other benefits from the acquisition may not be fully

As of December 31, 2015, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R\$54.8 billion. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. For further information on compulsory deposits, see "Item 4.B. Business Overview- Deposit - taking activities".

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

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

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**3.D. Risk Factors**

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

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12.0% p.a. ceiling on bank loan interest rates. However, since the enactment of the Brazilian Constitution, this rate had not been enforced, as the regulation regarding the ceiling was pending. The understanding that this ceiling is not yet in force has been confirmed by *Súmula Vinculante* No. 7, a final binding decision enacted in 2008 by the 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 Law No. 10,406/02, as amended, (the "Civil Code"), unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been pegged to the base rate charged by the National Treasury Office (Tesouro Nacional). There is currently an uncertainty as to whether such base rate which is referred to in the Civil Code is: (i) the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia*) rate, which we call the "SELIC" rate, the base interest rate established by COPOM, which was 14.25% p.a. as of December 31, 2015 and, on March 31, 2016, was also 14.25% p.a. or (ii) the 12.0% a.a. rate established in Article 161, paragraph 1, of Law No. 5,172, of October 25, 1966, as amended ("Brazilian Tax Code"), which is the default interest rate due when taxes are not paid on time.

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

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

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

The results of our operations 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

In addition, the expected operation and financial synergies and other benefits from the acquisition may not be fully

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

***We are 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 liable to our policyholders.

### 3.D. Risk Factors

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

Although we have high profile information security controls, and continue to invest in the infrastructure, operations and crisis management in place, our data processing systems, operating systems, and business, financial, accounting, or other 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.

Due to the nature of our operations, we heavily depend on technology, and therefore are exposed to viruses, malicious software and other forms of cyber attacks, which may unexpectedly impair the operation of systems that manage and store sensitive and/or confidential information on our operations.

We and other financial institutions have already experienced attacks on computer systems. Although we have to date not experienced any material loss of data from these attacks, it is possible, given the use of new technologies and increasing reliance on the Internet, the varying nature of such attacks, that we may not be able to effectively anticipate and prevent such attacks in the future.

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 is 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, but was recently interrupted. According to the institutions representing the account holders, banks misapplied the monetary adjustments when those economic plans were implemented, and should be required to indemnify the account holders for the non-adjustment of those amounts.

In connection with a related sentence, the Superior Court of Justice (Superior Tribunal de Justiça, or “STJ”), which is the highest court responsible for deciding on federal laws, decided, in May 2014, that the starting date for counting default interest for compensating savings account holders must be the date of summons

In addition, the expected operation and financial synergies and other benefits from the acquisition may not be fully

of the related lawsuit (rather than the date of settlement of the judgment), therefore increasing the amount of possible losses for the affected banks in the event of an unfavorable decision by the STF.

We cannot predict the outcome of this case. However, depending on the decision by the STF, banks (including ourselves) might incur material costs which could cause losses for us.

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

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

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

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

**3.D. Risk Factors**

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***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 Association – Organization – Voting Rights," for further information on voting rights of our shares). As such, in contrast to holders of common shares, holders of preferred shares are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies, among other things.

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

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

Investing in securities that trade in emerging markets such as Brazil often involves greater risk than investing in securities of issuers in more developed countries, and these investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller and less liquid than major securities markets, such as the United States, and may be more volatile. Although you are entitled to withdraw our shares underlying the preferred share ADSs and common share ADSs from the depositary bank at any time, your ability to sell our shares underlying the preferred share ADSs and common share ADSs at a price and time acceptable to you may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets such as the United States or other countries. The ten largest companies in terms of market capitalization accounted for 51.5% of the aggregate market capitalization of the Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA")<sup>1</sup> December 2015.

***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,) 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.

Pursuant to our Bylaws, our preferred shares are entitled to dividends 10.0% higher than those of our common shares. Although under our current Bylaws we are obligated to pay our shareholders at least 30.0% of our annual adjusted net income, the shareholders attending our annual 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

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### 3.D. Risk Factors

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specify the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, Brazilian law provides that a company need not pay dividends if such payment would endanger the existence of the company or harm its normal course of operations.

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 what regulations are in place may not be as strictly enforced in Brazil as in the United States, which could potentially disadvantage you as a holder of our shares underlying preferred share ADSs and common share ADSs. For example, compared to Delaware general corporation law, Brazilian Corporate Law and practices have less detailed and well established rules and judicial precedents relating to review of management decisions under duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Delaware companies must hold 5.0% of the outstanding share capital of a corporation to have valid standing to bring shareholder derivative suits, while shareholders in companies based in Brazil do not normally have valid standing to bring a class action.

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

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

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

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

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

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including interest and dividends), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Brazil (the "IGA"). Under the current terms and conditions of the IGA, we do not expect payments made on or with respect to the preferred share ADSs or common share ADSs to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the preferred share ADSs or common share ADSs in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA. For more information about FATCA, see "Item 4.B. Business Overview-Regulation and Supervision."

**ITEM 4. INFORMATION ON THE COMPANY**

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

You will not be able to exercise preemptive rights relating to our shares underlying your preferred share ADSs and common share ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the preferred share ADSs and common share ADSs unless the rights are either registered under the Securities Act or are subject to an exemption from the registration requirements.

We are not obligated to file a registration statement with respect to the shares or other securities relating to these rights, and we cannot assure you that we will file any such registration statement. Accordingly, you may receive only the net proceeds from the sale by the depositary bank of the rights received in respect of the shares represented by your preferred share ADSs and common share ADSs or, if the preemptive rights cannot be sold, they will be allowed to lapse. You may also be unable to participate in rights offerings by us, and your holdings may be diluted as a result.

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

Brazilian law requires that parties obtain registration with the Central Bank in order to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the shares must obtain the necessary registration with the Central Bank for payment of dividends or other cash distributions relating to the shares or after disposal of the shares. If you exchange your preferred share ADSs or common share ADSs for the underlying shares, however, you may only rely on the custodian's certificate for five business days from the date of exchange. Thereafter, you must obtain your own registration in accordance with the rules of the Central Bank and the CVM, in order to obtain and remit U.S. dollars abroad after the disposal of the shares or the receipt of distributions relating to the shares. If you do not obtain a certificate of registration, you may not be able to remit U.S. dollars or other currencies abroad and may be subject to less favorable tax treatment on gains with respect to the shares. For more information, see "Item 10.D. Exchange Controls."

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

**ITEM 4. INFORMATION ON THE COMPANY****4.A. History and Development of the Company**

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

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

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

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

Currently, we are one of the largest banks in Brazil in terms of total assets. We offer a wide range of banking and financial products and services in Brazil and abroad to individuals, large, mid sized and small companies and major local and international corporations and institutions. Our products and services

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**4.A. History and Development of the Company**

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comprise banking operations such as loans and advances and deposit taking, credit card issuance, purchasing consortiums, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

As of December 31, 2015, we had, on a consolidated basis:

- R\$1.0 trillion in total assets;
- R\$370.3 billion in total loans and advances to clients;
- R\$195.8 billion in total deposits;
- R\$90.9 billion in equity, including non-controlling interest;
- R\$170.9 billion in technical reserves for our insurance and pension plan business;
- R\$58.3 billion in foreign trading financing;
- 44.2 million insurance policyholders;
- 26.0 million checking account holders;
- 60.1 million savings accounts;
- 3.2 million capitalization bonds holders;
- 2.4 million pension plan holders;
- 1,562 Brazilian corporate groups and multinational companies in Brazil as "Corporate" customers;
- an average of 30.3 million daily transactions, including 1.5 million in our 4,507 branches and 28.8 million through Digital Channels, such as Bradesco Celular, Internet, Automatic Teller Machines, or ATMs, and telephone (*Fone Fácil*);
- a nationwide network consisting of 4,507 branches and 4,247 service centers and electronic in-company service centers, 31,527 ATMs of our own network, and 18,940 ATMs under the Banco24Horas brand for cash withdrawals, obtaining statements and account balance information, loans, collections, transfers between Bradesco accounts and accounts at other banks, consultation of proof of wages, consultation of checks paid and cleared, proof of life to National Social Security Institute ("INSS" *Instituto Nacional do Seguro Social*) and pre-paid card services. As of December 31, 2015, we had 92,861 employees. For more information on our employees, see "Item 6.D. Employees;" and

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

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**4.A. History and Development of the Company**

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***Recent acquisitions***

In July 2015, we signed a purchase contract for the acquisition of 100% of the share capital of HSBC Brasil. With the acquisition, we will take over all operations of HSBC in Brazil, including retail, insurance and asset management, as well as all branches and clients. The agreed price is approximately US\$5.2 billion and will be adjusted by HSBC Brasil shareholders' equity variation as from December 2014 and will be paid on the date of completion of the transaction. The acquisition allows us to gain in scale and optimize our platforms, while increasing national coverage, consolidating our leadership in the number of branches in several states, and strengthening our presence in the high-income segment. The acquisition will also enable us to expand our operations, increasing the range of products that are offered in Brazil, especially in the insurance, credit card and asset management segments. The Central Bank approved the acquisition in December 2015. The conclusion is subject to the approval of other regulatory agencies, and our compliance with other legal formalities.

In January 2014, Bradesco Saúde S.A. ("Bradesco Saúde") concluded a transaction to indirectly acquire a 6.5% interest in the equity and voting capital of Odontoprev S.A., disclosed to the market in October 2013. As a result of this acquisition, Bradesco Saúde raised its interest in the equity and voting capital of Odontoprev S.A. ("Odontoprev"), from 43.5% to approximately 50.0%. Odontoprev was already being consolidated based on control obtained through its shareholders agreement.

***Other strategic alliances***

In July 2014, we, together with Banco do Brasil, Itaú Unibanco, Banco Santander, HSBC Brasil, Caixa Econômica Federal ("Caixa") and Banco Citibank, signed a new shareholders' agreement with Tecban, which establishes the consolidation of their external customer-service network by the Banco24horas Network. This agreement was approved by the relevant regulatory agencies and became effective in November 2014.

In July 2014, we announced the formalization of a strategic partnership with IBM Indústria Máquinas e Serviços Ltda. ("IBM"). Following execution of this agreement, the hardware and software supporting activities, currently provided by Scopus Tecnologia Ltda. ("Scopus Serviços"), will now be provided by IBM, which will take over the operational structure of Scopus Serviços and all supporting and maintenance agreements signed between Scopus Serviços and their other customers.

The information technology solution and innovation advisory activities currently developed by Scopus Serviços will now be served by Scopus Soluções em TI S.A., ("Scopus Soluções") whose capital stock will continue to be fully held by us, which, in turn, will continue to hold the ownership of the Scopus brand.

In May 2014, we, together with, Banco do Brasil incorporated a company named Livelô S.A. ("LIVELO"), whose purpose is to exploit a coalition rewards program, enabling customers to earn and redeem points from a number of partners.



In April 2014, we, together with Banco do Brasil, via our joint venture Companhia Brasileira de Soluções e Serviços (“CBSS”), and in 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.

Bradesco Asset Management (“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), Australasia and recently Japan. In the United States, by means of its BRAM US LLC subsidiary, BRAM has been 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 with a sales team based in London.

### ***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:

#### **4.A. History and Development of the Company**

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

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

***Maintain asset quality and operational risk levels.***

We are focused on sustainable growth to ensure our standards in relation to our asset quality and risk levels. We intend to maintain the quality of our loan portfolio by continuously improving our delinquency risk models, ensuring better results in credit granting and appropriate provisions for 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 strategic partnership with Banco do Brasil and Caixa in relation to credit, debit and pre-paid cards for checking account holders and non-account holders is an example of such a growth opportunity. Similarly, our merger with Odontoprev S.A. has increased our presence in the segment of dental care plans enabling us to consolidate our leadership position in the insurance market. We will

continue to focus on asset quality, potential operating synergies, sale and acquisition of know-how to maximize return for our shareholders.

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

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

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**4.B. Business Overview**

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**4.B. Business Overview**

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

The data for these segments was compiled from reports prepared for Management to assess performance and make decisions on allocating funds for investments and other purposes. Management uses various data, including financial data in conformity with accounting practices adopted in Brazil ("BR GAAP") and non-financial metrics compiled on different bases. Hence, the segment data were prepared under BR GAAP and the consolidated financial statements were compiled under IFRS. For further information on differences between the results on a consolidated basis and by segment, see "Item 5.A. Operating Results - Results of operations for the year ended December 31, 2015 compared with the year ended December 31, 2014" and "Item 5.A. Operating Results - Results of operations for the year ended December 31, 2014 compared with the year ended December 31, 2013."

As of December 31, 2015, according to the sources cited in parentheses below, we were:

- one of the leading banks in terms of savings deposits, with R\$91.9 billion, accounting for 13.8% of Brazil's total savings deposits (Central Bank);
- one of the leaders in BNDES onlending, with R\$8.1 billion in disbursements (BNDES);
- the leader in volume of bank payment processing and collection services in Brazil (Central Bank);
- one of the leaders in automobile financing loans, with a market share of 13.3% (Central Bank);
- the leading bank in benefit payments from the INSS, with over 8.9 million INSS retirees, beneficiaries and other pensioners, accounting for 27.5% of the total number of INSS beneficiaries (INSS);
- one of the leaders in leasing operations in Brazil, with an outstanding amount of R\$3.1 billion; through our subsidiary Bradesco Leasing S.A. Arrendamento Mercantil, or "Bradesco Leasing" (ABEL);
- one of the leaders in the asset management industry, through our subsidiaries BRAM, with R\$395.8 billion in assets under management; and BEM Distribuidora de Títulos e Valores Mobiliários Ltda., or "BEM DTVM," specialized in trust, custody and controllership of asset management services, with R\$158.8 billion in assets under management (ANBIMA);
- the leader in number of outstanding purchasing consortium quotas, through our subsidiary Bradesco Administradora de Consórcios Ltda., or "Bradesco Consórcios", with 1,194,015 quotas in three segments, including: (i) automobiles, with 914,039 quotas; (ii) real estate, with 231,464 quotas, and (iii) trucks/tractors/machinery and equipment, with 48,512 quotas (Central Bank); and

- the largest company operating in the Brazilian insurance market, operating in all lines of this segment, with a 25.5% market share (SUSEP/ANS), through Grupo Bradesco Seguros, which mainly comprises: Bradesco Seguros S.A., or “Bradesco Seguros” and its subsidiaries: (i) Bradesco Vida e Previdência S.A., or “Bradesco Vida e Previdência;” (ii) Bradesco Capitalização S.A., or “Bradesco Capitalização;” (iii) Bradesco Auto/RE Companhia de Seguros S.A., or “Bradesco Auto/RE;” and (iv) Bradesco Saúde S.A., or “Bradesco Saúde.” The Group’s total revenues in 2015 were R\$64.6 billion in insurance premiums, pension plan contributions and capitalization bond income.

The main awards and acknowledgments that we received in 2015 are as follows:

- Best Brazilian Bank in the 2015 edition of The Banker Awards (The Banker / Financial Times);
- Most Valuable Bank Brand in Latin America, according to a survey conducted by consultancy firm BrandAnalytics of Millward Brown for the 2015 edition of BrandZ Top 50 Most Valuable Latin American Brands. It also appears in fourth place in the general ranking among all segments with a value of US\$5.2 billion;

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**4.B. Business Overview**

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- Featured in three important rankings of efficiency in people management: "Best Companies to Work For in Brazil" (*Guia 2015 Você S/A – The 150 Best Companies to Work For*); "The best in People Management" (newspaper *Valor Econômico* in partnership with Aon-Hewitt); and "50 Best Psychologically Healthy Companies" (publisher *Editora Gestão* and *RH*);
- Most Valuable Brand in the Banking Sector in Latin America and 15<sup>th</sup> in the global ranking, according to a study conducted by the magazine *The Banker* and by *Brand Finance*.
- Best Brazilian Bank, for the fourth consecutive year, by Awards for Excellence 2015, awarded by the English magazine *Euromoney*;
- Largest Private Group in the Country, with revenues of R\$201.2 billion, in the ranking of *Valor Econômico*, created by *Valor Econômico*, which lists the 200 largest groups that operate in Brazil;
- Featured, for the fifth consecutive time, in *Guia Você S/A – “The Best Companies to Begin a Career” – 2015 Edition* in the survey conducted by the magazine *Você S/A* in partnership with *Fundação Instituto de Administração – FIA* and *Cia. de Talentos*;
- Featured among “The Best Companies for the Consumer 2015”, according to the survey *Época Reclame Aqui*, featured as champion in the categories, Banks and Financial Services, Cards and Insurance;
- Featured in the 2015 edition of the yearbook *Melhores e Maiores (Best and Largest)* of the *Exame* magazine, integrating the rankings: “200 Largest Groups by Net Revenue”; “50 Largest Banks by Equity”; “100 Largest Latin American Banks by Equity”; “200 Largest Latin American Companies by Market Value”; “50 Largest Insurers by Premiums Issued”, highlighting Bradesco Saúde, the first on the list, Bradesco Vida e Previdência and Bradesco Auto/RE;
- Highlight in the 2015 edition of the *Anuário Valor 1000 (Yearbook)* published by the newspaper *Valor Econômico*, in which, in addition to integrating the ranking of the largest Banks, it also occupies the first place among the insurers, with Bradesco Seguros, Bradesco Vida e Previdência and Bradesco Saúde;
- Grupo Bradesco Seguros received the RA 1000 seal, which is awarded by the *Reclame Aqui* site to companies that provide excellent service to their clients;
- Grupo Bradesco Seguros, for the fourth consecutive time, is the leader in the category of Insurance of the *Época Negócios 360º* yearbook, according to the survey conducted in partnership with Fundação Dom Cabral. Bradesco Saúde and Odontoprev obtained a placement in the upper maximum range in the Supplementary Health Performance Index (IDSS), of the Qualification of Operators program 2015 (based on 2014), organized by *Agência Nacional de Saúde Suplementar - ANS (National Supplementary Health*

Agency); and

- The Ombudsman Services of Bradesco and Grupo Bradesco Seguros were featured in the *Prêmio Ouvidoria Brasil* (Ombudsman Award) for the fourth consecutive time, among the 10 Best in the Country, in a survey of the *Associação Brasileira de Ouvidores - ABO* (Brazilian Association of Ombudsmen) and the *Associação Brasileira das Relações Empresa-Cliente - Abrarec* (Brazilian Association of Company-Client Relations), with the support from the magazine *Consumidor Moderno*.

### **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		
	2015	2014	2013
<b>Banking</b>			
Loans and advances <sup>(1)</sup>	69,877,296	62,634,879	57,561,074
Fees and commissions	19,195,003	17,570,839	15,639,215
<b>Insurance and pension plans</b>			
Premiums retained from insurance and pension plans	58,760,780	50,454,983	44,887,215

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

For further details of our segments, see Note 5 of our consolidated financial statements in "Item 18. Financial Statements."

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**4.B. Business Overview**

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We do not break down our revenues by geographic regions within Brazil, and less than 3.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

**Banking**

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

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

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

Year ended December 31,	Banking - R\$ in thousands		
	2015	2014	2013
<b>Statement of Income data</b>			
Net interest income	46,934,849	43,034,717	41,600,095
Impairment of loans and advances	(16,479,985)	(10,432,347)	(9,731,376)
Other income/(expenses) <sup>(1)</sup>	(31,200,150)	(21,285,902)	(24,455,897)
<b>Income before income taxes</b>	<b>(745,286)</b>	<b>11,316,468</b>	<b>7,412,822</b>
Income tax and social contribution	12,621,169	(771,896)	789,516
<b>Net income for the year</b>	<b>11,875,883</b>	<b>10,544,572</b>	<b>8,202,338</b>
Net income attributable to controlling shareholders	11,874,609	10,532,724	8,195,099
Net income attributable to non-controlling interest	1,274	11,848	7,239
<b>Statement of Financial Position data</b>			
Total assets	894,579,942	872,867,916	768,059,393
<b>Selected results of operations data</b>			
<b>Interest and similar income</b>			
Loans and advances to banks	8,031,038	8,569,988	8,898,478
Loans and advances to customers	61,846,258	54,064,891	48,662,596
Financial assets	32,283,414	24,899,632	19,225,270
Compulsory deposits with the Central Bank	4,587,412	4,277,351	3,110,877
Other financial interest income	58,905	46,598	38,671
<b>Interest and similar expenses</b>			
Deposits from banks	(31,212,421)	(26,429,261)	(21,615,019)
Deposits from customers	(12,392,644)	(11,903,447)	(9,941,279)



Funds from securities issued	(11,597,283)	(6,703,975)	(3,646,584)
Subordinated debt	(4,669,830)	(3,787,060)	(3,132,915)
<b>Net interest income</b>	<b>46,934,849</b>	<b>43,034,717</b>	<b>41,600,095</b>
<b>Net fee and commission income</b>	<b>19,195,003</b>	<b>17,570,839</b>	<b>15,639,215</b>

Note: Inter segment transactions have not been eliminated.

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

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## **4.B. Business Overview**

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### ***Products and banking services***

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

- deposit-taking with clients, including checking accounts, savings accounts and time deposits;
- loans and advances (individuals and companies, housing loans, microcredit, onlending BNDES/Finame, rural credit, leasing, among others);
- credit cards, debit cards and pre-paid cards;
- cash management solutions;
- public authority solutions;
- asset management;
- services related to capital markets and investment banking activities;
- intermediation and trading services;
- capital markets solutions;
- international banking services;
- import and export financing; and
- consortiums.

### ***Deposit-taking with clients***

We offer a variety of deposit products and services to our customers mainly 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*) – 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; and

- **Academic Account** (*Conta Universitária*) – low fee checking account for college students, with subsidized credit conditions, exclusive website and free online courses, among other benefits.

- traditional savings accounts, which currently earn the Brazilian reference rate, or *taxa referencial*, known as the "TR," plus 6.2% annual interest in the case the SELIC rate is higher than 8.5% *p.a.* or TR plus 70.0% of the SELIC rate if the SELIC rate is lower than 8.5% *p.a.*; and
- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* – or "CDBs"), and earn interest at a fixed or floating rate.

As of December 31, 2015, we had 26.0 million checking account holders, 24.5 million of which were individual account holders and 1.5 million of which were corporate account holders. As of the same date, we had 60.1 million savings accounts.

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

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December 31,	R\$ in thousands, except %					
	2015		2014		2013	
<b>Deposits from customers</b>						
<b>Demand deposits</b>	<b>23,012,068</b>	<b>11.8%</b>	<b>32,086,299</b>	<b>15.3%</b>	<b>39,633,427</b>	<b>18.3%</b>
<i>Reais</i>	21,122,202	10.9%	31,113,116	14.8%	39,009,598	18.0%
Foreign currency	1,889,866	1.0%	973,183	0.5%	623,829	0.3%
<b>Savings deposits</b>	<b>91,878,765</b>	<b>47.2%</b>	<b>92,154,815</b>	<b>43.9%</b>	<b>80,717,805</b>	<b>37.3%</b>
<i>Reais</i>	91,878,765	47.2%	92,154,815	43.9%	80,717,805	37.3%
<b>Time deposits</b>	<b>79,619,267</b>	<b>40.9%</b>	<b>85,790,391</b>	<b>40.8%</b>	<b>95,866,825</b>	<b>44.3%</b>
<i>Reais</i>	53,932,917	27.7%	56,998,851	27.1%	71,625,097	33.1%
Foreign currency	25,686,350	13.2%	28,791,540	13.7%	24,241,728	11.2%
<b>Total</b>	<b>194,510,100</b>	<b>100.0%</b>	<b>210,031,505</b>	<b>100.0%</b>	<b>216,218,057</b>	<b>100.0%</b>

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***Loans and advances to customers***

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

December 31,	R\$ in thousands		
	2015	2014	2013
<b>Loans and advances to individuals outstanding by type of operation</b>			
Other loans and advances to individuals	80,070,794	79,827,931	77,444,991
Housing loans	48,114,515	40,103,169	27,870,462
Onlending BNDES/Finame	38,158,108	42,168,754	40,543,267
Other corporate loans and advances	107,047,136	102,310,327	99,021,346
Rural loans	13,710,274	17,057,992	13,651,917
Leasing	3,072,777	4,319,149	5,713,481
Credit cards	30,943,428	28,072,447	25,473,079
Import and export financings	49,206,636	35,336,912	34,261,025
<b>Total</b>	<b>370,323,668</b>	<b>349,196,681</b>	<b>323,979,568</b>

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

December 31,	2015	2014	2013
<b>Borrower size</b>			
Largest borrower	2.8%	2.0%	0.7%
10 largest borrowers	9.2%	6.9%	5.3%
20 largest borrowers	13.3%	10.0%	8.2%
50 largest borrowers	19.5%	14.2%	12.9%
100 largest borrowers	23.8%	17.8%	16.6%

***Other loans and advances to individuals***

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

- personal loans with pre-approved overdraft facilities to be obtained through our branches, ATM network, call center, mobile and internet banking, with average repayment terms in four months with an average interest rate of 8.6% per month as of December 31, 2015;
- vehicle financings with average repayment terms of fourteen months with an average interest rate of 1.7% per month as of December 31, 2015;
- overdraft loans on checking accounts - "*cheque especial*", with average repayment terms of one month, at interest rates varying from 11.1% to 12.0% per month as of December 31, 2015; and
- payroll-deductible loans to INSS pension plan beneficiaries and retirees, public servants and private sector employees.

As of December 31, 2015, we had outstanding personal loans, vehicle financings, and overdraft loans totaling R\$80.1 billion, or 21.6% of our portfolio of loans and advances.

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 and public-sector employees (federal, state and municipal), military personnel and private-sector companies sponsoring plans, and other aggregated products (insurance, cards and others).

### ***Housing loans***

As of December 31, 2015, we had 117.2 thousand outstanding housing loans. The aggregate outstanding amount of our housing loans amounted to R\$48.1 billion, representing 13.0% of our portfolio of loans and advances.

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Housing loans are made through the Housing Finance System – SFH (*Sistema Financeiro Habitacional*), the Housing Mortgage Portfolio – CHH (*Carteira Hipotecária Habitacional*) or the Commercial Mortgage Portfolio – CHC (*Carteira Hipotecária Comercial*). Loans from SFH feature variable-installment repayments and annual interest rates ranging from 11.0% to 12.0% plus TR, or 12.5% to 15.0% for those from CHC.

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

Our home construction loans, which are made with a 360-month period, are broken down as follows: (i) a 24-month period to complete construction; (ii) a 2-month grace period immediately following the construction period; and (iii) up to 334 months for repayment of the loan. Payments are made at the interest rate of 11.0% to 12.0% *p.a.* plus TR variation for real estate falling into the SFH rules, or interest rates of 12.5% to 14.0% *p.a.* plus TR variation for real estate falling into the CHH.

We also extend corporate financing for builders under the SFH, with a term of up to 36 months and interest rate of 12.0% *p.a.* plus TR. The purpose of these construction loans is transferring loans to individual borrowers after the completion of the construction work. In case loans are not timely repaid, the remaining outstanding balance must be repaid by the builder within 36 months at TR plus 12.0% *p.a.* for SFH loans and TR plus 18.0% *p.a.* for CHH loans.

Central Bank regulations require us to provide at least 65.0% of the balance of savings accounts in the form of housing loans; 24.5% in compulsory deposit requirement and 5.5% in additional compulsory deposit requirement. The remaining balance should be allocated to cash and cash equivalents and/or other operations according to regulations in force.

***BNDES onlending/FINAME***

The government has some programs 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 from these programs through BNDES, the government's development bank, or *Agência Especial de Financiamento Industrial* ("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 some of 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, in 2015, we disbursed R\$8.1 billion, 60.1% of which was loaned to micro, small and medium-sized companies (base October/15). Our BNDES onlending portfolio totaled R\$38.2 billion as of December 31, 2015, and accounted for 10.3% of our portfolio of loans and advances at that date. Our portfolio of BNDES onlendings does not include rural credit operations and import and export financing discussed as follows.

***Other corporate loans and advances***

We provide traditional loans for the ongoing needs of our corporate customers. As of December 31, 2015, we had R\$107.1 billion of outstanding other local commercial loans, accounting for 28.9% of our portfolio of loans and advances. We offer a range of loans to our corporate customers based in Brazil, including:

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

These lending products generally bear interest at a rate of 1.6% to 12.0% per month.

In addition to these loans, we also offer guarantees.

***Rural credit***

We extend loans to the agricultural sector financed by demand deposits, BNDES onlendings and our



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own funds, in accordance with Central Bank regulations. As of December 31, 2015, we had R\$13.7 billion in outstanding rural credit, representing 3.7% 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 8.7%, on average, as of December 31, 2015. Repayment of these loans generally coincides with agricultural harvest and principal is due when a crop is sold. For BNDES onlending for rural investment the term is no more than ten years with repayments on a semi-annual or annual basis. 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 34.0% of the annual average (from June through May) of our checking account deposits to provide loans to the agricultural sector.

### ***Leasing***

According to ABEL, as of December 31, 2015, our leasing companies were among the sector leaders, with a 17.2% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2015 was R\$17.9 billion.

As of December 31, 2015, we had 29,884 outstanding leasing agreements totaling R\$3.1 billion, representing 0.8% 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, 2015, 58.7% 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, 2015, Bradesco Leasing had R\$91.0 billion of debentures outstanding in the domestic market. These debentures will mature in 2032 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, 2015, the remaining average maturity of contracts in our lease portfolio was approximately 57 months.

### ***Microcredit***

We extend microcredit to low-income individuals and small companies, in accordance with Central Bank regulations requiring banks to use 2.0% of their cash deposits to provide microcredit loans. As of December 31, 2015, we had 6,199 microcredit loans outstanding, totaling R\$13.0 million.

In accordance with Central Bank regulations, most microcredit loans are charged up to a maximum effective interest rate of 2.0% per month. However, microcredit loans for certain types of business or specific products (“*microcrédito produtivo orientado*”) have a maximum effective interest rate of 4.0% per month. The CMN requires that the maximum amount loaned to a borrower be limited to (i) R\$2,000 for low income individuals in general; (ii) R\$5,000 for individuals or legal entities engaged in a productive activity of professional, commercial or industrial nature, provided that the sum of the value of the operation and the balance of other credit operations does not exceed R\$40,000; and (iii) R\$15,000 for our *microcrédito produtivo orientado* transactions. In addition, microcredit loans may not be for less than 120 days, and the origination fee must be between 2.0% and 3.0% of the loan value.

### ***Credit cards***

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

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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;
- co-branded credit cards, which we offer through partnerships with companies;
- "affinity" credit cards, which we offer through associations, such as sporting clubs and non-governmental organizations; and
- private label credit cards, which we only offer to customers of retailers, designed to increase business and build customer loyalty for the corresponding retailer, which may or may not have a restriction on making purchases elsewhere, among others.

We hold 50.0% of the shares of Elopár, an investment holding company which investments include Alelo (benefit cards, pre-paid and Money card), Liveló (coalition loyalty program), Stelo (digital portfolio for online purchases), as well as participations in Elo Serviços (brand) and Ibi Promotora (stores for sales of cards, personal credit, consigned credit and other products).

We also have a card business unit abroad, Bradescard Mexico, which has a partnership with C&A and also with suburbia stores of the Walmex Group and the LOB store chain.

As of December 31, 2015, we had several partners with whom we offered co-branded, affinity and private label/hybrid credit cards. These relationships have allowed us to integrate our relationships with our

customers and offer our credit card customers banking products, such as financing and insurance.

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

		<b>In millions</b>	
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenue – R\$</b>			
Credit	140,063.8	131,999.9	119,407.0
<b>Number of transactions</b>			
Credit	1,530.3	1,423.4	1,346.7

### ***Import and Export Financing***

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

### ***Cash Management Solutions***

***Management of accounts payable and receivable*** - In order to meet the cash management needs of our customers in both public and private sectors, we offer many electronic solutions for managing accounts payable and receivable, supported by our network of branches, bank correspondents and electronic channels, all of which aim to improve speed and security for customer data and transactions. The solutions provided include collection and payment services and online resource management, enabling our

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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 Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, we offer products and services for carrying out the cash management of these companies.

**Solutions for receipts and payments** - In 2015, we processed 1.4 billion receipts, for the payment of taxes, utility bills (such as water, electricity, telephone and gas), checks custody service, identified deposits and credit orders via our credit order by teleprocessing system ("OCT"). In 2015, the number of documents processed through virtual means (Pag-For Bradesco, Net Empresa and Online Tax Payment) was 774 million.

**Market Niches** – We offer our clients from specific niches of the market, such as education, condominiums, health and forwarding agent/driving school, the support of a qualified team to structure customized solutions tailored to their profile, characteristics and needs, thus adding value to the client's business. Another important feature of our offering in this area is the support we provide towards the development of Local Production Arrangements - "APL", by providing medical care to the businesses and assistance to these customers in this area. A further highlight is "BradescoFranquias e Negócios" (Bradesco Franchises and Business), a program which aims to provide customized and directed solutions by observing the characteristics and needs of Brazilian franchising (franchisees and franchisors). The objective is to centralize the service to all franchisees of our affiliated networks, increasing the number of clients and volume of business with this important sector of the national economy.

### **Public authority solutions**

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

Our exclusive website developed for these customers ([www.bradescopoderpublico.com.br](http://www.bradescopoderpublico.com.br)) offers corporate solutions for federal, state and municipal governments for payments, receipts, human resources and treasury services. The website also features exclusive facilities for public employees and the military, showing all of our products and services for these customers.

Our relationships with such public authorities are developed and maintained by specialized business managers located in distribution platforms throughout the country, which can be identified on our website.

In 2015, we took part in bidding processes sponsored by the Brazilian government and were successful in over 87.9% of these processes. Furthermore, we continue to be leaders in payments of INSS benefits, with more than 8.9 million retirees and pensioners.

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***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, 2015, we administered or managed 2,054 funds and 320 portfolios, providing services to 2.7 million investors. These funds comprise a wide group of fixed-income, non-fixed income, investments abroad and multimarket funds, among others.

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

Distribution of Equity as of December 31,	R\$ in thousands	
	2015	2014
<b>Investment Funds</b>		
Fixed income	485,125,394	419,767,839
Variable income	21,295,410	27,019,024
Third party share funds	3,922,457	5,315,610
<b>Total</b>	<b>510,343,260</b>	<b>452,102,473</b>
<b>Managed Portfolios</b>		
Fixed income	32,797,032	26,542,111
Variable income	4,896,936	8,130,414
Third party share funds	2,246,577	1,955,085
<b>Total</b>	<b>39,940,546</b>	<b>36,627,610</b>
<b>Overall Total</b>	<b>550,283,806</b>	<b>488,730,084</b>

As of December 31, Number	2015		2014	
	Quotaholders	Number	Quotaholders	Number
Investment Funds	2,054	2,710,988	1,697	2,776,357
Managed Portfolios	320	1,138	237	518
<b>Overall Total</b>	<b>2,374</b>	<b>2,712,126</b>	<b>1,934</b>	<b>2,776,875</b>

Our products are mostly distributed through our branch network, banking service by phone and the Internet ([www.bradesco.com.br](http://www.bradesco.com.br) - investments).

***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 2015, Bradesco BBI advised customers on 144 transactions across a range of investment banking products, totaling R\$170.9 billion.



**Equities** - Bradesco BBI coordinates and places public offerings of shares in local and international capital markets and intermediates public tender offers. Bradesco BBI ended 2015 marking significant presence in the IPOs and Follow-ons of market issuers in Brazil. Bradesco BBI participated as coordinator and joint bookrunner in five offers, which represented an aggregate volume of R\$18.3 billion. These public offers were made up of: Follow-on of Telefônica Brasil S.A., amounting to R\$16.1 billion; Follow-on of Valid Soluções e Serviços em Meios de Pagamento e Identificação S.A., amounting to R\$396.0 million; Follow-on of Metalúrgica Gerdau S.A., amounting to R\$900.0 million; tender offer to obtain the control of Tempo Participações S.A., amounting to R\$318.0 million and IPO of FCP Par Corretora de Seguros S.A., amounting to R\$603.0 million.

**Fixed income** – After having been engaged in a number of transactions during 2015, Bradesco BBI closed in 2015 in a strong position in fixed income operations. For the year ended December 31, 2015, Bradesco BBI was the market leader in terms of value, according to the fixed income ANBIMA ranking. In the period, it coordinated 68 domestic-market offerings totaling more than R\$14.0 billion. In the international broker-dealer market, Bradesco BBI is continuously expanding its presence. In 2015, it acted as “joint bookrunner” for 4 bond issues, three involved issuers based in the USA, which exceeded US\$4.2 billion. Additionally, Bradesco BBI was the leader in several liability management operations for Brazilian companies and repurchased over US\$675 million of debt. In 2015, Bradesco BBI won “The Best Investment Bank” in Brazil Award by Euromoney magazine.

**Structured operations** - Bradesco BBI offers customized financial solutions for its customers in terms of their needs such as: investments, acquisitions, corporate reorganization, share repurchase, improved financial ratios, capital structure streamlining, and assets and risk segregation, by offering a number of funding tools to companies. Additionally, Bradesco BBI has a strong presence in the acquisition finance segment and in securitization (CRIs - Certificates of Real Estate Receivables, CRAs - Certificates of

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Agribusiness Receivables and FIDCs *-Fundos de Investimento em Direitos Creditórios*). In 2015, Bradesco BBI also held a leading position in the securitization ranking published by ANBIMA, as a result of structuring 11 operations with a total value of R\$3.4 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 2015, Bradesco BBI was rated among the top banks that provided advice for mergers and acquisitions in Brazil. During the year, Bradesco BBI advised on 21 transactions with a disclosed value of R\$47.6 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 won the award "Latin America Port Deal of the Year" by IJGlobal, for its outstanding role as leading structurer and advisor in the long-term financing for *Porto do Açú (Prumo Logística)*. As of December 31, 2015, Bradesco BBI was involved in providing financial advice and structuring for approximately 33 projects totaling R\$68.8 billion in investments.

**Intermediation and trading services**

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

In 2015, Bradesco Corretora traded R\$104.7 billion in the BM&FBOVESPA equities market and the exchange ranked it 9<sup>th</sup> in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded 17.7 million futures, swaps and options totaling R\$1.4 trillion on the BM&FBOVESPA. In 2015, Bradesco Corretora ranked 14<sup>th</sup> 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), four excellence seals (Carrying Broker, Agro Broker, Retail Broker and Execution Broker), indicating the high quality of its future market transactions. Bradesco Corretora is also certified by CETIP (Clearing House for the Custody and Financial Settlement of Securities).

Bradesco Corretora offers its clients the possibility to trade securities on the Internet through its "Home Broker" service. In 2015, "Home Broker" trading totaled R\$11.1 billion, or 1.5% of all Internet transactions on BM&FBovespa, and Bradesco Corretora was the 18<sup>th</sup> 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 25 analysts, it is composed of sector specialists who fairly disclose their opinions to the customers by way of follow-up reports and instruction guides, with a wide range of projections and comparison multiples. Bradesco Corretora also has a team of its own economists dedicated to the customers' specific demands, focused on the stock market. Over 170 reports, in English and Portuguese, are forwarded on a monthly basis to the most important investors domiciled in Brazil, the United States, Europe and Asia.

Bradesco Corretora also operates through Bradesco Corretora offices located throughout Brazil. This is another service channel, where certified professionals guide clients interested in performing the purchase and sale of shares and other products.

Bradesco Corretora offers its services as a representative of non-resident investors for transactions in the financial and capital markets, in accordance with CMN Resolution No. 4,373/14. For more details of CMN Resolution No. 4,373/14, see "Item 10.D. Exchange Controls."

### ***Capital markets solutions***

In 2015, we were one of the main providers of capital markets solutions and we maintained our leadership position in the domestic market according to the ANBIMA's ranking of custody of assets.

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Among the main services we offer in this segment, we highlight: qualified custody of securities for investors and issuers, administrators of investment funds, clubs and managed portfolios; bookkeeping of securities (shares, BDRs - Brazilian Depositary Receipts, quotas of investment funds, CRIs - Certificates of Real Estate Receivables and debentures); custody of shares backed by DRs - Depositary Receipts, loan of shares, liquidating bank, depositary (Escrow Account - Trustee), clearing agent, tax and legal representation for non-resident investors, and fiduciary administration for investment funds.

We have twelve Quality Management System ISO 9001:2008 certifications and three data protection GoodPriv@cy certifications. We also hold an ISAE 3402 (International Standard on Assurance Engagements) certification, which comprises assurance reports on controls at a service organization under international standards. These certifications expand the structures of controls, increasing the level of effectiveness and quality of processes.

As of December 31, 2015, the main services provided by Bradesco Custódia were:

- administrative and custody services for investment funds and managed portfolios involving:
  - R\$1.0 trillion in assets of clients;
  - R\$1.5 trillion in total shareholders' equity of investment funds and managed portfolios which are using our administration services; and
  - 26 registered DR (Depositary Receipts) programs with a market value of R\$61.1 billion as measured by the ANBIMA ranking.
- fiduciary administration for third party funds:
  - R\$254.2 billion total shareholders' equity of third-party investment funds under fiduciary administration by BEM DTVM.
- bookkeeping of bonds and securities:
  - Bradesco's share registration system comprises 242 companies, with a total of 4.5 million shareholders;
  - Bradesco's book entry debentures system contains 324 companies with 443 issues with a restated value of R\$310.7 billion;

- our fund share registration system contains 536 investment funds with a restated value of R\$69.1 billion; and
- we managed 33 registered BDR (Brazilian Depositary Receipts) programs, with a market value of R\$2.4 billion.
- depositary (escrow account)
- 8,216 contracts, with a financial volume of R\$12.2 billion.

In December 2013, the CVM changed the rules that govern these activities through the issuance of Instructions Nos. 541, 542 and 543, which address centralized deposit, custody and bookkeeping of securities, respectively. Pursuant to these new instructions, recording agents will be required to maintain records in relation to issuances of registered assets and custodians will be responsible for safeguarding assets that were physically issued or for which they are holders of customers' custody positions in central depository entities. In addition, centralized deposit service providers will take on a crucial role for trading assets in organized markets, concentrating all operations corresponding to deposited assets. These new instructions became effective from July 1, 2014.

In January 2015, the Central Bank began regulating the activities of centralized depositories and the recording of financial assets, by way of Circular No. 3,743/15, which includes the registration and centralized depository of financial assets and liens and encumbrances on deposited financial assets.

***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, 2015, our international banking services included:

Branches:

- one in New York City;

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- in the Cayman Islands; and
- in London.

## Subsidiaries:

- one in London: Bradesco Securities U.K., named "Bradesco Securities U.K.;"
- in the Cayman Islands: Cidade Capital Markets Ltd., or "Cidade Capital Markets;"
- in Argentina: Banco Bradesco Argentina S.A., or "Bradesco Argentina;"
- in Luxembourg: Banco Bradesco Europa S.A., or "Bradesco Europe;"
- in Japan: Bradesco Services Co. Ltd., or "Bradesco Services Japan;"
- in Mexico: Bradescard México, Sociedad de Responsabilidad Limitada, or "Bradescard México;"
- two in Hong Kong: (i) Bradesco Trade Services Ltd. or "Bradesco Trade"; and (ii) Bradesco Securities Hong Kong or "Bradesco Hong Kong"; and
- three in New York: (i) Bradesco Securities Inc. or "Bradesco Securities U.S."; (ii) Bradesco North America LLC or "Bradesco North America"; and (iii) BRAM US LLC.

Our international and foreign exchange department in Brazil coordinates our international transactions with support from 28 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,	2015		2014		2013	
	R\$ in thousands	%	R\$ in thousands	%	R\$ in thousands	%
Brazilian operations	141,487,792	97.6%	118,500,386	98.2%	103,248,646	98.1%
Overseas operations	3,417,333	2.4%	2,152,690	1.8%	1,969,702	1.9%
<b>Total</b>	<b>144,905,125</b>	<b>100.0%</b>	<b>120,653,076</b>	<b>100.0%</b>	<b>105,218,348</b>	<b>100.0%</b>

***Foreign branches and subsidiaries***

Our foreign branches and subsidiaries principally provide financing in foreign currency (particularly foreign trade finance operations) to Brazilian and non-Brazilian customers. Total assets of the foreign branches, excluding intra-group transactions, were R\$76.2 billion, as of December 31, 2015, denominated in currencies other than the real.

Funding required for export financing or Brazilian foreign trade is primarily obtained from the international financial community, through credit lines granted by correspondent banks abroad. We issued debt securities in international capital markets as an additional source of funding, which amounted to US\$8.7 billion in 2015.

The following is a brief description of our subsidiaries abroad:

**Bradesco Europa** - In April 2002, we acquired Banque Banespa International S.A., Luxemburg, currently named Banco Bradesco Europa. Bradesco Europa, through its unit in Luxembourg and its branch in London, is also dedicated to providing additional services to clients of the private banking segment. As of December 31, 2015, its total assets were R\$19.5 billion.

**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 companies based in Brazil with local establishments and, to a lesser extent, to companies based in Argentina doing business with Brazil. As of December 31, 2015, Bradesco Argentina had R\$176.8 million in assets.

**Cidade Capital Markets** – In February 2002, Bradesco acquired Cidade Capital Markets in Grand Cayman, through to the acquisition of its parent company in Brazil, Banco Cidade. As of December 31, 2015, Cidade Capital Markets had R\$159.1 million in assets.

**Bradesco Securities (U.S., U.K. and H.K.)** - Bradesco Securities, our wholly owned subsidiary, is a

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**4.B. Business Overview**

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broker dealer in the United States, England and Hong Kong:

- Bradesco Securities U.S. focuses on facilitating the purchase and sale of shares, primarily in the form of ADRs and common shares. It is also an authorized dealer in bonds, commercial paper and deposit certificates, among other securities, and may provide investment advisory services. As of December 31, 2015, Bradesco Securities U.S. had assets of R\$116.5 million;
- Bradesco Securities U.K. focuses on the intermediation of equities and fixed income operations for Brazilian companies with global institutional investors. As of December 31, 2015, Bradesco Securities U.K. had assets of R\$39.9 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. As of December 31, 2015, Bradesco Securities H.K. had assets of R\$21.3 million.

**BRAM U.S. LLC** – It manages funds and portfolios of investments dedicated to American investors. On December 31, 2015, its assets totaled R\$4.3 million.

**Bradesco North America LLC** – It was incorporated in August 2011 to serve as a holding company for our investments in non-bank businesses in the United States. As of December 31, 2015, its total assets were R\$6.0 million.

**Bradesco Services Japan** – It was incorporated in October 2001 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, 2015, its assets totaled R\$4.0 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.

**Bradescard Mexico** – The business cards unit maintains a partnership with the chain of C&A stores, and also with the Suburbia stores, of the Walmex Group, and with the chain of LOB stores. As of December 31, 2015, its assets totaled R\$690.1 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 activities, may sell insurance products and certificates of deposit, provide



underwriting services, act as advisors on private placements, provide portfolio management and merchant banking services and manage mutual fund portfolios.

***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 rate equalization program of PROEX ("*Programa de Financiamento à Exportação*").

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 1,400 correspondent banks abroad, 58 of which extended lines of credit as of December 31, 2015.

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**4.B. Business Overview**

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As of December 31, 2015, our international unit had a balance of R\$42.3 billion in export financing and R\$11.2 billion and R\$4.8 billion in import financing and international guarantees. The volume of our foreign exchange contracts for exports reached US\$28.2 billion in 2015. In the same period, the volume of our foreign exchange contracts for imports reached US\$19.0 billion. In 2015, based on Central Bank data, we reached a 15.3% market share of trade finance for Brazilian exports and 12.2% for imports.

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**4.B. Business Overview**

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The following table shows the composition of our foreign trade asset portfolio as of December 31, 2015. This portfolio includes operations with and without credit features and off-balance sheet operations.

<b>2015</b>	<b>R\$ in thousands</b>
<b>Export financing</b>	
Advance on foreign exchange contracts – undelivered bills	9,451,145
Advance on foreign exchange contracts – delivered bills	376,393
Export prepayment	14,632,172
Onlending of funds borrowed from BNDES/EXIM	2,368,735
Proex - Rate Equalization Program	66,340
NCE/CCE (Exports Credit Note/Exports Credit Certificates)	15,450,071
<b>Total export financing</b>	<b>42,344,856</b>
<b>Import financing</b>	
Import financing – foreign currency	8,109,609
Exchange discounted in advance for import credit	2,840,999
Import credit opened	245,751
<b>Total import financing</b>	<b>11,196,359</b>
<b>International guarantees</b>	<b>4,786,633</b>
<b>Total foreign trade portfolio</b>	<b>58,327,848</b>

***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 exchange 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);
- working capital loans abroad;
- 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;
- 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". Consortia in Brazil are made up of pooled funds for the purpose of financing an acquisition. Consortia that are formed for the purchase of real estate, vehicles, trucks/tractors/machines and equipment, have a fixed term and quota, both previously determined by its members, and are run by an administrator.

Bradesco Consórcios administers groups of consortia and, as of December 31, 2015, registered total sales of 1,194,015 outstanding quotas in the three segments, with total group revenues of over R\$49.6 billion; net income of R\$822.4 million; and fees from consortiums of R\$1.0 billion.

**4.B. Business Overview**

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***Insurance, pension plans and capitalization bonds***

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

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

<b>As of and for the year ended December 31,</b>	<b>Insurance, pension plans and capitalization bonds - R\$ in thousands</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Statement of Income data</b>			
Net interest income	5,973,694	4,556,146	5,589,989
Other income and expenses <sup>(1)</sup>	2,539,976	2,742,922	446,117
<b>Income before income taxes</b>	<b>8,513,670</b>	<b>7,299,068</b>	<b>6,036,106</b>
Income tax and social contribution	(3,192,918)	(2,843,493)	(2,253,451)
<b>Net income for the year</b>	<b>5,320,752</b>	<b>4,455,575</b>	<b>3,782,655</b>
Net income attributable to controlling interest	5,215,765	4,354,752	3,692,531
Net income attributable to non-controlling interest	104,987	100,823	90,124
<b>Statement of Financial Position data</b>			
Total assets	209,789,872	181,949,261	160,295,583
<b>Selected results of operations data</b>			
<b>Income from insurance and pension plans</b>			
Written premiums	55,920,681	47,745,885	42,226,410
Pension plan contributions	3,795,219	3,724,762	3,584,290
Coinsurance premiums ceded	(88,612)	(135,728)	(154,125)
Premiums returned	(522,309)	(525,895)	(543,779)
Reinsurance premiums	(344,199)	(354,041)	(225,581)
<b>Premiums retained from insurance and pension plans</b>	<b>58,760,780</b>	<b>50,454,983</b>	<b>44,887,215</b>
Changes in the insurance technical provisions and pension plans	(28,286,039)	(24,008,174)	(20,001,807)
Retained claims	(21,724,043)	(18,143,688)	(15,484,691)
Selling expenses for insurance and pension plans	(3,254,551)	(2,892,373)	(2,468,101)
<b>Income from insurance and pension plans</b>	<b>5,496,147</b>	<b>5,410,748</b>	<b>6,932,616</b>

Note: Inter segment transactions have not been eliminated.

(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. The insurance products offered in our customer service channels, are:

- life insurance and personal accident;
- health insurance;
- car insurance, property and casualty and responsibility;
- reinsurance;
- pension plans; and
- capitalization bonds.

## 4.B. Business Overview

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### ***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, 2015, there were 29.6 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 employees.

On December 31, 2015, Bradesco Saúde and its subsidiary Mediservice Administradora de Planos de Saúde S.A (Mediservice) had more than 4.4 million beneficiaries covered by company plans and individual/family plans. Approximately 132 thousand companies in Brazil pay into plans provided by Bradesco Saúde and its subsidiaries, including 50 of the top 100.

Bradesco Saúde currently has one of the largest networks of providers of health services in Brazil. As of December 31, 2015, it included 12,207 laboratories, 15,750 specialized clinics, 15,610 physicians and 2,711 hospitals located throughout the country.

### ***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 various 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 a 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 aeronautics, transportation, engineering, named operational and oil risks.

As of December 31, 2015, 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.

## **Reinsurance**

Insurance companies must operate with reinsurers registered with SUSEP. 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. Reinsurers classified as admitted and eventual, with their head office abroad, must meet specific minimum requirements, as provided for in legislation in force.

Under the same supplementary law, IRB-Brasil RE 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, National Council of Private Insurance (CNSP - *Conselho Nacional de Seguros Privados*) and SUSEP issued a number of normative instructions containing rules for reinsurance, retrocession and intermediation business, based mainly on CNSP Resolution No. 168/07.

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 10.0% of premiums, and for local reinsurers, 50.0% of premiums. In the case of local insurers, CNSP Resolution No. 203/09 raised the limit for local insurers from 10.0% to 25.0% in the case of guarantees for public obligations and oil risks and CNSP Resolution No.194/08, to up to 100%, in the case of nuclear risks.

CNSP Resolution No. 241/11 was introduced so to enable the transfer of certain risks associated with reinsurance or retrocession operations with reinsurers not authorized by SUSEP.

CNSP Resolution No. 322/15, which amended article 14 of CNSP Resolution No. 168/07, such that the maximum currently allowed limit for which an insurer or reinsurance company based in Brazil may transfer risks to related companies or to companies headquartered abroad, belonging to the same financial conglomerate is 20.0%. The resolution is valid until December 2016, increasing the rate annually up to 75.0% beginning in January 2020. In addition, article 15, which provides for minimum compulsory contracting of 40.0%, of the transfer of reinsurance, with local reinsurers, was amended so as to provide an annual and gradual reduction of up to 15.0%, beginning in January 2020.



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On December 31, 2015 there were 128 reinsurers authorized to operate in the Brazilian market, including IRB-Brasil RE and Lloyd's of London. Twenty-six reinsurance brokerage firms had authorization to intermediate reinsurance and retrocession operations.

In 2015, the Grupo Bradesco Seguros paid approximately R\$344.0 million in reinsurance premiums. Almost all property and casualty lines, except for the automobile line, have reinsurance protection and the majority of them feature proportional and non-proportional plans per risk and/or event.

Senior Management is responsible for the reinsurance purchase policy and the approval of reinsurers with whom agreements are entered into. In addition to minimum legal and regulatory requirements, Senior Management considers certain other key parameters when choosing such partners, thus minimizing the credit risks inherent in the operation, such as: minimum ranking A - of S&P (or equivalent), except for local reinsurers and shareholders' equity consistent with the amounts ceded. Accordingly, our reinsurance purchase policy is designed to operate within its automatic contractual capabilities, therefore preventing the frequent purchases of optional agreements and higher exposures to the credit risk.

A significant portion of automatic and optional agreements (proportional and non-proportional) is transferred to IRB - Brasil RE. Certain admitted reinsurers participate with a lower individual percentage, but all of them hold capital and a rating higher than those minimum set forth by applicable Brazilian legislation.

***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 December 31, 2015, Bradesco Vida e Previdência accounted for 28.8% of the pension plan and VGBL market in terms of contributions, according to SUSEP. Managed pension funds accounted for 28.7% of VGBL, 25.5% of PGBL and 13.5% of traditional pension plans in Brazil. As of December 31, 2015, Bradesco Vida e Previdência accounted for 29.4% of all supplementary pension plan assets under management, 28.0% of VGBL, 21.9% 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, 62.7% of whom have individual plans, and the remainder of whom are covered by company plans. The company's plans account for 22.2% of technical reserves.

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

VGBL and PGBL plans may be acquired by companies in Brazil for the benefit of their employees. In 2015, Bradesco Vida e Previdência managed R\$106.1 billion in VGBL and R\$22.8 billion in PGBL plans. Bradesco Vida e Previdência also managed R\$27.5 billion in pension plans.

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

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**4.B. Business Overview**

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Bradesco Vida e Previdência earns revenues primarily from:

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

***Capitalization bonds***

Bradesco Capitalização is the leader among private sector capitalization bond companies, according to SUSEP and offers its customers capitalization bonds with the option of a lump-sum or monthly contributions. Plans vary in value (from R\$8 to R\$50,000), form of payment, contribution period, and periodicity of draws for cash prizes of up to R\$5.0 million (net premiums). Plans are adjusted based on the Reference Rate (TR) plus approximately 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, 2015, we had around 7.6 million "traditional" capitalization bonds and around 13 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 2015, Bradesco Capitalização had approximately 21 million capitalization bonds and 3.2 million customers.

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

***Distribution channels of insurance products, pension plans and capitalization bonds***

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

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

% of total sales, per product		
2015	2014	2013

**Insurance products**

Sales through the branches	38.0%	36.0%	37.9%
Sales outside the branches	62.0%	64.0%	62.1%

**Pension plans products**

Sales through the branches	87.9%	86.6%	86.1%
Sales outside the branches	12.1%	13.4%	13.9%

**Capitalization bonds**

Sales through the branches	87.0%	83.0%	82.1%
Sales outside the branches	13.0%	17.0%	17.9%

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***Distribution channels***

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

<b>Distribution Channels <sup>(1)</sup> - Units</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Service Stations: <sup>(2)</sup></b>	<b>65,851</b>	<b>75,176</b>	<b>72,736</b>
Branches	4,507	4,659	4,674
PAs - Service Points <sup>(3)</sup>	3,511	3,486	3,586
PAEs - ATMs located on a company's premises	736	1,145	1,180
External ATM Network - Bradesco <sup>(4)</sup> <sup>(5)</sup>	627	1,344	3,003
Banco24Horas Network <sup>(4)</sup>	11,721	12,450	11,583
Bradesco Expresso (Banking Correspondents)	43,560	50,006	46,851
Bradesco Promotora de Vendas	1,175	2,073	1,846
Branches/Subsidiaries abroad	14	13	13
<b>ATMs</b>	<b>50,467</b>	<b>48,682</b>	<b>48,203</b>
Bradesco Network	31,527	31,089	33,464
Banco24horas Network	18,940	17,593	14,739

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

<sup>(2)</sup> The decrease is related to: (i) the migration of "External ATM Network– Bradesco" to "Banco24Horas Network"; (ii) the deactivation of ATMs from "Banco24Horas Network"; and (iii) the reduction of Bradesco Expresso Network;

<sup>(3)</sup> PA (Service Points): a result of the consolidation of PAB (Banking Service Branch), PAA (Advanced Service Branch) and Exchange Branches, according to CMN Resolution No. 4,072/12;

<sup>(4)</sup> Including overlapping ATMs within Bradesco's own network and Banco24Horas network; and

<sup>(5)</sup> This decrease is related to the sharing of external network ATMs by the Banco24Horas network ATMs.

***Partnerships with retail companies – Bradesco Expresso***

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

The main services we offer through Bradesco Expresso are:

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

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

As of December 31, 2015, the Bradesco Expresso network totaled 43,560 service stations, of which 6,154 were new service stations, with an average of 38.5 million monthly transactions or 1.8 million transactions per business day.

### ***Digital channels***

The 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 ATM network, “Fone Fácil” (easy phone) and internet, customers and users have access to us from anywhere via Bradesco Celular (mobile banking). Below is a brief description of our digital channels:

***Internet*** - Portal Bradesco has 15 web portals for banking transactions (transactional sites) and 42 institutional sites, which provide information on the Bank, guidance on security, disclosure of social and environmental actions, and specific investor publications, among others.

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**ATM network** - Our ATM network has 31,527 ATMs distributed across Brazil, providing quick and convenient access to products and services. In addition to using our ATMs, customers can access the pooled network of 18,940 Banco24Horas machines to perform transactions such as cash withdrawals, statements, balance status queries, loans, payments of payment vouchers, transfers between Bradesco accounts and to other banks, consultation of wage statement, consultation for checks paid and cleared, proof of life to INSS and pre-paid card services. In 2015, 2.0 billion transactions were conducted in the 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 and speed, customers may also withdraw cash and check balances without their card, simply using biometrics and a six-digit password.

We believe that the biometric reading system is one of the world's most advanced security technologies. This technology is available in 100% of Bradesco ATMs and in the Banco24Horas Network.

This technology allows retired customers and pensioners to perform "proof of life" with the use of automatic biometrics, through a partnership firm with the INSS.

**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.

Bradesco Celular also provides the following services:

- **Free access:** our free access enables customers to monitor their accounts via Bradesco Celular free of charge, without exhausting their data plans. Our agreement with mobile phone network operators Claro, Oi, Tim, and Vivo (Brazilian mobile phone network operators) is an important step towards providing our customers with access to their accounts and also digital progression in Brazil;
- **Depositing checks via mobile phone:** our "Bradesco app" enables our customer to process checks by way of photographic image on a smartphone camera, thus eliminating the need to physically deliver checks at branch or ATM;
- **Payment with a barcode reader:** our barcode reader application enables our customers to pay an invoice by focusing a smartphone camera on a barcode, which is then automatically filled in;

- **Touch ID:** this functionality enables a client to associate their digital print to a four-digit password, enabling faster and more practical access to the account using the applications. This functionality is available on “Bradesco apps”, Bradesco Exclusive and Bradesco Prime for iPhones with a digital reader;
- **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 Vivo, TIM and Claro;
- **SMS payments:** by simply answering a SMS, our previously-registered customers are able to schedule advance payments or make payments with their banking collection forms registered with the DDA or utility bills;
- **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:** unique application that allows legal entities to manage their company at any time and at any place;
- **Mobile Security token:** an innovative and pioneering service in the market, the security 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



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• **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.

**Telephone services - Fone Fácil (Contact Center)** - Fone Fácil is our 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 relating to their account, credit card, pension plans, capitalization bonds and carry out a number of transactions, such as: checking account balances, bank statements, payments, transfers, credit transactions, investments, registering with the mobile security token, registering and disabling a password, cancelling and reissuing cards.

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*.

**Social Networks** - We have had a strong performance on social networks since 2004 by performing the monitoring of our brand, products and services, providing services and relating with clients and non-clients 24 hours a day, 7 days a week. Our specialized social media team aims to provide responses to any queries raised within five minutes. We maintain relevant content on the financial universe, technology and relationship in all major social platforms.

**Next Mobile Space** - In 2012, we launched the Bradesco Next, a fully digital and multitouch space of interaction, which was designed to test new forms of usability, formats, layout and design for banking services. The strategy behind Bradesco Next is to develop new digital services that may be used in our branches.

In 2015, 92.0% of our transactions were performed through digital channels. The table below shows the number of operations carried out through digital channels:

Year ended December 31,	In millions of transactions		% Change
	2015	2014	
Internet Individuals + Companies - with WebTA <sup>(1)</sup>	4,585	4,492	2.1%
ATMs	1,982	2,087	(5.0)%
Mobile Banking (Bradesco Celular)	3,664	1,908	92.0%
Telephone Banking (Fone Fácil)	278	410	(32.2)%
<b>Total</b>	<b>10,509</b>	<b>8,897</b>	<b>18.1%</b>

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

## ***Segmentation of Clients***

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

Our five segments offer a range of products and differentiated services that are tailored to companies and individuals. We present below our segmentation of clients:

### **Client Segmentation**

#### **Corporations**

**Bradesco Corporate** - Large companies, with annual revenues of more than R\$250 million

**Bradesco Empresas** - Midsized companies, with annual revenues between R\$30 million and R\$250 million

**Bradesco Varejo (Empresas e Negócios)** - Small companies, with annual revenues of up to R\$ 30 million

#### **Individuals**

**Bradesco Private Bank** - Clients with availability for investments as from R\$3.0 million

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

**Varejo Exclusive** - Clients with a monthly income between R\$4 thousand and R\$10 thousand, or availability of investment from R\$40 thousand.

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

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### ***Bradesco Corporate***

The Corporate segment is responsible for serving 1,562 business groups in a range of large corporations and institutional investors (revenues over R\$250.0 million/year). Its offices are located in the main financial centers, offering customized services with a global reach. Bradesco Corporate counts on a highly skilled team to fulfill customers' needs through a wide portfolio of products, structured solutions and financial services.

### ***Bradesco Empresas***

Bradesco Empresas serves companies with annual revenues between R\$30 million and R\$250 million across its 70 business units located strategically in Brazil, in several Brazilian capitals. In addition to these units, it still has 93 "Office Spaces" in other strategic locations, not covered by Bradesco Empresas, in environments with specialized structures for the service of economic groups, which fit the profile of the segment.

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

### ***Bradesco Private Bank***

Bradesco Private Bank is responsible for advising high net-worth individuals, family-owned holding companies and investment companies, who have at least R\$3.0 million in available resources for investing. It offers a wide range of financial products and services, and advises on the most appropriate solutions for each client profile. It also offers advice on tax planning, property and inheritance, as well as providing advice on structured operations and non-financial assets.

Currently, Bradesco Private Bank has 15 offices throughout Brazil and also counts on the support of the units abroad located in New York, London, Luxembourg and the Cayman Islands.

### ***Bradesco Varejo***

We are present in 100% of Brazil's municipalities. Bradesco Varejo counts on a network of 4,109 Branches, 3,449 Service Stations ("PA"), 736 Electronic Service Stations ("PAEs") and 43,560 units of banking correspondents - *Bradesco Expresso*, as well as thousands of self service equipment.

The customer service network offers products and services in remote places, of difficult access and also in regions with large concentrations of people with lower purchasing power, for example the Communities of Rocinha, Cidade de Deus, Rio das Pedras, Complexo do Alemão, Gardênia Azul, Cantagalo, Turano, Santa Marta, Mangueira, Chapéu Mangueira and Vila Kennedy in Rio de Janeiro, Heliópolis and Paraisópolis in São Paulo, besides the two boats: “Voyager III” and “Voyager V”, which provide banking services to riverside communities in the Amazon region. This service is increasing access to banking services for those people who would otherwise have little or no access to banking services, thus increasing social mobility.

### ***Bradesco Prime***

Bradesco Prime operates in the segment of individuals and has a service network of 305 branches and 448 “Bradesco Prime Spaces” strategically positioned. The Prime segment offers the following benefits to our clients:

- **personalized services provided by relationship managers:** Experienced and skilled professionals providing full financial advisory services Certified by ANBIMA, each customer relationship manager manages a reduced 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. It also counts on “Bradesco Prime Spaces,” a reserved and distinctive environment installed at Bradesco Varejo branches that fully maintains the segment's value proposition. Additionally, customers count on a wide network of branches throughout Brazil, including ATMs – Bradesco Network and Banco24Horas; and
- **exclusive products and services:** Bradesco Prime offers a variety of products and services, such as internet banking ([bradescoprime.com.br](http://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.

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Present in all Brazilian capitals, Bradesco Prime has been, throughout its existence, investing in technology, in the improvement of the relationship with clients and in the training of its professionals. It established a prominent position in the Brazilian market of banking services for high-income clients and has consolidated its position as the largest provider of services for these clients, with strategically positioned service stations throughout Brazil.

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**4.B. Business Overview**

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***Main subsidiaries***

The following is a simplified framework containing our main subsidiaries in the activities of financial and insurance services and our voting interest as of December 31, 2015 (all consolidated in our financial statements under "Item 18. Financial Statements"). With the exception of Bradesco Argentina, Bradesco Europa, Bradesco Grand Cayman Branch and Bradesco New York Branch, the other significant subsidiaries are Brazilian entities. For more information in relation to the consolidation of our significant subsidiaries, see Note 2a of our consolidated financial statements in "Item 18. Financial Statements."

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## 4.B. Business Overview

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### ***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 (RC) 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 and capital management function consists of committees, responsible for assisting our Board of Directors and our *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: (i) Credit; (ii) Market and Liquidity; (iii) Operational and Socioenvironmental; (iv) Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários; and (v) Basel. There are also the Executive Products and Services Committee, and executive committees for our business units, whose tasks include suggesting limits for exposure to their related risks and devising mitigation plans to be submitted to 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 financial obligations under agreed terms, as well as the depreciation of loan agreements resulting from deterioration in the borrower’s risk rating, the reduction in gains or remunerations, including benefits granted in renegotiations, recovery costs and other amounts related to the counterparty’s non-compliance with financial obligations.

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

of the processes.

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

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

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

### ***Credit Risk Management Process***

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

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

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



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Corporate control and monitoring of our credit risk take place in the credit risk unit of the Integrated Risk Control Department. The department assists the Credit Risk Management Executive Committee on discussions and implementation of the methodologies to measure the credit risk. Relevant issues discussed by this committee are reported to 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, adequacy of levels of losses by reducing the recoverable value of loans and advance payments, credit recovery, gross and net losses, portfolio limits and concentrations, and other items. This information is also monthly reported to the Audit Committee.

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

Both the governance process and limits are validated by 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 fluctuations in prices and interest rate of the financial instruments resulting from mismatched maturities, currencies and indices 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 exposing us to market risk are mapped, measured and classified according to probability and magnitude, with the whole process approved by the governance structure.

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

In line with 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 annually by the relevant committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market risk.

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

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

Market risk 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.

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### ***Market Risk Management Process***

Our market risk management process is run on a corporate wide basis. This process involves several areas with specific purposes, ensuring an efficient structure, with market risk measurement and control carried out on a centralized and independent basis. The management process, approved by the Board of Directors, is also reassessed at least annually by the relevant committees and the Board of Directors itself.

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**4.B. Business Overview**

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***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 our own portfolio, which have no trading restrictions. Held-for-trading operations are those destined for resale, to obtain benefits from actual or expected price variations, or for arbitrage.

The trading portfolio is monitored by limits of:

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

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

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

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

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

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

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

### ***Liquidity risk***

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

Understanding and monitoring this risk is crucial, especially for us to be able to 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 basis. This process involves a number of areas with specific responsibilities, ensuring an efficient structure, and the liquidity risk is measured and controlled on a 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, approved by the Board of Directors, is mainly aimed at ensuring the existence of 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.

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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 and procedures, and drafting reports for new recommendations.

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

### ***Operational Risk***

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

### ***Operational Risk Management Process***

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

- identifying, assessing, and monitoring the operational risks inherent in the Organization activities, as well as those related to new products/services and their adequacy to procedures and controls;
- mapping and addressing records of operational losses to make up an internal data base;
- measuring, controlling and reporting increased operational losses by way of assessing the effectiveness of the mitigating measures of business areas/branches;
- assessing and calculating capital needs in connection with the operational risk; and
- preparing reports on the operational risk for the areas related to the management process, including the committees and Senior Management.

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

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

The Integrated Risk Control Department coordinates the Internal Control and Operational Risk Commission ("CIRO"). This Commission, which reports to the Executive Committee of Operational and Socioenvironmental Risk Management ("CEROS"), is aimed at analyzing the behavior of the operational losses of the business areas/branches, the efficiency and effectiveness of the processes and controls adopted, as well as the indicators and scenarios and assessing external data on operational losses by incorporating/adjusting processes and controls, if applicable.

CEROS, in turn, is assisted by the Integrated Risk Control Department, and reports the relevant subjects to the Audit Committee and to 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 by technology compatible with business needs.

We highlight that the internal control methodology we adopted is in line with the guidelines of the Committee of Sponsoring Organization of the Treadway Commission ("COSO") 2013 version, the purpose of which is to provide a model for internal controls, and management of corporate and fraud risks, aimed at improving organizational supervision and performance.

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

***Prevention of illegal acts***

We conduct our business and our various relationships based on ethics and transparency, concepts that permeate our organizational culture, whose values and principles are ratified by our Code of Ethical Conduct and in our Sector-based Codes of Ethical Conduct.

In 2015, we provided training sessions to the Board of Directors, the *Diretoria Executiva* and areas with greater exposure to risk, which focused on policy, standards and procedures for the prevention of illegal acts, combining lectures and on-site courses.

The training given to our employees is comprised of programs in a variety of formats, such as guidebooks, videos, distance and on-site courses and live lectures specific to areas in which they are required.

For 2016 we are planning the continuity and reinforcement of training to administrators and employees is planned.

We have channels for corporate complaints, available on our Investor Relations website ([www.bradesco.com.br/Governança Corporativa](http://www.bradesco.com.br/Governança_Corporativa)), which are also used to receive complaints about the occurrence of illegal acts, of the various interested parties.

***Prevention of Money Laundering and Terrorism Financing***

The Prevention of Money Laundering and Terrorism Financing Program is based on specific policies, principles, procedures and systems that establish guidelines to prevent and detect the utilization of our structure and/or our products and services for money laundering and terrorist financing purposes. This program is supported by the Prevention and Combat of Money Laundering and Terrorism Financing Executive Committee, which is responsible for assessing the work as to its effectiveness and the need to coordinate procedures with regulations defined by the regulating bodies and best domestic and international practices. Any suspect or unusual cases identified are forwarded to the Committee on Assessment of Suspicious Transactions, composed of a number of our areas, which assess the need for reporting to regulatory bodies.

***Prevention and Fight against Corruption***



We continuously seek to enforce measures with a view to preventing and fighting corruption and bribery, thus demonstrating our commitment towards operating our business and building and maintaining relationships in an ethical manner. The Program of Prevention and Fight against Corruption is supported by the Code of Ethical Conduct, by the Corporate Anti-corruption Policy and by the Ethical Conduct Committee, all approved by the Board of Directors. The Anti-Corruption Corporate Standard, with rules and procedures are aimed at the concession of gifts, sponsorships, donations, procurement and management of business partners, which aim to prevent and combat corruption and bribery, in compliance with the laws and regulations in force in Brazil and in the countries in which we have business units. We apply self-assessment (corporate, operational and administrative), which is one of the tools to ascertain the level of knowledge, understanding and implementation of the program, as well as subsidizing the actions for its dissemination. In 2016, we will continue to implement measures aimed at improvement of the integrity program provided for by Law No. 12,846/13. The main initiatives of such measures will be the review for the mapping of the risks of corruption and automated monitoring of concessions to third parties including, when applicable, public agents.

### ***Independent Validation of Management and Measurement Models of Risk and Capital***

We employ internal models to manage risks and capital, developed based on statistical, economic, financial, and mathematical theories 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 inherent in our models, which are associated with potential adverse consequences arising from decisions based on incorrect or obsolete models, we have an independent validation process, mainly focused on checking whether models operate in accordance with previously defined objectives and whether their results meet the uses for which they were intended. This validation is carried out by applying a strict evidence program, which addresses the adequacy aspects of the processes, governance and construction of models and their assumptions, with results being reported to managers, Internal Audit, the Internal Control and Compliance Committee and the Integrated Risk Management and Capital Allocation Committee.

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### ***Treasury activities***

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

The main treasury-related activities are as follows:

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

### ***Corporate security***

The primary objective of the Corporate Security Department has as its main mission to act preventively and correctively regarding frauds in the information and system security that supports the business through the creation, implementation and maintenance of rules, processes and technologies. To achieve its objectives, it acts strategically and corporately to ensure security of customer service channels, information and systems, evaluating, treating and proposing improvements, aimed at preventing any critical exposures of vulnerabilities, supported by the possibility of an overall vision of the incidents and trends, obtained internally and externally. It is also a focal point for issuing technical opinions, in connection with strategic security issues, in the implementation of products, services or processes.

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

- the definition of our "System for Data Security Management", based on our "Corporate Policy for Information Security" and establishment of a set of guidelines and policies, 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 and also by information security risk assessments in products, services and processes;

- our “Fraud-prevention and Electronic-channel Security” areas, manage processes to detect and mitigate risks in order to prevent any financial losses or negative impacts to our brand. 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.

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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 relevant credit restrictions.

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.

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

Our maximum exposure per client (e.g. individuals, companies or other economic groups) is determined by client rating and the aggregate maximum exposure is limited to 10.0% of our shareholders' 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\$2.0 billion are required to be submitted to the Board of Directors for approval:

**Client Rating**  
AA1

**As a % of Shareholders' Equity**  
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;

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

***Loans and advances to individual customers***

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

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

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

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

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

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

<sup>(4)</sup> 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:

	<b>Total Risk Amount</b>	<b>R\$ in thousands</b>
<b>Decision making authority</b>		
Credit department		up to 16,000
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

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***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.

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

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

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

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

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

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

<sup>(5)</sup> 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
<b>Decision making authority</b>	
Credit department	up to 16,000
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.

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***Deposit-taking activities***

Our principal source of funding is deposits from Brazilian individuals and businesses. As of December 31, 2015, our total deposits were R\$195.8 billion, representing 20.9% 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		
		2015	2014	2013
<b>From customers</b>				
Demand deposits	11.8%	23,012,068	32,086,299	39,633,427
Savings deposits	46.9%	91,878,765	92,154,815	80,717,805
Time deposits	40.7%	79,619,267	85,790,391	95,866,825
<b>Deposits from banks</b>				
Demand deposits	0.4%	807,715	940,997	986,310
Interbank deposits	0.2%	466,448	641,205	963,855
<b>Total</b>	<b>100.0%</b>	<b>195,784,263</b>	<b>211,613,707</b>	<b>218,168,222</b>

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:

**Time deposits:** we are required to deposit in an account with the Central Bank 25.0% of the amounts recorded under the following items: (i) time deposits; (ii) leasing companies' CDIs; (iii) currency exchange acceptance funds; (iv) debentures; (v) securities issued by the bank itself; and (vi) 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.

The amount required may be deposited after deduction of an amount equal to certain transactions made by financial institutions. For deposit requirements on term funds, this deduction is limited to 60.0% of the requirement, as from the calculation period starting in August, 2014.

In July 2014, the Central Bank carried out additional adjustments to the deposit requirement rules, with the purpose of: (i) enabling, within a one-year period, 50.0% of the compulsory deposit requirements related to time deposits to be used to raise new loan operations and purchase diversified portfolios (companies and individuals) generated by eligible institutions; and (ii) expanding the list of financial institutions eligible to act as assignor (seller) of operations accepted for purposes of requirement deduction.

As from August 2014, the Central Bank increased the compulsory portion of non-interest bearing time deposits, from 50.0% to 60.0%. Additionally, it provided for the acquisition of new financial bills of eligible banks and restricted the deduction in granting for vehicles only to the additional increment in relation to the daily average posted in the first half of 2014.

In October 2014, the Central Bank included working capital loans in the list of investments eligible for deduction from the portion of compulsory deposit requirements for term deposits, which had been non-interest bearing (60.0% of the total). This deduction may be carried out only for the amount in excess of the daily average of the first half of 2014.

In May 2015, the Central Bank started remunerating 100% of the balance collected. In December of the same year, it was decided not to collect the compulsory payment for time deposits captured in operations of financial assistance or support of liquidity with funds or other mechanisms constituted by the financial institutions.

Time deposits are represented by bank deposit certificates – CDBs and pay either a fixed or a

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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:** we are required to deposit 45.0% 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\$70.0 million, in the Central Bank on a non-interest-bearing basis, pursuant to provisions of Circular No. 3,632/13, as amended by Circular No. 3,775/15. 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 use was restricted to independent institutions or institutions that are part of financial conglomerates which recorded, as of April 2014, Tier I Capital above R\$3.0 billion. The rules applicable to this deduction were amended by the Central Bank in February 2015. In December 2015, the Central Bank Circular No. 3,775/15 determined that financing operations agreed upon from December 2015 onwards, could only be used as a limit for compulsory deposits until July 2019.

With the adjustments to the deposit requirement rules carried out in July 2014, the Central Bank was reduced, from R\$6.0 billion to R\$3.0 billion, the Tier I Capital of the institutions eligible for the financings granted under the provisions of Resolution No. 4,170/12 (which addresses the conditions required for granting financings subject to economic subsidies provided by the Federal Government for certain programs), in order to reduce the requirements for demand funds, thus increasing the number of banks able to use a portion (up to 20.0%) of its compulsory deposit requirements for demand deposits in loans and financing falling into the Investment Support Program ("PSI") of the BNDES (Brazil's Development Bank).

**Savings deposits:** each week we are required to deposit in an account with the Central Bank an amount equivalent to 24.5% of the total average balance of our savings account deposits. The account bears interest annually at "TR" plus interest of 6.2% or Reference Rate ("TR") plus 70.0% of the SELIC rate for funding carried out from May 2012, when the SELIC rate is lower than 8.5% *p.a.*

In June 2015, the Central Bank allowed the use of up to the limit of 18.0% of the amounts chargeable on the balances of the financing of residential properties for deduction in the compulsory payment on savings. In December 2015, the Central Bank Circular No. 3,775/15 allowed financing operations agreed upon between December 2015 and July 2016 under projects in the framework of the of Decree-law No. 6,025 to be used as a limit for compulsory deposits up to 15% out of the 18% used for deduction.

According to Circular No. 3,655/13, as amended by Circular No. 3,755/15, we are required to deposit each week in an account with the Central Bank an additional amount corresponding to: (i) 11.0% of the average time deposits balance; and (ii) 5.5% 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 was adjusted to the SELIC rate plus 4.0% p.a..

There has not been a compulsory deposit requirement for foreign exchange short positions since 2013.

Additionally, present Central Bank regulations require that we:

- allocate a minimum of 34.0% of cash deposits to providing rural credit. In June 2014, the CMN approved changes in the calculation of this percentage;
- 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 housing loans, 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.

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.

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***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:

<b>As of December 31,</b>	<b>R\$ in thousands</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Funding Sources</b>			
Funding in the open market	222,291,364	219,359,890	185,055,358
Financial notes	71,691,563	54,961,063	35,208,325
Onlendings	42,101,046	43,779,544	40,863,996
Subordinated debt	50,282,936	35,821,666	35,885,003
Borrowings	28,236,838	15,218,591	15,230,854
Real estate credit notes	20,223,220	11,862,705	5,995,699
Agribusiness notes	7,642,250	8,570,579	4,371,017
<i>Euronotes</i>	6,204,942	6,276,614	8,412,859
Securities issued through securitization of payment orders	3,575,729	2,694,477	3,291,063
Mortgage notes	-	404,915	604,105
Structured Operations Certificates	512,343	260,046	-
<b>Total</b>	<b>452,762,231</b>	<b>399,210,090</b>	<b>334,918,279</b>

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, 2015, 2014 and 2013, funding in the open market, which consists of securities sold subject to repurchase agreements, accounted for 49.1%, 54.9% and 55.3%, 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.

We issued financial notes, a product that was introduced to the market at the beginning of 2010, aimed at meeting demand for long-term financing. 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.

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.

### ***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 us.

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.



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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) and COBIT (Control Objectives for Information and related Technology) references. It applies recognized practices for IT service management and is ISO 20000 IT Service Management certified.

We have intruder detection, antivirus and antispam systems designed to provide IT protection. Moreover, we continuously upgrade the security of our main software and hardware programs, such as web server digital certification and HSM 8000 cryptographic and ICSF coprocessor equipment.

Our safety tools monitor software, hardware and share information from stations and servers. In addition, we have a data loss prevention system, which was developed to guarantee protection to the Company's data. An independent auditing firm carries out penetration tests on an annual basis. Our data security processes are ISO 27000 Information Security certified.

Our internet systems have a separate infrastructure, enabling different customer segments (individuals, corporate, staff) to use resources independently in order to provide better service, and due to the critical nature of such services.

### ***Seasonality***

We generally have some seasonality in certain parts of our business. There is certain seasonality in our consumer financing business (including our credit card business, financing of goods and others), with increased levels of credit card transactions and financing of goods at the end of the year and a subsequent decrease of these levels at the beginning of the year. We also have certain seasonality in our collection fees at the beginning of the year, which is when taxes and other fiscal contributions are generally paid in Brazil. In our PGBL and VGBL business, seasonality happens at the end of the year, when the Christmas bonuses and profit sharing are usually paid.

### ***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, 2015, state-owned financial institutions held 45.7% of the National Financial System's ("SFN") assets, followed by domestic private financial institutions (taking into consideration financial conglomerates) with a 37.3% share and foreign-controlled financial institutions, with a 17.0% 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).

In April, 2012, Circular No. 3,590/12 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:

- transfers of ownership control;
- takeovers;
- mergers;
- business transfers; and
- other means of business concentration.

In August 2012, the 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.

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***Loans and advances***

Competition in loans and advances has been increasing in recent years. Our main competitors are Itaú Unibanco, Banco do Brasil and Santander Brasil. As of December 2015, our total market share was 9.9% and, among private banks, it was 22.4%.

***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.

***Consortia***

Currently, the consortia market includes approximately 170 administrators, divided between the bank, manufacturer and independent administrators.

We believe one of our competitive differentials is the credibility of the Bradesco brand and our extensive distribution network, with the largest service network in the entire whole of Brazil.

***Investment Bank***

The investment bank market in Brazil is in a recession, further increasing competitive pressure. Among the main players are Itaú BBA, BTG Pactual, Santander and other international institutions. The main competitive advantages are relationship with clients and the capacity of implementation.

***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, 2015, the asset management industry in Brazil managed funds worth R\$2.8 trillion in shareholders' equity according to ANBIMA. BRAM held a portion of R\$395.8 billion, representing a growth of 13.6% as compared to the 12 previous months or 13.8% of market share. We are the leading institution as measured by the number of investment fund quotaholders with 2.7 million.

***Insurance, pension plans and capitalization bonds***

***Insurance sector***

As leader of the Brazilian insurance market, with a 25.5% market share as of December 31, 2015, Grupo Bradesco Seguros faces growing competition from several domestic and multinational companies in all branches of this sector.

Our principal competitors are BB Seguridade, Itaú Unibanco Seguros S.A., SulAmérica Seguros, Porto Seguro, Caixa Seguros e Zurich/Santander, which account for a combined total of approximately 54.9% of all premiums generated in the market, as reported by SUSEP, in December 2015.

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.

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 28.8% of total contributions in the sector (SUSEP), 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.

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***Capitalization bonds sector***

According to SUSEP, Bradesco Capitalização holds a 25.6% market share in capitalization bonds income and 22.2% in terms of technical provisions. Our competitive strengths in this sector include our offering of low-cost products with a higher number of prize drawings, security, financial stability, and brand recognition.

**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, 2015, 9 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 144 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.

***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 was created by Law No. 4,595/64 and is the primary executor of the guidelines of the CMN, responsible for ensuring the purchasing power of the national currency, including responsibility 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 deposit requirements and operational limits;

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- 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 information; and
- requiring full disclosure of loans and advances and foreign exchange transactions, import and export transactions and other directly related economic activities.

***CVM***

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

***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 RC 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 the concentration limit to a single person or group do not apply to interbank deposits entered into by financial institutions subject to consolidation of their financial statements.

### ***Capital adequacy and leverage***

Financial institutions based in Brazil are subject to capital measurement and standards based on a weighted risk-asset ratio, according to CMN Resolutions No. 4,192/13 and No. 4,193/13. The parameters of this methodology resemble the international framework for minimum capital measurements adopted for the Basel Accord. For further information on Basel III, see “Item 5.B – Liquidity and Capital Resources – Capital Compliance – Basel III.”

According to CMN Resolution No. 4,280/13, 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.



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Under certain conditions and within certain limits, financial institutions may include eligible instruments when determining their capital requirements in order to calculate their operational limits, *provided that* this instrument complies with the requirements of regulation in force.

Since January 2015, financial institutions based in Brazil are required to calculate their capital requirements on a consolidated basis with institutions that are part of their prudential conglomerate.

The CMN Resolution 4,280/13 defines that the following entities located in Brazil or abroad shall be considered in the prudential conglomerate of its direct or indirect controllers: (i) financial institutions and other institutions authorized to operate by the Central Bank; (ii) consortium administrators; (iii) payment institutions; (iv) organizations that acquire credit transactions, including real estate and credit rights; and (v) other legal entities headquartered in Brazil that are solely engaged in holding interests in the entities set out above.

In December 2014, the CMN changed the scope of the rules for the management of credit, market, operational and liquidity risks and capital management in order to apply such rules at the prudential conglomerate level which is now required as the basis for calculation of the capital requirements of financial institutions. Resolution No. 4,388/14 sets forth that risk management may be carried out by a single unit responsible for the prudential conglomerate and its respective affiliates. This applies only to market risk management and not to any other risk functions. Further, this resolution also updates the application of the relevant thresholds for any calculations of foreign exchange exposure.

### ***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 weight factors vary from 0.0% to 1,250.0% and should be applied to credit risks, depending on the nature and characteristics of the exposure. Risk-weight factors applicable to different exposures are often changed by the Central Bank.

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.

In December 2014, and then in October 2015, the Central Bank changed the procedures for calculating the portion of risk-weight assets, in connection with the calculation of the capital required for the operational risk by way of a standardized approach. Under the present model, this is calculated based on the risk of financial institutions and its direct and indirect controlled entities, based on the gross revenue for the past three years. The prudential conglomerate concept, however, does not have a retroactive data base to supply such information. In order to overcome this obstacle, a transitional model for the calculation of operational risk was adopted in January 2015.

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

### ***Compulsory Deposits***

The Central Bank periodically sets compulsory deposit and related requirements for financial institutions based in Brazil. The Central Bank uses reserve requirements as a mechanism to control liquidity in the SFN.

Standards on compulsory deposits and additional reserve requirements are periodically altered by the Central Bank. For a summary of current requirements, see “Item 4.B. Business Overview – Deposit Funding”.

The total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its RC. In addition, if its exposure is greater than 5.0% of its RC, the financial institution must hold additional capital at least equivalent to 100% of its exposure. Since July 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.

### ***Asset composition requirements***

According to the Resolution No. 2,844/01, as amended, financial institutions based in Brazil may not allocate more than 25.0% of their RC 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 RC.

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According to the Resolution No. 2,283/96, 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 RC.

***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 RC. Within that limit, repurchase operations involving private securities may not exceed five times the amount of the financial institution's RC. Limits on repurchase operations involving securities issued 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.

Beginning in 1999, the Central Bank adopted a foreign exchange free float system, which gave rise to increased volatility. Since mid-2011 the Brazilian real has depreciated against the U.S. dollar and the Central Bank has intervened in the foreign exchange market to control the foreign rate volatility.

The Central Bank does not impose limits on long positions in foreign exchange operations (i.e., in which the aggregate amount of foreign currency purchases exceeds sales) and short positions in foreign exchange operations (i.e., in which the aggregate amount of foreign currency purchases is less than sales) for banks authorized to operate in the foreign exchange market.

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

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

In December 2009, the Central Bank issued specific rules that became effective in February 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 two business days; and (ii) cover details of underlying assets, values, currencies involved, terms, counterparties, means of settlement and parameters used.

In January 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.

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***Treatment of loans and advances***

Financial institutions are required to classify their loans and advances into nine categories, ranging from AA to H, based on their risk. These credit risk 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:

<b>Rating</b>	<b>Our Classification</b>	<b>Bradesco Concept</b>
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 per E-H ratings as follows:

<b>Rating</b>	<b>Bradesco Classification</b>
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.

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 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 RC, 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:

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<b>Number of Days Past Due <sup>(1)</sup></b>	<b>Maximum Classification</b>
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

<sup>(1)</sup> 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.

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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:

<b>Classification of Loan</b>	<b>Minimum Provision %</b>
AA	-
A	0.5
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H <sup>(1)</sup>	100.0

<sup>(1)</sup> Financial institutions 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. Classifications should be at least level A, according to the Central Bank.

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; and
- amounts of rescheduled, written-off and recovered loans.

The Central Bank requires authorized financial institutions to compile and submit their loans and advances portfolio data in accordance with several requirements and 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 SPB 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 SPB 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.

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

- liquidity risk management policies and strategies, which are clearly evidenced and set operational limits and procedures aimed at exposure to liquidity risk at a level required by the Management;
- processes to identify, assess, monitor and control liquidity risk exposure during different time frames, including intraday and comprising at least a daily assessment of operations with settlement terms below 90 days;
- an assessment, at least annually, of the processes described in the previous item;
- funding policies and strategies that provide for adequate diversification of fund sources and maturity terms;
- liquidity contingency plan, which is updated on a regular basis and sets responsibilities and procedures to face liquidity stress scenarios;
- regular stress tests with short and long-term idiosyncratic and systemic scenarios, whose results should be considered when designing or revising policies, strategies, limits and the liquidity contingency plan; and
- liquidity risk assessment as part of the process of approving new products, as well as an assessment of how compatible these products are with existing procedures and controls.

Financial institutions were positively affected by the restructuring of the SPB. 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.

The Central Bank and CVM have the power to regulate and supervise the SPB.

In October 2013, Law No. 12,865/13 was enacted providing for payment arrangements and payment institutions that are part of SPB. In November 2013, in order to regulate this law: (i) the CMN established guidelines for the regulation, surveillance and supervision of payment institutions and payment arrangements that are part of SPB; and (ii) the Central Bank: (a) 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; (b) 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 (c) established rules on risk management, minimum capital requirements, governance of payment institutions, preservation of value and liquidity of payment account balances.

In April 2014, the Central Bank changed the rules regarding any payment institutions and any related arrangements. The main changes were as follows: (i) it determined that the payment institutions shall deposit with the Central Bank the amounts corresponding to the electronic balance of any payment accounts, plus the electronic balance of any amounts being transferred between payment accounts within the same payment institution. To ensure the viability of the Brazilian Payment System (SPB), such deposit should be affected gradually; starting with 20.0% in 2014 and increasing to 100% in 2019; and (ii) it reviewed the definition of arrangements that may be considered an integral part of the SPB.

As of September 2015, the Central Bank issued Circular No. 3,765/15 amending Circular No. 3,682/13 and bringing significant changes in the rules applicable to payment agreements that are part of the SPB.

The main changes are: (i) centralized compulsory clearing and settlement of credit or debit electronic orders through a clearing and settlement system authorized by the Central Bank; (ii) new requirements for interchangeably operating arrangements, the introduction of “home institution” concept, the change of criteria to maintain closed payment arrangements; and (iii) the change of terms to decrease minimum operating volumes applicable to payment arrangements that are not part of the SPB.

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## **4.B. Business Overview**

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### ***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 and 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
- 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.

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 limitation period of the institution's obligations is suspended.

### ***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 deposit rules;
- has reckless or fraudulent management; or
- has operations or circumstances requiring an intervention.

### ***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 financial institutions based in Brazil accepting deposits from customers.

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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 and has been kept by the Central Bank at this level since then. In 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.

In February, 2016, the percentage of the contribution on instruments listed in article 2, paragraphs I to X from Appendix II of Resolution No. 4,222/13 was changed to 0.0125%, even if correspondent credits are unsecured.

According to CMN rules, the maximum value of the balance of such deposits is limited (with a maximum aggregate of R\$5.0 billion by December 31, 2014 or R\$3.0 billion as of January 1, 2015) to: (i) for the balance of the deposits originally made without fiduciary assignment, the highest of the following amounts: (a) the equivalent of twice the regulatory Tier I capital, calculated yearly on the base date June 30 earning interest monthly at the SELIC rate; (b) 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 (c) 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 (ii) 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 has been reduced, in accordance with the following schedule:

- 40.0% from January 1, 2013;
- 60.0% from January 1, 2014;
- 80.0% from January 1, 2015; and
- 100.0% 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 notes (“LCA”) were included in credits guaranteed by FGC. 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. The rules governing the FGC are changed on a periodic basis.

### ***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.

### ***Restrictions on foreign investment***

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of financial institutions based in Brazil only if they have specific authorization from the Brazilian government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of financial institutions based in Brazil 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 us to create an ADR program for our common shares in the U.S. market. Foreign interest in our capital stock is currently limited to 30.0%.

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***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 ten years, unless the bank is notified that a CVM investigation is underway, in which case the ten-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 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, 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. Central Bank Circular No. 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 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.

In July 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 the Controlling Council of Financial Activities (“COAF”), 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.

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In October 2014, the CVM issued Instruction No. 553/14 which, among other issues, (i) firmly states that any business relationship may only be initiated or kept after the arrangements related to the registration process and the “*Conheça seu Cliente*” (know your customer) Policy are adhered to; and (ii) requires a statement on the purpose and nature of the business relationship with the institution, making it clear that said statement may be obtained upon the update of registration data of already-existing customers.

In November 2014, the Central Bank changed the procedures related to the Regulation of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) to be adhered to by the payment institutions. Accordingly, in addition to the AML/CTF procedures already required, payment institutions must also: (i) adopt procedures and controls to confirm information on customer’s identification, which may, among others, match the information provided by the end users against information available in public or private data bases; and (ii) implement AML/CTF risk management systems to provide for the identification and assessment of such risk, as well as carry out mitigation measures proportionate to the risks identified, particularly for high risk cases.. These changes were made to meet international requirements set forth under the scope of the Financial Action Task Force (FATF), which is the body responsible for establishing AML/CTF standards to be adhered to by the countries of the G20, such as Brazil. Although applicable rules to payment institutions were expanded, a more flexible approach was applied to prepaid accounts, as the limit for simplified identification was changed from R\$1,500 to R\$5,000 and the range of information to be kept for payment accounts opened by individuals was reduced.

Further, in November 2014, SUSEP established the Permanent Committee on Anti-Money Laundering and Counter-Terrorism Financing in the Insurance, Reinsurance, Capitalization and Private Pension Plan Markets (CPLD). The CPLD is a permanent governing body acting to prevent money laundering and curtail the financing of terrorism, both in connection with SUSEP and the insurance, reinsurance, capitalization and private pension plan markets.

***Anticorruption Law***

In August 2013, Law No. 12,846/13 was enacted to regulate 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 harmful acts in their exclusive or non-exclusive interest or benefit.

This law provides for penalties in amounts ranging from 0.1% to 20.0% of the gross revenues earned in the financial year preceding the financial year in which the administrative proceedings was commenced. In applying such sanctions, the existence of internal mechanisms and procedures for integrity, auditing and encouragement of whistle-blowing as well as effective implementation of codes of ethics and conduct of the legal entity, will be taken into consideration, among others.

***Social and environmental responsibility***

In April 2014, the CMN approved Resolution No. 4,327/14, introducing guidelines for the establishment and implementation of the Social and Environmental Responsibility Policy (PRSA) by financial institutions. Aimed at formalizing basic procedures and guidelines for this process, in August 2014 the Brazilian Federation of Banks (FEBRABAN) published SARB Instruction No. 14, establishing a self-regulation program for the development and implementation of PRSA for financial institutions that are signatories of the Banking Self-Regulation System, such as Bradesco.

This set of legislation, comprising resolutions and self-regulations, establishes that such policy must establish guidelines to drive social and environmental actions in business and other activities, as well as its relationship with any interested parties. Accordingly, the institution should take into account the nature and complexity of its activities, as well as its level of exposure to the social and environmental risk, defined by observing the principles of proportionality, efficiency and relevance, respectively.

The law established an adjustment period for institutions to adjust their systems and processes to these new requirements, so that the PRSA be approved, and for the start of the respective action plan, according to the schedule below: (i) until February 28, 2015, by the institutions required to implement the Internal Capital Adequacy Assessment Process (ICAAP), according to regulation in force; and (ii) until July 31, 2015, by other institutions.

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In advance of Resolution No. 4,327/14, over the first half of 2013, our Sustainability and Corporate Planning areas commenced discussing the structure of a strategic plan focused on business and the definition of the main sustainability guidelines for the next five years. This process has involved the Diretoria Executiva and all areas of the group, and its main purpose is to establish a clear connection between the sustainability actions and the business, allowing for the diligent management of risks and opportunities.

### ***Rotational requirements of independent accounting firm***

Under Brazilian regulations, all financial institutions must:

- be audited by an independent accounting firm; and
- have the specialist in charge, officer, manager or audit team supervisor 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.

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 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 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 provision of these services does not affect the independence and objectivity required for external auditing services.

In May 2004, the CMN enacted new auditing regulations applicable to all financial institutions based in Brazil; which were later revised. 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 RC 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. According to the regulation, the number of members, their appointment and removal criteria, their term of office and their responsibilities must be specified in the institutions' bylaws. 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. Our Audit Committee has been fully operational since July 1, 2004. In October 2006, the CMN amended the Resolution No. 3,198/04, changing the minimum requirements to be observed by the financial institutions when electing members for the Audit Committee. In April 2014, the CMN changed certain rules related to audit committees in order to improve the composition and operation of such committees. These rules provided that up to one third of its members may exercise another single consecutive term of office, granting more independence to the Audit Committees of privately-held institutions. See "Item 16.D. Exemptions from the listing standards for Audit Committees."

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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 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 each jurisdiction in which we operate, we are subject to supervision by local authorities.

***Asset management regulation***

Asset management is regulated by the CMN and the CVM.

In August 2004, the CVM issued Instruction No. 409/04, which became effective in November 2004, and has been amended a number of times since then, 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.

In December 2014, the CVM enacted Instruction No. 555/14, which will replace Instruction No. 409/04, in order to improve electronic communications, rationalize the volume, content and manner of disclosing information, and to make investment limits less rigid for certain financial assets, particularly foreign financial assets. Additionally, Instruction No. 555/14 addresses the following issues: (i) the framework for setting up funds without the need for executing an adhesion contract and the checking of the adequacy for investment in the fund to the customer's profile in connection with funds investing over 95.0% of its net equity in federal public debt bonds or equivalent risky securities; (ii) barring interest-bearing compensation that would jeopardize the independence of the fund management; (iii) providing more transparency to the distribution policy; (iv) improving performance fee regulation; and (v) providing safer rules for investments in foreign assets. Instruction No. 555/14 became effective on October 1, 2015.

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, as well as other financial assets which are an integral part of the investment fund portfolio, should be duly registered in the registration system with a custodian or central depository, authorized by the Central Bank or the CVM to carry out such activities.

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

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

There are no limits when the issuer is the 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.

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Under the previous regulation (Instruction No. 409/04), the qualified investor funds required a minimum investment of R\$1 million per investor and were subject to concentration limitations per issuer or per type of asset as long as this is stated in their bylaws. Under the current regulation (Instruction No. 555/14), this privilege is eligible only for funds for professional investors.

In addition, CVM Instruction No. 409/04 stated that funds could hold financial assets traded abroad in their portfolios as follows: (i) for foreign-debt funds and qualified investor funds that stipulated this possibility, there is no limit; (ii) for multimarket funds, up to 20.0% of net assets; and (iii) for other funds, up to 10.0% of net assets. Instruction No. 555/14 changed these limits to: (i) no limits, for funds classified as “Fixed Income – Foreign Debt,” funds exclusively intended for professional investors that include in their denomination the suffix “Foreign Investment”, and certain funds exclusively intended for qualified investors (ii) up to 40.0% of its net equity for funds exclusively intended for qualified investors that do not follow certain provisions set forth in this Instruction; and (iii) up to 20.0% of its net equity for general public funds.

Also in December 2014, the CVM established a new concept for qualified and professional investors. Companies and individuals are to be deemed professional investors if they hold financial investments above R\$10.0 million, and are deemed to be qualified investors if they hold financial investments above R\$1 million. These definitions became effective in October 1, 2015.

***Regulation of brokers and dealers***

Broker and dealer firms are part of the SFN 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; or
- acquire assets, including real estate properties, which are not for their own utilization; with certain exceptions.

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.



***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.

***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.

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***Insurance regulation***

The Brazilian insurance business is regulated by Decree Law No. 73/66, as amended, which created two regulatory agencies, the 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 underwrite 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 provided by SUSEP regulations.

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) 60.0% in the first three years as of January 16, 2007; and (ii) 40.0% in subsequent years. Under SUSEP Resolution No. 225/10, insurance companies must have contracts with local reinsurers for at least 40.0% 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 20.0% 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 (20.0%) over the minimum capital requirement (“CMR”), 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.

The CNSP Resolution No. 302/13 was revoked by CNSP Resolution No. 316/14, which maintained a large part of the prior rules. The main change was the definition of the capital installment amounts applicable to Supplementary Pension Plan Open Entities (“EAPC”), which are now applicable to insurance companies. In December 2014, the CNSP issued Resolution No. 317/14, addressing criteria for calculating risk capital based on the market risk of local insurance companies, supplementary pension plan open entities, capitalization companies and reinsurance companies.

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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 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 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.

EAPCs 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. 459/07, 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.

***Taxes on our main transactions***

***Taxes on financial transactions (“IOF”) on loan transactions***

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

Rate applicable to loan and advances of any type, including credit opening is 0.0041% per day to legal entity borrowers and since January 22, 2015, 0.0082% to 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.

Since January 2008, besides IOF on the transactions mentioned above, loans and advances have been subject to IOF additional rate of 0.38% irrespective of the repayment period or whether the borrower is an individual or a legal entity. For legal entities, IOF rate calculation base is not the sum of outstanding debt balances, IOF shall not exceed 1.8765% and for individuals, it will not exceed a 3.373% rate, 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.

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. However, the IOF is not levied on loan transactions where the lender is located abroad and the borrower is in Brazil.

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***IOF on insurance transactions***

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

- 0.0% on: (i) reinsurance transactions; (ii) transactions related to mandatory insurance, linked to residential housing loans granted by an agent of the national housing system (SFH); (iii) insurance transactions for export credits and international merchandise transportation; (iv) aeronautical insurance and civil liability of airlines; (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 thousand per year. Considering the above, the IRPJ is assessed at a combined rate of 25.0% of adjusted net income. Social contribution tax payable by financial institutions is calculated based on a rate of 20.0% from September 1, 2015 through December 31, 2018, and a rate of 15.0% as from January 1, 2019. 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, companies based in Brazil 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 on an annual basis.

With respect to affiliates, by the general rule of Law No. 12,973/14, affiliates abroad will have their dividends (and not the corporate profit) taxed at the time of effective distribution, nevertheless, with two exceptions: (i) cases in which they are domiciled in a tax haven; or (ii) that adopt a sub-taxation scheme, or in which they are treated as subsidiary. With regard to the rules applicable to the subsidiaries, the new discipline introduced by Law No. 12,973/14 foresees that the legal entities in Brazil with a stake in a subsidiary abroad must: (i) record in sub accounts the investment account, in proportion to the stake held, the share of the adjustment of the investment value equivalent to corporate profits (those calculated before local income tax), earned by the subsidiaries, directly and indirectly, in Brazil or abroad, concerning the

calendar year in which they were calculated in the balance sheet; and (ii) compute these values in their calculation of actual income and from the calculation base of the Social Contribution.

In June 2010, legislation in Brazil introduced thin capitalization rules, and limited deduction for interest paid or credited by a company based in Brazil 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 company based in Brazil making a payment, debt may not exceed the equivalent to twice such shareholders' interest in the total equity of the company based in Brazil. In case of a related party with no shareholding interest, the limit will be equivalent to twice the total equity of the 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 creditor is domiciled in a low tax jurisdiction the debt amount may not exceed 30.0% of the equity of the company based in Brazil. 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.

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## **4.B. Business Overview**

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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 may only be exercised in January of each calendar year and 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 non-current assets (investments, fixed assets and intangible assets) and, as a general rule, 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 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.

Since August 2004, the PIS and Cofins rates due on financial revenues were of 0.0%, including those arising from operations carried out for purposes of hedge, earned by legal entities subject to the system of non-accrual of these contributions. In April 2015, Decree No. 8,426/15 establishes that from July 2015, the rates shall be reestablished to 0.65% and 4.0%, respectively, including with respect to the revenue arising from hedge operations. However, even before the production of the effects of Decree No. 8,426/15, the normative was changed with the promulgation of Decree No. 8,451/15, which reassured the maintenance of the zero rate for contributions to PIS and Cofins, specifically in relation to financial revenues arising from: (i) monetary variation, depending on the exchange rate, of export operations of goods and services, as well as obligations incurred by the legal entity, including loans and financing; and (ii) of hedge operations carried out on the stock exchange, of commodities and of futures, or in the organized OTC market.

Certain economic activities are expressly excluded from the procedures of the non-accrual collection of the PIS and Cofins. This is the case of financial institutions, which shall remain subject to PIS and Cofins by the "accrued" procedures, which does not permit the discount of any credits, as provided by Article 10, paragraph I, of Law No. 10,833/03. In spite of this impossibility of accrual of credits, the legislation in force enables the exclusion of certain expenditure in the calculation by such entities of the bases of calculation of the PIS and Cofins (as is the case, for example, of the expenses incurred by the banks in financial



mediation operations and expenditure on severance payments corresponding to accidents occurring in the case of private insurance companies). In such cases, the income received by the financial institutions is subject to Contribution to the PIS and Cofins at the rates of 0.65% and 4.0%, respectively.

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.

***Foreign Account Tax Compliance Act (FATCA)***

We have taken, and intend to continue to take, the necessary steps to comply with the requirements of FATCA, including having registered ourselves, and our relevant subsidiaries in and outside of Brazil, for FATCA purposes with the U.S. Internal Revenue Service. Brazil and other countries in which we do business have entered into government level agreements with the United States regarding the implantation of FATCA and have adopted rules and regulations governing our business. The steps we have taken involving clients (which include new procedures for onboarding clients, carrying out diligence of historic client relationships and reporting of information to the taxing authorities) are designed to comply with the standards of the relevant jurisdictions in which we are doing business.

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***Selected Statistical Information***

Selected statistical data shown in this section as of and for the years ended December 31, 2015, 2014 and 2013 is derived from our audited consolidated financial statements prepared in accordance with IFRS, included elsewhere in this annual report, except for average balances, whose calculation methods are shown below. The data for the years ended December 31, 2012 and 2011, 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, 2015, 2014, and 2013) in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements in "Item 18. Financial Statements."

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## 4.B. Business Overview

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### **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 and non-interest earning assets**

For the year ended December 31,	R\$ in thousands, except %						
	Average balance	2015 Interest and similar income	Average yield/interest	Average balance	2014 Interest and similar income	Average yield/interest	Average balance
<b>Interest earning assets</b>							
Financial assets held for trading	108,737,397	13,982,927	12.9%	83,791,866	9,357,339	11.2%	80,909,973
Financial assets available for sale	95,434,117	11,629,493	12.2%	84,494,315	9,537,105	11.3%	79,895,464
Investments held to maturity	32,732,694	5,253,616	16.1%	24,024,810	2,870,674	11.9%	3,791,552
Assets pledged as collateral	148,107,052	20,270,191	13.7%	130,319,525	13,953,796	10.7%	112,404,700
Loans and advances to banks	63,314,643	8,349,194	13.2%	76,830,557	8,709,828	11.3%	104,232,013
Loans and advances to customers	337,673,348	62,916,514	18.6%	317,455,318	55,140,405	17.4%	289,336,399
Central Bank compulsory deposits	43,933,707	4,587,412	10.4%	47,038,434	4,277,351	9.1%	42,757,972
Other interest earning assets	640,098	58,905	9.2%	605,011	46,598	7.7%	575,113
<b>Total interest earning assets</b>	<b>830,573,056</b>	<b>127,048,252</b>	<b>15.3%</b>	<b>764,559,836</b>	<b>103,893,096</b>	<b>13.6%</b>	<b>713,903,186</b>
<b>Non interest earning assets</b>							
Cash and balances with banks	12,896,943	-	-	11,795,512	-	-	11,969,749
Central Bank compulsory deposits	4,881,039	-	-	6,203,757	-	-	6,719,354
Financial assets available for sale (shares)	4,664,733	-	-	5,403,709	-	-	6,849,306
Non performing loans and advances to customers <sup>(1)</sup>	13,960,817	-	-	13,733,170	-	-	11,273,935
Impairment of loans and advances	(24,716,311)	-	-	(21,602,532)	-	-	(21,305,397)
Investments in associates and joint ventures	4,318,847	-	-	3,519,890	-	-	2,855,127
Property and equipment, net of accumulated depreciation	4,763,516	-	-	4,441,468	-	-	4,323,084
Intangible assets and goodwill, net of accumulated amortization	7,848,705	-	-	7,872,367	-	-	8,155,015

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Current and deferred income tax	46,630,519	-	-	35,008,119	-	-	32,488,983
Other non interest earning assets	52,087,514	-	-	41,402,123	-	-	42,512,399
<b>Total non interest earning assets</b>	<b>127,336,322</b>	<b>-</b>	<b>-</b>	<b>107,777,583</b>	<b>-</b>	<b>-</b>	<b>105,841,555</b>
	*	*	*	*	*	*	*
<b>Total assets</b>	<b>957,909,378</b>	<b>127,048,252</b>	<b>13.3%</b>	<b>872,337,419</b>	<b>103,893,096</b>	<b>11.9%</b>	<b>819,744,741</b>

(1) Overdue by more than 60 days.

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**Interest-bearing and non-interest-bearing liabilities**

For the year ended December 31,	R\$ in thousands, except %							
	Average balance	2015 Interest and similar expense	2015 Average yield/ interest	Average balance	2014 Interest and similar expense	2014 Average yield/ interest	Average balance	Interest and similar expense
<b>Interest bearing liabilities</b>								
Interbank deposits	621,904	74,814	12.0%	695,132	86,232	12.4%	671,4	
Savings deposits	91,075,494	6,450,258	7.1%	84,921,694	5,440,263	6.4%	73,307,1	
Time deposits	83,978,162	5,942,386	7.1%	91,990,788	6,441,317	7.0%	99,565,9	
Funding in the open market	211,686,661	23,509,785	11.1%	192,967,597	19,161,452	9.9%	182,981,0	
Borrowings and onlendings	64,029,996	3,092,184	4.8%	56,123,972	1,821,103	3.2%	49,273,3	
Funds from securities issued	97,739,942	11,570,606	11.8%	69,849,843	6,689,844	9.6%	52,476,7	
Subordinated debt	38,601,843	4,669,830	12.1%	35,826,626	3,787,060	10.6%	35,560,7	
Insurance technical provisions and pension plans	156,922,463	16,102,347	10.3%	136,308,516	10,420,058	7.6%	125,179,1	
<b>Total interest-bearing liabilities</b>	<b>744,656,465</b>	<b>71,412,210</b>	<b>9.6%</b>	<b>668,684,168</b>	<b>53,847,329</b>	<b>8.1%</b>	<b>619,015,5</b>	
<b>Non-interest-bearing liabilities</b>								
Demand deposits	26,969,963	-	-	35,138,920	-	-	36,876,1	
Other non interest bearing liabilities	99,995,194	-	-	91,429,077	-	-	95,039,0	
<b>Total non interest bearing liabilities</b>	<b>126,965,157</b>	<b>-</b>	<b>-</b>	<b>126,567,997</b>	<b>-</b>	<b>-</b>	<b>131,915,2</b>	
<b>Total liabilities</b>	<b>871,621,622</b>	<b>71,412,210</b>	<b>8.2%</b>	<b>795,252,165</b>	<b>53,847,329</b>	<b>6.8%</b>	<b>750,930,8</b>	
<b>Equity attributable to controlling shareholders</b>	<b>85,887,584</b>	<b>-</b>	<b>-</b>	<b>76,574,415</b>	<b>-</b>	<b>-</b>	<b>68,216,7</b>	
<b>Non-controlling interest</b>	<b>400,172</b>	<b>-</b>	<b>-</b>	<b>510,839</b>	<b>-</b>	<b>-</b>	<b>597,1</b>	
<b>Total liabilities and equity</b>	<b>957,909,378</b>	<b>71,412,210</b>	<b>7.5%</b>	<b>872,337,419</b>	<b>53,847,329</b>	<b>6.2%</b>	<b>819,744,7</b>	

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**4.B. Business Overview**

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***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 analysis 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:

For the year ended December 31,	R\$ in thousands					
	Average volume	Average yield/rate	2015/2014 Net change	2014/2013 Average volume	Average yield/rate	Net change
<b>Interest earning assets</b>						
Financial assets held for trading	3,065,477	1,560,111	4,625,588	288,454	1,196,391	1,484,845
Financial assets available for sale	1,295,680	796,708	2,092,388	464,565	1,332,028	1,796,593
Investments held to maturity	1,223,916	1,159,026	2,382,942	2,453,574	(186,668)	2,266,906
Assets pledged as collateral	2,078,973	4,237,422	6,316,395	1,949,309	(766,429)	1,182,880
Loans and advances to banks	(1,661,949)	1,301,315	(360,634)	(2,680,978)	2,490,839	(190,139)
Loans and advances to customers	3,630,993	4,145,116	7,776,109	4,877,444	617,541	5,494,985
Central Bank compulsory deposits	(295,217)	605,278	310,061	333,685	832,789	1,166,474
Other interest earning assets	2,823	9,484	12,307	2,087	5,840	7,927
<b>Total interest earning assets</b>	<b>9,340,696</b>	<b>13,814,460</b>	<b>23,155,156</b>	<b>7,688,140</b>	<b>5,522,331</b>	<b>13,210,471</b>
<b>Interest bearing liabilities</b>						
Interbank deposits	(8,871)	(2,547)	(11,418)	2,307	20,657	22,964
Savings deposits	411,163	598,832	1,009,995	700,331	627,609	1,327,940
Time deposits	(566,341)	67,410	(498,931)	(467,788)	1,080,149	612,361
Funding in the open market	1,957,905	2,390,428	4,348,333	940,788	1,548,887	2,489,675
Borrowings and onlendings	284,580	986,501	1,271,081	248,568	(365,456)	(116,888)
Funds from securities issued	3,067,421	1,813,341	4,880,762	1,420,379	1,622,881	3,043,260
Subordinated debt	308,147	574,623	882,770	23,597	630,548	654,145
Insurance technical provisions and pension plans	1,741,117	3,941,172	5,682,289	573,617	3,858,113	4,431,730
<b>Total interest bearing liabilities</b>	<b>7,195,121</b>	<b>10,369,760</b>	<b>17,564,881</b>	<b>3,441,799</b>	<b>9,023,388</b>	<b>12,465,187</b>

***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:

<b>For the year ended December 31,</b>	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Average balance of interest earning assets	830,573,056	764,559,836	713,903,186
Average balance of interest bearing liabilities	744,656,465	668,684,168	619,015,563
<b>Net interest income</b> <sup>(1)</sup>	<b>55,636,042</b>	<b>50,045,767</b>	<b>49,300,483</b>
	*	*	*
Interest rate on the average balance of interest earning assets	15.3%	13.6%	12.7%
Interest rate on the average balance of interest bearing liabilities	9.6%	8.1%	6.7%
<b>Net yield on interest earning assets</b> <sup>(2)</sup>	<b>5.7%</b>	<b>5.5%</b>	<b>6.0%</b>
	*	*	*
<b>Net interest margin</b> <sup>(3)</sup>	<b>6.7%</b>	<b>6.5%</b>	<b>6.9%</b>

(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.

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***Return on equity and assets***

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

<b>For the year ended December 31,</b>	<b>R\$ in thousands, except % and per share information</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income attributable to controlling shareholders	18,132,906	15,314,943	12,395,920
Average total assets	957,909,378	872,337,419	819,744,741
Average equity attributable to controlling shareholders	85,887,584	76,574,415	68,216,774
Net income attributable to controlling shareholders as a percentage of average total assets	1.9%	1.8%	1.5%
Net income attributable to controlling shareholders as a percentage of average equity attributable to controlling shareholders	21.1%	20.0%	18.2%
Equity attributable to controlling shareholders as a percentage of average total assets	9.0%	8.8%	8.3%
Dividends payout ratio to net income <sup>(1)</sup>	32.2%	31.5%	31.5%

<sup>(1)</sup> Dividends and Interest on Equity (net of taxes) divided by net income, discounting legal reserves, according to BR GAAP.

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

The following table shows, as of the dates indicated, the breakdown of our financial assets held for trading, available for sale at fair value and our investments held to maturity at amortized cost. For more information on the treatment of our financial assets held for trading, available for sale and investments held to maturity see Notes 2(e), 20, 21 and 22 to our consolidated financial statements included in "Item 18. Financial Statements.":

<b>December 31,</b>	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Financial assets held for trading</b>			
Brazilian government securities	93,833,116	35,014,906	46,847,468
Corporate debt and marketable equity securities	7,674,357	10,332,717	17,886,442
Bank debt securities	15,322,751	15,905,309	20,187,824
Mutual funds	21,711,385	12,336,964	8,426,678
Derivative financial instruments	18,870,917	4,421,457	2,509,028
Foreign government securities	784,507	68,397	235,083



Brazilian sovereign bonds	1,426,416	418,561	-
<b>Total financial assets held for trading</b>	<b>159,623,449</b>	<b>78,498,311</b>	<b>96,092,523</b>
Financial assets held for trading as a percentage of total assets	15.5%	8.4%	11.5%
<b>Financial assets available for sale</b>			
Brazilian government securities	66,215,852	70,149,037	28,985,685
Corporate debt securities	35,761,813	41,366,773	31,058,356
Marketable equity securities	9,323,746	5,829,244	5,880,497
Bank debt securities	4,643,044	3,354,779	1,849,287
Brazilian sovereign bonds	4,791	261,901	64,586
Foreign government securities	1,746,204	-	-
<b>Total financial assets available for sale</b>	<b>117,695,450</b>	<b>120,961,734</b>	<b>67,838,411</b>
Financial assets available for sale as a percentage of total assets	11.5%	13.0%	8.1%
	*	*	*
<b>Investments held to maturity</b>			
Brazilian government securities	27,405,022	25,032,157	23,029,469
Corporate debt securities	12,557,446	-	-
Brazilian sovereign bonds	41,092	38,874	39,557
<b>Total investments held to maturity</b>	<b>40,003,560</b>	<b>25,071,031</b>	<b>23,069,026</b>
Investments held to maturity as a percentage of total assets	3.9%	2.7%	2.8%

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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":

	<b>December 31,</b>		
	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Financial assets held for trading</b>			
Brazilian government securities	291,498	1,257,413	2,924,653
<b>Total of financial assets held for trading</b>	<b>291,498</b>	<b>1,257,413</b>	<b>2,924,653</b>
Financial assets held for trading as a percentage of total assets	0.0%	0.1%	0.3%
<b>Financial assets available for sale</b>			
Brazilian government securities	28,866,615	7,095,516	44,667,819
Corporate debt securities	2,488,929	3,661,955	1,939,437
Bank debt securities	1,817,967	3,858,993	453,231
<b>Total of financial assets available for sale</b>	<b>33,173,511</b>	<b>14,616,464</b>	<b>47,060,487</b>
Financial assets available for sale as a percentage of total assets	3.2%	1.6%	5.6%
<b>Investments held to maturity</b>			
Brazilian sovereign bonds	-	-	4,360
<b>Total of investments held to maturity</b>	<b>-</b>	<b>-</b>	<b>4,360</b>
Investments held to maturity as a percentage of total assets	-	-	-
	*	*	*
<b>Loans and advances to banks</b>			
Interbank investments	111,024,912	136,738,812	67,750,725
<b>Total of Loans and advances to banks</b>	<b>111,024,912</b>	<b>136,738,812</b>	<b>67,750,725</b>
Loans and advances to banks as a percentage of total assets	10.8%	14.7%	8.1%
<b>Total assets pledged as collateral</b>	<b>144,489,921</b>	<b>152,612,689</b>	<b>117,740,225</b>
Assets pledged as collateral as a % of total assets	14.1%	16.4%	14.0%

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***Maturity distribution***

The following table shows maturity dates and weighted average yield as of December 31, 2015, for our financial assets held for trading, financial assets available for sale and investments held to maturity:

December 31, 2015	R\$ in thousands, except %								
	Due in 1 year or less	Average	Due after 1 year up to 5 years	Average	Due after 5 years up to 10 years	Average	Due after 10 years	Average	No stated maturity
	Balance	yield	Balance	yield	Balance	yield	Balance	yield	Balance
<b>Financial assets held for trading</b>									
Brazilian government securities	90,131,579	14.5%	296,972	14.2%	2,808,014	12.5%	596,551	10.8%	
Corporate debt and marketable equity securities <sup>(1)</sup>	4,798,808	12.0%	1,900,107	11.7%	240,653	11.1%	98,454	10.4%	636,333
Bank debt securities	13,471,328	12.6%	1,851,423	12.4%	-	-	-	-	-
Mutual funds <sup>(2)</sup>	-	-	-	-	-	-	-	-	-21,711,388
Derivative financial instruments	3,578,666		-13,190,614		-2,073,209		28,428		-
Foreign government securities	784,507	9.9%	-	-	-	-	-	-	-
Brazilian sovereign bonds	1,426,030	8.8%	-	-	-	-	386	7.1%	-
<b>Total financial assets held for trading</b>	<b>114,190,918</b>		<b>-17,239,116</b>		<b>- 5,121,876</b>		<b>- 723,819</b>		<b>-22,347,722</b>
	*	*	*	*	*	*	*	*	*
<b>Financial assets available for sale</b>									
Brazilian government securities	36,027,429	12.5%	18,993,675	13.5%	3,412,033	11.0%	7,782,715	10.5%	
Brazilian sovereign bonds	-	-	4,791	8.0%	-	-	-	-	-
Corporate debt securities	4,979,924	8.0%	16,031,208	11.0%	14,102,823	10.6%	647,858	10.1%	
Bank debt securities	2,427,400	5.6%	2,089,727	5.8%	84,630	8.8%	41,287	8.5%	
	-	-	-	-	-	-	-	-	- 9,323,740

Marketable equity securities <sup>(2)</sup>									
Foreign government securities	1,746,204	13.9%	-	-	-	-	-	-	-
<b>Total financial assets available for sale</b>	<b>45,180,957</b>		<b>-37,119,401</b>		<b>-17,599,486</b>		<b>- 8,471,860</b>		<b>- 9,323,74</b>
	*	*	*	*	*	*	*	*	*
<b>Investments held to maturity</b>									
Brazilian government securities	-	-	4,147,712	16.8%	7,363,027	17.3%	15,894,283	17.6%	
Brazilian sovereign bonds	1,614	8.0%	39,478	8.0%	-	-	-	-	-
Floating rate – bills of exchange	1,390	7.9%	505,395	10.2%	2,980,587	9.6%	9,070,074	9.5%	
<b>Total investments held to maturity</b>	<b>3,004</b>		<b>- 4,692,585</b>		<b>-10,343,614</b>		<b>-24,964,357</b>		<b>-</b>
<b>Overall Total</b>	<b>159,374,879</b>		<b>-59,051,102</b>		<b>-33,064,976</b>		<b>-34,160,036</b>		<b>-31,671,46</b>

(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 quantifiable.

**4.B. Business Overview**

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The following table shows maturity dates and weighted average yield as of December 31, 2015, for our assets pledged as collateral.

December 31, 2015	R\$ in thousands, except %								Total Balance
	Due in 1 year or less Average Balance	Average yield	Due after 1 year to 5 years Average Balance	Average yield	Due after 5 years to 10 years Average Balance	Average yield	Due after 10 years Average Balance	Average yield	
<b>Financial assets held for trading</b>									
Brazilian government securities	44,828	15.2%	161,105	15.0%	83,912	14.7%	1,653	13.3%	291,498
<b>Total of financial assets held for trading</b>	<b>44,828</b>	-	<b>161,105</b>	-	<b>83,912</b>	-	<b>1,653</b>	-	<b>291,498</b>
*	*	*	*	*	*	*	*	*	*
<b>Financial assets available for sale</b>									
Brazilian government securities	11,864,672	15.4%	5,907,294	15.0%	11,089,434	14.0%	5,215	13.3%	28,866,615
Corporate debt securities	-	-	379,731	10.5%	2,109,198	8.9%	-	-	2,488,929
Bank debt securities	-	-	1,500,739	5.4%	317,228	4.5%	-	-	1,817,967
<b>Total of financial assets available for sale</b>	<b>11,864,672</b>	-	<b>-7,787,764</b>	-	<b>-13,515,860</b>	-	<b>5,215</b>	-	<b>33,173,511</b>
*	*	*	*	*	*	*	*	*	*
<b>Loans and advances to banks</b>									
Interbank investments	111,024,912	14.2%	-	-	-	-	-	-	-111,024,912
<b>Total of loans and advances to banks</b>	<b>111,024,912</b>	-	-	-	-	-	-	-	<b>-111,024,912</b>
*	*	*	*	*	*	*	*	*	*
<b>Overall Total</b>	<b>122,934,412</b>	-	<b>-7,948,869</b>	-	<b>-13,599,772</b>	-	<b>6,868</b>	-	<b>-144,489,921</b>



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The following table shows our financial assets held for trading, financial assets available for sale and investments held to maturity as of the dates indicated:

	R\$ in thousands			Total
	At fair value	Financial assets available for sale	Amortized cost	
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	
<b>December 31, 2015</b>				
Denominated in <i>reais</i>	155,144,937	110,208,119	39,962,468	305,315,524
Denominated in foreign currency <sup>(1)</sup>	4,478,512	7,487,331	41,092	12,006,935
*	*	*	*	*
<b>December 31, 2014</b>				
Denominated in <i>reais</i>	76,459,925	117,176,241	25,032,157	218,668,323
Denominated in foreign currency <sup>(1)</sup>	2,038,386	3,785,493	38,874	5,862,753
*	*	*	*	*
<b>December 31, 2013</b>				
Denominated in <i>reais</i>	95,269,738	60,435,790	23,023,353	178,728,881
Denominated in foreign currency <sup>(1)</sup>	822,785	7,402,621	45,673	8,271,079

(1) Predominantly U.S. dollars.

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

	R\$ in thousands				Total
	At fair value	Financial assets available for sale	Loans and advances to banks	Amortized cost	
	Financial assets held for trading	Financial assets available for sale	Loans and advances to banks	Investments held to maturity	
<b>December 31, 2015</b>					
Denominated in <i>reais</i>	291,498	28,866,614	111,024,912	-	140,183,024
Denominated in foreign currency <sup>(1)</sup>	-	4,306,897	-	-	4,306,897
*	*	*	*	*	*
<b>December 31, 2014</b>					
Denominated in <i>reais</i>	1,257,413	7,095,516	136,738,812	-	145,091,741
Denominated in foreign currency <sup>(1)</sup>	-	7,520,948	-	-	7,520,948
*	*	*	*	*	*
<b>December 31, 2013</b>					

Denominated in <i>reais</i>	2,924,653	44,667,818	67,750,725	-	115,343,196
Denominated in foreign currency <sup>(1)</sup>	-	2,392,669	-	4,360	2,397,029

(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 interest rates:

December 31,	R\$ in thousands				
	2015	2014	2013	2012	2011
<b>Type of loans and advances to customers</b>					
Working capital	65,501,431	62,155,974	59,180,627	53,298,176	49,461,882
Personal credit <sup>(1)</sup>	49,681,429	45,807,489	41,922,683	32,240,786	24,374,640
BNDES/Finame onlendings	38,158,108	42,168,754	40,543,267	35,703,861	35,398,656
Vehicles - Direct Consumer Financing (CDC)	26,484,476	30,354,903	32,209,642	33,820,338	30,651,218
Housing loans	48,114,515	40,103,169	27,870,462	22,302,967	15,930,568
Export financing	38,180,619	26,141,531	25,662,214	22,665,551	20,504,778
Credit cards	30,943,428	28,072,447	25,473,079	22,367,978	19,776,579
Rural loans	13,710,274	17,057,992	13,651,917	11,580,061	11,036,251
Guaranteed account	9,831,248	10,500,353	10,422,370	9,800,968	9,671,487
Import financing	11,026,017	9,195,381	8,598,811	6,580,312	5,072,822
Leasing	3,072,777	4,319,148	5,713,481	8,035,454	11,550,838
Insurance premiums receivable	4,757,182	4,257,787	3,717,227	2,893,506	2,472,923
Overdraft facilities	3,904,890	3,665,539	3,312,666	2,988,632	2,745,695
Others	26,957,274	25,396,213	25,701,122	24,657,024	24,154,584
<b>Total portfolio</b>	<b>370,323,668</b>	<b>349,196,681</b>	<b>323,979,568</b>	<b>288,935,614</b>	<b>262,802,921</b>
Impairment of loans and advances	(25,455,204)	(21,132,677)	(19,858,234)	(19,914,294)	(17,551,042)
<b>Net loans and advances to customers</b>	<b>344,868,464</b>	<b>328,064,004</b>	<b>304,121,334</b>	<b>269,021,320</b>	<b>245,251,879</b>

(1) Including payroll-deductible loans.



**4.B. Business Overview**

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The main types of loans and advances presented are as follows:

- **Working capital** – this line of credit is used to meet company cash requirements, finance operational cycle and honor commitments such as purchases of raw materials, goods, and other items;
- **Personal credit** – this credit is for individuals, with the objective of financing personal needs or the purchase of consumer goods;
- **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;
- **Housing loans** – these loans are used to acquire real estate that are usually long-term and mortgage loans to construction companies;
- **Export financing** – these are advances on exchange contracts to customers exporting goods or services, individuals and companies, exporting through exchange contracts that are normally short- and medium-term loans, onlending of funds from BNDES-EXIM, export credit notes and bonds, pre-payment for export and operations structured by our units abroad;
- **Credit card** – this credit line is based on previously approved limits for acquisition of goods or services;
- **Rural credit** – this line of credit is for farmers and agricultural cooperatives, funds to cover current costs, investment and marketing of agricultural products;
- **Guaranteed account** – this is a revolving credit line to be used by companies to meet their emergency financial needs;
- **Import financing** – this is a foreign currency financing line intended for paying purchases made abroad; and
- **Leasing** – leasing contracts consist primarily of leases of equipment and automobiles to both corporate and individual borrowers.

***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. For further information on the methodology of calculating the impairment of loans and advances, see "Item 5.A. Operating Results – Critical accounting policies – Impairment of loans and advances."

### ***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 classify 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."

### ***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 primarily of onlending of Eurobonds and export and import financing, and represented 13.6% in 2015, 10.6% in 2014 and 10.2% in 2013 of our portfolio of loans and advances. In many cases our customers hold derivative instruments to minimize exchange rate variation risk.

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**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:

As of December 31, 2015	R\$ in thousands							Total advances gross
	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 <sup>(1)</sup>	
<b>Type of loans and advances to customers</b>								
Working capital	6,935,651	3,891,709	2,836,317	9,452,904	13,481,551	26,120,178	2,783,121	65,5
Personal credit	3,353,732	2,827,704	2,283,364	5,821,298	8,730,164	24,308,346	2,356,821	49,6
BNDES/Finame onlendings	5,252,425	5,270,302	5,038,273	6,627,832	2,247,463	13,689,807	32,006	38,
Vehicles - Direct Consumer Financing (CDC)	1,555,316	1,469,244	1,361,801	3,601,343	5,828,647	11,047,011	1,621,114	26,4
Housing loans	463,319	232,129	227,848	829,652	2,036,677	43,777,689	547,201	48,
Export financing	1,846,079	2,519,338	1,843,353	5,166,231	4,298,635	22,252,716	254,267	38,
Credit cards	-	-	-	-	-	-	30,943,428	30,9
Rural loans	410,844	624,249	538,770	1,787,100	6,306,605	3,685,948	356,758	13,7
Guaranteed account	2,612,673	2,782,097	2,210,882	1,680,310	129,749	89,728	325,809	9,8
Import financing	1,325,783	1,168,322	1,117,366	4,514,063	1,814,467	997,654	88,362	11,0
Leasing	175,938	159,821	190,196	407,602	644,567	1,399,038	95,615	3,0
Insurance premiums receivable	4,632,289	-	-	-	-	124,893	-	4,7
Overdraft facilities	1,188,496	756,905	508,523	172,096	285,105	7,210	986,555	3,9
Others	6,970,642	3,085,568	1,800,713	2,665,394	2,099,666	5,261,507	5,073,784	26,9
<b>Total loans and advances to customers</b>	<b>36,723,187</b>	<b>24,787,388</b>	<b>19,957,406</b>	<b>42,725,825</b>	<b>47,903,296</b>	<b>152,761,725</b>	<b>45,464,841</b>	<b>370,3</b>

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

As of December 31, 2015	R\$ in thousands							Total loans, gross
	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	

**Types of  
loans and  
advances to  
customer by  
maturity**

Fixed rates	33,733,445	20,546,786	16,326,357	34,357,696	38,308,206	75,156,884	44,885,201	263,314,575
Floating rates	2,989,742	4,240,602	3,631,049	8,368,129	9,595,090	77,604,841	579,640	107,009,093
<b>Total</b>	<b>36,723,187</b>	<b>24,787,388</b>	<b>19,957,406</b>	<b>42,725,825</b>	<b>47,903,296</b>	<b>152,761,725</b>	<b>45,464,841</b>	<b>370,323,668</b>

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**4.B. Business Overview**

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***Outstanding foreign loans***

The majority of our outstanding cross-border commercial loans that are denominated in foreign currencies are raised in U.S. dollars by subsidiaries of Brazilian companies through our Cayman branch. These loans represented, on average, 4.3% 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, 2.3% of our total assets over the last three years.

***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:

As of December 31,	R\$ in thousands, except %					
	2015		2014		2013	
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	
<b>Public sector</b>	<b>10,250,375</b>	<b>2.8%</b>	<b>6,849,002</b>	<b>2.0%</b>	<b>2,188,831</b>	<b>0.7%</b>
<b>Federal Government</b>	<b>10,241,594</b>	<b>2.8%</b>	<b>6,828,851</b>	<b>2.0%</b>	<b>2,148,497</b>	<b>0.7%</b>
Petrochemicals	10,241,594	2.8%	6,828,851	2.0%	2,148,497	0.7%
<b>State Government</b>	<b>8,781</b>	<b>0.0%</b>	<b>20,151</b>	<b>0.0%</b>	<b>40,334</b>	<b>0.0%</b>
Production and distribution of electricity	8,781	0.0%	20,151	0.0%	40,334	0.0%
*	*	*	*	*	*	*
<b>Private sector</b>	<b>360,073,293</b>	<b>97.2%</b>	<b>342,347,679</b>	<b>98.0%</b>	<b>321,790,737</b>	<b>99.3%</b>
<b>Manufacturing</b>	<b>65,158,837</b>	<b>17.6%</b>	<b>56,651,087</b>	<b>16.2%</b>	<b>58,245,854</b>	<b>18.0%</b>
Food and beverages	13,663,410	3.7%	13,640,472	3.9%	13,195,437	4.1%
Steel, metallurgy and mechanics	11,036,375	3.0%	10,092,318	2.9%	11,378,577	3.5%
Chemicals	5,624,425	1.5%	4,522,057	1.3%	4,484,287	1.4%
Pulp and paper	4,532,249	1.2%	3,886,236	1.1%	3,624,721	1.1%
Textile and clothing	2,905,258	0.8%	3,138,214	0.9%	3,203,296	1.0%
Oil refining and production of alcohol	1,492,215	0.4%	1,816,990	0.5%	2,732,785	0.8%
Rubber and plastic articles	2,820,736	0.8%	2,810,322	0.8%	2,876,366	0.9%
Extraction of metallic and non-metallic minerals	2,390,913	0.6%	1,166,969	0.3%	1,707,413	0.5%

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Light and heavy vehicles	8,690,405	2.3%	5,353,212	1.5%	4,630,370	1.4%
Furniture and wood products	2,118,945	0.6%	2,205,048	0.6%	2,332,805	0.7%
Electro and electronic products	1,313,480	0.4%	1,237,075	0.4%	1,915,767	0.6%
Non-metallic materials	1,948,504	0.5%	2,081,481	0.6%	2,161,609	0.7%
Automotive parts and accessories	2,135,485	0.6%	1,998,093	0.6%	1,296,869	0.4%
Leather articles	903,781	0.2%	791,083	0.2%	818,542	0.3%
Publishing, printing and reproduction	552,354	0.1%	578,718	0.2%	769,280	0.2%
Other industries	3,030,302	0.8%	1,332,799	0.4%	1,117,730	0.3%
<b>Commercial</b>	<b>41,267,638</b>	<b>11.1%</b>	<b>43,024,256</b>	<b>12.3%</b>	<b>45,979,578</b>	<b>14.2%</b>
Specialty stores	7,562,545	2.0%	8,317,266	2.4%	11,093,681	3.4%
Food, beverages and tobacco	4,874,823	1.3%	5,553,398	1.6%	5,490,367	1.7%
Non-specialized retailer	6,306,350	1.7%	5,332,616	1.5%	5,046,434	1.6%
Motor vehicles	2,830,651	0.8%	3,604,046	1.0%	4,195,342	1.3%
Parts, accessories and motor vehicle repairing	2,832,476	0.8%	3,066,004	0.9%	3,402,385	1.1%
Clothing and footwear	3,006,953	0.8%	3,079,345	0.9%	3,522,719	1.1%
Personal and household goods	1,877,115	0.5%	2,211,096	0.6%	2,788,145	0.9%
Waste and scrap	3,387,879	0.9%	3,680,167	1.1%	2,366,354	0.7%
Fuel	1,846,528	0.5%	1,970,667	0.6%	1,901,922	0.6%
Trade intermediaries	1,173,241	0.3%	967,833	0.3%	1,533,412	0.5%
Wholesale of goods in general	1,029,359	0.3%	942,695	0.3%	1,716,400	0.5%
Agricultural products	2,072,597	0.6%	2,292,274	0.7%	1,352,744	0.4%
Other commercial activities	2,467,121	0.7%	2,006,849	0.6%	1,569,673	0.5%
<b>Services</b>	<b>102,629,056</b>	<b>27.7%</b>	<b>97,987,989</b>	<b>28.1%</b>	<b>84,554,012</b>	<b>26.1%</b>
Transportation and storage	17,471,591	4.7%	18,319,498	5.2%	16,825,914	5.2%
Real estate activities, rentals and corporate services	14,618,213	3.9%	13,802,102	4.0%	14,504,420	4.5%
Civil construction	23,340,313	6.3%	24,557,530	7.0%	20,475,364	6.3%
Production and distribution of electricity, gas and water	4,722,345	1.3%	4,616,014	1.3%	4,408,326	1.4%
Holding companies, legal, accounting and business advisory services	7,166,007	1.9%	6,758,970	1.9%	5,386,952	1.7%
Social services, education, health, defense and social security	5,083,060	1.4%	4,778,628	1.4%	4,007,990	1.2%

Partnerships with retail companies – Bradesco Expresso

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Lodging and catering services	2,867,336	0.8%	2,919,739	0.8%	2,824,681	0.9%
Club, leisure, cultural and sport activities	5,675,333	1.5%	4,826,010	1.4%	2,234,255	0.7%
Telecommunications	440,342	0.1%	774,953	0.2%	484,397	0.1%
Other services	21,244,516	5.7%	16,634,545	4.8%	13,401,713	4.1%
<b>Individuals</b>	<b>147,859,789</b>	<b>39.9%</b>	<b>141,219,983</b>	<b>40.4%</b>	<b>128,635,645</b>	<b>39.7%</b>
<b>Agribusiness</b>	<b>3,157,973</b>	<b>0.9%</b>	<b>3,464,364</b>	<b>1.0%</b>	<b>4,375,648</b>	<b>1.4%</b>
*	*	*	*	*	*	*
<b>Total</b>	<b>370,323,668</b>	<b>100.0%</b>	<b>349,196,681</b>	<b>100.0%</b>	<b>323,979,568</b>	<b>100.0%</b>
*	*	*	*	*	*	*
<b>Impairment of loans and advances</b>	<b>(25,455,204)</b>		<b>(21,132,677)</b>		<b>(19,858,234)</b>	

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**4.B. Business Overview**

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

The following table summarizes our non-performing loans and advances (loans and advances operations overdue for over 60 days and that no longer accrue interest), 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. Our Senior Management uses some of these ratios for monitoring purposes and to support decision-making when granting loan and advances. For further information regarding the performance of some of these ratios, see Item "5.A. Operating Results.":

<b>December 31,</b>	<b>R\$ in thousands, except %</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Non performing loans and advances to customers, over 60 days	18,238,152	14,779,382	13,650,513	14,455,265	12,968,613
Foreclosed assets	1,247,106	1,006,461	832,546	532,973	445,328
<b>Total non-performing loans and advances to customers and foreclosed assets</b>	<b>19,485,258</b>	<b>15,785,843</b>	<b>14,483,059</b>	<b>14,988,238</b>	<b>13,413,941</b>
<b>Total loans and advances to customers</b>	<b>370,323,668</b>	<b>349,196,681</b>	<b>323,979,568</b>	<b>288,935,614</b>	<b>262,802,921</b>
<b>Impairment of loans and advances</b>	<b>25,455,204</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>19,914,294</b>	<b>17,551,042</b>
Non performing loans and advances as a percentage of total loans and advances to customers	4.9%	4.2%	4.2%	5.0%	4.9%
Non performing loans ad advances and foreclosed assets as a percentage of total loans and advances to customers	5.3%	4.5%	4.5%	5.2%	5.1%
Impairment of loans and advances as a percentage of total loans and advances	6.9%	6.1%	6.1%	6.9%	6.7%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers	139.6%	143.0%	145.5%	137.8%	135.3%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers and foreclosed assets	130.6%	133.9%	137.1%	132.9%	130.8%
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)	3.0%	2.7%	3.2%	3.3%	2.5%



**Impairment of loans and advances**

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

December 31,	R\$ in thousands, except %				
2015	2014	2013	2012	2011	
<b>Balance at the beginning of the period</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>19,914,294</b>	<b>17,551,042</b>	<b>15,245,205</b>
<b>Charge-off from assets</b>					
Working capital	(2,143,675)	(1,507,974)	(1,447,051)	(1,368,689)	(700,164)
BNDES/Finame onlendings	(382,409)	(272,469)	(232,101)	(152,070)	(117,580)
Personal credit	(1,855,512)	(1,633,867)	(1,447,057)	(1,111,746)	(872,786)
Credit cards	(1,471,292)	(1,410,131)	(1,626,581)	(1,578,143)	(1,293,047)
Export financing	(256,309)	(35,501)	(58,366)	(27,148)	(86,792)
Leasing	(172,419)	(252,447)	(381,582)	(477,859)	(627,566)
Housing loans	(186,184)	(154,943)	(94,700)	(67,803)	(66,270)
Rural loans	(92,887)	(60,724)	(69,683)	(56,723)	(54,155)
Guaranteed account	(281,858)	(250,973)	(252,838)	(255,157)	(159,945)
Import financing	(327,775)	(45,435)	(6,910)	(2,543)	(54)
Overdraft facilities	(883,620)	(692,735)	(676,805)	(593,045)	(436,984)
Others <sup>(1)</sup>	(6,489,564)	(6,624,258)	(7,026,270)	(6,383,844)	(4,317,347)
<b>Total charge-off from assets</b>	<b>(14,543,504)</b>	<b>(12,941,457)</b>	<b>(13,319,944)</b>	<b>(12,074,770)</b>	<b>(8,732,690)</b>
<b>Recoveries</b>					
Working capital	546,963	308,980	294,657	209,557	627
BNDES/Finame onlendings	124,143	101,297	69,533	58,937	92,432
Personal credit	547,700	519,378	492,383	388,535	379,973
Credit cards	238,747	504,319	370,184	614,381	436,625
Export financing	30,822	14,972	7,139	1,400	28,254
Leasing	82,692	95,361	83,813	126,208	105,887
Housing loans	1,634	736	720	1,492	107,562
Rural loans	36,953	35,380	42,177	33,778	59,040
Guaranteed account	71,281	46,621	36,268	35,092	45,314
Import financing	32,640	1,120	1,500	12	176
Overdraft facilities	168,001	164,864	162,306	143,548	125,122
Others <sup>(1)</sup>	2,263,303	2,131,486	2,079,334	1,373,699	1,418,157
<b>Total recoveries</b>	<b>4,144,879</b>	<b>3,924,514</b>	<b>3,640,014</b>	<b>2,986,639</b>	<b>2,799,169</b>
<b>Net charge-offs</b>	<b>(10,398,625)</b>	<b>(9,016,943)</b>	<b>(9,679,930)</b>	<b>(9,088,131)</b>	<b>(5,933,521)</b>
Net impairment losses on loans and advances	14,721,152	10,291,386	9,623,870	11,451,383	8,239,358
<b>Balance at the end of the period</b>	<b>25,455,204</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>19,914,294</b>	<b>17,551,042</b>
Net charge offs for the period as a percentage of the average balance of loans and advances to customers (including non-performing	3.0%	2.7%	3.2%	3.3%	2.5%

loans and advances, over 60  
days)

(1) Including basically the renegotiating portfolio.

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**4.B. Business Overview**

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

***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, 2015	Allocated impairment of loans and advances	R\$ in thousands, except %	
		Allocated impairment of loans and advances as a percentage of total loans and advances to customers <sup>(1)</sup>	Loan and advances category as a percentage of total loans and advances <sup>(1)</sup>
<b>Type of loans and advances to customers</b>			
Working capital	5,922,477	1.7%	17.9%
BNDES/Finame onlendings	555,715	0.2%	10.8%
Vehicles - Direct Consumer Financing (CDC)	1,839,711	0.5%	7.1%
Personal credit	2,941,571	0.8%	13.4%
Credit cards	4,005,048	1.1%	7.7%
Export financing	642,533	0.2%	10.8%
Leasing	152,028	-	13.5%
Housing loans	864,111	0.2%	3.8%
Rural loans	544,530	0.2%	2.7%
Guaranteed account	297,873	0.1%	0.8%
Import financing	164,967	-	3.1%
Overdraft facilities	578,631	0.2%	0.8%
Insurance premiums receivable	277,173	0.1%	1.4%
Others	6,668,836	1.9%	6.2%
<b>Total</b>	<b>25,455,204</b>	<b>7.2%</b>	<b>100.0%</b>

<sup>(1)</sup> Excludes non-performing loans and advances.

December 31, 2014

December 31, 2014		R\$ in thousands, except %	
Allocated impairment of loans and advances	Allocated impairment of loans and advances as a percentage of total	Loan and advances category as a percentage of total loans and	

<b>Type of loans and advances to customers</b>		<b>loans and advances to customers <sup>(1)</sup></b>	<b>advances <sup>(1)</sup></b>
Working capital	2,512,775	0.8%	17.8%
BNDES/Finame onlendings	1,070,517	0.3%	12.6%
Vehicles - Direct Consumer Financing (CDC)	1,892,497	0.6%	8.7%
Personal credit	2,877,236	0.9%	13.1%
Credit cards	3,405,529	1.0%	7.5%
Export financing	616,625	0.2%	7.7%
Leasing	294,371	0.1%	1.3%
Housing loans	1,047,221	0.3%	11.9%
Rural loans	427,932	0.1%	5.0%
Guaranteed account	241,252	0.1%	3.1%
Import financing	45,570	-	2.7%
Overdraft facilities	493,240	0.1%	0.9%
Insurance premiums receivable	200,768	0.1%	1.3%
Others	6,007,144	1.8%	6.4%
<b>Total</b>	<b>21,132,677</b>	<b>6.4%</b>	<b>100.0%</b>

(1) Excludes non-performing loans and advances.

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## 4.B. Business Overview

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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 <sup>(1)</sup>	Loan and advances category as a percentage of total loans and advances <sup>(1)</sup>
<b>Type of loans and advances to customers</b>			
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	224,615	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%
<b>Total</b>	<b>19,858,234</b>	<b>6.4%</b>	<b>100.0%</b>

(1) Excludes non-performing loans and advances.

December 31, 2012	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 <sup>(1)</sup>	Loan and advances category as a percentage of total loans and advances <sup>(1)</sup>
<b>Type of loans and advances to customers</b>			
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%
<b>Total</b>	<b>19,914,294</b>	<b>7.3%</b>	<b>100.0%</b>

(1) Excludes non-performing loans and advances.

December 31, 2011	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 <sup>(1)</sup>	Loan and advances category as a percentage of total loans and advances <sup>(1)</sup>
<b>Type of loans and advances to customers</b>			
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%
<b>Total</b>	<b>17,551,042</b>	<b>7.2%</b>	<b>100.0%</b>

(1) Excludes non-performing loans and advances.

**4.B. Business Overview**

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***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,	R\$ in thousands		
	2015	2014	2013
<b>Repurchase agreements</b>			
<b>Own portfolio position</b>			
Financial treasury bills	199,996	8,750,847	17,661
National treasury bills	11,637,051	11,876,655	18,755,345
National treasury notes	17,058,798	35,890,277	33,173,862
Debentures	362,215	-	-
Others	4,293	60,497	58,692
<b>Short position</b>			
Brazilian government securities	370,759	860,065	5,216,744
<b>Total of repurchase agreements</b>	<b>29,633,112</b>	<b>57,438,341</b>	<b>57,222,304</b>
<b>Loans and advances to banks</b>			
Interbank deposits	1,017,666	7,652,396	7,278,913
Foreign currency transactions	2,149,301	681,573	3,290,687
Bank deposit certificates	833,909	4,398,294	6,391,631
Credit acquisition with co-obligation	2,037,739	2,848,280	4,579,430
Impairment of loans and advances	(51,317)	(44,265)	(43,242)
<b>Total of loans and advances to banks</b>	<b>5,987,298</b>	<b>15,536,278</b>	<b>21,497,419</b>
<b>Total</b>	<b>35,620,410</b>	<b>72,974,619</b>	<b>78,719,723</b>

December, 31	R\$ in thousands		
	2015	2014	2013
<b>Balance at the beginning of the year</b>	<b>44,265</b>	<b>43,242</b>	<b>33,932</b>
Additions/Reductions	7,052	1,023	9,310
<b>Balance at the end of the year</b>	<b>51,317</b>	<b>44,265</b>	<b>43,242</b>

***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:

For the year ended December 31,	R\$ in thousands, except %		
	2015	2014	2013

	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
<b>Deposits</b>						
<b>Non-interest-bearing deposits</b>						
Demand deposits	26,969,963		- 35,138,920		- 36,876,1	
<b>Total non-interest-bearing deposits</b>	<b>26,969,963</b>		<b>- 35,138,920</b>		<b>- 36,876,1</b>	
<b>Interest-bearing deposits</b>						
Interbank deposits	621,904	11.8%	695,132		12.4%	671,4
Savings deposits	91,075,494	7.1%	84,921,694		6.4%	73,307,1
Time deposits	83,978,162	7.1%	91,990,788		7.0%	99,565,9
<b>Total interest-bearing deposits</b>	<b>175,675,560</b>		<b>177,607,614</b>		<b>173,544,5</b>	
<b>Total deposits</b>	<b>202,645,523</b>		<b>- 212,746,534</b>		<b>- 210,420,7</b>	

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## 4.B. Business Overview

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**Maturity of deposits**

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

December 31, 2015	R\$ in thousands				Total
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year	
<b>Domestic deposits</b>					
<b>Non-interest-bearing deposits</b>					
Demand deposits <sup>(1)</sup>	21,813,870	-	-	-	21,813,870
<b>Total non-interest-bearing deposits</b>	<b>21,813,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,813,870</b>
<b>Interest-bearing deposits</b>					
Interbank deposits	383,311	4,348	13,832	-	401,491
Savings deposits <sup>(1)</sup>	91,878,765	-	-	-	91,878,765
Time deposits	2,867,348	3,405,011	6,708,124	40,952,434	53,932,917
<b>Total interest-bearing deposits</b>	<b>95,129,424</b>	<b>3,409,359</b>	<b>6,721,956</b>	<b>40,952,434</b>	<b>146,213,173</b>
<b>Total domestic deposits</b>	<b>116,943,294</b>	<b>3,409,359</b>	<b>6,721,956</b>	<b>40,952,434</b>	<b>168,027,043</b>
<b>International deposits <sup>(2)</sup></b>					
<b>Non-interest-bearing deposits</b>					
Demand deposits	2,005,913	-	-	-	2,005,913
<b>Total non-interest-bearing deposits</b>	<b>2,005,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,005,913</b>
<b>Interest-bearing deposits</b>					
Interbank deposits	73	17,784	242	46,858	64,957
Time deposits	18,286,210	3,252,636	2,777,524	1,369,980	25,686,350
<b>Total interest-bearing deposits</b>	<b>18,286,283</b>	<b>3,270,420</b>	<b>2,777,766</b>	<b>1,416,838</b>	<b>25,751,307</b>
<b>Total international deposits</b>	<b>20,292,196</b>	<b>3,270,420</b>	<b>2,777,766</b>	<b>1,416,838</b>	<b>27,757,220</b>
<b>Total deposits</b>	<b>137,235,490</b>	<b>6,679,779</b>	<b>9,499,722</b>	<b>42,369,272</b>	<b>195,784,263</b>

<sup>(1)</sup> Demand deposits and savings deposits are classified as due in up to three months, without taking into account the average turnaround history; and

<sup>(2)</sup> 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:

<b>December 31, 2015</b>	<b>R\$ in thousands</b>	
	<b>Domestic currency</b>	<b>International currency</b>
Maturity within 3 months	2,253,176	18,170,826
Maturity after 3 months but within 6 months	3,025,272	3,232,549
Maturity after 6 months but within 12 months	6,377,033	2,777,524
Maturity after 12 months	38,688,033	1,369,706
<b>Total deposits in excess of US\$100,000</b>	<b>50,343,514</b>	<b>25,550,605</b>

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**5.A. Operating Results**

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***Funding in the open market***

Funding in the open market amounted to R\$222,291 million as of December 31, 2015, R\$219,360 million as of December 31, 2014 and R\$185,055 million as of December 31, 2013.

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

<b>For the year ended December 31,</b>	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Funding in the open market</b>			
Amount outstanding	222,291,364	219,359,890	185,055,358
Maximum amount outstanding during the period	238,178,168	219,359,890	185,055,358
Weighted average interest rate at period end <sup>(1)</sup>	13.8%	9.7%	7.2%
Average amount during the period	211,686,661	192,967,597	182,981,063
Weighted average interest rate	11.1%	9.9%	9.1%

<sup>(1)</sup> 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. For further information about our shareholding structure, see "Item 7.A. Major Shareholders." For further information about our significant subsidiaries as of December 31, 2015, see Exhibit 8.1 to this annual report.

**4.D. Property, Plants and Equipment**

As of December 31, 2015, we owned 827 properties and leased 3,597 properties throughout Brazil and 11 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 7 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 2013, GDP grew by 3.0%. 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 IPCA, was 5.9% for the year ended December 31, 2013.

In 2014, GDP grew by 0.1% compared to the previous year. The Brazilian *real* depreciated to R\$2.6562 against the U.S. dollar at December 31, 2014, when compared to the amount of R\$2.3426 at December 31, 2013. The Monetary Policy Committee ("COPOM") increased the base interest rate from 10.0% at December 31, 2013 to 11.75% at December 31, 2014. Inflation, measured by the IPCA index, was 6.4% for the fiscal year ended December 31, 2014.

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In 2015, GDP recorded a retraction of 3.8% compared to the previous year. The *real* has depreciated to R\$3.9048 per U.S. dollar on December 31, 2015, compared with R\$2.6562 per U.S. dollar on December 31, 2014. The COPOM has increased the basic interest rate from 11.75% on December 31, 2014 to 14.25% on December 31, 2015. The inflation, measured by the IPCA, was 10.7% for the year ended December 31, 2015.

The following table shows Brazilian inflation measured by IPCA, 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:

	In R\$, except %		
	2015	2014	2013
Inflation (IPCA)	10.7%	6.4%	5.9%
Depreciation of the real against the U.S. dollar	(47.0)%	(13.4)%	(14.6)%
Period-end exchange rate-US\$1.00	3.9048	2.6562	2.3426
Average exchange rate US\$1.00 <sup>(1)</sup>	3.3314	2.3586	2.1641

<sup>(1)</sup> Average exchange rate considering the closing exchange rates at the end of each month starting December of the previous year.

Sources: FGV and the Central Bank.

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

	2015	2014	2013
Change in <i>real</i> GDP <sup>(1)</sup>	(3.8)%	0.1%	3.0%
Average base interest rates <sup>(2)</sup>	13.3%	10.9%	8.2%
Average interbank interest rates <sup>(3)</sup>	13.2%	10.8%	8.1%

<sup>(1)</sup> Calculated by dividing the change in *real* GDP during a year by the *real* GDP of the previous year;

<sup>(2)</sup> Calculated in accordance with Central Bank methodology (based on nominal rates); and

<sup>(3)</sup> 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***

In 2015, the continued strengthening of the USA economy led the Federal Reserve to intensify their shift towards monetary normalization. During the course of the same period, the U.S. dollar continued to appreciate, while the performance of the Chinese economy and the continuity of the decreasing movement

of commodity prices had a negative impact on the currencies of emerging countries. Meanwhile, volatility continued at an international level, primarily during the first half of the year, as a result of the risk of Greece defaulting and leaving the Eurozone.

Over the course of the last year, a significant risk factor in the world economy emerged, this being the uncertainty surrounding the economy of emerging countries, in particular China. The intense deceleration of the Chinese economy in the third quarter combined with the significant drop in the local stock exchange and the change in foreign exchange regime announced by the Chinese government, have increased the uncertainties surrounding the economic policy. The adoption of monetary and tax incentives have been unable to stabilize such deceleration, sustaining a high threat on the economy of the other emerging countries. As a result, interest rates and exchange rates of Brazil were negatively impacted, in an unfavorable context of government accounts, the economy experienced a contraction, and inflation and monetary and tax adjustments mandated by the government and the Central Bank accelerated.

The continued improvement in the USA labor market, evidenced by the continuing fall in unemployment rates and increasing job opportunities, sustained the prospect of adjustment of monetary conditions in the USA at the end of the year, with an increase of 0.25 percentage points of the federal funds rate in December. However, this process has been widely indicated and should be very gradual, avoiding relevant impacts on asset prices in the international market. In addition, important developed economies still face difficulties in boosting growth, sustaining the high international liquidity. A highlight for the Eurozone came in January, when the European Central Bank expanded its program of the purchase of assets to include sovereign bonds, with the aim of combating deflation and weak economic performance within the Eurozone.

## 5.A. Operating Results

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Thus, the risks for the global economy remain high, despite the strong recovery in the economic activity in the USA. The reduction of the likelihood of the occurrence of an event of rupture in developed countries was balanced by the deceleration of the emerging countries in intensity higher than expected, hampering the recovery of world growth, mainly regarding China, where the risks of a slowdown of the local economy are still high and new stimulus measures may not be sufficient to guarantee the acceleration of the economy. This, at the same time in which the behavior of commodities prices threatens the exporting countries and increases the risks of deflation in the developed economies.

### ***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, for example, from 2009 to 2010, we incurred: (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 2014, our net interest income increased 1.5% in relation to 2013, from R\$49,300 million in 2013 to R\$50,046 million in 2014. This increase is mainly related to the increment in the business volume, which contributed R\$4,246 million, in view of the rise of 7.1% in the average balance of interest-bearing assets, thus elevating our income by R\$7,688 million, and noteworthy is the growth of: (i) 9.7% of loans and advances to customers; (ii) 15.9% in the average balance of our assets pledged as collateral; and these increases were partially offset by the increase of: (iii) 8.0% in the average balance of our interest-bearing liabilities, which had a negative impact on our results in R\$3,442 million.

In 2015, our net interest income increased by 11.2% as compared to 2014, from R\$50,046 million in 2014 to R\$55,636 million in 2015. This growth is mainly related to: (i) gains from changes in average interest rates, which includes the effect from the depreciation of the *real* and contributed R\$3,445 million as a result of the increase in the average net interest margin, from 6.5% in 2014 to 6.7% in 2015; and (ii) the increase in the business volume, which contributed R\$2,146 million.





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

December 31,	R\$ in thousands		
	2015	2014	2013
<b>Assets</b>			
Cash and balances with banks	8,305,430	3,843,397	3,050,450
Financial assets held for trading	4,478,512	2,038,386	822,785
Financial assets available for sale	7,487,331	3,785,493	7,402,621
Investments held to maturity	41,092	38,874	45,673
Assets pledged as collateral	4,306,897	7,520,948	2,397,029
Loans and advances to banks	2,368,658	830,812	3,582,833
Loans and advances to customers	50,250,575	37,038,632	33,037,149
Property and equipment, net of accumulated depreciation	27,617	15,570	14,570
Intangible assets and goodwill, net of accumulated amortization	29,354	25,425	28,477
Taxes to be offset	44,450	32,732	31,339
Deferred income tax assets	1,388,929	241,203	106,057
Other assets	12,373,038	9,073,892	8,924,365
<b>Total assets</b>	<b>91,101,883</b>	<b>64,485,364</b>	<b>59,443,348</b>
<b>Off balance sheet accounts – notional value</b>			
<b>Derivatives</b>			
Futures	96,679,181	25,844,968	30,196,878
Forward	72,408,901	7,590,571	12,274,295
Options	744,507	1,246,097	610,496
Swaps	171,025,037	50,280,914	45,167,298
<b>Total assets with derivatives (a)</b>	<b>431,959,509</b>	<b>149,447,914</b>	<b>147,692,315</b>

December 31,	R\$ in thousands		
	2015	2014	2013
<b>Liabilities</b>			
Deposits from banks	36,944,658	24,081,365	18,213,248
Deposits from customers	27,576,216	29,834,903	24,865,557
Financial liabilities held for trading	1,300,208	820,843	346,724
Funds from securities issued	9,477,171	8,766,126	11,474,847
Subordinated debt	13,714,437	9,321,576	8,951,638
Insurance technical provisions and pension plans	946	845	1,075
Other provisions	13,218	10,946	7,099
Current income tax liabilities	27,137	22,691	30,694
Other liabilities	6,747,195	5,792,368	8,024,964
<b>Total liabilities</b>	<b>95,801,186</b>	<b>78,651,663</b>	<b>71,915,846</b>

**Off balance sheet accounts – notional value****Derivatives**

Futures	114,575,804	41,542,624	41,515,506
Forward	72,557,432	7,324,830	12,826,691
Options	1,194,413	2,258,312	781,401
<i>Swap</i>	181,459,003	52,176,186	44,851,978
<b>Total liabilities with derivative (b)</b>	<b>465,587,838</b>	<b>181,953,615</b>	<b>171,891,422</b>
<b>Net exposure (a-b)</b>	<b>(33,628,329)</b>	<b>(32,505,701)</b>	<b>(24,199,107)</b>

We use swaps, futures contracts and other hedging instruments in order to minimize the potential impact of currency changes on our operations. 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 3.3% as of December 31, 2015, 3.5% as of December 31, 2014 and 2.9% as of December 31, 2013.

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### **Taxes**

Our income tax expenses comprise IRPJ, which is levied at a rate of 15.0% on our adjusted net income, plus an additional 10.0% and the social contribution tax, which is levied at a rate of 15.0% on our adjusted net income. Both are federal taxes.

In January 2008, the government increased the social contribution tax rate for the financial sector 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. For financial institutions and similar companies and companies in the insurance industry, the social contribution on the net income, was calculated until August 2015, using a rate of 15.0%. For the period between September 2015 and December 2018, the rate was changed to 20.0%, pursuant to Law No. 13,169/15. The rate will return to 15.0% beginning in January 2019. For the other companies, the social contribution is calculated considering the rate of 9.0%.

Corporations based in Brazil 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 – Income Tax and social contribution on profits" and "Item 10.B. Memorandum and Articles of Association – 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 and strategic alliances 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 and Development of the Company – Recent acquisitions" and "Item 4.A. History and Development of the Company – Other strategic alliances."

### ***Critical accounting policies***

Our significant accounting policies are described in Note 2 to our audited consolidated financial statements in "Item 18. Financial Statements." The following section 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 cause 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;

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- the 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 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 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 of 10.0% in the PD as of December 31, 2015, would have increased the impairment by R\$1,041 million. This sensitivity analysis is hypothetical, and is only meant to illustrate the impact that the expected delinquency has on determining impairment.

The process of determining the level of impairment of loans and advances requires the use of estimates and judgment. Actual 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 – Impairment of loans and advances and 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 held for trading, including derivatives and financial assets available for sale. The fair value of a financial instrument is the amount for which it could be traded in an arm's length transaction between 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 relevant 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, 2015, R\$6,274 million, or 2.2%, of financial assets held for trading, available for sale, pledged as collateral and net derivatives 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 classified as Level 2 of the valuation hierarchy and are determined 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.

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."

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### ***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 valuation 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.

### ***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 social contribution) is a complex task that is related to our analysis of deferred tax assets and liabilities and income tax payable. 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 assessments 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. For additional information, see Note 2(n) 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.



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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 life and damage, except for life individual insurance, the impact of a 100 basis points increase in claims in the last 12 months, with the calculation base date being December 31, 2015, would be of R\$132.2 million 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, increasing beneficiary longevity and increase in the income-conversion option on income and shareholders' equity after taxes and contributions. In this assessment, a decrease of 5.0% in interest rates would lead to R\$146.0 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\$30.8 million on income and shareholders' equity after taxes and contributions, while an increase of 500 bps in the conversion into income would represent a negative impact of R\$49.7 million on income and shareholders' equity after taxes and contributions.

***Use of estimates and judgements***

Upon issuance of the financial statements, we also make 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. For further information on the use of estimates and judgements, see Note 4 to our consolidated financial statements in "Item 18. Financial Statements".

***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				Total
	Less than 1 year <sup>(1)</sup>	1 to 3 years	3 to 5 years	More than 5 years	
Time deposits	37,296,853	42,026,895	295,519	-	79,619,267
Funding in the open market	197,609,726	24,142,531	454,844	84,263	222,291,364
Borrowings	22,967,173	5,269,665	-	-	28,236,838

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Onlendings	14,155,638	14,936,088	6,588,060	6,421,260	42,101,046
Funds from securities issued	53,268,845	50,586,769	4,947,534	1,046,899	109,850,047
Subordinated debt	467,861	20,359,967	6,449,489	23,005,619	50,282,936
Insurance technical provisions and pension plans	145,437,871	25,503,069	-	-	170,940,940
Other obligations	69,222,928	2,467,213	1,294,484	5,053,433	78,038,058
<b>Total</b>	<b>540,426,895</b>	<b>185,292,197</b>	<b>20,029,930</b>	<b>35,611,474</b>	<b>781,360,496</b>

(1) Based on our historical experience, we expect that most of our obligations that are contractually due within one year will be rolled over.

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***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, 2015:

Contractual Obligations	R\$ in thousands				Total
	Payments due as of December 31, 2015				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Financial guarantees	19,410,165	19,055,903	4,937,620	26,479,205	69,882,893
Letters of credit	245,751	-	-	-	245,751
<b>Total</b>	<b>19,655,916</b>	<b>19,055,903</b>	<b>4,937,620</b>	<b>26,479,205</b>	<b>70,128,644</b>

We guarantee our customers' performance in obligations with a third party. 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 high liquidity to guarantee these obligations. These agreements are subject to the same credit evaluation as other loans granted.

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, for the shipment of products. Contracts are subject to the same credit evaluations as other loans granted.

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 operational segment***

We operate and manage our business through two segments: (i) the banking segment; and (ii) the insurance, pension plans and capitalization bonds 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 BR GAAP. Our consolidated financial statements and consolidated financial data included in this analysis are prepared in accordance with IFRS, when results by segments significantly differ to results 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."

For a description of our operational segment's operations, see "Item 4.B. Business Overview."

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**Results of operations for the year ended December 31, 2015 compared with the year ended December 31, 2014**

The following tables set forth the principal components of our net income for 2015 and 2014, on a consolidated basis and by segment. This segment information is prepared in accordance with BR GAAP, which are the accounting practices on which the reports used by Management to assess performance and make decisions are based:

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% change</b>
Net interest income	55,636,042	50,045,767	11.2%
Net Impairment losses on loans and advances	(14,721,152)	(10,291,386)	43.0%
Non interest income	77,043,849	74,714,867	3.1%
Non interest expense	(108,355,156)	(95,138,457)	13.9%
<b>Income before income taxes</b>	<b>9,603,583</b>	<b>19,330,791</b>	<b>(50.3)%</b>
Income tax and social contribution	8,634,322	(3,914,313)	-
<b>Net income for the year</b>	<b>18,237,905</b>	<b>15,416,478</b>	<b>18.3%</b>
Net income attributable to controlling shareholders	18,132,906	15,314,943	18.4%
Net income attributable to non-controlling interest	104,999	101,535	3.4%

<b>Segment</b>	<b>R\$ in thousands, except %</b>					
	<b>Banking</b>			<b>Insurance, Pension Plans and Capitalization Bonds</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>	<b>2015</b>	<b>2014</b>	<b>% Change</b>
Net interest income	46,934,849	43,034,717	9.1%	5,973,694	4,556,146	31.1%
Net Impairment losses on loans and advances	(16,479,985)	(10,432,347)	58.0%	-	-	-
Non interest income	15,639,366	18,941,498	(17.4)%	66,345,008	58,354,327	13.7%
Non interest expense	(46,839,516)	(40,227,400)	16.4%	(63,805,032)	(55,611,405)	14.7%
<b>Income before income taxes</b>	<b>(745,286)</b>	<b>11,316,468</b>	<b>-</b>	<b>8,513,670</b>	<b>7,299,068</b>	<b>16.6%</b>
Income tax and social contribution	12,621,169	(771,896)	-	(3,192,918)	(2,843,493)	12.3%
<b>Net income</b>	<b>11,875,883</b>	<b>10,544,572</b>	<b>12.6%</b>	<b>5,320,752</b>	<b>4,455,575</b>	<b>19.4%</b>
Net income attributable to controlling shareholders	11,874,609	10,532,724	12.7%	5,215,765	4,354,752	19.8%
Net income attributable to non-controlling interest	1,274	11,848	(89.2)%	104,987	100,823	4.1%

**Net interest income**

The table below shows the main components of our net interest income before impairment of loans and advances for 2015 and 2014, on a consolidated basis and by segment:

	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Consolidated</b>			
Interest and similar income	127,048,252	103,893,096	22.3%
Interest and similar expenses	(71,412,210)	(53,847,329)	32.6%
<b>Net interest income</b>	<b>55,636,042</b>	<b>50,045,767</b>	<b>11.2%</b>
<b>Banking</b>			
Interest and similar income	106,807,027	91,858,460	16.3%
Interest and similar expenses	(59,872,178)	(48,823,743)	22.6%
<b>Net interest income</b>	<b>46,934,849</b>	<b>43,034,717</b>	<b>9.1%</b>
<b>Insurance, Pension Plans and Capitalization Bonds</b>			
Interest and similar income	22,076,041	14,976,204	47.4%
Interest and similar expenses	(16,102,347)	(10,420,058)	54.5%
<b>Net interest income</b>	<b>5,973,694</b>	<b>4,556,146</b>	<b>31.1%</b>

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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, how much was attributable to changes in average interest rates and how much was attributable to variation to the effects of the appreciation/depreciation of the *real* for 2015 and 2014, respectively:

	R\$ in thousands		
Consolidated	Banking	Insurance, Pension Plans and Capitalization Bonds	
	2015/2014 Increase/(decrease)		
Due to changes in average volume of interest earning assets and interest bearing liabilities	2,145,575	573,372	1,796,334
Due to changes in average interest rates	3,535,391	3,417,330	(378,666)
Due to Brazilian real appreciation/depreciation	(90,691)	(90,570)	(120)
<b>Net change</b>	<b>5,590,275</b>	<b>3,900,132</b>	<b>1,417,548</b>

**Banking**

Our net interest income increased by 9.1% from R\$43,035 million in 2014 to R\$46,935 million in 2015. This increase was mainly due to: (i) an increase in the average interest rate contributing R\$3,417 million, as a result of: (a) an increase in the average interest rate earned on our interest-earning assets, from 13.5% in 2014 to 15.2% in 2015, contributing with R\$10,555 million in our net income, which was partially offset by: (b) an increase in the average interest rate paid on our interest-bearing liabilities, from 8.2% in 2014 to 9.4% in 2015, increasing our expenses by R\$7,138 million; and (ii) an increase in the average volume of business, increasing our net interest income by R\$573 million. The devaluation of the *real* against the U.S. dollar decreased our net interest income in R\$91 million.

**Insurance, pension plans and capitalization bonds**

Our net interest income increased by 31.1%, from R\$4,556 million in 2014 to R\$5,974 million in 2015. This growth was mainly due to an increase in the average volume of business, contributing R\$1,796 million.

**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 2015 and 2014:

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Average balance of interest earning assets</b>			
Financial assets held for trading	108,737,397	83,791,866	29.8%
Financial assets available for sale	95,434,117	84,494,315	12.9%
Investments held to maturity	32,732,694	24,024,810	36.2%
Assets pledged as collateral	148,107,052	130,319,525	13.6%
Loans and advances to banks	63,314,643	76,830,557	(17.6)%
Loans and advances to customers	337,673,348	317,455,318	6.4%
Compulsory deposits with the Central Bank	43,933,707	47,038,434	(6.6)%
Other interest earning assets	640,098	605,011	5.8%
<b>Total</b>	<b>830,573,056</b>	<b>764,559,836</b>	<b>8.6%</b>
<b>Average interest rate earned</b>	<b>15.3%</b>	<b>13.6%</b>	

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Segment	R\$ in thousands, except %					
	Banking			Insurance, Pension Plans and Capitalization Bonds		
	2015	2014	% Change	2015	2014	% Change
<b>Average balance of interest-earning assets</b>						
Financial assets held for trading	26,586,105	38,154,167	(30.3)%	81,851,926	45,264,456	80.8%
Financial assets available for sale	75,850,112	68,021,629	11.5%	19,583,491	16,471,883	18.9%
Investments held to maturity	6,682,957	36,671	-	26,049,737	23,988,139	8.6%
Assets pledged as collateral	148,107,052	130,319,525	13.6%	-	-	
Loans and advances to banks	63,087,209	76,798,394	(17.9)%	47,806,666	65,031,667	(26.5)%
Loans and advances to customers	337,649,092	317,431,062	6.4%	-	-	
Compulsory deposits with the Central Bank	43,933,707	47,038,434	(6.6)%	-	-	
Other interest earning assets	640,098	605,011	5.8%	-	-	
<b>Total</b>	<b>702,536,332</b>	<b>678,404,893</b>	<b>3.6%</b>	<b>175,291,820</b>	<b>150,756,145</b>	<b>16.3%</b>
<b>Average interest rate earned</b>	<b>15.2%</b>	<b>13.5%</b>		<b>12.6%</b>	<b>9.9%</b>	

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."

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; how much was attributable to changes in average interest rates and how much was attributable to variation to the effects of the appreciation/depreciation of the *real* against the U.S. dollar, in each case comparing 2015 and 2014:

	R\$ in thousands		
	Consolidated	Banking	Insurance, Pension Plans and Capitalization Bonds
	2015/2014 Increase/(decrease)		
Due to changes in average volume of interest earning assets	9,340,696	4,227,948	3,537,451
Due to changes in average interest rates	13,648,967	10,555,005	3,562,506
Due to Brazilian real appreciation/depreciation	165,493	165,614	(120)
<b>Net change</b>	<b>23,155,156</b>	<b>14,948,567</b>	<b>7,099,837</b>

**Banking**

Interest and similar income increased by 16.3%, from R\$91,858 million in 2014 to R\$106,807 million in 2015. This increase was largely due to: (i) changes in the average interest rate earned, increasing our income by R\$10,555 million, mainly due to the increase in the average interest rate earned from: (a) loans and advances to customers; (b) assets pledged as collateral; and (c) loans and advances to banks; (ii) a higher average volume of business, which had a positive impact of R\$4,228 million on our results, particularly interest and similar income from: (a) loans and advances to customers; (b) assets pledged as collateral; (c) financial assets available for sale; and (d) financial assets held for trading. The devaluation of the *real* against the U.S. dollar increased our interest and similar income in the amount of R\$166 million.

Interest and similar income from loans and advances to customers increased by 14.4%, from R\$54,065 million in 2014 to R\$61,846 million in 2015. This increase is related to: (i) an increase in the average interest rate, from 17.0% in 2014 to 18.3% in 2015, increasing results by R\$4,219 million; and (ii) a 6.4% growth in the average balance of our portfolio of loans and advances to customers, from R\$317,431 million in 2014 to R\$337,649 million in 2015, positively impacting our interest and similar income, in the amount of R\$3,562 million. The main reason for this increase in the average volume is the growth in housing loans, payroll deductible loans and credit cards segments.

Interest and similar income originating from assets pledged as collateral increased 45.3%, from R\$13,954 million in 2014 to R\$20,270 million in 2015. This increase was mainly due to: (i) an increase in the average interest rate earned, from 10.7% in 2014 to 13.7% in 2015, positively impacting our income by R\$4,237 million; and (ii) a 14.5% increase in the average balance of these operations, from R\$130,320 million in 2014 to R\$148,107 million in 2015, positively impacting our interest and similar income, in the amount of R\$2,079 million.

Interest and similar income from loans and advances to banks was positively impacted by an increase in the average interest rate, from 11.2% in 2014 to 12.7% in 2015, contributing R\$1,112 million to our income. The decrease in the volume of these operations, from R\$76,798 million in 2014 to R\$63,087 million in 2015 negatively impacted our income by R\$1,650 million.

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Interest and similar income originating from financial assets available for sale increased by 12.5%, from R\$7,592 million in 2014 to R\$8,538 million in 2015. This increase was mainly due to an increase of 11.5% in the average balance of these operations, from R\$68,022 million in 2014 to R\$75,850 million in 2015, contributing R\$881 million.

Interest and similar income originating from financial assets held to maturity increased from R\$5 million in 2014 to R\$774 million in 2015. This increase was mainly due to an increase in the average balance of these operations, from R\$37 million in 2014 to R\$6,683 million in 2015, contributing with R\$769 million to our income.

***Insurance, pension plans and capitalization bonds***

Our interest and similar income increased by 47.4%, from R\$14,976 million in 2014 to R\$22,076 million in 2015. This increase was mainly due to an increase in our average: (i) rate of our interest-earning assets, from 9.9% in 2014 to 12.6% in 2015, contributing R\$3,563 million to our income; and (ii) volume of operations, contributing R\$3,357 million to our income.

***Interest and similar expenses***

The tables below show, on a consolidated basis and by segment, the average balance of the main components of our interest-bearing liabilities and the average interest rates paid on them in 2015 and 2014:

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Average balance of interest bearing liabilities</b>			
Interbank deposits	621,904	695,132	(10.5)%
Savings deposits	91,075,494	84,921,694	7.2%
Time deposits	83,978,162	91,990,788	(8.7)%
Funding in the open market	211,686,661	192,967,597	9.7%
Borrowings and onlendings	64,029,996	56,123,972	14.1%
Funds from securities issued	97,739,942	69,849,843	39.9%
Subordinated debt	38,601,843	35,826,626	7.7%
Insurance technical provisions and pension plans	156,922,463	136,308,516	15.1%
<b>Total</b>	<b>744,656,465</b>	<b>668,684,168</b>	<b>11.4%</b>
<b>Average interest rate paid</b>	<b>9.6%</b>	<b>8.1%</b>	

**R\$ in thousands, except %****Segment**

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	Banking			Insurance, Pension Plans and Capitalization Bonds		
	2015	2014	% Change	2015	2014	% Change
<b>Average balance of interest bearing liabilities</b>						
Interbank deposits	621,941	695,132	(10.5)%	-	-	-
Savings deposits	91,075,494	84,921,694	7.2%	-	-	-
Time deposits	83,995,843	92,009,740	(8.7)%	-	-	-
Funding in the open market	260,100,851	258,528,965	0.6%	-	-	-
Borrowings and onlendings	64,029,996	56,123,972	14.1%	-	-	-
Funds from securities issued	97,942,610	69,980,074	40.0%	-	-	-
Subordinated debt	38,601,843	35,826,626	7.7%	-	-	-
Insurance technical provisions and pension plans	-	-	-	-156,922,463	136,308,516	15.1%
<b>Total</b>	<b>636,368,578</b>	<b>598,086,203</b>	<b>6.4%</b>	<b>156,922,463</b>	<b>136,308,516</b>	<b>15.1%</b>
<b>Average interest rate paid</b>	<b>9.4%</b>	<b>8.2%</b>		<b>10.3%</b>	<b>7.6%</b>	

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."

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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; how much was attributable to changes in average interest rates and how much was attributable to variation in the effects of the appreciation/depreciation of the real in the real/U.S. dollar rate, in each case, for 2015 as compared to 2014:

	<b>R\$ in thousands</b>		
	<b>Consolidated</b>	<b>Banking</b>	<b>Insurance, Pension Plans and Capitalization Bonds</b>
	<b>2015/2014 Increase/(decrease)</b>		
Due to changes in average volume of interest bearing liabilities	7,195,121	3,654,576	1,741,117
Due to changes in average interest rates	10,113,576	7,137,675	3,941,172
Due to Brazilian real appreciation/depreciation	256,184	256,184	-
<b>Net change</b>	<b>17,564,881</b>	<b>11,048,435</b>	<b>5,682,289</b>

***Banking***

Our interest and similar expenses increased by 22.6% from R\$48,824 million in 2014 to R\$59,872 million in 2015. This increase primarily reflects: (i) a change in the average interest rates paid, from 8.2% in 2014 to 9.4% in 2015, impacting our interest and similar expenses by R\$7,138 million, mainly as a result of higher rates on the following operations: (a) funding in the open market, from 9.5% in 2014 to 10.8% in 2015, impacting our expenses by R\$3,374 million; (b) resources from the issuance of securities, from 9.6% in 2014 to 11.8% in 2015, increasing our expenses by R\$1,817 million; (c) borrowings and onlendings, from 3.2% in 2014 to 4.8% in 2015, impacting our expenses by R\$987 million; and (d) subordinated debt, from 10.6% in 2014 to 12.1% in 2015, increasing our expenses by R\$575 million; and (ii) the 6.4% increase in the average volume of interest-bearing liabilities, from R\$598,086 million in 2014 to R\$636,369 million in 2015, impacting the expenses by R\$3,655 million, mainly due to the increase of: (a) 40.0% in the average balance of resources from the issuing of securities, impacting the expenses by R\$3,076 million; (b) 7.2% in the average balance of saving deposits, impacting the expenses by R\$411 million; and (c) 14.1% in the average balance of borrowings and onlendings, impacting our expenses by R\$285 million.

***Insurance, pension plans and capitalization bonds***

Our interest and similar expenses increased 54.5%, from R\$10,420 million in 2014 to R\$16,102 million in 2015. This increase primarily reflects: (i) the increase in the average interest rate for insurance and pension plan technical provisions, from 7.6% in 2014 to 10.3% in 2015, increasing our expenses by R\$3,941 million; and (ii) a 15.1% increase in the average balance of insurance technical provisions, impacting our expenses

by R\$1,741 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 and IFRS, and to provide a better understanding of the 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.

	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Net Impairment losses on loans and advances</b>			
Banking - BR GAAP	(16,479,985)	(10,432,347)	58.0%
<b>Accounting Practices Differences (IFRS x BR GAAP)</b>	<b>1,758,833</b>	<b>140,961</b>	<b>-</b>
Consolidated - IFRS	(14,721,152)	(10,291,386)	43.0%

The amount of impairment expenses on loans and advances for the banking segment under BR GAAP is representative of the amount of impairment expenses on a consolidated basis, which, in turn, is representative of the impairment expenses on an IFRS consolidated basis, except for any differences in accounting practices.

***Main difference between accounting practices for net impairment losses on loans and advances***

The main difference between the accounting practice between BR GAAP (CMN Resolution No. 2,682/99), and IFRS (IAS 39), is the form of recognition and measurement of impairment losses on loans and advances. While the practice adopted by the Central Bank is provisioning based on a mix of future

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expected losses and incurred losses, under IFRS the recognition and measurement of impairment losses is based on actual losses incurred. For further information, see "Item 4.B. Business Overview – Regulation and Supervision – Banking Regulations – Treatment of loans and advances" and Note 3.1 to our consolidated financial statements in "Item 18. Financial Statements."

The following table shows changes in our impairment on loans and advances, net impairment losses on loans and advances, loans recovered and loan charge-offs for the years ended 2015 and 2014, 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:

	<b>R\$ in thousands, except %</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Impairment provision of loans and advances at the beginning of the year</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>6.4%</b>
Net impairment losses on loans and advances	14,721,152	10,291,386	43.0%
Loan recoveries	4,144,879	3,924,514	5.6%
Loan charge offs	(14,543,504)	(12,941,457)	12.4%
<b>Impairment provision of loans and advances at the end of the year</b>	<b>25,455,204</b>	<b>21,132,677</b>	<b>20.5%</b>
Ratio of net impairment losses on loans and advances to average loans and advances to customers	4.4%	3.2%	

The balance of our impairment of loans and advances to customers increased by 20.5%, from R\$21,133 million in 2014 to R\$25,455 million in 2015. This increase was primarily due to: (i) the increase of 6.1% in the balance of loans and advances to customers; and (ii) the deceleration of the economic activity in Brazil during the period, which primarily impacted the following products: (a) working capital, whose allocated impairment increased by R\$3,409 million, from R\$2,513 million in 2014 to R\$5,922 million in 2015; and (b) credit cards, where allocated losses increased by R\$599 million, from R\$3,406 million in 2014 to R\$4,005 million in 2015. In 2015, our levels of past due loans, without impairment increased by 68.2%, from R\$6,932 million in 2014 to R\$11,657 million in 2015. Additionally, impaired loans increased 4.7%, from R\$30,841 million in 2014 to R\$32,303 million in 2015, which represented 8.7% of the total loans and advances to customers in 2015, remaining almost stable compared to the last year, when it was 8.8%.

Loans and advances to customers neither past due nor impaired increased by 4.8%, from R\$311,424 million in 2014 to R\$326,364 million in 2015, of which 97.7% were rated "low risk."

Calculations of impairment of loans and advances include an individual analysis of impaired loans and advances to customers, and an analysis of losses on loans and advances to customers not individually significant, as follows:

As of December 31,	R\$ in thousands, except %		
	2015	2014	% Change
Impairment provision of loans and advances to customers individually relevant	5,302,200	1,589,280	233.6%
Impairment provision of loans and advances to customers not individually relevant	20,153,004	19,543,397	3.1%
<b>Total</b>	<b>25,455,204</b>	<b>21,132,677</b>	<b>20.5%</b>

The increase of 43.0% in net impairment losses on loans and advances is related to the increase of R\$1,462 million or 4.7% in the balance of impaired loans and advances to customers, as well as the effects of the deceleration of economic activity in Brazil during the period. Loan recoveries increased by 5.6% while charge-offs increased by 12.4%, when compared to 2014.

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, from 2.7% in 2014 to 3.0% in 2015. In 2015, impairment of loans and advances as a percentage of loans and advances to customers remained at 6.9%.

Loans and advances to individuals increased by 4.7% from R\$141,220 million in 2014 to R\$147,860 million in 2015, mainly due to the housing loans and payroll-deductible loans segments.

Loans and advances to corporate customers increased by 7.0% in 2015, from R\$207,977 million in 2014 to R\$222,464 million in 2015, mainly due to export financing and operations abroad, as a result of the foreign exchange variation during the period, and housing loans.

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



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***Non-interest income***

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest income for 2015 and 2014:

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
Net fee and commission income	17,820,670	16,739,256	6.5%
Net gains/(losses) on financial assets and liabilities held for trading	(8,252,055)	(1,933,003)	326.9%
Net gains/(losses) on financial assets available for sale	(671,810)	(991,894)	(32.3)%
Premiums retained from insurance and pension plans	58,760,780	50,454,983	16.5%
Equity in the earnings of associates and joint ventures	1,528,051	1,389,816	9.9%
Other non-interest income	7,858,213	9,055,709	(13.2)%
<b>Total</b>	<b>77,043,849</b>	<b>74,714,867</b>	<b>3.1%</b>

<b>Segment</b>	<b>R\$ in thousands, except %</b>					
	<b>Banking</b>			<b>Insurance, Pension Plans and Capitalization Bonds</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>	<b>2015</b>	<b>2014</b>	<b>% Change</b>
Net fee and commission income	19,195,003	17,570,839	9.2%	1,497,890	1,557,352	(3.8)%
Net gains/(losses) on financial assets and liabilities held for trading	(7,199,397)	(1,833,589)	292.6%	(627,343)	(255,485)	145.5%
Net gains/(losses) on financial assets available for sale	(370,947)	(296,545)	25.1%	(353,659)	(728,720)	(51.5)%
Premiums retained from insurance and pension plans	-	-	-	58,760,780	50,454,983	16.5%
Equity in the earnings of associates and joint ventures	1,358,047	1,220,810	11.2%	166,865	169,431	(1.5)%
Other non-interest income	2,656,660	2,279,983	16.5%	6,900,475	7,156,766	(3.6)%
<b>Total</b>	<b>15,639,366</b>	<b>18,941,498</b>	<b>(17.4)%</b>	<b>66,345,008</b>	<b>58,354,327</b>	<b>13.7%</b>

***Banking***

Our non-interest income decreased by 17.4%, from R\$18,941 million in 2014 to R\$15,639 million in 2015. This decrease was mainly due to: (i) net losses of financial assets and liabilities classified as held for trading, which increased from R\$1,834 million in 2014 to R\$7,199 million in 2015, largely due to the income obtained from derivative financial instruments and fixed income securities; and (ii) net losses on financial assets available for sale, from R\$297 million in 2014 to R\$371 million in 2015, noting that, in 2015, it includes the recognition of impairment losses on shares, in the amount of R\$136 million. Such events were

partially offset by an increase of: (i) 9.2% in net fee and commission income, from R\$17,571 million in 2014 to R\$19,195 million in 2015, due to an increase of: (a) 23.1% in revenues related to checking accounts, mainly due to the improvement of the process of segmentation of customers and the increase of business volume; (b) 8.8% in revenues from credit cards, with an increase of 6.1% in the traded volume, which reached R\$140,064 million in 2015; as well as the 7.5% growth in the amount of transactions, which reached 1.5 trillion in 2015; and (c) 8.5% in revenues related to credit operations, mainly due to revenues with guarantees granted in the period; and (ii) 11.2% in the result of equity in the earnings of associated companies and joint ventures, from R\$1,221 million in 2014 to R\$1,358 million in 2015, mainly due to, higher revenues from our associate Cielo S.A. (“Cielo”).

### ***Insurance, pension plans and capitalization bonds***

Our non-interest income increased 13.7%, from R\$58,354 million in 2014 to R\$66,345 million in 2015. This performance was due mainly to: (i) an increase of 16.5% in retained insurance premiums and pension plans income, from R\$50,455 million in 2014 to R\$58,761 million in 2015, mainly due to the increase in insurance premiums written, from R\$47,746 million in 2014 to R\$55,921 million in 2015; and (ii) a decrease of 51.5% in net losses from financial assets available for sale from R\$729 million in 2014 to R\$354 million in 2015, which in 2014 it includes the recognition of impairment losses on shares, in the amount of R\$617 million compared to R\$289 million in 2015. These factors were partially offset by an increase of 145.5% in net losses from trading financial assets and liabilities, from R\$255 million in 2014 to R\$627 million in 2015, primarily a result of the revenue from fixed-rate securities.

### ***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 BR GAAP) and our consolidated non-interest income (according to IFRS) for the year ended December 31, 2015:

- ***net fee and commission income:*** The difference of R\$2,872 million refers to: the effective interest rate method in the amount of R\$1,428 million and the elimination and adjustments for other operations in the amount of R\$1,444 million; and

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- **net gains (losses) on financial assets classified as held for trading:** The adjustment in the amount of R\$307 million was mainly due to adjustments in our cash flow hedges and the adjustment related to functional currency, in the amount of R\$118 million, coming from our subsidiary in Mexico, whose functional currency is Mexican Peso.

**Non-interest expense**

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest expense for 2015 and 2014:

Consolidated	R\$ in thousands, except %		
	For the year ended December 31,		
	2015	2014	% Change
Personnel expenses	(14,058,047)	(13,667,639)	2.9%
Administrative expenses	(13,721,970)	(12,971,521)	5.8%
Depreciation and amortization	(2,942,003)	(2,932,687)	0.3%
Changes in the insurance technical provisions and pension plans	(28,286,039)	(24,008,174)	17.8%
Retained claims	(21,724,043)	(18,143,688)	19.7%
Selling expenses for insurance and pension plans	(3,253,193)	(2,891,276)	12.5%
Net gains/(losses) on foreign currency transactions	(3,523,095)	(1,244,680)	183.1%
Other non-interest expense	(20,846,766)	(19,278,792)	8.1%
<b>Total</b>	<b>(108,355,156)</b>	<b>(95,138,457)</b>	<b>13.9%</b>

Segment	R\$ in thousands, except %			
	Banking		% Change	Insurance, Capital
	2015	2014		2015
Personnel expenses	(13,103,515)	(12,460,644)	5.2%	(1,217,211)
Administrative expenses	(13,076,913)	(12,578,064)	4.0%	(1,137,706)
Depreciation and amortization	(2,752,946)	(2,749,282)	0.1%	(321,462)
Changes in the insurance technical provisions and pension plans	-	-	-	(28,286,038)
Retained claims	-	-	-	(21,724,044)
Selling expenses for insurance and pension plans	-	-	-	(3,254,551)
Net gains/(losses) on foreign currency transactions	(3,523,095)	(1,244,680)	183.1%	-
Other non-interest expense	(14,383,047)	(11,194,730)	28.5%	(7,864,020)
<b>Total</b>	<b>(46,839,516)</b>	<b>(40,227,400)</b>	<b>16.4%</b>	<b>(63,805,032)</b>

### **Banking**

Our non-interest expenses increased by 16.4%, from R\$40,227 million in 2014 to R\$46,840 million in 2015. This increase was mainly due to the increase of: (i) 5.2% in personnel expenses from R\$12,461 million in 2014 to R\$13,104 million in 2015, due to an increase in expenses from salaries, payroll charges and benefits as a result of increase in salaries, in accordance with the respective 2014 and 2015 collective bargaining agreements; (ii) 4.0% in administrative expenses, mainly due to: (a) contract adjustments; (b) the increased volume of business and services in the period; and (c) the depreciation of 47.0% of the Brazilian *real* against the U.S. dollar in the period. The IPCA inflation rates in the last 12 months, reached 10.7%, thus evidencing our consistent cost control originating from actions of the Efficiency Committee, whose efficiency initiatives resulted in the rebalancing between personnel and administrative expenses; (iii) 183.1% in net losses in foreign currency operations, primarily as a result of the depreciation in the Brazilian *real* against the U.S. dollar in the period; and (iv) 28.5% in other non-financial expenses, which were mainly impacted by: (a) provisioning for tax contingencies; (b) expenses for impairment analysis; (c) tax expenses; and (d) expenses for legal contingencies.

### **Insurance, pension plans and capitalization bonds**

Our non-interest expenses increased by 14.7%, from R\$55,611 million in 2014 to R\$63,805 million in 2015. This increase was mainly due to the increase of: (i) 17.8% in our expenses from variation of insurance and pension plan technical provisions from R\$24,008 million in 2014 to R\$28,286 million in 2015, mainly deriving from the increase of R\$19,104 million in the volume of our technical provisions for the VGBL product; and (ii) 19.7% in retained claims, mainly, in health insurance.

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***Income tax and social contribution***

We prepared the information about segments so that the Management could assess the performance and make decisions regarding the allocation of resources for investments and other purposes. The calculation of the income tax and social contribution, as required by the current Brazilian laws and regulations, is performed for each legal entity and disclosed on a consolidated basis. Consequently, there is no direct relationship with the presentation per segment. Management's decisions for tax purposes are based on analysis by individual legal entities and on a consolidated basis; consequently, Management includes consolidated data, which were discussed and analyzed, as a relevant disclosure in relation to the decision-making process.

The following table shows, for the company, the breakdown of our income tax and social contribution charges:

<b>Consolidated</b>	<b>R\$ in thousand except %</b>
	<b>2015</b>
<b>Income before income tax and social contribution</b>	<b>9,603,583</b>
<b>Total income tax and social contribution charges at rates of 25% and 15%, respectively <sup>(1)</sup></b>	<b>(4,321,612)</b>
<b>Effect of additions and exclusions in the tax calculation:</b>	
Equity in the earnings of associates and joint ventures	687,623
Interest on equity (paid and payable)	2,305,695
Net tax credit of deferred liabilities <sup>(2)</sup>	2,341,220
Other <sup>(3)</sup>	7,621,396
<b>Income tax and social contribution for the period</b>	<b>8,634,322</b>
Effective rate	(89.9)%

<sup>(1)</sup> Current rates: (i) 25.0% for income tax; (ii) of 15.0% for the social contribution to financial and similar companies, the insurance industry, and of 20.0%, from September 2015 to December 2018, in accordance with Law n° 13,169/2015; (iii) of 9.0% for the other companies;

<sup>(2)</sup> In 2015, refers to, constitution of deferred tax assets, net of deferred liabilities, related to the increase in the social contribution tax rate, according to Law n° 13,169/15; and

<sup>(3)</sup> Basically, includes: (i) the exchange rate variation of assets and liabilities, derived from investments abroad; (ii) the equalization of the effective rate of social contribution in relation to the rate (45.0% in 2015 and 40.0% in 2014) as shown in the table below; and (iii) the deduction incentives.

Income tax and social contribution expenses decreased by R\$12,549 million in 2015 as compared to 2014. This decrease was primarily due to: (i) a decrease in income before income tax and social contribution; and (ii) the effects of additions and deductions on the calculation of taxes, as follows: (a) change of R\$5,797 million in other amounts, primarily due to exchange rate variation of assets and liabilities, deriving from investments abroad; (b) constitution of tax credit due to the higher percentage for social contribution,

according to Law No. 13,169/15, in the amount of R\$2,341 million; and (c) to the higher effect of interest on own capital, in the amount of R\$868 million. For more information on income tax and social contribution, see Note 17 to our consolidated financial statements in “Item 18. Financial Statements.”

***Net Income***

As a result of the above, our net income attributable to controlling shareholders increased by 18.4%, from R\$15,315 million in 2014 to R\$18,133 million in 2015. Our net income for the year recorded a percentage increase similar to our net income attributable to controlling shareholders, increasing from R\$15,416 million in 2014 to R\$18,238 million in 2015.

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**Results of operations for the year ended December 31, 2014 compared with the year ended December 31, 2013**

The following tables set forth the principal components of our net income for 2014 and 2013, on a consolidated basis and by segment. This segment information is prepared in accordance with BR GAAP, which is the accounting framework on which the reports used by Management to assess performance and make decisions are based.

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
Net interest income	50,045,767	49,300,483	1.5%
Net Impairment losses on loans and advances	(10,291,386)	(9,623,870)	6.9%
Non interest income	74,714,867	59,102,884	26.4%
Non interest expense	(95,138,457)	(84,460,328)	12.6%
<b>Income before income taxes</b>	<b>19,330,791</b>	<b>14,319,169</b>	<b>35.0%</b>
Income tax and social contribution	(3,914,313)	(1,833,031)	113.5%
<b>Net income for the year</b>	<b>15,416,478</b>	<b>12,486,138</b>	<b>23.5%</b>
Net income attributable to controlling shareholders	15,314,943	12,395,920	23.5%
Net income attributable to non-controlling interest	101,535	90,218	12.5%

<b>Segment</b>	<b>R\$ in thousands, except %</b>					
	<b>Banking</b>			<b>Insurance, Pension Plan and Capitalization Bo</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>	<b>2014</b>	<b>2013</b>	
Net interest income	43,034,717	41,600,095	3.4%	4,556,146	5,589,989	
Net Impairment losses on loans and advances	(10,432,347)	(9,731,376)	7.2%	-	-	
Non interest income	18,941,498	13,863,017	36.6%	58,354,327	47,559,845	
Non interest expense	(40,227,400)	(38,318,914)	5.0%	(55,611,405)	(47,113,728)	
<b>Income before income taxes</b>	<b>11,316,468</b>	<b>7,412,822</b>	<b>52.7%</b>	<b>7,299,068</b>	<b>6,036,106</b>	
Income tax and social contribution	(771,896)	789,516	-	(2,843,493)	(2,253,451)	
<b>Net income for the year</b>	<b>10,544,572</b>	<b>8,202,338</b>	<b>28.6%</b>	<b>4,455,575</b>	<b>3,782,655</b>	
Net income attributable to controlling shareholders	10,532,724	8,195,099	28.5%	4,354,752	3,692,531	
Net income attributable to non-controlling interest	11,848	7,239	63.7%	100,823	90,124	

**Net interest income**

The table below shows the main components of our net interest income before impairment of loans and advances for 2014 and 2013, on a consolidated basis and by segment:

	<b>R\$ in thousands, except %</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Consolidated</b>			
Interest and similar income	103,893,096	90,682,625	14.6%
Interest and similar expense	(53,847,329)	(41,382,142)	30.1%
<b>Net interest income</b>	<b>50,045,767</b>	<b>49,300,483</b>	<b>1.5%</b>
<b>Banking</b>			
Interest and similar income	91,858,460	79,935,892	14.9%
Interest and similar expense	(48,823,743)	(38,335,797)	27.4%
<b>Net interest income</b>	<b>43,034,717</b>	<b>41,600,095</b>	<b>3.4%</b>
<b>Insurance, Pension Plans and Capitalization Bonds</b>			
Interest and similar income	14,976,204	11,578,317	29.3%
Interest and similar expense	(10,420,058)	(5,988,328)	74.0%
<b>Net interest income</b>	<b>4,556,146</b>	<b>5,589,989</b>	<b>(18.5)%</b>

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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, how much was attributable to changes in average interest rates and how much was attributable to variations in the effects of the appreciation/depreciation in the *real*/U.S. dollar rate in each case for 2014 and 2013:

	R\$ in thousands		
	Consolidated	Banking	Insurance, Pension Plans and Capitalization Bonds
	2014/2013 Increase/(decrease)		
Due to changes in average volume of interest earning assets and interest bearing liabilities	4,246,341	3,315,600	438,033
Due to changes in average interest rates	(3,572,308)	(1,952,137)	(1,471,969)
Due to Brazilian real appreciation/depreciation	71,251	71,158	93
<b>Net change</b>	<b>745,284</b>	<b>1,434,621</b>	<b>(1,033,843)</b>

***Banking***

Our net interest income increased by 3.4%, from R\$41,600 million in 2013 to R\$43,035 million in 2014. This increase was mainly due to an increase in the average volume of our business of R\$3,316 million as a result of: (i) a 7.6% increase in the average balance of interest-earning assets, increasing our revenues by R\$7,053 million, principally due to the increase of: (a) 65.1% in the average balance of financial assets available for sale; (b) 15.9% in the average balance of assets pledged as collateral; and (c) 9.7% in the average balance of loans and advances to customers, partially offset by: (ii) a 9.0% increase in the average balance of interest-bearing liabilities, which impacted the results by R\$3,737 million, principally due to the increase of: (a) 33.2% in the average balance of funds from securities issued; (b) 15.8% in the average balance of saving deposits; and (c) 8.7% in the average balance of funding in the open market. Changes in average interest rates decreased our net interest income by R\$1,952 million, mainly due to an increase in the average interest rate paid, from 7.0% in 2013 to 8.2% in 2014. The depreciation in the *real*/U.S. dollar rate increased our net interest income in the amount of R\$71 million.

***Insurance, pension plans and capitalization bonds***

Our net interest income decreased by 18.5%, from R\$5,590 million in 2013 to R\$4,556 million in 2014. This decrease was mainly due to the increase: (i) in the average interest rate for insurance technical provisions and pension plans, from 4.8% in 2013 to 7.6% in 2014, increasing our expenses by R\$3,858 million; and (ii)

of 8.9% in the average volume of insurance technical provisions and pension plans, from R\$125,179 million in 2013 to R\$136,308 million in 2014, impacting the results by R\$574 million. These events were partially offset by: (i) a 9.4% increase in the average volume of interest-earning assets, from R\$137,759 million in 2013 to R\$150,756 million in 2014, contributing R\$1,012 million to our results; and (ii) a higher average interest rate earned, from 8.4% in 2013 to 9.9% in 2014, contributing R\$2,386 million to our results.

***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 2014 and 2013:

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<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Average balance of interest earning assets</b>			
Financial assets held for trading	83,791,866	80,909,973	3.6%
Financial assets available for sale	84,494,315	79,895,464	5.8%
Investments held to maturity	24,024,810	3,791,552	533.6%
Assets pledged as collateral	130,319,525	112,404,700	15.9%
Loans and advances to banks	76,830,557	104,232,013	(26.3)%
Loans and advances to customers	317,455,318	289,336,399	9.7%
Compulsory deposits with the Central Bank	47,038,434	42,757,972	10.0%
Other interest earning assets	605,011	575,113	5.2%
<b>Total</b>	<b>764,559,836</b>	<b>713,903,186</b>	<b>7.1%</b>
<b>Average interest rate earned</b>	<b>13.6%</b>	<b>12.7%</b>	

<b>Segment</b>	<b>R\$ in thousands, except %</b>					
	<b>Banking</b>			<b>Insurance, Pension Plans and Capitalization Bonds</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Average balance of interest-earning assets</b>						
Financial assets held for trading	38,154,167	40,282,390	(5.3)%	45,264,456	40,215,667	12.6%
Financial assets available for sale	68,021,629	41,194,576	65.1%	16,471,883	38,700,888	(57.4)%
Investments held to maturity	36,671	61,905	(40.8)%	23,988,139	3,729,647	543.2%
Assets pledged as collateral	130,319,525	112,404,700	15.9%	-	-	
Loans and advances to banks	76,798,394	103,829,578	(26.0)%	65,031,667	55,112,417	18.0%
Loans and advances to customers	317,431,062	289,305,361	9.7%	-	-	
Compulsory deposits with the Central Bank	47,038,434	42,757,972	10.0%	-	-	
Other interest-earning assets	605,011	575,113	5.2%	-	-	
<b>Total</b>	<b>678,404,893</b>	<b>630,411,595</b>	<b>7.6%</b>	<b>150,756,145</b>	<b>137,758,619</b>	<b>9.4%</b>
<b>Average interest rate</b>	<b>13.5%</b>	<b>12.7%</b>		<b>9.9%</b>	<b>8.4%</b>	

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."

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, how much was attributable to changes in average interest rates and how much was attributable to variations in the effects of the appreciation/depreciation in the real/U.S. dollar rate, in each case, comparing 2014 and 2013:

	R\$ in thousands		
	Consolidated	Banking	Insurance, Pension Plans and Capitalization Bonds
	2014/2013 Increase/(reduction)		
Due to changes in average volume of interest earning assets	7,688,140	7,052,627	1,011,650
Due to changes in average interest rates	5,396,618	4,744,321	2,386,144
Due to Brazilian real appreciation/depreciation	125,713	125,620	93
<b>Net change</b>	<b>13,210,471</b>	<b>11,922,568</b>	<b>3,397,887</b>

### **Banking**

Interest and similar income increased by 14.9%, from R\$79,936 million in 2013 to R\$91,858 million in 2014. This increase was largely due to: (i) a higher average volume of business, which had a positive impact of R\$7,053 million on our results, particularly on interest and similar income from: (a) loans and advances to customers; (b) financial assets available for sale; and (c) assets pledged as collateral; (ii) changes in the average interest rates earned, increasing our income by R\$4,744 million, essentially due to the increase in the average interest rate earned in respect of: (a) loans and advances to banks; (b) financial assets available for sale; and (c) financial assets held for trading; and (iii) the depreciation in the *real*/U.S. dollar rate, increasing our interest and similar income by R\$126 million.

Interest and similar income from loans and advances to customers increased by 11.1%, from R\$48,663 million in 2013 to R\$54,065 million in 2014. This increase is related to a 9.7% growth in the average balance of our portfolio of loans and advances to customers, from R\$289,305 million in 2013 to R\$317,431 million in 2014, positively impacting our interest and similar income in the amount of R\$4,784 million. The main reason for this increase is our strategic focus on housing loans, personal credit and credit cards.

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Interest and similar income from financial assets available for sale increased by 113.0%, from R\$3,564 million in 2013 to R\$7,592 million in 2014. This increase was mainly due to an increase of 65.1% in the average balance of these operations, from R\$41,195 million in 2013 to R\$68,022 million in 2014, which contributed R\$2,787 million to our results.

Interest and similar income originated from assets pledged as collateral increased by 9.3%, from R\$12,771 million in 2013 to R\$13,954 million in 2014. This variation reflects a 15.9% increase in the average volume of these operations, from R\$112,405 million in 2013 to R\$130,320 million in 2014, which positively impacted our interest and similar income, in the amount of R\$1,949 million.

The increase in the interest and similar income as a result of changes in average interest rates earned, in the amount of R\$4,870 million, is primarily due to the increases in: (i) the average interest rate earned from financial assets available for sale, from 8.7% in 2013 to 11.2% in 2014, increasing our revenues by R\$1,241 million; (ii) the average interest rate earned from loans and advances to banks, from 8.6% in 2013 to 11.2% in 2014, contributing R\$2,312 million to our results; and (iii) the average interest rate earned from financial assets held for trading, increasing our revenues by R\$624 million. The increases in the average interest rate earned result from increases in Brazilian interest rates, mainly the SELIC rate, which increased from 10.0% in 2013 to 11.75% in 2014.

The increase in interest and similar income was partially offset by a decrease in the income from loans and advances to banks, in the amount of R\$2,641 million, due to a reduction in the average volume of these assets, from R\$103,830 million in 2013 to R\$76,798 million in 2014.

***Insurance, pension plans and capitalization bonds***

Our interest and similar income increased by 29.3%, from R\$11,578 million in 2013 to R\$14,976 million in 2014. This increase was mainly due to an increase: (i) in the average rate of our interest-earning assets, which contributed R\$2,386 million to our results, largely due to the increase in the average interest rate earned from: (a) loans and advances to banks, from 6.2% in 2013 to 8.2% in 2014, positively impacting our income by R\$1,217 million; and (b) financial assets held for trading, from 8.4% in 2013 to 10.7% in 2014, increasing our income by R\$996 million; and (ii) in the average volume of operations, which contributed R\$1,012 million to our results.

***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 2014 and 2013, on a consolidated basis and by segment:

Consolidated	R\$ in thousands, except %		
	For the year ended December 31,		
	2014	2013	% Change

**Average balance of interest bearing liabilities**

Interbank deposits	695,132	671,404	3.5%
Savings deposits	84,921,694	73,307,137	15.8%
Time deposits	91,990,788	99,565,994	(7.6)%
Funding in the open market	192,967,597	182,981,063	5.5%
Borrowings and onlendings	56,123,972	49,273,352	13.9%
Funds from securities issued	69,849,843	52,476,783	33.1%
Subordinated debt	35,826,626	35,560,706	0.7%
Insurance technical provisions and pension plans	136,308,516	125,179,124	8.9%
<b>Total</b>	<b>668,684,168</b>	<b>619,015,563</b>	<b>8.0%</b>
<b>Average interest rate paid</b>	<b>8.1%</b>	<b>6.7%</b>	

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Segment	R\$ in thousands, except %					
	Banking			Insurance, Pension Plans and Capitalization Bonds		
	2014	2013	% Change	2014	2013	% Change
<b>Average balance of interest-bearing liabilities</b>						
Interbank deposits	695,132	671,404	3.5%	-	-	-
Savings deposits	84,921,694	73,307,137	15.8%	-	-	-
Time deposits	92,009,740	99,584,128	(7.6)%	-	-	-
Funding in the open market	258,528,965	237,777,033	8.7%	-	-	-
Borrowings and onlendings	56,123,972	49,273,352	13.9%	-	-	-
Funds from securities issued	69,980,074	52,550,531	33.2%	-	-	-
Subordinated debt	35,826,626	35,560,706	0.7%	-	-	-
Insurance technical provisions and pension plans	-	-	-	-136,308,516	125,179,124	8.0%
<b>Total</b>	<b>598,086,203</b>	<b>548,724,291</b>	<b>9.0%</b>	<b>136,308,516</b>	<b>125,179,124</b>	<b>8.0%</b>
<b>Average interest rate paid</b>	<b>8.2%</b>	<b>7.0%</b>		<b>7.6%</b>	<b>4.8%</b>	

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."

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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, how much was attributable to changes in average interest rates and how much was attributable to variations in the effects of the appreciation/depreciation in the real/U.S. dollar rate, in each case, for 2014 as compared to 2013:

	R\$ in thousands		
	Consolidated	Banking	Insurance, Pension Plans and Capitalization Bonds
			2014/2013 Increase/(reduction)
Due to changes in average volume of interest bearing liabilities	3,441,799	3,737,027	573,617
Due to changes in average interest rates	8,968,926	6,696,457	3,858,113
Due to Brazilian real appreciation/depreciation	54,462	54,462	-
<b>Net change</b>	<b>12,465,187</b>	<b>10,487,946</b>	<b>4,431,730</b>

***Banking***

Our interest and similar expenses increased by 27.4%, from R\$38,336 million in 2013 to R\$48,824 million in 2014. This increase primarily reflects: (i) changes in the average interest rates, in the amount of R\$6,696 million, due to higher average interest rates paid in respect of: (a) funding in the open market, from 8.2% in 2013 to 9.5% in 2014, increasing our expenses by R\$3,102 million; (b) time deposits, from 5.9% in 2013 to 7.0% in 2014, increasing our expenses by R\$1,102 million; and (c) funds from securities issued, from 6.9% in 2013 to 9.6% in 2014, increasing our expenses by R\$1,634 million; (ii) depreciation in the *real*/U.S. dollar rate, increasing our interest and similar expenses by R\$54 million; and (iii) a 9.0% growth in the average volume of our interest-bearing liabilities, from R\$548,724 million in 2013 to R\$598,086 million in 2014, increasing our expenses by R\$3,737 million, mainly due to the increase of: (a) 8.7% in the average balance of funding in the open market, from R\$237,777 million in 2013 to R\$258,529 million in 2014, increasing our expenses by R\$1,806 million; and (b) 33.2% of average balance of funds from securities issued, increasing our expenses by R\$1,424 million.

***Insurance, pension plans and capitalization bonds***

Our interest and similar expenses increased 74.0%, from R\$5,988 million in 2013 to R\$10,420 million in 2014. This increase primarily reflects the increase from 4.8% in 2013 to 7.6% in 2014 in the average interest rate for technical provisions, increasing our expenses by R\$3,858 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 and IFRS, and to improve the understanding of the 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.

	<b>R\$ in thousands, except %</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Net Impairment losses on loans and advances</b>			
Banking - BR GAAP	(10,432,347)	(9,731,376)	7.2%
<b>Accounting Practices Differences (IFRS x BR GAAP)</b>	<b>140,961</b>	<b>107,506</b>	<b>31.1%</b>
Consolidated- IFRS	(10,291,386)	(9,623,870)	6.9%

The total amount of net impairment losses on loans and advances to banks under BR GAAP is representative of the total amount of net impairment losses in a BR GAAP-consolidated basis that, in turn, is representative of the total amount of net impairment losses in an IFRS-consolidated basis, except for differences in accounting practices.

**Main difference in accounting practices for net impairment losses on loans and advances**

The main difference in accounting practices between BR GAAP, in accordance with CMN Resolution No. 2,682/99, and IFRS, in accordance with IAS 39, is the form of recognition and measurement of impairment of loans and advances. While the practice adopted by the Central Bank is a provision based on a mix of expected and incurred losses, in accordance with IFRS, recognition and measurement of impairment is based on incurred losses. For more information, see "Item 4.B. Business Overview – Regulation and Supervision – Banking Regulations – Treatment of loans and advances", and Note 3.1 to the financial statements in "Item 18. Financial Statements."

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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 2014 and 2013, 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:

	<b>R\$ in thousands, except %</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>Impairment provision of loans and advances at the beginning of the year</b>	<b>19,858,234</b>	<b>19,914,294</b>	<b>(0.3)%</b>
Net impairment losses on loans and advances	10,291,386	9,623,870	6.9%
Loan recoveries	3,924,514	3,640,014	7.8%
Loan charge offs	(12,941,457)	(13,319,944)	(2.8)%
<b>Impairment provision of loans and advances at the end of the year</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>6.4%</b>
Ratio of net impairment losses on loans and advances to average loans and advances to customers	3.2%	3.3%	

The balance of our impairment of loans and advances to customers increased by 6.4%, from R\$19,858 million in 2013 to R\$21,133 million in 2014. This increase was mainly due to (i) the increase of 7.8% in the balance of loans and advances to customers; and (ii) the movement in our mix of loans and advances portfolio, which mainly impacted the following products: (a) working capital, whose allocated impairment went from R\$2,018 million in 2013 to R\$2,513 million in 2014; (b) credit cards, whose allocated losses went from R\$3,073 million in 2013 to R\$3,406 million in 2014; (c) housing loans, whose allocated losses went from R\$797 million in 2013 to R\$1,047 million in 2014; and (d) BNDES/FINAME onlending, whose allocated losses went from R\$863 million in 2013 to R\$1,071 million in 2014. Furthermore, we highlight that past due but not impaired loans decreased by 2.8%, and impaired operations increased by 3.5% only, from R\$29,799 million in 2013 to R\$30,841 million in 2014, which represented 8.8% of total loans and advances to customers in 2014, as opposed to 9.2% in 2013.

Loans and advances to customers neither past due nor impaired increased by 8.5%, from R\$287,052 million in 2013 to R\$311,424 million in 2014, of which 98.1% were rated as "low risk."

Calculations of impairment of loans and advances include an individual analysis of impaired loans and advances to customers, and an analysis of losses on loans and advances to customers not individually significant, as follows:

As of December 31,	R\$ in thousands, except %		
	2014	2013	% Change
Impairment provision of loans and advances to customers individually relevant	1,589,280	774,795	105.1%
Impairment provision of loans and advances to customers not individually relevant	19,543,397	19,083,439	2.4%
<b>Total</b>	<b>21,132,677</b>	<b>19,858,234</b>	<b>6.4%</b>

The increase of 6.9% in net impairment losses on loans and advances is related to an increase of R\$1,042 million or 3.5% in the balance of impairment loans and advances to customers, as well as a change in the product mix. Loan recoveries and charge-offs increased by 7.8%, while charge-offs decreased by 2.8%, when compared to 2013.

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, was 2.7% in 2014. In 2014, impairment of loans and advances as a percentage of loans and advances to customers remained at 6.1%, which we believe is a comfortable margin based on our experience of historical loss levels.

Loans and advances to individuals increased by 9.8%, from R\$128,636 million in 2013 to R\$141,220 million in 2014, mainly due to housing loans and personal credit.

Loans and advances to corporate customers increased by 6.5% in the year, from R\$195,344 million in 2013 to R\$207,977 million in 2014, mainly due to housing loans – company plan, and rural credit.

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

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***Non-interest income***

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest income for 2014 and 2013.

<b>Consolidated</b>	<b>R\$ in thousands, except %</b>		
	<b>For the year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
Net fee and commission income	16,739,256	14,499,682	15.4%
Net gains/(losses) on financial assets and liabilities held for trading	(1,933,003)	(5,790,089)	(66.6)%
Net gains/(losses) on financial assets available for sale	(991,894)	(6,100,782)	(83.7)%
Premiums retained from insurance and pension plans	50,454,983	44,887,215	12.4%
Equity in the earnings of associates and joint ventures	1,389,816	1,062,687	30.8%
Other non-interest income	9,055,709	10,544,171	(14.1)%
<b>Total</b>	<b>74,714,867</b>	<b>59,102,884</b>	<b>26.4%</b>

<b>Segment</b>	<b>R\$ in thousands, except %</b>			
	<b>Banking</b>		<b>%</b>	<b>Insurance, P Capitaliz</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>2014</b>
Net fee and commission income	17,570,839	15,639,215	12.4%	1,557,352
Net gains/(losses) on financial assets and liabilities held for trading	(1,833,589)	(4,100,749)	(55.3)%	(255,485)
Net gains/(losses) on financial assets available for sale	(296,545)	(3,880,575)	(92.4)%	(728,720)
Premiums retained from insurance and pension plans	-	-	-	-50,454,983
Equity in the earnings of associates and joint ventures	1,220,810	1,031,280	18.4%	169,431
Other non-interest income	2,279,983	5,173,846	(55.9)%	7,156,766
<b>Total</b>	<b>18,941,498</b>	<b>13,863,017</b>	<b>36.6%</b>	<b>58,354,327</b>

***Banking***

Our non-interest income increased by 36.6%, from R\$13,863 million in 2013 to R\$18,941 million in 2014. This increase was mainly due to: (i) an increase in net fee and commission income, from R\$15,639 million in 2013 to R\$17,571 million in 2014, driven by an increase of: (a) 12.5% in revenues from credit cards, with an increase of 10.5% in billings, which reached R\$131,999 million in 2014; (b) 11.5% in revenues related to checking accounts, primarily due to the increase in the services we provide to our customers, as well as the increase in the business volume; and (c) 21.9% in revenues from consortium management, due to the increase in received bids and average ticket and sales of new quotas, giving rise to a growth of 138,000 net quotas in the year; (ii) an increase in equity in the earnings of affiliated companies and joint ventures, from

R\$1,031 million in 2013 to R\$1,221 million in 2014, largely due to higher revenues from our associate Cielo S.A. (“Cielo”); (iii) a decrease of 92.4% on net losses of financial assets available for sale, from R\$3,881 million in 2013 to R\$297 million in 2014, reflecting, primarily, lower net losses from fixed-income securities. We highlight that, in 2014, it includes the recognition of impairment on the shares we held of Banco Espírito Santo (BES), in the amount of R\$598 million and, in 2013, it includes the realization of decreases in market value of the available-for-sale NTN portfolio (National Treasury Notes), through the sale of these securities in the market; and (iv) a decrease of 55.3% in net losses from trading financial assets and liabilities, from R\$4,101 million in 2013 to R\$1,834 million in 2014, mainly due to the result of fixed-income securities. These events were partially offset by a decrease of 55.9% in other non-financial revenues deriving, partially from results obtained from the adhesion to a program for payment in installments and lump sum payments of tax debts – REFIS, in the amount of R\$1,950 million in 2013.

***Insurance, pension plans and capitalization bonds***

Our non-interest income increased by 22.7%, from R\$47,560 million in 2013 to R\$58,354 million in 2014. This was mainly due to: (i) the increase of 12.4% in the revenue of retained insurance premiums and pension plans, from R\$44,887 million in 2013 to R\$50,455 million in 2014, primarily, as a result of the increase in: (a) revenue of insurance premiums issued, from R\$42,226 million in 2013 to R\$47,746 million in 2014; and (b) revenue with pension plan contributions, from R\$3,584 million in 2013 to R\$3,725 million in 2014; (ii) the decrease of 71.2% in net losses on financial assets available for sale, from R\$2,526 million in 2013 to R\$729 million in 2014. We highlight that, in 2014, it includes the recognition of impairment losses on shares, in the amount of R\$617 million and, in 2013, it includes the realization of decreases in the market value of the available-for-sale NTN portfolio (National Treasury Notes), through the sale of these securities in the market; and (iii) the reduction of 86.7% on net losses of financial assets and liabilities classified as held for trading, from R\$1,915 million in 2013 to R\$255 million in 2014, primarily due to the income obtained from fixed income securities.

**5.A. Operating Results**

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***Main differences between balances by segment and consolidated balances***

In addition to the explanations set out above, we highlight below the main differences between our non-interest income by segment (in accordance with BR GAAP) and our consolidated non-interest income (in accordance with IFRS) for the year ended December 31, 2014:

- ***net fee and commission income***: the difference of R\$2,389 million refers to the effective interest rate method in the amount of R\$1,462 million and eliminations and adjustments of other operations in the amount of R\$927 million; and
- ***net gains (losses) on financial assets classified as held for trading***: the adjustment in the amount of R\$156 million was due to the adjustment of cash flow hedges.

***Non-interest expense***

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest expense for 2014 and 2013:

Consolidated	R\$ in thousands, except %		
	For the year ended December 31,		
	2014	2013	% Change
Personnel expenses	(13,667,639)	(12,354,418)	10.6%
Administrative expenses	(12,971,521)	(12,151,537)	6.7%
Depreciation and amortization	(2,932,687)	(2,740,830)	7.0%
Changes in the insurance technical provisions and pension plans	(24,008,174)	(20,001,807)	20.0%
Retained claims	(18,143,688)	(15,484,691)	17.2%
Selling expenses for insurance and pension plans	(2,891,276)	(2,467,037)	17.2%
Net gains/(losses) on foreign currency transactions	(1,244,680)	(1,093,597)	13.8%
Other non-interest expense	(19,278,792)	(18,166,411)	6.1%
<b>Total</b>	<b>(95,138,457)</b>	<b>(84,460,328)</b>	<b>12.6%</b>

Segment	R\$ in thousands, except %			
	Banking		% Change	Insurance, Capital
	2014	2013		2014

Personnel expenses	(12,460,644)	(11,200,617)	11.2%	(1,197,272)
Administrative expenses	(12,578,064)	(12,068,420)	4.2%	(1,118,542)
Depreciation and amortization	(2,749,282)	(2,625,748)	4.7%	(244,442)
Changes in the insurance technical provisions and pension plans	-	-		-(24,008,174)
Retained claims	-	-		-(18,143,688)
Selling expenses for insurance and pension plans	-	-		-(2,892,373)
Net gains/(losses) on foreign currency transactions	(1,244,680)	(1,093,597)	13.8%	-
Other non-interest expense	(11,194,730)	(11,330,532)	(1.2)%	(8,006,914)
<b>Total</b>	<b>(40,227,400)</b>	<b>(38,318,914)</b>	<b>5.0%</b>	<b>(55,611,405)</b>

### ***Banking***

Our non-interest expenses increased by 5.0%, from R\$38,319 million in 2013 to R\$40,227 million in 2014. This increase was mainly due to the increase of: (i) 11.2% in personnel expenses, from R\$11,201 million in 2013 to R\$12,461 million in 2014, due to: (a) an increase in expenses from proceedings, payroll charges and benefits, as a result of an increase in salaries, following the collective bargaining agreements for 2013 and 2014; and (b) higher expenses from provisions for labor lawsuits, mainly due to an improvement in the calculation methodology for such provisions, which had an impact on the income of R\$488 million; (ii) 4.2% in administrative expenses, primarily due to: (a) the addition of 2,440 service points, largely due for Bradesco Espresso; (b) contract adjustments; and (c) a growth in the business volume and services within the period. We highlight that the inflation ratio in the last 12 months, IPCA, reached 6.4%, demonstrating our consistent cost control related to the performance of our administrative expenses; and (iii) 13.8% in the net losses of operations in foreign currency, reflecting the devaluation of real against the U.S. dollar in 2014.

### ***Insurance, pension plans and capitalization bonds***

Our non-interest expense increased by 18.0%, from R\$47,114 million in 2013 to R\$55,611 million in 2014. This increase was mainly due to increases of: (i) 20.0% in our expenses from changes in the insurance and pension plan technical provisions, from R\$20,002 million in 2013 to R\$24,008 million in 2014, mainly due to the growth of R\$12,623 million in the volume of our technical provisions related to the VGBL product. We highlight that, in 2013, deriving from compliance with SUSEP Circular No. 462/13 by our insurance group, which resulted in the adoption of the “Term Structure of Risk-free Interest Rates – ETTJ” as a discount rate of actuarial liability flow, provisions were reverted to the amount of R\$2,572 million and, in 2014, technical provisions were reverted, in accordance with this Circular, to the amount of R\$754 million; and (ii) 17.2% in retained claims, mainly, in health insurance.

### ***Income tax and social contribution***

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We prepare segment information to enable our Management to assess performance and make decisions on allocating funds for investments and other purposes. Income and social contribution taxes, as required by current Brazilian regulations, are calculated for each legal entity and reported on a consolidated basis. Accordingly, there is no direct relationship with the segment presentation. Management's decisions for tax purposes are based on an analysis by legal entity and on a consolidated basis; accordingly, Management considers the consolidated data, which was discussed and analyzed, as the relevant disclosure for their decision-making.

The following table shows, for the company, the breakdown of our income tax and social contribution charges:

<b>Consolidated</b>	<b>R\$ in thousands except %</b>
	<b>2014</b>
<b>Income before income tax and social contribution</b>	<b>19,330,791</b>
<b>Total income tax and social contribution charges at rates of 25% and 15%, respectively <sup>(1)</sup></b>	<b>(7,732,316)</b>
<b>Effect of additions and exclusions in the tax calculation:</b>	
Equity in the earnings of associates and joint ventures	555,926
Interest on equity (paid and payable)	1,438,003
Net tax credit of deferred liabilities	-
Other <sup>(2)</sup>	1,824,074
<b>Income tax and social contribution for the period</b>	<b>(3,914,313)</b>
Effective rate	20.2%

<sup>(1)</sup> Current rates: (i) 25% for income tax; (ii) of 15% for the social contribution; and

<sup>(2)</sup> Basically, includes: (i) the exchange rate variation of assets and liabilities, derived from investments abroad; and deduction incentives.

Income tax and social contribution expenses increased from R\$1,833 million in 2013 to R\$3,914 million in 2014. This variation was primarily due to: (i) an increase in income before income taxes, from R\$14,319 million in 2013 to R\$19,331 million in 2014; and (ii) the fact that we do not have tax credits from previous years related to investment acquisition operations in 2014, while we had R\$462 million in 2013. This increase was partially offset by an increase of: (i) R\$148 million in interest on the shareholders' equity; and (ii) R\$131 million in equity in the earning of associates; and (iii) R\$106 million in other amounts. For more information on income and social contribution taxes, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

**Net Income**

As a result of the above, our net income attributable to controlling shareholders increased by 23.5%, from R\$12,396 million in 2013 to R\$15,315 million in 2014. Our net income for the year presented a percentage growth similar to our net income attributable to controlling shareholders, increasing from R\$12,486 million



in 2013 to R\$15,416 million in 2014.

## **5.B. Liquidity and Capital Resources**

### ***Asset and liability management***

Our general policy on asset and liability management is to manage interest rate, liquidity, foreign exchange and maturity risks in order to maximize our net income from financial operations and our return on assets and equity, in light of our internal risk management policies, and maintain adequate levels of liquidity and capital.

As part of our asset and liability management, we seek to avoid material mismatches between assets and liabilities by matching, to the extent possible, the maturity, currency and interest rate structure of loans we make with terms of the transactions under which we fund these loans. Subject to our policy constraints and the limits established by our Board of Directors, we occasionally take mismatched positions in relation to interest rates, maturities and, in more limited circumstances, foreign currencies, when we believe such positions are justified in view of market conditions and prospects.

We monitor our asset and liability positions in accordance with Central Bank requirements and guidelines. The Treasury Executive Committee for Asset and Liability Management meets on a weekly basis to:

**5.B. Liquidity and Capital Resources**

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- evaluate action strategies relating to asset and liability management, within the limits established, based on an analysis of the political-economic scenarios, at national and international level;
- monitor and countersign the pricing strategies of asset, liability and derivative operations with our clients;
- define internal prices of transfer of resources (Funds Transfer Price - FTP) of liabilities and assets in local and foreign currency;
- approve the proposal on the limit of tolerance for exposure to risks to be submitted to the approval of the Committee of the Integrated Management of Risks and Allocation of Capital and of the Board of Directors; and
- monitor and countersign results, strategies, behaviors and risks of mismatch and indexes maintained by the Organization and managed by the Treasury Department.

In making such decisions, our Management evaluates not only our exposure limits for each market segment and product, but also market volatility levels and the extent to which we are exposed to market risk through interest, maturity, liquidity and currency mismatches. It also considers other potential risks, as well as market liquidity, our institutional needs and perceived opportunities for gains. The Treasury Executive Committee for Asset and Liability Management holds extraordinary meetings as required in response to unexpected macroeconomic changes.

In addition, our Management receives daily reports on our mismatched and open positions, while the Treasury Executive Committee for the Asset and Liability Management assesses our risk position every two weeks.

***Liquidity and funding***

We have policies, procedures, metrics and limits in place aimed at controlling liquidity risks. The components of our Minimum Liquidity Reserve ("RML") are in line with best market practices as well as Basel III requirements.

Our Treasury Department acts as a support center for our different business segments by managing our funding and liquidity positions, and executing our investment objectives in accordance with our asset and liability management policies. It is also responsible for setting rates for our different products, including exchange and interbank transactions. The Treasury Department covers any funding shortfall by borrowing in the interbank market. It seeks to maximize efficient use of our deposit base by investing any surpluses in liquid instruments in the interbank market.

We have used our excess liquidity to invest in Brazilian government securities and expect to continue doing so, subject to regulatory requirements and investment considerations. Our principal sources of funding are:

- demand, savings, and time deposits, as well as interbank deposits; and
- funding in the open market, borrowings and onlendings, funds from securities issued and subordinated debt, part of which is denominated in foreign currencies.

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The following table shows the average balance and average real interest rates of our sources of funding (interest-bearing, as well as non-interest-bearing) for the periods indicated measured using month-end balances:

R\$ in thousands, except %	2015			2014			2013		
	Average balance	% of total	Average rate Average balance	% of total	Average rate Average balance	% of total	Average rate		
<b>Interest bearing liabilities</b>									
Interbank deposits	621,904	0.1%	12.0%	695,132	0.1%	12.4%	671,404	0.1%	9.4%
Savings deposits	91,075,494	10.4%	7.1%	84,921,694	10.7%	6.4%	73,307,137	9.8%	5.6%
Time deposits	83,978,162	9.6%	7.1%	91,990,788	11.6%	7.0%	99,565,994	13.3%	5.9%
Funding in the open market	211,686,661	24.3%	11.1%	192,967,597	24.3%	9.9%	182,981,063	24.4%	9.1%
Borrowings and onlendings	64,029,996	7.3%	4.8%	56,123,972	7.1%	3.2%	49,273,352	6.6%	3.9%
Funds from securities issued	97,739,942	11.2%	11.8%	69,849,843	8.8%	9.6%	52,476,783	7.0%	6.9%
Subordinated debt	38,601,843	4.4%	12.1%	35,826,626	4.5%	10.6%	35,560,706	4.7%	8.8%
Insurance technical provisions and pension plans	156,922,463	18.0%	10.3%	136,308,516	17.1%	7.6%	125,179,124	16.7%	4.8%
<b>Total interest bearing liabilities</b>	<b>744,656,465</b>	<b>85.4%</b>	<b>9.6%</b>	<b>668,684,168</b>	<b>84.1%</b>	<b>8.1%</b>	<b>619,015,563</b>	<b>82.4%</b>	<b>6.7%</b>
<b>Non interest bearing liabilities</b>									
Demand deposits	26,969,963	3.1%	-	35,138,920	4.4%	-	36,876,193	4.9%	-
Other non interest bearing liabilities	99,995,194	11.5%	-	91,429,077	11.5%	-	95,039,096	12.7%	-
<b>Total non interest bearing liabilities</b>	<b>126,965,157</b>	<b>14.6%</b>	<b>-</b>	<b>126,567,997</b>	<b>15.9%</b>	<b>-</b>	<b>131,915,289</b>	<b>17.6%</b>	<b>-</b>
<b>Total liabilities</b>	<b>871,621,622</b>	<b>100.0%</b>	<b>8.2%</b>	<b>795,252,165</b>	<b>100.0%</b>	<b>6.8%</b>	<b>750,930,852</b>	<b>100.0%</b>	<b>5.5%</b>

Deposits are our most important source of funding, accounting for 23.4% of average total liabilities in 2015, compared to 26.8% in 2014 and 28.0% in 2013. Our deposits balance over these years progressed in the following manner:

- In 2014, the average balance of our deposits increased by 1.1% against 2013 primarily due to a 15.8% increase in the average balance of our savings deposits, which was partially offset by: a 7.6% decrease in the average balance of our time deposits and a 4.7% decrease in the average balance of our demand deposits; and
- In 2015, the average balance of our deposits decreased by 4.5% in comparison to 2014, mainly due to the decrease of 22.7% in the average balance of our demand deposits and the decrease of 8.4% in our time deposits, which were partially offset by the increase of 7.2% in the average balance of our savings deposits.

Funding in the open market, borrowings and onlendings and funds from securities issued represent our main sources of funding, accounting for 42.9% of total average liabilities in 2015, compared to 40.1% in 2014 and 37.9% in 2013.

The following table shows, for the periods indicated, our sources of funding and liquidity, as well as other non-interest-bearing liabilities:

As of December 31,	R\$ in thousands		
	2015	2014	2013
Interbank deposits	466,448	641,205	963,855
Savings deposits	91,878,765	92,154,815	80,717,805
Time deposits	79,619,267	85,790,391	95,866,825
Funding in the open market	222,291,364	219,359,890	185,055,358
Borrowings and onlendings	70,337,884	58,998,135	56,094,850
Funds from securities issued	109,850,047	85,030,399	57,883,068
Subordinated debt	50,282,936	35,821,666	35,885,003
Insurance technical provisions and pension plans	170,940,940	146,559,220	130,329,023
<b>Total interest-bearing liabilities</b>	<b>795,667,651</b>	<b>724,355,721</b>	<b>642,795,787</b>
Demand deposits	23,819,783	33,027,296	40,619,737
Other non interest bearing liabilities	116,301,326	90,776,194	82,783,164
<b>Total non interest bearing liabilities</b>	<b>140,121,109</b>	<b>123,803,490</b>	<b>123,402,901</b>
<b>Total liabilities</b>	<b>935,788,760</b>	<b>848,159,211</b>	<b>766,198,688</b>

## 5.B. Liquidity and Capital Resources

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### ***Deposits***

Deposits accounted for 20.9% of total liabilities as of December 31, 2015. Our deposits consist primarily of *real*-denominated, interest-bearing time and savings deposits and *real*-denominated, non-interest-bearing demand deposits. The increase in the average balance of our savings deposits from 2014 to 2015 was mainly due to the larger volume of funding of these deposits. Notably, the number of savings account holders has continued to grow, adding one million new savings accounts to our base, while the decrease in the average balances of our time deposits and demand deposits was a reflection of the new investment opportunities available to our clients. For additional information regarding our deposits, see "Item 4.B. Business Overview – Selected Statistical Information – Average deposit balances and interest rates".

### ***Funding in the open market***

Funding in the open market consist mainly of funds we obtained from banks in the market by selling securities with agreements to repurchase. As of December 31, 2015, we had funding in the open market in the amount of R\$222,291 million. As of December 31, 2014, we had funding in the open market in the amount of R\$219,360 million, an increase of R\$34,305 million compared to December 31, 2013.

### ***Borrowings and onlendings***

Borrowings consist primarily of funding from lines obtained from banking correspondents for import and export financings, as well as issuances of short-term debt securities. Our access to this source of resources has been continuous, and funding occurs with rates and terms according to market conditions.

Onlendings consist primarily of funds borrowed for local onlending, in which we borrow from Brazilian governmental agencies and entities to make loans to Brazilian entities for investments in facilities, equipment and farming, among others.

As of December 31, 2014, the balance of our borrowings and onlendings increased R\$2,903 million compared to December 31, 2013, mainly due to: (i) an increase of R\$1,621 million in funds raised via borrowings and onlendings in the country, mainly through FINAME transactions; and (ii) an increase of R\$1,282 million in borrowings and onlendings denominated in, or indexed to, foreign currencies, which increased from R\$15,400 million as of December 31, 2013 to R\$16,682 million as of December 31, 2014, as a result of the 13.4% depreciation of the Brazilian real against the U.S. dollar during the year.

As of December 31, 2015, the balance of our borrowings and onlendings totaled R\$70,338 million, an increase of R\$11,340 million compared to December 31, 2014. The increase was mainly due to: (i) an increase of R\$15,437 million in borrowings and onlendings denominated in, or indexed to, foreign currencies, which increased from R\$16,682 million as of December 31, 2014 to R\$32,119 million as of December 31, 2015, as a result of the 47.0% depreciation of the Brazilian *real* against the U.S. dollar; and it

was partially offset by: (ii) a 9.7% or R\$4,097 million decrease in the funds raised via borrowings and onlendings in the country, mainly through FINAME transactions.

***Funds from securities issued***

Funds from securities issued mainly consist of: (i) financial notes (*letras financeiras*); (ii) real estate credit notes; (iii) agribusiness notes (*letras de agronegócio*); (iv) euronotes and (v) securities issued through securitization.

As of December 31, 2014, our funds from securities issued totaled R\$85,030 million, reflecting an increase of R\$27,147 million from December 31, 2013. The increase in our funds from securities issued was mainly due to the increase of: (i) R\$19,753 million in funds from the issuance of financial notes; (ii) R\$5,867 million in real estate credit notes; and (iii) R\$4,200 million from issue of agribusiness notes.

As of December 31, 2015, our funds from securities issued totaled R\$109,850 million reflecting an increase of R\$24,820 million from December 31, 2014. The increase in our funds from securities issued was mainly due to increases: (i) of R\$16,731 million in funds from the issuance of financial notes; (ii) of R\$8,360 million in real estate credit notes; partially offset by: (iii) a lower volume of operations abroad, in the amount of R\$810 million.

***Subordinated debt***

The subordinated debts totaled R\$35,822 million in December 2014, remaining stable when compared to 2013.

The subordinated debts totaled R\$50,283 million in December 2015, a 40.4% increase, or R\$14,461 million, primarily due to the: (i) issuance of new subordinated debts; (ii) exchange rate variation; and partially

**5.B. Liquidity and Capital Resources**

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offset by: (iii) the maturities of debts occurred in the periods.

**Central Bank compulsory deposits**

The Central Bank requires us, as a financial institution, either to deposit a determined amount of funds with the Central Bank or to purchase and hold Brazilian federal treasury securities. We cannot use these compulsory deposits for any other purpose. The Central Bank determines the interest to be paid on these deposits, if any. For more information on compulsory deposit requirements, see "Item 4.B. Business Overview-Deposit-taking activities".

As of December 31, 2014, the balance of our compulsory deposits decreased 8.0%, from R\$55,381 million as of December 31, 2013 to R\$50,925 million as of December 31, 2014, mainly due to a decrease in the average volume of our time and demand deposits.

As of December 31, 2015, the balance of our compulsory deposits increased 7.6%, from R\$50,925 million as of December 31, 2014 to R\$54,792 million as of December 31, 2015, mainly due to an increase in compulsory deposit requirements of time deposits.

**Sources of additional liquidity**

In certain limited circumstances, we may obtain emergency funds from the Central Bank through a transaction referred to as "*redesconto*." A *redesconto* is a loan from the Central Bank to a financial institution, which is guaranteed by government securities owned by the financial institution. The amount of government securities held by the financial institution as trading assets limits the amount of the *redesconto* transaction. We have never obtained funds from the Central Bank through "*redesconto*" transactions for liquidity purposes. As of December 31, 2015, we had R\$93,833 million available in government securities as financial assets held for trading that could be used for this purpose.

**Cash flow**

In 2015, 2014 and 2013, our cash flow was primarily affected by our business strategy and alterations in the Brazilian economic environment. The following table shows the principal variations in cash flows during the periods indicated:

For the year ended December 31,	R\$ in thousands		
	2015	2014	2013
Net cash provided by (used in) operating activities	(61,354,165)	80,799,123	98,492,798
Net cash provided by (used in) investing activities	(11,961,302)	(3,443,356)	(23,186,678)



Net cash provided by (used in) financing activities	12,994,265	8,999,501	(6,375,062)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(60,321,202)</b>	<b>86,355,268</b>	<b>68,931,058</b>

**2015**

In 2015, we had a net decrease of R\$60,321 million in cash and cash equivalents due to net cash from operating activities, in the amount of R\$61,354 million; and investing activities, in the amount of R\$11,961 million. These decreases were partially offset by net cash provided by our financing activities, in the amount of R\$12,994 million.

In 2015, cash used in our operating activities resulted primarily from an increase in: (i) financial assets held for trading in the amount of R\$80,159 million; and (ii) loans and advances to customers in the amount of R\$95,026 million. These events were partially offset by: (i) net decrease in funds from financial institutions in the amount of R\$40,279 million; (ii) receipt/payment of interest, in the net amount of R\$23,901 million; (iii) a decrease in financial liabilities held for trading, in the amount of R\$16,030 million; and (iv) the variation of technical provisions for insurance and pension plans, in the amount of R\$28,286 million.

The cash used in our investing activities resulted principally from: (i) the net acquisition/disposal of financial assets available for sale, in the amount of R\$22,007 million; and (ii) the acquisition of property, equipment and intangible assets in the amount of R\$4,154 million. These events were partially offset by interest received in the amount of R\$13,033 million.

The cash generated by our financing activities principally resulted from: (i) funds from securities issued in the amount of R\$68,385 million; and (ii) issuance of subordinated debt, in the amount of R\$11,304 million. These events were partially offset by the: (i) payment of funds from securities issued in the amount of R\$49,218 million; (ii) payments of interest on equity and dividends in the amount of R\$5,008 million; (iii) interest paid, in the amount of R\$11,094 million; and (iv) payment of subordinated debt, in the amount of R\$1,271 million.

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### 2014

In 2014, we had a net increase of R\$86,355 million in cash and cash equivalents due to net cash from operating activities, in the amount of R\$80,799 million and from financing activities, in the amount of R\$9,000 million. These increases were impacted by net cash being used for our investing activities, in the amount of R\$3,443 million.

In 2014, cash from our operating activities resulted primarily from: (i) decrease in loans and advances to banks in the amount of R\$19,562 million; (ii) net increase in funds from financial institutions and customers in the amount of R\$63,358 million; (iii) receipt/payment of interest, in the net amount of R\$22,073 million, (iv) a decrease in financial assets held for trading, in the amount of R\$14,690 million; and (v) the variation of technical provisions for insurance and pension plans, in the amount of R\$24,008 million. These events were partially offset by an increase in loans and advances to customers in the amount of R\$88,723 million.

The cash used in our investing activities resulted primarily from: (i) the disposal and acquisition of financial assets available for sale, in the net amount of R\$11,183 million; and (ii) the acquisition of property, equipment and intangible assets in the amount of R\$2,830 million. The aforementioned events were partially offset by interest received in the amount of R\$9,143 million.

The cash from our financing activities primarily resulted from funds from securities issued in the amount of R\$53,526 million. This event was partially offset by: (i) payments of funds from securities issued in the amount of R\$32,578 million; (ii) payments of interest on equity and dividends in the amount of R\$3,925 million; (iii) interest paid, in the amount of R\$4,704 million; and (iv) payments of subordinated debt, in the amount of R\$2,706 million.

### 2013

In 2013, we had a net increase of R\$68,931 million in cash and cash equivalents due to net cash from operating activities, in the amount of R\$98,493 million. This increase was caused by net cash being used for our investing activities, in the amount of R\$23,187 million and in our financing activities, in the amount of R\$6,375 million.

In 2013, cash from our operating activities resulted primarily from: (i) decrease in loans and advances to banks in the amount of R\$87,999 million; (ii) net increase in funds from financial institutions and customers in the amount of R\$57,119 million; and (iii) receipt/payment of interest, in the net amount of R\$22,143 million. These events were partially offset by an increase in loans and advances to customers in the amount of R\$95,688 million.

The cash used in our investing activities resulted primarily from: (i) the disposal and acquisition of financial assets available for sale, in the net amount of R\$26,434 million; and (ii) the acquisition of property, equipment and intangible assets in the amount of R\$3,696 million. The aforementioned events were

partially offset by interest received in the amount of R\$4,720 million.

The cash used in our financing activities primarily resulted from (i) the payment of funds from securities issued in the amount of R\$38,525 million; (ii) payments of interest on equity and dividends in the amount of R\$4,363 million; (iii) interest paid, in the amount of R\$5,923 million; and (iv) the payment of subordinated debt, in the amount of R\$1,762 million. The aforementioned events were partially offset by the cash generated by funds from securities issued in the amount of R\$43,567 million.

#### ***Capital compliance - Basel III***

The G20's December 2010 conference voted to institute a package of measures (known as "Basel III") that had been proposed by the Basel Committee on Banking Supervision to remedy deficiencies revealed by the recent economic crisis. The purpose of this reform is to enhance capital and liquidity management rules for financial institutions, thus strengthening the banking sector and dampening the impact of financial crises and their consequences for the real economy.

The first measure requires financial institutions to strengthen their capital levels. Common equity primarily comprises share capital (non-redeemable non-cumulative common and preferred shares), plus retained earnings, less amounts related to regulatory adjustments (tax credits, goodwill paid on acquisition of investments and deferred fixed assets, among others). After allowing for all deductions, Basel III will require banks to hold: (i) a common equity ratio of at least 4.5%; (ii) a Tier I capital ratio of at least 6.0%; and (iii) a minimum total capital ratio of 8.0%.

In January 2011, the Basel Committee on Banking Supervision ("*BCBS*") published a document known as the "January 13 Annex" in which it extended Basel III rules with additional requirements applicable to Tier 1 and 2 Capital. Under the January 13 Annex rules, a capital instrument issued by a bank must include a provision enabling the competent regulatory body to either cancel this instrument, or convert it to common shares on the occurrence of a "trigger event." A "trigger event" is whichever of the following occurs first: (i) a decision that a cancellation is necessary, without which the bank would become insolvent; and (ii) the decision to make a public capital injection, or equivalent subsidy, without which the bank would become insolvent. These additional requirements will apply to all instruments issued after January 1, 2013; otherwise, any qualified instruments issued before that date and which do not meet the additional requirements (although meeting other requirements as of the date of the issuance) will be gradually deducted from capital measurement for a period of ten years as of 2013.

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In June 2011, the BCBS released the report “Basel III: A global regulatory framework for more resilient banks and banking systems - revised”, as an international regulatory response to the 2008 financial and banking crisis. The revised version of Basel III regulations aims at improving the quality and quantity of financial institutions capital, with the purpose of making the financial system more resilient and reducing risks and costs. This Accord reflects a continuing change towards the improvement of the prudential structure applicable to financial institutions, with the main elements being the regulatory capital and the amount of allocated capital.

Basel III recommendations stipulate altered capital requirements for counterparty credit risk, both for the standard approach and for internal risk rating based approaches (IRBs) in order to ensure inclusion of material risks in capital structure.

The Basel III Accord recommends implementation of a leverage ratio as a supplementary capital measure, to be calculated by dividing Tier I capital by total exposure. For calculating total exposure, Basel III uses accounting data net of provisions, without deducting any credit risk mitigator or deposits. As from January 2018 there is to be a minimum requirement for the leverage ratio, which was originally set at 3.0%.

Furthermore, in order to determine minimum requirements for quantitative liquidity of financial institutions, Basel III proposes two liquidity ratios: a short-term and a long-term one.

The purpose of the short-term liquidity ratio (Liquidity Coverage Ratio, or LCR) is to show that institutions have sufficient high-liquidity funds to withstand a one-month financial stress scenario. The purpose of the long-term liquidity ratio (Net Stable Funding Ratio, or NSFR) is to encourage institutions to finance their activities from more stable sources of funding. Basel III has set forth the requirement of a ratio of more than one for the LCR as from January, 2015 and the NSFR as from January, 2018.

Brazil has been a member of the BCBS since late 2009 and has adopted Basel III proposals. The Central Bank issued Notice No. 20,615/11 on preliminary guidelines and schedules for implementing recommendations on capital structure and liquidity requirements. According to this communication, the regulator intended to bring forward the implementation of several measures.

In June, 2011, CMN published Resolution No. 3,988/11, which states that the Brazilian financial institutions should implement a capital management structure compatible with the nature of their operations, the complexity of the products and services offered and their risk exposure. Capital management is defined as a continuous process of (i) monitoring and controlling the financial institution’s capital, (ii) calculating the capital need in view of the risks to which the financial institution is exposed to and (iii) planning goals and capital requirements considering the strategic objectives of the institution. Financial institutions shall disclose to the general public a report describing its capital management structure at least on an annual basis.

Under the Central Bank’s preliminary rules, Brazil would follow the international schedule for gradually adopting capital requirements and definitions over the coming years. The original schedule proposed by the Central Bank was planned to begin on January 2013. However, it was postponed to March 2013 and the

final term for the implementation of the referred rules is January 2019.

Provisional Measure No. 608/13 enacted in February 2013, sets forth the regulatory measures that Brazil has been adopting to adhere to the recommendations of Basel III. This rule changes the provision for capital to be recognized by financial institutions, addressing presumed credit and credit securities and instruments issued by financial institutions to comprise their RC. It also states that the distribution of dividends to shareholders of financial institutions is subject to compliance with the prudential rules established by CMN.

In March 2013, the Central Bank published 4 Resolutions and 15 Circulars, by way of which it implemented the recommendations from the BCBS. In line with international recommendations and current practice, the minimum capital level was determined as a percentage of risk-weighted assets.

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In accordance with the rules set forth by the CMN Resolution No. 4,192/13, recently amended by CMN Resolutions 4,440/15 and 4,442/15, the RC of a financial institution consists of Tier I Capital plus Tier II Capital and is used when setting its operating limits.

Tier I Capital is aimed at helping the bank remain solvent, that is, remain a going concern. Tier II Capital is contingent capital, subject to conversion into equity in case of insolvency. When Basel III rules came into effect, Tier I Capital was broken down into 2 categories: Common equity, comprising mainly by shares and reserves; and Additional Capital, comprising mainly instruments that are analogous to hybrid capital and debt instruments.

CMN Regulations that introduced Basel III rules in Brazil are stricter and more comprehensive when defining instruments eligible for inclusion in each capital category and set forth the deductions of some items, from Common equity, Additional Capital and Tier II Capital.

Following the recommendations of Basel III, the CMN Resolution No. 4,193/13 introduced the Additional Common Equity, comprised by the: Common Equity Conservation Buffer, Common Equity Countercyclical Buffer, and Common Equity Systemically Importance Buffer. Under this Resolution, the value of the Common Equity Conservation Buffer and the Common Equity Countercyclical Buffer will gradually increase, starting from 0.625% as from January 2016 and reaching 2.5% as from January 2019. The Common Equity Systemically Importance Buffer will gradually increase from 0.5% as from January 2017 to 2.0% as from January 2019. The Central Bank is to determine the calculation methodology for the Common Equity Countercyclical Buffer and the Common Equity Systemically Importance Buffer. As such and under Central Bank Circular No. 3,769/15, the maximum amount of the Common Equity Countercyclical Buffer must be 0.625% of risk-weighted assets, from January through December 2016.

By the end of the transitional period in 2019, the portions that comprise the Additional Common Equity (Common Equity Conservation Buffer, Common Equity Countercyclical Buffer, Common Equity Systemically Importance Buffer) will have to be at least 2.5% of risk-weighted assets. Under normal market conditions, financial institutions must hold excess capital in relation to the minimum requirements in an amount greater than additional Common Equity, as defined. Failure to comply with additional Common Equity rules will lead to restrictions affecting distribution of dividends, bonuses, earnings, profit sharing and incentive compensation geared to the performance of institutions' managements.

Under the current rule, Brazilian financial institutions, ourselves included, must hold a capital base (Regulatory Capital) of 9.875% or more of total RWA (Basel ratio) from January 2016 to December 2016 and calculated using specific criteria determined by the Central Bank. The calculation of the Regulatory Capital is subject to various deductions, including weighting factors that vary according to the nature of the asset. As of December 31, 2015, our Basel ratio was 16.8% of total RWA, which is higher than the 11.0% level required by the Central Bank until December 2015.

The following table shows our capital positions as a percentage of total risk-weighted assets.

As of December 31,	In %		
	Basel III (1) Prudential Consolidated 2015	2014	Basel III Financial Consolidated 2013
<b>Tier I Capital</b>	12.7%	12.9%	12.3%
Common Equity	12.7%	12.9%	12.3%
<b>Tier II Capital</b>	4.1%	3.6%	4.3%
<b>Total Ratio</b>	<b>16.8%</b>	<b>16.5%</b>	<b>16.6%</b>

(1) As of January 2015, capital is calculated based on Prudential Consolidated, according to CMN Resolution 4,192/13.

The implementation of the new capital structure in Brazil began in October 2013. CMN Resolution No. 4,192/13, as amended a number of times in 2013, 2014 and 2015, which replaces CMN Resolution No. 3,444/07, provides for a new methodology to calculate Regulatory Capital. Given that this methodology requires the introduction of new adjustments, we adapted the numbers shown above demonstrating the transition from Basel II to Basel III. The ratios disclosed for December 31, 2012 have been maintained but are not directly comparable due to the change in criteria under new resolution.

In February 2015, the CMN issued Resolution 4,401/15, which came into effect in October 2015 and addresses the definition and minimum limits of the Liquidity Coverage Ratio ("LCR"), which is defined as the ratio of the reserve of high liquidity assets to the total cash outflows foreseen for a 30-day period, under stress conditions. The major purpose of this ratio is to provide for the set-up and maintenance of a minimum

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reserve of net assets in normal market conditions, to be used to maintain the continuity of business and the stability of the financial system in periods of higher shortage or needed liquidity.

The LCR will be applied to financial institutions with total assets over R\$100.0 billion or which are part of a prudential conglomerate with total assets higher than said amount. The minimum limit needs to be supervised on a daily basis by the financial institutions in periods of lack of financial stress, with a monthly calculation being admitted up to December 31, 2016.

The Central Bank Circular No. 3,748/15 on the Leverage Ratio ("LR") came into effect in October, 2015, in response to BCBS recommendations. This ratio, in conjunction with the Total Capital Ratio, is aimed at limiting a financial institutions' risk exposure and it also assesses leverage through the ratio between Tier I capital and book value assets plus off-balance exposure (overdraft facilities, sureties, guarantees and derivatives).

As from 2018, the BCBS is to define a required LR. The minimum current reference ratio is 3.0%.

***Capital Management***

The Capital Management structure aims at providing conditions to the follow-up and control of capital, thus contributing to the achievement of the strategic goals established by the Organization, through the accurate planning of the capital sufficiency. This structure comprises Executive Committees and a Non-Statutory Committee, which support the Board of Directors and the *Diretoria Executiva* in the decision-making process.

In addition to these Committees, the Organization has an area responsible for centralizing the capital management, named Capital Management and ICAAP, reporting to the Planning, Budget and Control Department, which operates together with the Integrated Risk Control Department, affiliated companies, business areas and a number of supporting areas of the Organization.

The capital plan is prepared on an annual basis, and is approved by the *Diretoria Executiva* and the Board of Directors. The capital plan is aligned with the strategic planning and comprehends a prospective vision of at least three years. Any threats and opportunities, growth and market share targets, as well as projected capital needs, are included in the preparation of the plan to cover risks, as well as the capital held by the Organization. These projections are continually monitored and controlled by the capital management area.

With the implementation of the capital management structure, an ICAAP was also established, providing conditions for assessing capital sufficiency. It takes into account base and stress scenarios, with a prospective vision to identify capital and contingency measures to be adopted for the respective scenarios. Information on capital sufficiency and adequacy is an important management and support tool in the decision-making process.



***Interest rate sensitivity***

Management of interest rate sensitivity is a key component of our asset and liability policy. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is considered balanced when an equal amount of these assets or liabilities matures or re-prices in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a negative effect on net interest income. Conversely, a positive gap denotes asset sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income. These relationships can change significantly from day to day as a result of both market forces and Management decisions.

Our interest rate sensitivity strategy takes into account:

- rates of return;
- the underlying degree of risk; and
- liquidity requirements, including minimum regulatory banking reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds.

We monitor our maturity mismatches and positions and manage them within established limits. The positions are analyzed and reconsidered every second and fourth Friday of each month in the Treasury Executive Committee for the Asset and Liability Management.

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The following table shows the maturities of our interest-earning assets and interest-bearing liabilities as of December 31, 2015 and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the re-pricing periods presented due to differing re-pricing dates. Variations may also arise among the different currencies in which interest rate positions are held.

December 31, 2015	R\$ in thousands, except				
	Up to 30 days	31 – 180 days	181 – 360 days	1 – 5 years	Over 5 years
<b>Interest earning assets</b>					
Financial assets held for trading	1,770,700	44,092,495	64,586,993	4,048,502	3,119,401
Financial assets available for sale	15,492,144	14,989,348	14,699,465	37,119,401	26,119,401
Investments held to maturity	1,614	310	1,080	4,692,585	35,119,401
Assets pledged as collateral	117,735,013	4,664,281	535,117	7,948,870	13,119,401
Loans and advances to banks	25,966,200	5,125,023	2,631,802	1,893,758	-
Loans and advances to customers <sup>(1)</sup>	36,723,187	44,744,794	42,725,825	165,677,149	34,119,401
Central Bank compulsory deposits	50,902,471	-	-	-	-
Other assets	-	-	-	-	-
<b>Total interest earning assets</b>	<b>248,591,329</b>	<b>113,616,251</b>	<b>125,180,282</b>	<b>221,380,265</b>	<b>114,119,401</b>
<b>Interest bearing liabilities</b>					
Deposits from banks <sup>(2)</sup>	148,907,518	65,563,266	20,681,344	51,391,187	6,119,401
Savings deposits <sup>(3)</sup>	91,878,765	-	-	-	-
Time deposits	15,960,814	11,850,391	9,485,648	42,322,414	-
Funds from securities issued	4,620,768	20,161,644	28,486,433	55,534,303	1,119,401
Subordinated debt	275,151	3,078	189,632	26,809,456	23,119,401
Insurance technical provisions and pension plans <sup>(3)</sup>	141,710,109	2,787,753	940,009	25,503,069	-
<b>Total interest bearing liabilities</b>	<b>403,353,125</b>	<b>100,366,132</b>	<b>59,783,066</b>	<b>201,560,429</b>	<b>30,119,401</b>
Asset/liability gap	(154,761,796)	13,250,119	65,397,216	19,819,836	83,119,401
Cumulative gap	(154,761,796)	(141,511,677)	(76,114,461)	(56,294,625)	27,119,401
Ratio of cumulative gap to total interest earning assets	(17.7)%	(16.2)%	(8.7)%	(6.5)%	-

<sup>(1)</sup> For indefinite operations, it refers to credit card operations;

<sup>(2)</sup> including: funding in the open market, borrowings, onlendings and interbank deposits; and

<sup>(3)</sup> Savings deposits and insurance technical provisions and pension plans are classified as up to 30 days, without turnover.

***Exchange rate sensitivity***

Most of our operations are denominated in *reais*. Our policy is to avoid material exchange rate mismatches. However, at any given time, we generally have outstanding long-term debt denominated in and indexed to foreign currencies, principally the U.S. dollar. As of December 31, 2015 our net foreign currency liability exposure, considering off-balance-sheet derivative financial instruments, was R\$33,628 million, or 37.0% of shareholders' equity. Consolidated net foreign currency exposure is the difference between total foreign currency-indexed or -denominated assets and total foreign currency-indexed or -denominated liabilities, including off-balance-sheet derivative financial instruments.

Our foreign currency position arises mainly through our purchases and sales of foreign currencies (primarily U.S. dollars) from Brazilian exporters and importers, from other financial institutions on the interbank market, and on the spot and forward currency markets. The Central Bank regulates our maximum outstanding long and short foreign currency positions.

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As of December 31, 2015, the composition of our assets, liabilities and equity by currency and term was as set out in the table below. Our foreign currency assets are largely denominated in *reais* but are indexed to foreign currencies, principally the U.S. dollar. Most of our foreign currency liabilities are denominated in foreign currencies, principally the U.S. dollar.

December 31, 2015	R\$ in thousands, except %			Foreign currency as % of total
	R\$	Foreign currency	Total	
<b>Assets</b>				
Cash and balances with banks	63,786,334	8,305,430	72,091,764	11.5%
<b>Financial assets held for trading</b>				
Less than one year	109,948,386	4,242,532	114,190,918	3.7%
From one to five years	17,239,116	-	17,239,116	-
More than five years	5,845,282	413	5,845,695	0.0%
Indefinite	22,112,153	235,567	22,347,720	1.1%
<b>Financial assets available for sale</b>				
Less than one year	41,605,546	3,575,411	45,180,957	7.9%
From one to five years	34,259,911	2,859,490	37,119,401	7.7%
More than five years	25,209,316	862,030	26,071,346	3.3%
Indefinite	9,133,346	190,400	9,323,746	2.0%
<b>Investments held to maturity</b>				
Less than one year	1,390	1,614	3,004	53.7%
From one to five years	4,653,107	39,478	4,692,585	0.8%
More than five years	35,307,971	-	35,307,971	-
<b>Assets pledged as collateral</b>	<b>140,183,024</b>	<b>4,306,897</b>	<b>144,489,921</b>	<b>3.0%</b>
<b>Loans and advances to banks</b>	<b>33,251,752</b>	<b>2,368,658</b>	<b>35,620,410</b>	<b>6.6%</b>
<b>Loans and advances to customers</b>				
Less than one year	154,444,545	25,926,115	180,370,660	14.4%
From one to five years	109,250,853	18,777,156	128,028,009	14.7%
More than five years	30,922,491	5,547,304	36,469,795	15.2%
<b>Non-current assets available for sale</b>	<b>1,247,104</b>	<b>2</b>	<b>1,247,106</b>	<b>0.0%</b>
<b>Investments in associates and joint ventures</b>	<b>5,815,325</b>	<b>-</b>	<b>5,815,325</b>	<b>-</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>5,476,818</b>	<b>27,617</b>	<b>5,504,435</b>	<b>0.5%</b>
<b>Intangible assets and goodwill, net of accumulated amortization</b>	<b>7,380,281</b>	<b>29,354</b>	<b>7,409,635</b>	<b>0.4%</b>
<b>Taxes to be offset</b>	<b>6,772,977</b>	<b>44,450</b>	<b>6,817,427</b>	<b>0.7%</b>
<b>Deferred income tax assets</b>	<b>44,008,950</b>	<b>1,388,929</b>	<b>45,397,879</b>	<b>3.1%</b>
<b>Other assets</b>				

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Less than one year	15,485,474	11,303,756	26,789,230	42.2%
From one to five years	11,167,226	219,834	11,387,060	1.9%
More than five years	1,092,961	849,446	1,942,407	43.7%
<b>Total</b>	<b>935,601,639</b>	<b>91,101,883</b>	<b>1,026,703,522</b>	<b>8.9%</b>
Percentage of total assets	91.1%	8.9%	100.0%	

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**5.B. Liquidity and Capital Resources**

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December 31, 2015	R\$ in thousands, except %			Foreign currency as % of total
	R\$	Foreign currency	Total	
<b>Liabilities and Shareholders' Equity</b>				
<b>Deposits from banks <sup>(1)</sup></b>				
Less than one year	207,961,053	27,998,770	235,959,823	11.9%
From one to five years	43,279,403	8,111,784	51,391,187	15.8%
More than five years	5,718,277	834,104	6,552,381	12.7%
<b>Deposits from customers</b>				
Less than one year	125,981,449	26,206,236	152,187,685	17.2%
From one to five years	40,952,435	1,369,980	42,322,415	3.2%
More than five years	-	-	-	-
<b>Financial liabilities held for trading</b>				
Less than one year	17,967,873	1,278,968	19,246,841	6.6%
From one to five years	77,648	21,240	98,888	21.5%
More than five years	-	-	-	-
<b>Funds from securities issued</b>				
Less than one year	49,287,663	3,981,182	53,268,845	7.5%
From one to five years	50,266,402	5,267,901	55,534,303	9.5%
More than five years	818,811	228,088	1,046,899	21.8%
<b>Subordinated debt</b>				
Less than one year	194,031	273,830	467,861	58.5%
From one to five years	23,880,856	2,928,600	26,809,456	10.9%
More than five years	12,493,612	10,512,007	23,005,619	45.7%
<b>Insurance technical provisions and pension plans</b>	<b>170,939,994</b>	<b>946</b>	<b>170,940,940</b>	<b>0.0%</b>
<b>Other provisions</b>	<b>15,351,099</b>	<b>13,218</b>	<b>15,364,317</b>	<b>0.1%</b>
<b>Current income tax liabilities</b>	<b>2,753,967</b>	<b>27,137</b>	<b>2,781,104</b>	<b>1.0%</b>
<b>Deferred income tax liabilities</b>	<b>772,138</b>	<b>-</b>	<b>772,138</b>	<b>-</b>
<b>Other liabilities <sup>(2)</sup></b>				
Less than one year	62,982,435	6,240,492	69,222,927	9.0%
From one to five years	3,659,254	102,443	3,761,697	2.7%
More than five years	4,649,174	404,260	5,053,434	8.0%
<b>Shareholders' Equity</b>	<b>90,914,762</b>	<b>-</b>	<b>90,914,762</b>	<b>-</b>
<b>Total</b>	<b>930,902,336</b>	<b>95,801,186</b>	<b>1,026,703,522</b>	<b>9.3%</b>
<b>Percentage of total liabilities and equity</b>	<b>90.7%</b>	<b>9.3%</b>	<b>100.0%</b>	

(1) including: funding in the open market, borrowings, onlendings and interbank deposits; and

(2) Other liabilities, whose primary components provision for contingent liabilities, are not a source of funding.

Derivative financial instruments are presented in the table below on the same basis as presented in the consolidated financial statements in "Item 18. Financial Statements."

Our cash and cash equivalents in foreign currency are represented principally by U.S. dollars. Amounts denominated in other currencies, which include Euros and Yen, are indexed to the U.S. dollar through currency swaps, effectively limiting our foreign currency exposure to U.S. dollars only.

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Table of Contents**5.B. Liquidity and Capital Resources**

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We enter into short-term derivative contracts with selected counterparties to manage our overall exposure, as well as to assist customers in managing their exposures. These transactions involve a variety of derivatives, including interest rate swaps, currency swaps, futures and options. For more information regarding these derivative contracts, see Note 20(c) to our consolidated financial statements in "Item 18. Financial Statements." As of December 31, 2015, the composition of notional reference and/or contracted values and fair values of trading derivatives held by us is presented below:

December 31, 2015	R\$ in thousands Reference amounts		
	R\$	Foreign currency	Total
<b>Derivatives</b>			
<b>Interest rate futures contracts</b>			
Purchases	120,562,790	-	120,562,790
Sales	50,489,526	-	50,489,526
<b>Foreign currency futures contracts</b>			
Purchases	-	34,101,616	34,101,616
Sales	-	41,360,434	41,360,434
<b>Futures contracts - other</b>			
Purchases	33,399	-	33,399
Sales	64,681	-	64,681
<b>Interest rate option contracts</b>			
Purchases	3,840,166	-	3,840,166
Sales	3,638,190	-	3,638,190
<b>Foreign currency option contracts</b>			
Purchases	-	559,071	559,071
Sales	-	6,233,860	6,233,860
<b>Option contracts - other</b>			
Purchases	28,449	-	28,449
Sales	29,345	-	29,345
<b>Foreign currency forward contracts</b>			
Purchases	-	15,014,083	15,014,083
Sales	-	16,056,742	16,056,742
<b>Forward contracts - other</b>			
Purchases	118,120	-	118,120
Sales	149,969	-	149,969
<b>Swap contracts</b>			
<b>Asset position</b>			
Interest rate swaps	91,993,544	-	91,993,544



Currency swaps	-	33,543,125	33,543,125
<b>Liability position</b>			
Interest rate swaps	60,797,118	-	60,797,118
Currency swaps	-	11,531,242	11,531,242

**Capital expenditures**

In the past three years, we have made, and expect to continue to make moving forward, significant capital expenditures related to improvements and innovations in technology and the Internet designed to maintain and expand our technology infrastructure in order to increase our productivity, accessibility, cost efficiency and our reputation as a leader in technological innovation in the financial services sector. We have made significant capital expenditures for systems development, data processing equipment and other technology designed to further these goals. These expenditures are for systems and technology for use both in our own operations and by customers.

**5.C. Research and Development, Patents and Licenses**

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The following table shows our capital expenditures accounted for as fixed assets in the periods shown:

	R\$ in thousands		
	2015	2014	2013
<b>Infrastructure</b>			
Land and buildings	55,115	36,893	65,708
Installations, properties and equipment for use	1,171,147	981,472	430,477
Security and communications systems	24,958	10,539	12,134
Transportation systems	41,982	30,150	4,421
<b>SubTotal</b>	<b>1,293,202</b>	<b>1,059,054</b>	<b>512,740</b>
<b>Information Technology</b>			
Data processing systems	1,810,294	1,537,012	1,803,014
Financial leasing of data processing systems	587,792	519,697	615,791
<b>SubTotal</b>	<b>2,398,086</b>	<b>2,056,709</b>	<b>2,418,805</b>
<b>Total</b>	<b>3,691,288</b>	<b>3,115,763</b>	<b>2,931,545</b>

During 2015, we made investments in the amount of R\$3,691 million, R\$1,293 million of which were related to infrastructure and R\$2,398 million to telecommunications services and data processing.

We believe that capital expenditures in 2016 through 2018 will not be substantially greater than historical expenditure levels and anticipate that in accordance with our practice during recent years, our capital expenditures in 2016 through 2018 will be funded from our own resources. No assurance can be given, however, that the capital expenditures will be made and, if made, that such expenditures will be made in the amounts currently expected.

**5.C. Research and Development, Patents and Licenses**

Not applicable.

**5.D. Trend Information**

For more information, see "Forward-looking Statements" and "Item 3.D. Risk Factors," where we present the risks we face in our business that may affect our commercial activities, operating results or liquidity.

**5.E. Off-balance sheet arrangements**

See "Item 5.A. Operating Results – Critical accounting policies – off-balance sheet financial guarantees."

**5.F. Tabular Disclosure of Contractual Obligations**

See "Item 5.A. Operating Results – Critical accounting policies – Commitments and contingencies."

**5.G. Safe Harbor**

Not applicable.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**6.A. Board of Directors and Board of Executive Officers**

We are managed by our Board of Directors and our Board of Executive Officers. The Board of Directors establishes our corporate strategy and policies and supervises and monitors the Board of Executive Officers. In turn, the Board of Executive Officers implements the strategy and policies set by the Board of Directors and is responsible for our day-to-day management.

Our Board of Executive Officers currently comprises (i) the *Diretoria Executiva* and (ii) our Officers, Department Officers and Regional Officers. The *Diretoria Executiva* consists of one Chief Executive Officer, six Vice-Presidents, eight Managing Officers and five Deputy Officers.

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**6.A. Board of Directors and Board of Executive Officers**

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Our eight-member Board of Directors meets every 90 days and meets on an extraordinary basis whenever necessary. It is responsible for:

- approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us;
- establishing our corporate strategy;
- reviewing our business plans and policies; and
- supervising and monitoring the activities of our Board of Executive Officers.

As specified in Section 3(a)(58) of the Securities Exchange Act of 1934, our Board of Directors acts as our Audit Committee for purposes of approving the engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

The *Diretoria Executiva* meets weekly and is responsible for:

- implementing the strategy and policies established by our Board of Directors; and
- managing our day-to-day business.

Several members of our Board of Directors and the *Diretoria Executiva* also perform senior management functions at our subsidiaries, including BRAM, Bradesco Financiamentos, Bradesco Consórcios, Bradesco BBI, Bradesco Leasing, BEM DTVM, Bradesco Cartões, Bradesco Seguros and subsidiaries. Each of these subsidiaries has an independent management structure.

Pursuant to Brazilian law, the election of all members of our Board of Directors and Board of Executive Officers are subject to approval by the Central Bank.

We present below biographies of the current members of our Board of Directors and *Diretoria Executiva*:

***Members of the Board of Directors:***

**Lázaro de Mello Brandão, Chairman:** Born on June 15, 1926. Degree in Business Administration and Economics. In September 1942, Mr. Brandão was hired as a bookkeeper by *Casa Bancária Almeida & Cia.*, the financial institution that became *Banco Brasileiro de Descontos S.A.* on March 10, 1943, and later became *Banco Bradesco S.A.* He has held a variety of positions during his banking career. In January 1963, he was elected as an Officer, and in September 1977, he was elected Vice-President. In January 1981, he assumed the position of CEO, succeeding Mr. Amador Aguiar, the founder of Bradesco. Since February 1990, he has served as the Chairman of our Board of Directors. In March 1999, he decided to step down as CEO, but has remained the Chairman of our Board of Directors. He also holds a variety of positions within the Group, such as Chairman of the Board of Trustees and CEO of Fundação Bradesco;

and Chairman of the Board of Directors and CEO of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). In addition, he is the Chairman of the Board of Directors of Bradespar S.A. He has also served as CEO of the Banking Associations of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima, as Vice-President of the National Federation of Banks (FENABAN) as a Member of the Board of FEBRABAN and as Chairman of the Board of Directors of FGC and *Companhia Brasileira de Securitização* (CIBRASEC) and a member of the Consulting Committee of *VBC Participações S.A.*

**Luiz Carlos Trabuco Cappi, Vice-Chairman:** Born on October 6, 1951. Graduated from *Faculdade de Filosofia, Ciências e Letras de São Paulo*, with a graduate degree in Social Psychology at *Fundação Escola de Sociologia e Política de São Paulo*. He began his career at Bradesco in April 1969 and has held a variety of positions within the banking sector, being elected as Officer in 1984. On March 10, 2009 he became Chief Executive Officer. He is also Chief Executive Officer of the other Bradesco Group companies. In addition to these activities, he is Vice-Chairman of Banco Bradesco S.A., President of the Council of Representatives and Executive Board of the National Confederation of Financial Institutions (CNF), Chairman of the Board of Directors of Elo Participações S.A. and Member of the Board and Officer of FEBRABAN. He is also a Member of Fórum Brasil – Estados Unidos (organized by the Ministry of Industry, Development and Foreign Trade) and a Member of the Strategic Committee at Vale. He was the Chief Executive Officer of *Bradesco Vida e Previdência*, of *Grupo Segurador* and Chairman of the Board of Odontoprev S.A. He was also Chief Executive Officer of the Marketing and Funding Committee of the *Associação Brasileira das Entidades de Crédito Imobiliário e Poupança* (ABECIP), of ANAPP - *Associação Nacional da Previdência Privada*, of the *Federação Nacional de Saúde Suplementar* - FENASAÚDE, Vice-Chairman of the Board of Representatives of the National Confederation of the Financial Institutions (*Confederação Nacional das Instituições Financeiras* - CNF), Member of the Managing Council of ABRASCA, Member of the Board of Directors of ArcelorMittal Brasil (former *Companhia Siderúrgica Belgo-Mineira*), Member of the Superior Board and Vice-President of the *Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização* (CNSeg) and Full Member of the *Association Internationale pour l'Etude de l'Economie de l'Assurance - Association de Genève*, Geneva, Switzerland, and Member of the Honorable Council of *Academia Nacional de Seguros e Previdência* (ANSP).

**6.A. Board of Directors and Board of Executive Officers**

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**Denise Aguiar Alvarez, Director:** Born on January 24, 1958. Ms. Alvarez received a degree in Education from São Paulo Pontific Catholic University (PUC) and received a Masters in Education from New York University, U.S. In April 1986, she was appointed to the Board of Directors of *Cidade de Deus-Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and since July 1988, she has also served as an Officer. Since February 1990, Ms. Alvarez has served as a Member of our Board of Directors, and since March 2000, she has also served as a Member of the Board of Directors of Bradespar S.A. She is also a Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco*, Member of the Board of Directors and Deputy Officer of FIMADEN and CEO of ADC Bradesco – Sports Association. In addition to these activities, she is Member of the Consulting Board of the Associação Pinacoteca Arte e Cultura – APAC having previously held the position of Member of the Board of Directors. She is also a Member of the Deliberative Board of *Museu de Arte Moderna de São Paulo - MAM*, Member of the Board of Trustees of *Fundação Roberto Marinho*, Member of the Consulting Board of Canal Futura and *Fundação Dorina Nowill para Cegos*; Member of the General Board of *Comunitas: Parcerias para o Desenvolvimento Solidário*; and Effective Member of *Associação de Apoio ao Programa Alfabetização Solidária (AAPAS)*. She was Member of the Deliberative Board of *Fundo Social de Solidariedade do Estado de São Paulo (FUSSESP)* and Chairman of the Board of Governance of the Group of Institutes, Foundations and Enterprises (GIFE). She is João Aguiar Alvarez's sister, who is also a Director.

**João Aguiar Alvarez, Director:** Born on August 11, 1960. Mr. Alvarez received a degree in Agronomy from the Pinhalense Education Foundation - Manuel Carlos Gonçalves College of Agronomy and Animal Husbandry. In April 1986, he was elected to the Board of Directors of *Cidade de Deus-Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and since April 1988, he has served as an Officer. Since February 1990, Mr. Alvarez has been a Member of our Board of Directors and a Member of the Board of Directors of Bradespar S.A. since March 2000. He is a Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco* and Member of the Board of Directors and Deputy Officer of FIMADEN. He is Denise Aguiar Alvarez's brother, who is also a Director.

**Carlos Alberto Rodrigues Guilherme, Director:** Born on December 21, 1943. Mr. Guilherme received a Law degree from Pinhalense Education Foundation. He began his career in December 1957. Mr. Guilherme has held a variety of positions within the banking sector, such as Department Officer in March 1986, Deputy Officer in March 1998, Managing Officer in March 1999 and Member of the Board of Directors since March 2009. He is a Member of the Board of Directors of Bradesco Leasing S.A. – *Arrendamento Mercantil*; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários S.A.; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Officer of *NCF Participações S.A.*, *Nova Cidade de Deus Participações S.A.* and *Top Clube Bradesco, Segurança, Educação e Assistência Social*. He is also a Member of the Board of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN and Member of the Board of Directors of Bradespar S.A. and CEO of *Banco Bradesco BERJ S.A.*, having previously held the position of Member of the Board of Directors. He was an Officer of Banco de Crédito Real de Minas Gerais S.A. and of Credireal Leasing S.A. - Arrendamento

Mercantil.

**Milton Matsumoto, Director:** Born on April 24, 1945. Mr. Matsumoto received a degree in Business Administration from University Center FIEO (UNIFIEO). He has been with Bradesco since September 1957, where he has held a variety of positions within the banking sector, such as Department Officer in March 1985, Deputy Officer in March 1998, a Managing Officer since March 1999 and he has been a Member of the Board of Directors since March 2011. He is a Member of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil and of Bradespar S.A.; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários S.A.; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Officer of NCF Participações S.A.; Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social. He is also a Member of the Board of Trustees and Managing Officer of Fundação Bradesco. Member of the Board of Directors and Managing Officer of FIMADEN. He was Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A.; Member of the Board of Directors of *Banco Bradesco BERJ S.A.* and an Officer of Bradesco S.A. Corretora de Títulos e Valores Mobiliários; the first Secretary Director of the Bank

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**6.A. Board of Directors and Board of Executive Officers**

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Union in the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; Alternate Member of the Board of Directors of CPM Braxis S.A. and CPM Holdings Ltd.; and Secretary Officer of the union of the credit, financing and investing companies of the State of São Paulo of the Interstate Federation of Loan, Financing and Investment Institutions (FENACREFI).

**José Alcides Munhoz, Director:** Born on July 23, 1948. Technical education in accounting. Mr. Munhoz began at Bradesco in October 1970, at the Santa Maria branch - RS. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as Officer in March 1989, Department Officer in January 1995, Deputy Officer in March 1998, Managing Officer in March 1999, Vice-President in January 2012 and Member of the Board of Directors in March 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of *Bradespar S.A.*, *BBD Participações S.A.*, *Bradesco Leasing S.A. – Arrendamento Mercantil*, *BSP Empreendimentos Imobiliários S.A.* and *Cidade de Deus - Companhia Comercial de Participações*, Officer of *NCF Participações S.A.* and *Nova Cidade de Deus Participações S.A.*. He was Member of Consulting Board of the Brazilian National Chapter of the International Real Estate Federation (FIABCI/BRASIL).

**Aurélio Conrado Boni, Director:** Born on July 19, 1951. Business Administration technician from the Technical Trade School "Campos Salles". He began at Bradesco in February 1971. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in December 1997, Managing Officer in December 2001, Vice-President in January 2012, and Member of the Board of Directors, position he currently holds, in March 2015. Mr. Boni is also a Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of *BBD Participações S.A.*, *Bradespar S.A.* and *Bradesco Leasing S.A. – Arrendamento Mercantil*; and Officer of *NCF Participações S.A.* and *Nova Cidade de Deus Participações S.A.* He is also a Member of the Board of Directors of CPM Holdings Limited and IT Partners Ltd. and Vice-Chairman of *Fidelity Processadora e Serviços S.A.*. He was Vice-President of Banco Bradesco BERJ S.A. and Managing Officer of *Bradesco Seguros S.A.*.

**Members of the Diretoria Executiva:**

**Luiz Carlos Trabuco Cappi, CEO:** Mr. Trabuco also holds the position of CEO. His experience is described in "Members of the Board of Directors."

**Domingos Figueiredo de Abreu, Vice-President:** Born on January 8, 1959. He received a degree in Economics from College of Economic Sciences of Mogi das Cruzes and a degree in Accounting from College of Economic Sciences and Administration of Osasco (FAC-FITO), with a postgraduate degree in Financial Administration (CEAG) from Fundação Getulio Vargas and an Executive MBA in Finance from Capital Markets Brazilian Institute - *Instituto Brasileiro de Mercado de Capitais* (IBMEC). Mr. Abreu began at Banco Bradesco S.A. in December 1981. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in June 2001, a Managing Officer in March 2002 and Vice-President in June 2009, the position he currently holds. Mr. Abreu is also a Member of the Board



of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN. He is also the Chairman of the Board of Directors of Cielo S.A., and Member of CPM Holdings Limited Board of Directors. He was Officer of Banco BCN S.A. and Alternate Member of CPM Braxis S.A.'s Board of Directors, Board of Technical Administration; Member of the Board of Directors of IBRI – Brazilian Institute of Investor Relations, where he was formerly Vice-President and Regional Officer in São Paulo; Member of Elo Participações S.A.'s Board of Directors and Member of the Management Board of ABRASCA.

**Sérgio Alexandre Figueiredo Clemente, Vice-President:** Born on June 7, 1959. Graduated in Mechanical Engineering from - *Pontifícia Universidade Católica de Minas Gerais* (Catholic University of Minas Gerais) (PUC), with an executive MBA in Finance from IBMEC (Capital Markets Brazilian Institute) and Specialization in Finance through the Executive Management Development Program (PDG), administered by the Business Development Corporation. He attended the Advanced Management Program (PGA), administered by *Fundação Dom Cabral* and INSEAD. Mr. Clemente joined Banco BCN S.A. in May 1996 as Deputy Officer. In December 1997, he was elected Officer. With the acquisition of BCN, he joined the *Banco Bradesco S.A.* staff, having been elected Department Officer in March 2000, as the person responsible for the Corporate Department. In December 2006, he became Managing Officer, and Vice-President, in January 2012, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of *Fundação Bradesco*; Member of the Board of Directors and Managing Officer of FIMADEN. Also, he is Vice- Chairman of the Board of Directors of Vale S.A. and of Valepar S.A. He was an Effective Member of the Listing Advisory Chamber of BM&FBOVESPA S.A..

**6.A. Board of Directors and Board of Executive Officers**

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**Alexandre da Silva Glüher, Vice-President:** Born on August 14, 1960. Graduated in Accounting from Universidade Federal do Rio Grande do Sul, and in Business Administration from Universidade Luterana do Brasil (ULBRA). He attended the International Executive Program at the Wharton School - Advanced Management Program - University of Pennsylvania, U.S. He joined Banco Bradesco S.A. in March 1976 and has held a variety of positions within the banking sector, being elected Regional Officer in August 2001, Department Officer in March 2005, Deputy Officer in December 2010, Managing Officer in January 2012, and Vice-President in January 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, and Member of the Board of Directors and Managing Officer of FIMADEN. He is also representative of Bradesco Group at ANBIMA, Vice-President and a Member of the Banking Self-Regulation Board of FEBRABAN, Vice-President and Alternate Delegate at *Confederação Nacional do Sistema Financeiro* (CONSIF), FENABAN, Vice-President of Instituto Brasileiro de Ciência Bancária (IBCB), Treasury Officer of the Association of Banks of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima, Vice-Chairman of the Board of Directors of Central de Exposição a Derivativos (CED), Effective Member of the Board of Directors of *Fidelity Processadora e Serviços S.A.*, Member of the Board of Directors of *Instituto Brasil Investimentos & Negócios* (BRAiN); Chairman of the Board of Câmara Interbancária de Pagamentos (CIP), and Effective Member of the Consulting Board of FGC. He was an Alternate Member of the Deliberative Council of ABECIP.

**Josué Augusto Pancini, Vice-President:** Born on April 14, 1960. Mr. Pancini received a degree in Mathematics from Centro Universitário da Fundação de Ensino Octávio Bastos – Feob (UNIFEOB), with a lato sensu postgraduate degree in Business Economics - Finance from Pontifícia Universidade Católica de Campinas - PUC - Campinas. He attended the Advanced Management Program (AMP) taught at the IESE Business School - University of Navarra, São Paulo. He joined *Banco Bradesco S.A.* in July 1976, and has held a variety of positions within the banking sector. He was elected Regional Officer in July 1997, Department Officer in July 2003, Deputy Officer in December 2010, Managing Officer in January 2012 and Vice- President in January 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Director of Fundação Bradesco and Member of the Board of Directors and Managing Director of FIMADEN. Formerly Alternate Member of the Deliberative Board of ABECIP.

**Maurício Machado de Minas, Vice-President:** Born on July 1, 1959. He holds a degree in Electrical Engineering from Escola Politécnica da Universidade de São Paulo – Poli/USP, and specialization in Data Communications and Software Development, and a university extension course in Finance at Wharton Business School, both in the United States. He went to the Executive Development Program at Columbia University in New York, United States. He joined Banco Bradesco S.A. in July 2009 as Managing Officer. In January 2014 he was elected Vice-President. He is a Member of the Board of Trustees and Managing Director of Fundação Bradesco and Member of the Board of Directors and Managing Director of FIMADEN, Member of the Board of Directors of Fidelity Processadora e Serviços S.A.; an Permanent Member of the Board of Directors of MPO - Processadora de Pagamentos Móveis S.A.; and Member of the Board of Directors of NCR Brasil - Indústria de Equipamentos para Automação S.A. He was Executive Vice-President and COO (Chief Operations Officer) and an Alternate Member of the Board of Directors of

CPM Braxis S.A., having previously held the position of Senior Analyst with Banco Itaú, Officer of Support Services of a group of Brazilian IT companies (Eletrodigi, Flexidisk and Polymax) and President of Scopus.

**Marcelo de Araújo Noronha, Vice-President:** Born on August 10, 1965. Graduated in Business Administration from Universidade Federal de Pernambuco (UFPE), with a Specialization in Finance from IBMEC and the Advanced Management Program AMP at the Instituto de Estudios Empresariales (IESE), Universidade de Navarra in Barcelona. Mr. Noronha started his career in 1985 at Banco Banorte, where he worked until 1996 when he started to work as Commercial Officer with Banco Bilbao Vizcaya Argentaria Brasil S.A, currently Banco Alvorada S.A. and was promoted to Vice-President for products, trade finance, middle market and retail. In February 2004, he was elected Department Officer of Banco Bradesco S.A. He was elected Deputy Officer in December 2010 and Managing Officer in January 2012. In February 2015, he was elected Vice-President, the position he currently holds, where he is responsible for credit and debit cards payments, marketing and customer relationship management (CRM). He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is Vice-Chairman of the Board of Companhia Brasileira de Soluções e Serviços (“CBSS”), Member of the Board of Directors of Cielo S.A. and Elo Participações S.A., Chairman of the Board of MPO - Processadora de Pagamentos Móveis S.A.; President of ABECS, where he was previously President of the Council of Ethics and Self-Regulation and Member of the Latin America and Caribbean Advisory Council of Visa International, Vice-

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**6.A. Board of Directors and Board of Executive Officers**

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Chairman of Alelo. He was Member of the Board of Directors of Elo Serviços S.A. (ELO card brand) and Vice-President of BBVA Brasil.

**André Rodrigues Cano, Managing Officer:** Born on July 22, 1958. Graduated in Business Administration from Faculdades Metropolitanas Unidas (FMU), MBA-Controller from the Institute of Accounting, Finance and Actuarial Research (FIECAFI, FEA-USP), and the Advanced Management Program (AMP) - Harvard Business School in Boston, U.S. Mr. Cano joined Bradesco in April 1977 and was elected Department Officer in December 2001. He was elected Officer of Banco Bradesco Financiamentos S.A. in September 2008, remaining in this position until his return to Bradesco as Department Officer in December 2009. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of *Fundação Bradesco* and the Board of Directors of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). He is also a Member of the Curator Council of the National Quality Foundation (FNQ) and Effective Officer of CONSIF. He was an Alternate Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A. and. He was an Effective Member and Officer of the Board of Directors of TECBAN - Tecnologia Bancária S.A.; Effective Member of the Fiscal Council of Tele Celular Sul Participações S.A.; Alternate Member of the Fiscal Council of Tele Nordeste Celular Participações S.A.; and Officer of ACREFI - *Associação Nacional das Instituições de Crédito, Financiamento e Investimento*.

**Luiz Carlos Angelotti, Managing Officer:** Born on November 16, 1964. Mr. Angelotti received a degree in Accounting and Actuarial Sciences from the School of Economics and Business Administration, Universidade de São Paulo (FEA-USP) and in Law from Centro Universitário FIEO (UNIFIEO), with an MBA in Finance from Instituto de Ensino e Pesquisa (Insper). He also attended the Executive Development Program (EDP) and the Advanced Management Program (AMP) at the University of Chicago Booth School of Business. He joined *Banco Bradesco S.A.* in November 1987, and was elected Department Officer in March 2002, Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is also Investor Relations Officer. He is a Member of the Board of Trustees of *Fundação Bradesco* and Member of the Board of Directors of FIMADEN. He is a Member of the Management Board of ABRASCA. He was an Alternate Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social* and an Alternate Member of the Board of Directors of Integritas Participações S.A.

**Nilton Pelegrino Nogueira, Managing Officer:** Born on May 7, 1954. Degree in Business Administration from Universidade Presbiteriana Mackenzie. Mr. Nogueira joined Banco Bradesco S.A. in July 1973. He was elected Regional Officer in February 1995, remained in the position until September 2000, when he was elected Officer of Banco BCN S.A., a financial institution acquired by Bradesco in December 1997, and remained in the position until March 2002, when he returned to Bradesco and was elected Department Officer. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of *Fundação Bradesco*; Member of the Board of Directors of FIMADEN. He was formerly Officer of Banco Boavista S.A, and of Banco das Nações S.A.; Effective Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado and Top Clube Bradesco, Segurança, Educação e Assistência Social; Superintendent of Bradesco Administradora de Consórcios Ltda.; Member of the Business Development Committee of BSP Empreendimentos

Imobiliários S.A and Alternate Member of the Deliberative Council of ABECIP.

**André Marcelo da Silva Prado, Managing Officer:** Born on December 6, 1961. Graduated in Production Engineering from Universidade Federal do Rio de Janeiro and holds an MBA in Finance from IBMEC. He attended the Senior International Bankers Course, at The International Centre for Banking and Financial Services (Manchester Business School) in Manchester, England, the Wharton Executive Development Program, at The Wharton School (University of Pennsylvania) in Philadelphia, U.S. and the Advanced Management Programme, at INSEAD, in Fointainebleau, France. He joined Banco Boavista Interatlântico S.A. in May 1997 as Executive Manager and reached the position of Officer there. He moved to Banco Bradesco S.A. as Executive Superintendent in March 2001. He was elected Department Officer in December 2009, Deputy Officer in January 2012 and Managing Officer in January 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN).

**Altair Antônio de Souza, Managing Officer:** Born on March 26, 1961. Degree in Law from Universidade Bandeirante de São Paulo (UNIBAN). He started his career with Banco Bradesco S.A. in July 1975, was elected Officer in August 1998, and Department Officer in January 2009. He was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and a Member of the Board of Directors of FIMADEN. He is also Vice-Chairman, Officer and Effective Member of the Deliberative Board of ABECIP, Full Member of the Board of the São Paulo Industrial Employers Association (*Centro das Indústrias do Estado de São Paulo*, CIESP), Effective member of the Board of Directors of CIBRASEC, Alternate Member of the Managing Board of the *Fundo Garantidor Habitacional* (CGFGH) and Member of the Consulting Board of the Brazilian Section of the *Federação Internacional das Profissões Imobiliárias* (FIABCI-Brasil). Former CEO and Vice-President of the Association of Banks of the State of Bahia.

**6.A. Board of Directors and Board of Executive Officers**

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**Denise Pauli Pavarina, Managing Officer:** Born on April 14, 1963. Degree in Economics from Faculdade Armando Alvares Penteado (FAAP) and Law from Universidade Paulista (UNIP), with an Executive MBA in Finance from Insper. She started her career in March 1985, with Banco Bradesco de Investimento S.A. a financial institution that was absorbed by Banco Bradesco S.A. in November 1992. At Bradesco, she held the positions of Underwriting Manager and Department Manager of Portfolio Management. She was promoted to the position of Executive Superintendent in September 1996, and elected Department Officer in January 2001. She was elected Officer of Banco Bradesco BBI S.A. in June 2006, and Managing Officer in January 2007, remaining until December 2009, when she returned to Bradesco, and was elected Department Officer. She was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position she currently holds. She is also a Managing Officer of BRAM, having previously held the position of Superintendent Officer. She is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. In addition to these activities, she is the President of ANBIMA, Vice-chairman of the Board of Directors of 2bCapital S.A., Member of the Investment Committee of NEO Capital Mezanino Fundo de Investimento em Participações, Member of *Comitê Nacional de Educação Financeira* - CONEF, Member of the Council of Representatives of CNF, Member of the Board of Directors of Instituto BRAiN - *Brasil Investimentos & Negócios*, and Member of the Board of Directors and Member of the BMF&BOVESPA Consulting Committee for the Intermediation Industry. She was formerly Member of the Board of Directors of *Cielo S.A.*, *Bica de Pedra Industrial S.A.*, *Companhia Siderúrgica Belgo-Mineira*, CPM Braxis S.A., Latasa S.A., and São Paulo Alpargatas S.A.; Alternate Member of the Board of ABRASCA; Member of the Consulting Board of the Brazilian Association of Brokers and Dealers in Securities, Foreign Exchange and Commodities (ANCORD); Officer of UGB Participações S.A.; and Officer for Institutional Relations and Director of the Association of Capital Market Investment Analysts (APIMEC) in São Paulo.

**Moacir Nachbar Junior, Managing Officer:** Born on April 5, 1965. Holds a degree in Accounting with a lato sensu postgraduate degree in Financial Management from Faculdade Campos Salles, and an MBA-Controller from the Institute of Accounting, Finance and Actuarial Research (FIPECAFI, FEA-USP) and Tuck Executive Program from Tuck School of Business at Dartmouth, in Hanover, Nova Hampshire – EUA. He began his career with Banco Bradesco S.A. in June 1979. In March 2005, he was elected Department Officer. He was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He also is an Alternate Member of the Board of Directors of ABRASCA and Alternate Member of the Consulting Board of FGC, Member of the Board of Directors of Valepar, Alternate Member of the Board of Directors and Member of the Controlling Committee of Vale S.A.. He was an Officer and Effective Member of the Fiscal Council of Boavista Prev - *Fundo de Pensão Multipatrocinado*, a multi-sponsor pension fund and an Alternate Member of the Board of Directors of *Fidelity Processadora e Serviços S.A.*, and Alternate Member of the Fiscal Council of *Top Clube Bradesco, Segurança, Educação e Assistência Social*.

**Octavio de Lazari Junior, Managing Officer:** Born on July 18, 1963. Degree in Economics from *Faculdade de Ciências Econômicas e Administrativas de Osasco* and took specialization courses in Financial and Marketing Strategies at FEA/USP, Financial Management from FGV and Strategies in Finance from *Fundação Dom Cabral*. He attended the Advanced Management Program (AMP) taught at the IESE Business School - University of Navarra, São Paulo. He joined *Banco Bradesco S.A.* in September 1978. He was promoted to the position of Executive Deputy Officer, in January 2012 and Managing Officer in February 2015, the position he currently holds. He is a Member of the Board of Trustees of *Fundação Bradesco* and a Member of the Board of Directors of FIMADEN. He is also a Member of the Council of Representatives of the Brazilian Confederation of Financial Institutions - CNF; Officer of Real Estate Credit and Savings and Vice-Chairman of the Committee on Governance of Portability of Credit Operations of FEBRABAN; Full Member of the Board of Directors of CIP, Member of the Consulting Board of the Brazilian chapter of the International Federation of Real Estate Professions (FIABCI/ BRASIL) and an Alternate Officer of *Union Interamericana para la Vivienda (Uniapravi)*. He was Chairman and Officer of ABECIP and Full Member of the Board of Directors of CIBRASEC.

**Cassiano Ricardo Scarpelli, Deputy Officer:** Born on July 28, 1968, Mr. Scarpelli holds a degree in Economics from *Faculdade de Ciências Econômicas e Administrativas de Osasco* and attended the

**6.A. Board of Directors and Board of Executive Officers**

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International Executive Program at Queen's School of Business - Queen's Executive Program, in Ontario, Canada. He joined Bradesco in June 1984, as an office boy. In February 2001, he was promoted to Executive Superintendent. In March 2007, he was elected Department Officer and, in February 2015, Deputy Officer, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and of the Board of Directors of FIMADEN. He is also a Member of the Câmara Consultiva de Renda Fixa, Câmbio e Derivativos of BM&FBOVESPA and Chairman of the *Conselho de Regulação e Melhores Práticas de Negociação de Instrumentos Financeiros* of ANBIMA, having previously held the following positions: Vice-President of the Regulation and Best Practices Board for Qualified Services to the Capital Market, and Alternate Member of the Qualified Services to the Capital Market Commission. He was a Member of the Board of Directors of Bica de Pedra Industrial S.A., CP Cimento e Participações S.A., Iochpe-Maxion S.A., Latasa S.A., Tecnologia Bancária S.A. and Tigre S.A. - Tubos e Conexões, Effective Member of the Fiscal Council of Bradespar S.A., First Alternate Member of the Fiscal Council of Boavista Prev - *Fundo de Pensão Multipatrocinado*, Alternate Member of the Board of Directors of São Paulo Alpargatas S.A., Officer of BEM - DTVM, BMC Asset Management - Distribuidora de Títulos e Valores Mobiliários Ltda and of UGB Participações S.A..

**Eurico Ramos Fabri, Deputy Officer:** Born on September 29, 1972, Mr. Fabri holds a degree in Economic Sciences from Universidade Estadual de Campinas (UNICAMP), with an Executive MBA in Finance from Insper, STC Executive from Fundação Dom Cabral in partnership with Kellogg Graduate School of Management and attended the Advanced Management Program (AMP) at Harvard Business School - Boston – U.S. In February 2008, he joined Banco Finasa S.A., a financial institution acquired by Banco Finasa BMC S.A. (currently Banco Bradesco Financiamentos S.A.), as an Officer, remaining until December 2009. In December 2010, he was elected Officer of Banco Bradesco S.A., in January 2012, Department Officer and, in February 2015, Deputy Officer, the position he currently holds. He is a Member of the Board of Directors of FIMADEN. He is also a Member of the Board of Directors of Cielo S.A., Companhia Brasileira de Soluções e Serviços and Elo Participações S.A., and he is an Alternate Member of the Board of Directors of *Fidelity Processadora e Serviços S.A.*. He was an Officer at Finasa Promotora de Vendas Ltda. from July 2008 to April 2011.

**Marlene Morán Millan, Deputy Officer:** Born on September 14, 1963, Ms. Milan holds a degree in Social Sciences from Faculdade de Filosofia Nossa Senhora Medianeira with an MBA in Financial and Marketing Strategies from Fundação Instituto de Administração (FIA/USP) and a lato sensu postgraduate degree - MBA in Finance from Insper. She attended the Advanced Management Program at Fundação Dom Cabral, the Advanced Management Program (AMP) at IESE Business School - University of Navarra - São Paulo, SP, and the following international executive programs: Executive Education Program from New York Trend Consulting - New York, U.S.; Authentic Leadership Development from Harvard Business School - Boston, U.S.; AMP - Advanced Management Program from Harvard Business School - Boston, U.S.; Macroeconomics for Executives from Massachusetts Institute of Technology - Boston, U.S.; Strategy in a Global World from Massachusetts Institute of Technology - Boston, U.S.; and Leadership at the Peak from Center for Creative Leadership - Colorado Springs, U.S. She joined Banco Bradesco S.A. in September 1979, and in February 2001, she was promoted to the position of Executive Superintendent. In March 2007, she was elected Department Officer and, in February 2015, Deputy Officer, the position she currently holds.



She is a Member of the Board of Trustees of Fundação Bradesco and a Member of the Board of Directors of FIMADEN. She is also a Sector Officer of International Business and a Member of the Banking Self-Regulation Board of FEBRABAN.

**Renato Ejnisman, Deputy Officer:** Born on February 12, 1970, Mr. Ejnisman holds a degree in Physics from Universidade São Paulo (USP). He obtained a Master's degree in Nuclear Physics from Universidade São Paulo - USP and a Doctoral degree in Physics from the University of Rochester, New York, USA. In April 1999, he began his career in the financial market at Bank of America, where he worked until February 2007, with a short spell at Bank Boston during this period. In February 2007, he joined Banco Bradesco BBI S.A., as an Executive Superintendent. In April 2008, he was elected Officer and, in February 2011, Managing Officer and General Officer in April 2015, position he currently holds at Bradesco BBI. Since February 2015, he has been a Deputy Officer of Banco Bradesco S.A. In addition to these activities, he is the President of ANBIMA's Regulation and Best Practices Board for the Capital Market. He was: Chief Executive Officer of Bradesco Corretora, Ágora Corretora de Títulos e Valores Mobiliários S.A. and Ágora Educacional Ltda., a Member of the Board of Directors of Bradesco Securities Hong Kong Limited., Bradesco Securities UK Limited and Bradesco Securities, Inc. He was also an Alternate Member of the Board of Directors of ABRASCA and an Effective Member of the Listing Advisory Chamber of BM&FBOVESPA S.A.

**Walkiria Schirrmeister Marchetti, Deputy Officer:** Born on November 1, 1960, Ms. Marchetti holds a degree in Mathematics from Faculdade de Ciências e Letras Teresa Martin, with a specialization in System Analysis from Instituto Presbiteriano Mackenzie and a lato sensu postgraduate degree - MBA Banking from FIA. He attended International Executive Programs at the Wharton School - Strategic Thinking and Management for Competitive Advantage Program - Pennsylvania - U.S.; Columbia Business School - Columbia Senior Executive Program - New York - U.S.; and Harvard Business School - Negotiation and Competitive Decision Making - Boston - U.S. She joined Banco Bradesco S.A. in May 1981. In September 1998, she was promoted to the position of Executive Superintendent. In March 2007, she was elected Department Officer and, in February 2015, Deputy Officer, the position she currently holds. She is a Member of the Board of Trustees of Fundação Bradesco and a Member of the Board of Directors of FIMADEN. He is also an Alternate Member of the Board of Directors of *Fidelity Processadora e Serviços S.A.*

## 6.B. Compensation

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### 6.B. Compensation

The maximum global compensation of our members of the Board of Directors and Board of Executive Officers are established at the Annual General Shareholders' Meetings. These bodies comprise our Executive Officers, Department Officers, Regional Officers and Officers of our subsidiaries. In 2015, our shareholders set the global compensation for the Board of Directors and Board of Executive Officers of Bradesco and its subsidiaries at R\$349.9 million.

In 2015, our Directors, our Board of Executive Officers and Officers of our subsidiaries received aggregate compensation of R\$309.9 million for their services. Part of the management's compensation is variable. The current compensation policy mandates that 50.0% of the net variable compensation amount is meant for the acquisition of our preferred shares to be paid in three annual sequential installments. The first installment is due a year after the payment date. This policy complies with CMN Resolution No. 3,921/10, which regulates compensation policies for senior management of financial institutions.

Our Directors, our Board of Executive Officers and Officers of our subsidiaries have the right to participate in the same pension plans available to all our employees. In 2015, we contributed R\$311.7 million to pension plans on behalf of our Directors, members of our Board of Executive Officers and of our subsidiaries.

### 6.C. Board Practices

Our shareholders elect the members of our Board of Directors at the annual general shareholders' meeting for one-year terms and members may be re-elected for consecutive terms. The Board of Directors appoints the members of our Board of Executive Officers for one-year terms, which can also be extended for consecutive terms.

In addition to this requirement, another condition, included in our Bylaws, remains in force to become a member of our *Diretoria Executiva*, a person must have worked for us or our affiliates for a minimum of 10 consecutive years. The Board of Executive Officers, besides the Executive Officers, consists of 40 Department Officers, 6 Officers and 16 Regional Officers. Department Officers, Officers and Regional Officers direct the business of each of our various divisions and branches and report to the *Diretoria Executiva*. To become a Department Officer, Officer or Regional Officer, a person must be an employee or manager at Bradesco or one of our affiliates. Our Board of Directors may, for up to 25.0% of the members of our Board of Executive Officers, waive the fulfillment of certain requirements for their appointment, as follows:

- Executive Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee of Bradesco or any of its affiliates for at least 10 years. Notwithstanding the above, such requirement cannot be waived for persons to be appointed as Chief Executive Officers or Vice-Presidents; and

- Department Officers, Officers and Regional Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee or member of the management of Bradesco or any of its affiliates.

The members of our Board of Directors are required to work exclusively for us, unless an exception is granted by the Board of Directors. Notwithstanding the above, the members of our Board of Directors are not required to be or to have been our employees, and service as a member of our Board of Directors does not constitute employment with us.

***Fiscal Council***

Under Brazilian law, corporations may have a "*Conselho Fiscal*," or Fiscal Council, an independent corporate body with general monitoring and supervision powers and shall have from three to five effective members and the same number for alternates. As from the Annual Shareholders' Meeting held in March 2015, our Bylaws require our Fiscal Council to be a permanent corporate body.

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Our Fiscal Council has five full members (Domingos Aparecido Maia, José Maria Soares Nunes, Ariovaldo Pereira, Luiz Carlos de Freitas and João Carlos de Oliveira) and five alternates (Renaud Roberto Teixeira, Jorge Tadeu Pinto de Figueiredo, Nilson Pinhal, João Batistela Biazon and Oswaldo de Moura Silveira) all of whom were elected in March 2016 for a one-year term that will expire in March 2017. In accordance with Brazilian Corporate Law, our Fiscal Council has the right and obligation to, among other things:

- supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;
- review and issue opinions regarding our financial statements prior to their disclosure, including the Notes to the financial statements, the independent auditor's report and any Management reports;
- opine on any management proposals to be submitted to the shareholders' meeting related to:
  - changes in our social capital;
  - issuances of debentures or rights offerings entitling the holder to subscribe for equity;
  - investment plans and capital expenditure budgets;
  - distributions of dividends; and
- transformation of our corporate form and corporate restructuring, as takeovers, mergers and spin-offs.
- inform our Management of any error, fraud, or misdemeanor detected and suggest measures management should take in order to protect our main interests. If our Management fails to take the measures required to protect the company's interests, they are required to inform the shareholders' meeting of these facts; and
- call general shareholders' meetings if Management delays the general shareholders' meeting for more than one month and call special shareholders' meetings in case of material or important matters.

***Board Advisory Committees******Board Committees***

Our shareholders approved, at the special shareholders' meeting held in December 2003, the creation of the Audit Committee, the Internal Control and Compliance Committee and the Compensation Committee. At the special shareholders' meeting held in March 2006, our shareholders approved the transformation of the Ethics Committee into a statutory committee. At the special shareholders' meeting held in March 2008, our shareholders approved the creation of the Integrated Risk Management and Capital Allocation Committee. At the Special Shareholders' Meeting held in March 2013, the Shareholders resolved to exclude from the Bylaws Articles 22, 24 and 25, which dealt, respectively, with organizational components of the

Internal Controls and Compliance Committee, the Ethics Committee and Integrated Risk Management and Capital Allocation Committee, reflecting the proposal presented by the Executive Committee of Corporate Governance, assessed by the Board of Directors, to maintain in the Bylaws only those committees whose characterization as statutory is required by legal norms, giving greater speed to the process of managing the committees subordinated to the Board of Directors. Thus, only the Audit Committee and the Compensation Committee remain as statutory roles, which should not be construed as a weakening of the corporate governance structure, as the Board of Directors will maintain these committees under its structure, which removal from the Bylaws was approved.

## 6.C. Board Practices

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**Audit Committee** – Pursuant to our Bylaws and to Central Bank regulations since April 2004, we have appointed members of the Audit Committee, which may comprise 3 to 5 members, each of whom serves a term that can be renewed, in successive appointments, up to a limit of five years, as of the date the member first takes office. Up to one third of the Audit Committee's members may be re-elected for a further five other terms of office. Our Audit Committee members are appointed by, and may be replaced by, the Board of Directors. The current members of the committee are Milton Matsumoto, the committee's coordinator, Osvaldo Watanabe, a member with no specific designation, and Paulo Roberto Simões da Cunha, the Audit Committee financial expert. Milton Matsumoto is also a member of the Board of Directors.

In addition, under Brazilian law, the function of hiring independent auditors is reserved for the Board of Directors of a company. As a result, as specified in Section 3(a)(58) of the Exchange Act, our Board of Directors functions as our Audit Committee for purposes of approving the engagement of our independent auditors for audit services. Except in these respects, our Audit Committee is comparable to and performs the functions of audit committees of U.S. companies. Since our Audit Committee cannot be compared to the audit committees of American companies in terms of engagement of our independent auditors in audit and non-audit services, we have relied on the exemption set forth in Exchange Act Rule 10A - 3(c)(3) in this regard. For more information see "Item 16.D. Exemptions from the listing standards for Audit Committees."

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**6.C. Board Practices**

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The responsibilities of the Audit Committee include:

- establishing its own rules of operation;
- recommending to the Board of Directors, which outside firm should be hired to provide independent audit services, the amount of compensation such firm should receive and providing recommendations as to substitute auditors;
- previously analyzing plans to retain our independent auditor for services other than auditing financial statements, from the point of view of compliance with rules on independent status;
- reviewing financial statements prior to their disclosure, including the notes to the financial statements, the independent auditor's report and management reports;
- establishing and disclosing procedures for responding to any reports or allegations of a failure to comply with applicable legal requirements or internal codes and regulations, including procedures to ensure the confidentiality and protection of any persons providing information regarding such failures;
- evaluating the effectiveness of the work of both the internal and the independent auditors, including their compliance with applicable legal obligations and internal regulations and codes;
- meeting with the senior management and both the independent and the internal auditors at least quarterly;
- assessing the senior management's responsiveness to any recommendations made by both the independent and internal auditors;
- advising the Board of Directors regarding any conflicts between the independent auditors and the Board of Executive Officers;
- recommending to the Senior Management, the correction or improvement of policies, practices and procedures identified when performing their activities; and
- following up by occasion of its meetings, on its recommendations and requests for information, including the planning of the respective auditing works in order to turn into minutes the content of such meetings.

**Compensation Committee** –The Compensation Committee has three to seven members, all of whom are members of our Board of Directors with terms of office of one year, and according to the provisions set forth in CMN Resolution No. 3,921/10, should have at least one non-management member. Members are appointed by and may be replaced by the Board of Directors. The committee's primary responsibility is to advise the Board of Directors in the coordination of the Management compensation policy.

### ***Other Board Advisory Committees***

**Internal Control and Compliance Committee** – The Internal Control and Compliance Committee is comprised of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The committee's primary responsibility is to assist the Board of Directors with the performance of its duties related to the adoption of strategies, policies and measures governing internal controls, mitigation of risks, and compliance with the rules applicable to our group.

**Ethics Committee** – The Ethics Committee is composed of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The committee's primary responsibility is to propose actions to ensure the enforcement of our group's Corporate and Sector Codes of Ethics, and of the corporate policies, especially the Corporate Anticorruption Policy, so that they remain effective.

**Integrated Risk Management and Capital Allocation Committee** – The Integrated Risk Management and Capital Allocation Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. This committee's primary responsibility is to advise the Board of Directors in the performance of its duties in the management and control of risks and capital in the sense of the consolidated economic financial entity.

**Sustainability Committee** – The Sustainability Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. The committee's purpose is to advise the Board of Directors in the performance its tasks related to fostering sustainability strategies, including the establishment of corporate guidelines and actions and reconciling economic development issues with those of socioenvironmental responsibility.



**6.D. Employees**

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***Ombudsman***

At the special shareholders' meeting held in August 2007, our shareholders formalized the creation of the Ombudsman. Previously the Company had an informal Ombudsman. The Ombudsman works on behalf of all the institutions within the Organization, authorized to operate by the Central Bank. There is one (1) Ombudsman, with a one-year (1) term. The Ombudsman is appointed and may be dismissed by the Board of Directors.

The Ombudsman is responsible for:

- checking strict compliance with legal and regulatory rules related to consumer's rights and acting as a communication channel among the institutions comprising the Bradesco Group authorized to operate by the Central Bank and customers and users of its products and services, including mediating conflicts;
- receiving, registering, instructing, analyzing and formally and properly dealing with complaints of customers and users of products and services of the abovementioned institutions, not resolved by the usual services offered by the branches or by any other service station;
- giving necessary clarifications and replying to claimants regarding the status of complaints and the solutions offered;
- informing claimants of the waiting time for a final answer, which should not exceed ten days;
- sending a conclusive answer to the claimant's demand until expiration of the above waiting time;
- proposing to the Board of Directors corrective or improvement measures to procedures and routines based on the analysis of the complaints received; and
- preparing and sending to the Board of Directors, the Audit Committee and the Internal Audit, at the end of each semester, a qualitative report regarding the Ombudsman's performance, comprising the proposals addressed in the prior item, if any.

The CMN Resolution No. 4,433/15 amended certain rules related to the operation of the ombudsman of financial institutions. These rules will be fully effective in June 2016.

According to our Bylaws and in order to comply with the rules of the Central Bank, in March 2016, Nairo José Martinelli Vidal Júnior was appointed by the Board of Directors as an Ombudsman, until the first Extraordinary Meeting of the Board of Directors to be held after the Annual Shareholders' Meeting of 2017.

**6.D. Employees**

As of December 31, 2015, we had 92,861 employees, of which 80,726 were employed by us and 12,135 were employed by our subsidiaries, as compared to 95,520 employees as of December 31, 2014 and 100,489 employees as of December 31, 2013.

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Table of Contents**6.E. Share Ownership**

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The following table sets forth the number of our employees and a breakdown of employees by main category of activity and geographic location as of the dates indicated:

<b>December 31,</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Total number of employees</b>	<b>92,861</b>	<b>95,520</b>	<b>100,489</b>
<b>Number by category of activity</b>			
<b>Banking</b>			
Bradesco	80,726	82,011	83,900
Insurance activities	6,556	6,605	5,856
Pension plan activity	475	508	1,527
Other categories	5,104	6,396	9,206
<b>Number by geographic location</b>			
Cidade de Deus, Osasco	11,603	11,826	12,749
Alphaville, Barueri	1,593	1,646	1,652
São Paulo	16,296	16,699	17,957
Other locations in Brazil	63,127	65,094	67,853
International	242	255	278

Note: As from December 31, 2014, figures do not comprise Scopus Tecnologia Ltda. (2,431 employees), as a result of the strategic partnership with IBM.

Our part-time employees work 6 hours a day, while our full-time employees work 8 hours a day, both in a five-day workweek. We had 26,159 part-time employees and 66,702 full-time employees as of December 31, 2015 compared to 27,798 part-time employees and 67,722 full-time employees as of December 31, 2014, and 31,615 part-time employees and 68,874 full-time employees as of December 31, 2013.

We generally hire our employees at the entry level, and encourage them to remain with us throughout their careers. All employees are entitled, through internal hiring process, to fill new positions, including those in Middle Management, senior and managerial positions.

As of December 31, 2015, approximately 61.0% of our employees were associated with one of the labor unions that represent bank or insurance employees in Brazil. We maintain good relations with our employees as well as with their respective labor unions, which we believe is owing mostly to our policy of appreciating staff and having transparent relationships. We are party to two collective bargaining agreements: (i) one relating to our banking employees; and (ii) the other to our insurance sector employees.

We offer our employees benefits which include our health and dental plans enabling beneficiaries to choose their doctors, hospitals and dentists anywhere in Brazil, retirement and pension plans, and life and accident insurance with varying coverages. We also have an employee support program – called “Lig Viva Bem,” offering 24-hour support and making available 100% confidential free-of-charge telephone calls. The team is composed of psychologists, social workers and other specialized professionals guiding and supporting employees and their dependents in relation to personal, professional, familiar, legal, nutritional

and affective issues. These benefits are available regardless of an employee's position. Currently, 41.0% of our employees participate in our pension plan Bradesco Vida e Previdência. In accordance with our collective bargaining agreement, we also offer our employees profit-sharing compensation plans.

Through Universidade Corporativa Bradesco - UniBrad (Bradesco Corporate University), whose mission is to provide professional education and social mobility, we offer development solutions and training to our employees and collaborators. In 2015, we invested R\$145.1 million in professional training with a total of more than 900 thousand participations.

#### **6.E. Share Ownership**

As of December 31, 2015, the members of our Board of Directors and Board of Executive Officers indirectly held 3.1% of our voting capital and 1.6% of our total capital stock, in aggregate, through a company called BBD Participações S.A., or "BBD." In addition, some of our directors and executive officers directly hold shares of our capital stock. However, as of December 31, 2015, none of our directors and executive officers individually owned, directly or indirectly, more than 1.0% of any class of our shares.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

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**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**7.A. Major Shareholders**

As of December 31, 2015, our capital stock was composed of 2,524,364,555 common shares (3,669,932 treasury shares) and 2,524,364,292 preferred shares (15,583,262 treasury shares), with no par value.

For information on shareholders' rights and our dividend distributions, see "Item 8.A. Consolidated Statements and Other Financial Information – Policy on dividend distributions" and "Item 10.B. Memorandum and Articles of Association – Organization – Allocation of net income and distribution of dividends."

The following chart illustrates our capital ownership structure as of December 31, 2015:

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Table of Contents**7.A. Major Shareholders**

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The following table shows the direct ownership of our outstanding common and preferred shares as at March 10, 2016. Shareholders mentioned, except for the members of our *Diretoria Executiva* or our Board of Directors, directly hold five percent or more of our securities with voting rights:

Shareholder	Number of shares, except %				
	Number of common shares	Common shares as a percentage of outstanding shares	Number of preferred shares	Preferred shares as a percentage of outstanding shares	Total Number of shares
Cidade de Deus Participações	1,221,202,032	48.5%	607,816	0.0%	1,221,809,848
Fundação Bradesco <sup>(1)</sup>	430,162,833	17.1%	-	-	430,162,833
NCF Participações	212,567,159	8.4%	56,341,541	2.2%	268,908,700
<b>Subtotal</b>	<b>1,863,932,024</b>	<b>74.0%</b>	<b>56,949,357</b>	<b>2.3%</b>	<b>1,920,881,381</b>
<b>Members of the Board of Directors</b>					
Lázaro de Mello Brandão	(*)	(*)	(*)	(*)	(*)
Luiz Carlos Trabuco Cappi	(*)	(*)	(*)	(*)	(*)
Denise Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)
João Aguiar Alvarez	(*)	(*)	(*)	(*)	(*)
Carlos Alberto Rodrigues Guilherme	(*)	(*)	(*)	(*)	(*)
Milton Matsumoto	(*)	(*)	(*)	(*)	(*)
José Alcides Munhoz	(*)	(*)	(*)	(*)	(*)
Aurélio Conrado Boni	(*)	(*)	(*)	(*)	(*)
<b>Total Board of Directors</b>	<b>15,125,958</b>	<b>0.6%</b>	<b>24,455,762</b>	<b>1.0%</b>	<b>39,581,720</b>
<b>Members of the Diretoria Executiva</b>					
Domingos Figueiredo de Abreu	(*)	(*)	(*)	(*)	(*)
Sérgio Alexandre Figueiredo Clemente	(*)	(*)	(*)	(*)	(*)
Alexandre da Silva Glüher	(*)	(*)	(*)	(*)	(*)
Josué Augusto Pancini	(*)	(*)	(*)	(*)	(*)
Maurício Machado de Minas	(*)	(*)	(*)	(*)	(*)
Marcelo de Araújo Noronha	(*)	(*)	(*)	(*)	(*)
André Rodrigues Cano	(*)	(*)	(*)	(*)	(*)
Luiz Carlos Angelotti	(*)	(*)	(*)	(*)	(*)
Nilton Pelegrino Nogueira	(*)	(*)	(*)	(*)	(*)
André Marcelo da Silva Prado	(*)	(*)	(*)	(*)	(*)
Altair Antônio de Souza	(*)	(*)	(*)	(*)	(*)
Denise Pauli Pavarina	(*)	(*)	(*)	(*)	(*)
Moacir Nachbar Junior	(*)	(*)	(*)	(*)	(*)
Octávio de Lazari Junior	(*)	(*)	(*)	(*)	(*)
Cassiano Ricardo Scarpelli	(*)	(*)	(*)	(*)	(*)
Eurico Ramos Fabri	(*)	(*)	(*)	(*)	(*)

Marlene Morán Millan	(*)	(*)	(*)	(*)	(*)
Renato Ejnisman	(*)	(*)	(*)	(*)	(*)
Walkiria Schirrmeister Marchetti	(*)	(*)	(*)	(*)	(*)
<b>Total Members of the Diretoria Executiva</b>	<b>117,826</b>	<b>0.0%</b>	<b>1,366,242</b>	<b>0.1%</b>	<b>1,484,06</b>
<b>Subtotal</b>	<b>1,879,175,808</b>	<b>74.6%</b>	<b>82,771,361</b>	<b>3.3%</b>	<b>1,961,947,16</b>
Other	641,029,615	25.4%	2,426,009,669	96.7%	3,067,039,28
<b>Outstanding Shares</b>	<b>2,520,205,423</b>	<b>100.0%</b>	<b>2,508,781,030</b>	<b>100.0%</b>	<b>5,028,986,45</b>
Treasury shares	4,159,132	-	15,583,262	-	19,742,39
<b>Total</b>	<b>2,524,364,555</b>	<b>100.0%</b>	<b>2,524,364,292</b>	<b>100.0%</b>	<b>5,048,728,84</b>

(1) Also indirectly owns, through its interest in Cidade de Deus Participações and Nova Cidade de Deus, and NCF F 39.6% of our common shares and 20.8% of our total shares.

(\*) None of the members of our Board of Directors, Board of Executive Officers or other administrative, supervisory management bodies directly or beneficially holds 1.0% or more of any of our classes of shares, and their individual ownership has not been previously disclosed to our shareholders or otherwise made public. For more information, see "Share Ownership".

The following is a description of our principal beneficial shareholders. None of the principal beneficial shareholders have voting rights that differ from those of the other holders of our common shares.

#### ***Cidade de Deus Companhia Comercial de Participações***

Cidade de Deus Companhia Comercial de Participações is a holding company, which we refer to as "Cidade de Deus Participações". It directly holds 48.5% of our voting capital and 24.3% of our total capital. Its shareholders are: (i) Nova Cidade de Deus, with 45.1% of its common and total shares; (ii) Fundação Bradesco, with 33.3% of its common and total shares; and (iii) the Aguiar Family, with 21.6% of its common and total shares as of December 31, 2015. The company's capital stock is made up of common, nominative book-entry shares, with no par value.

#### ***Nova Cidade de Deus Participações***

Nova Cidade de Deus Participações is a holding company which we refer to as "Nova Cidade de Deus". It holds investments in other companies, mainly those that, directly or indirectly, own our voting capital. As of December 31, 2015, the company owned, through its participation in Cidade de Deus Participações, 23.3% of our common shares and 11.9% of our total shares.

## 7.A. Major Shareholders

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The capital stock of Nova Cidade de Deus is divided in class A and class B common shares and one class of preferred shares. Ownership of the class B common shares is limited to:

- members of our *Diretoria Executiva*;
- former members of our *Diretoria Executiva*, who have become members of our Board of Directors;
- former members of our *Diretoria Executiva*, who have become members of the Board of Directors of one or more of our subsidiaries; and
- commercial or civil associations in which the majority of the voting interest is owned by the individuals above.

Ownership of *Nova Cidade de Deus*' class A common shares is limited to the persons entitled to own class B common shares and any civil associations and private foundations managed by them or their appointed representatives. Only the class A and class B common shareholders in Nova Cidade de Deus have voting rights.

### ***The Aguiar Family***

As of December 31, 2015, three members of the Aguiar Family and the estate of Mr. Amador Aguiar indirectly owned, by way of their participation in Cidade de Deus Participações, 11.2% of our common shares and 5.7% of our total shares. In addition, the same parties directly held a total of 1.1% of our common shares, 1.1% of our preferred shares, which correspond to 1.1% of our total shares. None of the members of the Aguiar Family individually or directly holds more than 1.0% of our voting shares.

### ***Fundação Bradesco***

As of December 31, 2015, Fundação Bradesco owned 56.7% of our common shares, 2.0% of our preferred shares and 29.4% of our total shares, directly and indirectly, through its participation in Cidade de Deus Participações, Nova Cidade de Deus and NCF.

Under the terms of Fundação Bradesco's bylaws, all of our directors, members of the *Diretoria Executiva* and department officers, as well as directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco, known as the "Board of Trustees." They receive no compensation for their service on the Board of Trustees.

Fundação Bradesco is one of the largest private socio-educational programs in Brazil, it is an innovative social investment initiative which reaches every state in Brazil and the Federal District, and its 40 schools are primarily located in regions of accentuated educational deprivation.



In 2015, a total of 102,182 students attended Fundação Bradesco schools from early childhood through to secondary school, and secondary-level vocational or technical education, as well as courses for young people and adults and initial and continuing education for employment and income. In addition to quality formal education free of charge, more than 42,000 elementary school students are also provided with school uniforms, classroom stationery, meals, and medical and dental care.

Our "Virtual School" e-learning portal's distance learning programs benefited 592,424 students who completed at least one of a wide range of courses offered, and another 22,990 students were involved in projects and partnership initiatives such as Digital Inclusion Centers, our "Educate - Act" (*Educa+Ação*) program, and technology courses ("Educating and Learning").

In its 13<sup>th</sup> consecutive year, the "Voluntary Action National Day" held on May 2015 engaged over 15,000 volunteers at 61 different locations in Brazil, including Fundação Bradesco schools and service centers close to schools. Over 288,000 people were served at this event which promoted issues regarding education, health, leisure, sports and the environment.

Created in 1998, the IT for the Visually Handicapped Program has benefited and trained 12,403 students and fostered social inclusion for thousands of people.

Fundação Bradesco's 2015 budget totaled R\$502.7 million. Over the last 10 years, Fundação Bradesco has invested a total of R\$5.1 billion (at current values) in the foundation.

**BBD**

BBD indirectly owned 6.1% of our common shares and 3.1% of our total shares as of December 31, 2015, through its participation in Nova Cidade de Deus. BBD is a holding company that was organized to hold interests in our capital and in the capital of our indirect and direct shareholders. In 1999, BBD acquired from several shareholders an indirect interest of 5.5% of our voting capital. Only members of the Board of Directors and of the Board of Executive Officers, as well as skilled employees of Bradesco, Bradespar, or of our subsidiaries and national not-for-profit legal entities or national companies controlled by them that have as administrators only employees and/or administrators of Bradesco, may hold BBD shares. However, only the members of the Board of Directors and Executive Officers may own voting shares. Most of our board members and executive officers own shares in BBD.

**7.B. Related Party Transactions**

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**NCF**

NCF is a holding company controlled by Cidade de Deus Participações and by Fundação Bradesco. As of December 31, 2015, NCF held 8.4% of our common shares and 5.3% of our total shares.

**Other**

Direct market holdings represented 26.0% of our voting capital as of December 31, 2015 (including a holding of 2.5% by the Bank of Tokyo Mitsubishi - UFJ (MUFG)) and 97.7% of our preferred shares. Common and preferred shares held by the market accounted for 61.8% of our share capital.

As of December 31, 2015, 1,139 foreign investors held: (i) 10.7% of our common shares; (ii) 26.1% of our preferred shares; e (iii) 28.8% of our preferred shares ADSs.

**7.B. Related Party Transactions**

Transactions with related parties and subsidiaries are conducted on arms' length terms as demonstrated below:

	December 31,	R\$ in thousands		
		2015	2014	2013
<b>ASSETS</b>				
Loans and advances to banks		223,874	101,025	84,216
Other assets		11,277	6,754	7,739
<b>LIABILITIES</b>				
Deposits from customers		(231,110)	(157,540)	(265,046)
Funds from securities issued		(2,509,577)	(1,151,105)	(1,543,906)
Corporate and statutory obligations		(1,279,382)	(1,019,589)	(724,226)
Other liabilities		(24,811)	(9,534)	(2,967)
<b>INCOME AND EXPENSES</b>				
Net interest income		(167,583)	(164,134)	(114,707)
Other income/expense		88,406	(68,366)	(90,687)

Under Laws No. 4,595/64 and No. 7,492/86, financial institutions may not grant loans or advances to:

- officers and members of the Board of Directors, fiscal councils, advisory committees and similar corporate bodies, as well as their spouses and relatives up to the second degree;
- individuals or legal entities with a direct or indirect equity interest of at least 10.0%;
- legal entities in which such financial institutions held a direct or indirect equity interest of at least 10.0%; and

- legal entities in which capital any officers or managers of such financial institution, including their spouses or relatives of the second degree, held a direct or indirect equity interest of at least 10.0%.

Accordingly, we have not assigned any loans or advances to any of our subsidiaries, affiliates, executive officers, board members or their relatives of second degree. Under Brazilian regulation, financial institutions must keep any record of impediment updated in order to avoid the occurrence of any prohibited loan or cash advance. For further details on restrictions on the operations of financial institutions, see "Item 4.B. Business Overview – Regulation and Supervision – Bank regulations – Principal limitations and restrictions on activities of financial institutions."

### **7.C. Interests of Experts and Counsel**

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#### ***Other Matters***

MUFG owns 1.3% of our total capital, and provides credit lines to us for trade-related transactions. The terms of these transactions are consistent with similar transactions that we engage in with other, unrelated entities.

### **7.C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **8.A. Consolidated Statements and other Financial Information**

See "Item 18. Financial Statements," which contains our audited consolidated financial statements prepared in accordance with IFRS.

#### ***Legal proceedings***

We are a party to civil, tax and labor administrative proceedings and lawsuits that have arisen during the normal course of our business. We do not have any litigation matters that are significant on an individual basis. We believe that there are no suits pending or threatened, individually or in the aggregate, that if decided against us would have a material adverse effect on our business, financial condition, properties, prospects or results of operations.

As of December 31, 2015, we had provisions of R\$15,364 million, 19.8% related to labor matters, 27.4% related to civil liability cases and 52.8% related to tax issues. For additional information, see Note 37 D to our consolidated financial statements in "Item 18. Financial Statements."

Probable losses recognized in our consolidated financial statements refer to tax and social security matters related to inflation adjustments and legality of certain taxes and contributions. The remaining litigation, where the probability of loss is considered as possible based on our judgment using available information, are related to tax assessments, in the amount of R\$9,635 million as of December 31, 2015 (R\$9,092 million in 2014). We believe these tax assessment notices are inconsistent with current law and are therefore not recognized in our consolidated financial statements.

We believe that as of December 31, 2015, we have set aside sufficient funds as provisions to cover our probable losses from litigation, subject to the inflation-indexation requirement for provisions relating to certain tax matters.

**Labor matters** – The labor matters in which we were involved during the year ended December 31, 2015

are mainly claims brought by former employees and outsourced employees seeking indemnifications, especially for unpaid overtime, according to Article 224 of the Consolidation of Labor Laws (CLT). In proceedings in which a judicial deposit is used to guarantee the execution of the judgment, the labor provision is made considering the estimated loss of these deposits. For proceedings with similar characteristics, the provision is recorded based on the average calculated value of payments made for labor complaints settled in the past 12 months; and proceedings originating from acquired banks, with unique characteristics, the calculation and assessment of the required balance is conducted periodically, based on the updated recent loss history. Overtime is monitored by using electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by our former employees do not represent significant amounts.

**Tax-related matters** – We are also a party to a number of judicial lawsuits and administrative proceedings, mainly involving issues related to constitutionality and fair interpretation of some tax requirements. Some claims relate to the non-payment of taxes which we are contesting; others stem from collections (notifications) of supervisory agencies of the Ministry of Finance and aim at recovering taxes we understand have already been paid or unduly paid. The amounts we have not paid in view of these claims have in general been provisioned in conformity with applicable accounting rules and are restated based on criteria established by tax legislation. On the other hand, those taxes to be refunded are only recorded upon final and unappealable judgment recognizing our right. See Note 17 to our consolidated financial statements for a description of our most relevant tax claims.

**Civil matters** – We are a party to various civil lawsuits, although none of them are material. Lawsuits consist mainly of claims for indemnification for presumed damages caused during the ordinary course of business activities and cases where inflation indices were not applied to the adjustment of saving accounts as a result of economic plans, although we complied with the law in force at the time. For more information on lawsuits in relation to economic plans, see “Item 3.D. Risk Factors – Risks relating to us and the Brazilian banking industry – 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.”

**8.A. Consolidated Statements and other Financial Information**

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Probable risk cases are all provisioned, and do not incur in a material adverse effect on our results of operations or financial position.

**Other matters** –We are currently not subject to any significant disputed processes with the Central Bank, CVM, ANS or SUSEP. We comply with all regulations applicable to the business, issued by the aforementioned regulatory bodies.

***Policy on dividend distributions***

Our Bylaws require our Board of Directors to recommend, at each annual general shareholders' meeting, that our net income for the fiscal year be allocated as follows:

- 5.0% for the legal reserve, not exceeding 20.0% of the paid-up capital in each fiscal year. This requirement shall not be applicable in fiscal years when the legal reserve, added to our other capital reserves, exceeds 30.0% of our paid-up capital;
- an amount (to be determined by our shareholders based on probable potential losses) to a contingency reserve against future losses;
- at least 30.0% (after the deductions for the legal reserves and contingencies) for mandatory distribution to our shareholders; and
- any outstanding balance to a statutory profit reserve for the maintenance of an operating margin that is compatible with our credit businesses, up to a limit of 95.0% of our paid-up capital.

Our Bylaws also authorize our shareholders to allocate an amount to a reserve for realizable revenue. Our shareholders have never allocated amounts to such reserve.

A minimum of 30.0% of our net income must be distributed as annual dividends and must be paid out within 60 days following the annual general shareholders' meeting. However, Brazilian corporate law (Brazilian Law No. 6,404/76) permits us to suspend payment of the mandatory dividends if our Board of Directors reports, at the shareholders' meeting, that the distribution would be incompatible with our financial condition, and our shareholders approve the suspension by a simple majority vote. Under the Brazilian Corporate Law, the Board of Directors shall file a report with the CVM, justifying the suspension, within five days after the annual general shareholders' meeting. The income not distributed as dividends due to suspension must be allocated to a special reserve. If it is not absorbed by subsequent losses, the amount in the reserve shall be paid as dividends as soon as our financial situation allows us to.

Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders.

Our Board of Executive Officers, subject to approval by the Board of Directors, may distribute dividends

based on the profits reported in interim financial statements. The amount of distributed interim dividends shall not exceed the amount of the additional paid-in capital. Our Board of Executive Officers bases the amount of the interim dividends to be distributed on previously accumulated profits or retained earnings.

Since 1970, we have been distributing interim dividends on a monthly basis. Today we maintain an automatic system for the monthly payment of interest on equity.

Consistent with Brazilian law, our Bylaws allow our *Diretoria Executiva*, upon approval by the Board of Directors, to make distributions in the form of interest on equity instead of dividends. Payments of interest on equity may be included as part of any mandatory dividends. Since July 1997, we have made monthly payments of interest on equity at an amount approved by our Board of Directors before the statement of dividends at the end of each fiscal year. The amounts paid as interest on equity, net of income tax, are discounted from the amount of dividends declared.

Pursuant to Brazilian law, a shareholder who does not receive a dividend payment may start a proceeding for the collection of these payments within three years following the dividends statement date. After this period, unclaimed dividends return to the company.

**8.B. Significant Changes**

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Our policy relating to dividend distributions and/or interest on equity is to maximize the amount of distributions, in accordance with our tax management strategy. For additional information, see "Item 5.A. Operating Results – Overview – Taxes."

**8.B. Significant Changes**

See "Item 4.A. History and Development of the Company – Recent Acquisitions."

**ITEM 9. THE OFFER AND LISTING****9.A. Offer and Listing Details**

Our ADSs are traded on the New York Stock Exchange ("NYSE"), under the symbols "BBD" (preferred share ADSs) and "BBDO" (common share ADSs).

Our preferred share ADSs were first listed on the NYSE in 2001. Each preferred share ADS corresponds to one preferred share.

An increase in capital stock of R\$5,000,000 thousand was approved at the Extraordinary General Meeting of March 10, 2015, increasing our capital stock from R\$38,100,000 thousand to R\$43,100,000 thousand through the capitalization of part of the balance of the account "Profit Reserves - Statutory Reserve", pursuant to article 169 of Law No. 6,404/76, with a bonus of 20.0% in shares attributed free of charge to existing shareholders, comprising 841,454,808 new nominative-book entry shares (420,727,426 common and 420,727,382 preferred) with no nominal value, in the ratio of two (2) new shares for every ten (10) shares of the same type that they own, benefiting the shareholders registered with Bradesco on March 27, 2015.

An increase to our capital stock of R\$8,000,000 thousand was approved at the Extraordinary General Meeting of March 10, 2016, increasing capital stock from R\$43,100,000 thousand to R\$51,100,000 thousand through the capitalization of part of the balance of the account "Profit Reserves - Statutory Reserve", pursuant to article 169 of Law No. 6,404/76, with a 10.0% bonus in shares, to existing shareholders at a ratio of one new share for every ten shares of the same type that they own, benefiting the shareholders registered with Bradesco on April 15, 2016.

Our shares are listed in Brazil's main stock indexes, including the indexes that measure the total return of a theoretical portfolio composed of 50 and 100 shares, IBrX-50 and IBrX-100, respectively, selected from among the most traded shares on BM&FBOVESPA; the IBrA (Broad Brazil Index); the IFNC (Financial Index, composed of banks, insurance companies and financial institutions); the ISE (Corporate Sustainability Index); the IG CX (Special Corporate Governance Stock Index); the IGCT (Corporate Governance Trade Index); the ITAG (Special Tag-Along Stock Index); the ICO2 (index composed of shares of companies listed in the IBrX-50 index and that accepted taking part in this initiative by adopting



transparent greenhouse gas emission practices); and the Mid-Large Cap Index – MLCX (which measures the return of a portfolio composed of the highest capitalization companies listed). Abroad, our shares are listed on the Dow Jones Sustainability World Index of the NYSE, and on the FTSE Latibex Brazil Index of the Madrid Stock Exchange.

In January 2012, the Central Bank authorized our creation of an ADR program for our common shares in the U.S. market. As part of this authorization, and after government had affirmed it as being in its interest, the Central Bank increased the limit of foreign interest in our capital stock from 14.0% to 30.0%. The increase in the limit of foreign interest in our common shares did not alter our ownership or control structure. In March 2012, our common share ADSs became listed on the NYSE under the symbol "BBDO." Each common share ADS corresponds to one common share.

Table of Contents**9.A. Offer and Listing Details**

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The following tables show, for the indicated period, the reported high and low sale prices in nominal *reais* for the preferred and common shares on BM&FBOVESPA:

	in R\$		Average monthly trading volume <sup>(1)</sup> Shares (in units)
	Price per Preferred share <sup>(1)</sup> High	Low	
<b>2009</b>	19.14	9.32	171,044,348
<b>2010</b>	22.51	15.33	123,106,340
<b>2011</b>	21.06	15.71	156,543,233
<b>2012</b>	24.14	17.09	170,853,199
<b>2013</b>	25.81	18.76	191,303,704
<b>2014</b>			
1st Quarter	23.59	18.71	200,302,640
2nd Quarter	26.71	23.41	197,353,080
3rd Quarter	32.03	24.09	199,844,800
4th Quarter	31.91	23.50	242,274,240
<b>2015</b>			
1st Quarter	30.48	25.80	193,075,233
2nd Quarter	30.84	25.50	171,020,433
3rd Quarter	27.86	19.80	238,674,167
4th Quarter	23.53	18.98	280,958,333
<b>2016</b>			
January	19.25	16.90	259,497,100
February	21.42	17.75	305,805,100
March	28.80	21.43	416,318,700

<sup>(1)</sup> Prices and amounts adjusted by income and other corporate events.

Source: Economatica.

	in R\$		Average monthly trading volume <sup>(1)</sup> Shares (in units)
	Price per Common share <sup>(1)</sup> High	Low	
<b>2009</b>	15.70	8.17	16,773,542
<b>2010</b>	17.80	12.44	17,415,840
<b>2011</b>	17.93	13.41	23,050,291
<b>2012</b>	23.91	14.76	30,150,351
<b>2013</b>	27.98	21.12	40,045,346
<b>2014</b>			
1st Quarter	25.99	20.57	27,606,000
2nd Quarter	28.28	24.12	31,854,240
3rd Quarter	31.84	24.51	28,700,320

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4th Quarter	30.78	22.82	33,032,640
<b>2015</b>			
1st Quarter	30.54	25.84	23,741,833
2nd Quarter	30.73	24.45	26,850,700
3rd Quarter	27.67	21.87	39,399,367
4th Quarter	26.35	20.45	41,200,033
<b>2016</b>			
Janury	20.43	17.87	30,586,600
February	23.35	18.99	33,586,800
March	32.07	23.50	52,856,500

(1) Prices and amounts adjusted by income and other corporate events.

Source: Economatica.

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**9.A. Offer and Listing Details**

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The following table shows, for the indicated periods, the reported high and low closing sale prices in U.S. dollars for the preferred share ADSs on the NYSE:

	in U\$\$		Average monthly trading volume <sup>(1)</sup> Preferred share ADS (in units)
	Price per preferred share ADS <sup>(1)</sup> High	Low	
<b>2009</b>	11.19	3.78	310,566,190
<b>2010</b>	13.68	8.30	282,022,353
<b>2011</b>	13.28	8.78	284,126,944
<b>2012</b>	12.28	8.50	241,136,014
<b>2013</b>	13.02	8.35	194,681,212
<b>2014</b>			
1st Quarter	10.48	7.69	214,126,505
2nd Quarter	12.13	10.34	201,148,852
3rd Quarter	14.31	10.59	200,679,496
4th Quarter	12.79	8.97	272,830,496
<b>2015</b>			
1st Quarter	11.10	7.95	223,343,026
2nd Quarter	10.49	8.22	194,392,202
3rd Quarter	8.93	4.76	283,149,511
4th Quarter	6.21	4.69	377,204,937
<b>2016</b>			
January	4.76	4.00	261,014,687
February	5.36	4.42	255,278,111
March	7.94	5.32	481,379,573

<sup>(1)</sup> Prices and amounts adjusted by income and other corporate events.

Source: Economatica.

Our common share ADSs have been traded on the NYSE since March 2012. The following table shows, for the indicated periods, the reported high and low closing sale prices in U.S. dollars for the common share ADSs on the NYSE:

	in U\$\$	Average monthly trading volume <sup>(1)</sup>
	Price per common share ADS <sup>(1)</sup>	

	High	Low	Common share ADS (in units)
<b>2012</b>	11.60	7.51	55,593
<b>2013</b>	14.11	8.49	71,378
<b>2014</b>			
1st Quarter	11.51	8.76	75,932
2nd Quarter	13.10	10.75	47,385
3rd Quarter	14.13	10.76	30,145
4th Quarter	12.50	8.93	44,043
<b>2015</b>			
1st Quarter	11.14	6.91	63,074
2nd Quarter	10.90	7.63	55,318
3rd Quarter	8.86	5.29	90,254
4th Quarter	7.97	4.80	89,540
<b>2016</b>			
January	5.88	4.14	102,503
February	5.88	4.35	80,982
March	8.95	5.80	103,321

(1) Prices and amounts adjusted by income and other corporate events.

Source: Economática.

Our shares are registered in book-entry form and we perform all the services of safe-keeping and transfer of shares. Our shareholders may choose to hold their shares registered at the Brazilian Clearing and Depository Corporation - *Companhia Brasileira de Liquidação e Custódia* ("CBLC"). Under Brazilian law, non-Brazilian holders of our shares may be subject to certain adverse tax consequences due to their ownership and any transfer of our shares. For further discussion of the restrictions on the transfer of preferred shares, see "Item 10.B. Memorandum and Articles of Association – Organization – Form and transfer" and "Item 10.D. Exchange Controls."

Our preferred share ADSs and common share ADSs are represented by preferred share ADRs and common share ADRs. Our preferred share ADSs and common share ADSs may be held in registered form with the depository – The Bank of New York Mellon – or in book entry form through financial institutions that are members of the "Depository Trust Company" or DTC. The depository bank, as registrar, performs the services of transfer of the preferred share ADRs and common share ADRs. Title to an preferred share ADR or common share ADR (and to each preferred share ADS or common share ADS evidenced thereby), when properly endorsed or accompanied by proper instruments of transfer, is transferable by delivery with the same effect as in the case of a certificated security under the laws of the State of New York. Holders of the preferred share ADRs and common share ADRs who transfer their preferred share ADRs and common share ADRs may be required to:

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**9.B. Plan of Distribution**

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- reimburse the depository bank for any taxes, governmental charges or fees the depository bank has paid;
- pay any transfer fees as required by the deposit agreements;
- produce satisfactory proof of identity and genuineness of their signatures or any other documents required by the deposit agreements;
- comply with any United States, Brazilian or other applicable laws or governmental regulations; and
- comply with such reasonable regulations, if any, as we and the depository bank may establish consistent with the deposit agreements.

All of our outstanding shares are fully paid and non-assessable.

The rights of holders of our preferred shares are limited in comparison with those of the holders of common shares in several material ways:

- Each common share entitles the holder to one vote at shareholders' meetings, while holders of preferred shares are only entitled to a vote in the limited circumstances described in "Item 10.B. Memorandum and Articles of Association – Organization – Voting rights;" and
- The nature of preferred shareholders' preemptive rights to subscribe for shares or convertible securities depends on the proportion of capital that would be represented by preferred shares after the capital increase, as described under "Item 10.B. Memorandum and Articles of Association – Organization – Preemptive rights."

The holders of the preferred share ADSs and common share ADSs have the rights corresponding to the underlying shares, subject to the Deposit Agreements. Owners of the preferred share ADSs and common share ADSs are parties to the Deposit Agreements and therefore are bound to its terms and to the terms of the preferred share ADRs and common share ADRs that represent the preferred share ADSs and common share ADSs.

**9.B. Plan of Distribution**

Not applicable.

**9.C. Markets**

*Trading on the BM&FBovespa*

BM&FBOVESPA is a publicly traded corporation. Beginning in April 2000, the Brazilian stock exchanges were reorganized through the execution of protocols of intention by the Brazilian stock exchanges. Until April 2004, all shares underlying securities were traded only on the BM&FBovespa, with the exception of

privatization auctions, which occurred on the Rio de Janeiro Stock Exchange. In May 2004, the Rio de Janeiro Stock Exchange reopened for the trading of certain Brazilian government securities.

If you were to trade in our shares on the BM&FBOVESPA, your trade would settle in three business days after the trade date. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of the CBLC.

The BM&FBOVESPA is less liquid than the NYSE or other major exchanges in the world. As of December 31, 2015, the aggregate market capitalization of the 358 companies listed on the BM&FBOVESPA, was equivalent to US\$446.1 billion and the 10 largest companies listed on the BM&FBOVESPA represented 51.5% of the total market capitalization. Although any of the outstanding shares of a listed company may trade on a Brazilian stock exchange, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by a small group of controlling persons, by governmental entities or by one principal shareholder. As of December 31, 2015, we accounted for 5.4% of the market capitalization of all listed companies on the BM&FBOVESPA.

## 9.C. Markets

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Trading on Brazilian stock exchanges by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes (a "non-Brazilian holder") is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on Brazilian stock exchanges in accordance with the CMN requirements. Investments made by foreigners on stock exchanges were traditionally regulated by Resolution No. 2,689/00, which required that securities held by non-Brazilian holders were maintained in the custody of or in deposit accounts with financial institutions duly authorized by the Central Bank and the CVM. In addition, Resolution No. 2,689/00 required non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, according to Resolution No. 2,689/00, non-Brazilian holders should not transfer to other non-Brazilian holders the ownership of investments.

In September 2014, the CMN issued Resolution No. 4,373/14, amending and improving the provisions for (i) foreign investments through a depositary receipt mechanism; and (ii) investments made by non-resident investors in the financial and capital markets in Brazil. The main changes were: (a) increasing the number of instruments that may be issued through depositary receipts; (b) making it possible for non-resident investors to invest in financial and capital markets without having previously entered into foreign exchange operations; (c) clarifying the criteria for simultaneous foreign exchange operations; and (d) increasing the responsibility of the non-resident investor's representative. CMN Resolution No. 4,373/14 became effective in March 2015.

See "Item 10.D. Exchange Controls" for further information about CMN Resolution No. 4,373/14, and "Item 10.E. Taxation – Brazilian tax considerations – Taxation of gains" for a description of certain tax benefits extended to non-Brazilian holders who qualify under CMN Resolution No. 4,373/14.

### ***Corporate governance practices of BM&FBOVESPA***

In 2000, BM&FBOVESPA introduced three special listing segments known as "Levels 1 and 2 of Differentiated Corporate Governance Practices and Novo Mercado" with the purpose of stimulating the secondary market of securities issued by Brazilian companies listed on BM&FBOVESPA, encouraging these companies to follow good corporate governance practices. BM&FBOVESPA subsequently introduced a new segment called "Bovespa Mais," specifically for small- and medium-scale companies. The listing segments were designed for the trading of shares issued by companies that voluntarily commit themselves to follow corporate governance practices and disclosure requirements beyond those required by Brazilian legislation. These rules generally increase shareholders' rights and increase the quality of the information made available to shareholders. Newly amended rules for Levels 1 and 2 of Differentiated Corporate Governance Practices came into effect in May 2011.

To become a "Level 1" company, the issuer must agree to the following requirements, in addition to those imposed by applicable law: (i) ensure that the shares that represent at least 25.0% of its total capital are actually available for trading; (ii) adopt offering procedures that favor the widespread ownership of the



shares whenever a public offer is made; (iii) comply with minimum standards for quarterly disclosure; (iv) follow stricter disclosure policies for transactions done by its controlling shareholders, members of its Board of Directors and executives that involve securities issued by the issuer; (v) submit any existing shareholders' agreement and stock option plans to BM&FBOVESPA; and (vi) prepare a schedule of corporate events and make it available to the shareholders.

To become a "Level 2" company, the issuer must agree to the following requirements, in addition to those imposed by applicable law: (i) comply with all Level 1 listing requirements; (ii) grant tag-along rights to all shareholders in case the company's control is transferred, offering to common shareholders the same price paid per share for the controlling block of common and preferred shares; (iii) give holders of preferred shares voting rights for decisions on certain corporate restructurings and related-party transactions, such as: (a) conversions, acquisitions, mergers or splits; (b) approval of any transactions between the company and its controlling shareholder, if such decisions are within the competence of the general meeting; (c) valuation of assets to be used for payment of a share capital increase; (d) selecting an institution or specialized company to determine the economic value of the company; and (e) any alterations to these voting rights that will prevail as long as the agreement to adhere to the BM&FBOVESPA's Level 2 segment is in force; (iv) board of directors made up of at least five members of which at least a minimum of 20.0% shall be independent members with a term of office limited to two years; (v) prepare financial statements in English, including the statement of cash flows, according to international accounting standards such as U.S. GAAP or

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**9.D. Selling Shareholders**

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IFRS; (vi) effect a tender offer by the company's controlling shareholder (the minimum price of the shares to be offered shall be determined by an assessment process), if the controlling shareholder decides on the delisting from the "Level 2" segment; and (vii) exclusively adopt the BM&FBOVESPA "Arbitration Board" rules for resolving any conflicts between the company and its investors.

To join BM&FBOVESPA's "Novo Mercado" segment, an issuer must meet all requirements described in "Levels 1 and 2," including the issuance of common shares only (with voting rights) and granting tag-along rights to all shareholders in case the company's control is transferred, offering the same price paid per share for the controlling block of shares.

In June 2001, we executed an agreement with BM&FBOVESPA to list our shares in the "Level 1" segment, effective immediately after the disclosure of the offer's opening date in Brazil. We agreed to comply with and continue to comply with all of the "Level 1" listing requirements.

**9.D. Selling Shareholders**

Not applicable.

**9.E. Dilution**

Not applicable.

**9.F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**10.A. Share Capital**

For more information on our capital stock, see Note 39 to our consolidated financial statements in "Item 18. Financial Statements."

**10.B. Memorandum and Articles of Association**

We are a publicly traded company duly registered with the CVM under No. 00090-6. Article 5 of our Bylaws establishes our purpose as carrying out banking transactions in general, including foreign exchange activities.

***Organization***

***Qualification of directors***

Since the promulgation of Law No. 12,431/11, which amended Law No. 6,404/76, members of the Board of Directors are no longer required to be shareholders of the companies in which they occupy these positions. Neither do they have to meet residency requirements to be eligible for board member positions.

***Allocation of net income and distribution of dividends***

Our Bylaws, in conformity with the Brazilian Corporate Law, require the Board of Directors to recommend, at each annual general shareholders' meeting, the allocation of net income for the fiscal year as follows:

- 5.0% of net income determined in accordance with BR GAAP to a legal reserve, during each fiscal year, not to exceed 20.0% in the aggregate of our paid-in capital. This requirement shall not be applicable in fiscal years when the legal reserve, added to our other additional paid-in capital, exceeds 30.0% of our paid-in capital;
- upon proposal by our Management, an amount to a contingency reserve against future losses, which amount is determined by our shareholders on the basis of what potential losses they consider probable. Historically, our shareholders never allocated profits to this reserve;
- at least 30.0% of net income according to BR GAAP (adjusted by the deductions under the two preceding items) for mandatory distribution to our shareholders; and

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## 10.B. Memorandum and Articles of Association

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- any balance to revenue reserves for the maintenance of an operational margin that is compatible with the conduct of our lending business, up to a limit of 95.0% of our paid-in capital.

Our Bylaws also authorize our shareholders to allocate an amount to a reserve for realizable revenue. Historically, our shareholders have not allocated amounts to such reserve.

The minimum of 30.0% of our adjusted net income according to BR GAAP must be distributed as annual dividends and paid out within 60 days of the general shareholders' meeting in which the distribution is approved. However, Brazilian Corporate law permits us to suspend payment of the mandatory distribution if our Board of Directors reports to the shareholders' meeting that the distribution would be incompatible with our financial condition, event in which the suspension is subject to approval by the shareholders' meeting. Under Brazilian Corporate law, the Fiscal Council shall prepare a report on this matter and the Board of Directors is obligated to present a justification for the suspension with the CVM within five days of the shareholders' meeting. The income not distributed due to the suspension must be allocated to a special reserve. If not absorbed by subsequent losses, the amounts in the reserve shall be paid as dividends as soon as our financial situation permits.

Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to the common shareholders.

Under Brazilian law, we must prepare financial statements according to BR GAAP on a quarterly and on an annual basis and according to IFRS on an annual basis. Our *Diretoria Executiva*, with Board of Directors approval, may distribute dividends based on the profits reported in interim financial statements. Our Bylaws provide for the payment of interim dividends, which cannot exceed the amount of our retained earnings or our profit reserves contained in our last, annual or bi-annual financial statements. Our *Diretoria Executiva* bases the amount of the interim dividends on previously accrued or retained earnings.

Since 1970, we have been distributing dividends on a monthly basis. Consistent with Brazilian Corporate law, our Bylaws allow our *Diretoria Executiva*, upon approval by the Board of Directors, to make distributions in the form of interest on equity instead of dividends. Payments of interest on equity may be considered for the calculation of the mandatory dividend; such inclusion must be at net value.

Under Brazilian law, a shareholder who does not receive a dividend payment may start a proceeding for the charging of these payments within three years, counting from the date when the dividends are made available for distribution. When that term ends, the unclaimed dividends return to the Company.

In March 2013, the Central Bank issued several rules related to the implementation of the Basel III Accord requirements in Brazilian banks. Pursuant to Resolution No. 4,193/13, the Central Bank now has the power to intervene in a financial institution in breach of the additional capital requirements to limit the distribution of dividends and payment of extraordinary amounts to the institution's officers and directors. Such restriction could be applied proportionally to the difference between the required additional capital and the actual

additional capital, as follows: (i) if the actual capital is less than 25.0% of the required capital, restriction of up to 100% on distributions; (ii) if the actual capital is 25.0% or higher and below 50.0% of the required capital, restriction of up to 80.0% on distributions; (iii) if the actual capital is 50.0% or higher and below 75.0% of the required capital, restriction of up to 60.0% on distributions; and (iv) if the actual capital is 75.0% or higher and below 100% of the required capital, restriction of up to 40.0% on distributions. We are currently in compliance with all capital requirements.

### ***Shareholders' meetings***

Our shareholders have the power to decide any matters related to our corporate purpose and to approve any resolutions they deem necessary for our protection and development, through voting at a general shareholders' meeting.

As from the Annual General Meeting of 2013, shareholders resolved that our meetings shall be convened by the publication of call notices in the *Diário Oficial do Estado de São Paulo* (Official Gazette of the State of São Paulo) and the *Valor Econômico* newspaper, all in the State of São Paulo. The notice must be published three times, beginning at least 15 calendar days prior to the scheduled assembly date. The notice must contain the assembly's agenda and, in the case of a proposed amendment to our Bylaws, an indication of the subject matter.

The Board of Directors, or, in some specific situations set forth in the Brazilian Corporate Law, the shareholders, may call our general shareholders' meetings. A shareholder may be represented at a general meeting by an attorney-in-fact so long as the attorney-in-fact was appointed within less than a year of the assembly. The attorney-in-fact must be a shareholder, a member of our Management, a lawyer or a financial institution and for investment funds, the fund manager is responsible for representing quota holders. Shareholders that are legal entities may also be represented by their own legal representatives. The power of attorney given the attorney-in-fact must comply with certain formalities set forth by Brazilian law.

In order for a general shareholders' meeting to validly take any action, shareholders representing at least one quarter of our issued and outstanding common shares must be present at the assembly. However, in the case of a general meeting to amend our Bylaws, shareholders representing at least two-thirds of our issued and outstanding common shares must be present. If no such quorum is verified, the Board of Directors may call a second meeting by notice given at least eight calendar days prior to the scheduled assembly and otherwise in accordance with the rules of publication described above. The quorum requirements will not apply to a second general meeting, subject to the quorum requirements applicable to the first one.

**10.B. Memorandum and Articles of Association**

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***Voting rights***

Each common share entitles its holder to the right of one vote at our shareholders' meetings. Except as otherwise provided by law, the decisions of a general shareholders' meeting are passed by a vote by holders of a simple majority of our common shares, while abstentions are not taken into account.

In March 2002, the Brazilian Corporate Law was amended to, among other issues, grant more protection to minority shareholders and ensure them the right to appoint one member of the Board of Directors and an alternate to our Board of Directors. To qualify for the exercise of such right, the minority shareholder must have held, for at least the prior three months either: (i) preferred shares representing the minimum of 10.0% of our capital stock; or (ii) common shares representing at least 15.0% of our voting shares. If no shareholders meet the thresholds, shareholders representing at least 10.0% of our capital stock may be able to combine their holdings to appoint one member and an alternate to our Board of Directors.

The Brazilian Corporate law provides that non-voting preferred shares acquire voting rights when a company has failed for the term provided for in its bylaws (for more than three fiscal years) to pay any fixed or minimum dividend to which such shares are entitled. Such voting rights remain effective until payment of the cumulative dividends is made.

***Shareholders***

Pursuant to Brazilian law, the approval of the holders of a majority of the outstanding adversely affected preferred shares as well as shareholders representing at least one-half of the issued and outstanding common shares is required for the following actions:

- creating or increasing an existing class of preferred shares without preserving the proportions of any other class of the existing shares;
- changing a preference, privilege or condition of redemption or amortization of any class of preferred shares; and
- creating a new class of preferred shares that has preference, privilege or condition of redemption or amortization superior to the existing classes of preferred shares.

These actions are put to the vote of the holders of the adversely affected preferred shares at a special assembly, where each preferred share entitles the shareholder to one vote. Preferred shareholders have the right to vote on any change to our legal form and obtain the right to vote if we enter into a liquidation process.

The approval of holders of at least one-half of the issued common shares is required for the following actions:

- reducing the mandatory distribution of dividends;

- approving a takeover, merger or spin-off;
- approving our participation in a "*grupo de sociedades*" (a group of companies whose management is coordinated through contractual relationships and equity ownerships), as defined under the Brazilian Corporate Law;
- changing our corporate purpose;
- ceasing our state of liquidation; and
- approving our dissolution.

## 10.B. Memorandum and Articles of Association

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Pursuant to Brazilian Corporate Law, holders of common shares, voting at a general shareholders' meeting, have the exclusive power to:

- amend our Bylaws, including changes to the rights of the holders of the common shares;
- elect or dismiss members of our Board of Directors;
- receive the yearly accounts prepared by our Management and accept or reject management's financial statements, including the allocation of net profits for payment of the mandatory dividend and allocation to the various reserve accounts;
- authorize the issuance of debentures;
- suspend the rights of a shareholder who has not fulfilled the obligations imposed by law or by our Bylaws;
- accept or reject the valuation of assets contributed by a shareholder in consideration for issuance of capital stock; and
- approve corporate restructurings, such as takeovers, mergers and spin-offs; dissolve or liquidate, elect or dismiss our liquidators or examine their accounts.

### ***Preemptive rights***

Each of our shareholders has a general preemptive right to subscribe for shares or convertible securities in any capital increase in proportion to its holding. Shareholders must be granted at least a 30 day period following the publication of notice of the issuance of shares or convertible securities to exercise their preemptive rights.

As described under "Regulations of and Restrictions on Foreign Investors," under the Brazilian Constitution the increase of foreign investors' participation in the voting capital (common shares) of financial institutions is subject to prior authorization by the 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. In January 2012, the Central Bank authorized us to create an ADR program for our common shares in the U.S. market. As part of this authorization, and after the government had affirmed it as being in its own interest, the Central Bank increased the limit of foreign interest in our capital stock from 14.0% to 30.0%.

In the event of a capital increase maintaining the existing proportion between common and preferred shares, each shareholder shall have the right to subscribe to newly issued shares of the same class it



currently holds. If the capital increase changes the proportion between common and preferred shares, shareholders shall have the right to subscribe newly issued shares of the same class it currently holds, only extending to shares of a different class so as to maintain the same proportion in the capital stock as held prior to such increase. In any case, all new increases are subject to the foreign interest limit set forth by the Central Bank, which means that holders of common shares could be prevented from exercising their preemptive rights in relation to newly issued common shares if the 30.0% limit is reached. Under Brazilian Corporate Law, shareholders are permitted to transfer or sell their preemptive rights.

You may not be able to exercise the preemptive rights relating to the shares underlying your ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. The contractual arrangements governing the ADSs provide that the custodian of the shares underlying the ADSs may, if possible, transfer or dispose of the preemptive rights. Such contractual arrangements related to the ADSs, provide for the custodian to remit the consideration received to the depositary bank that holds the ADSs. Its distribution by the depositary bank to holders of preferred or common share ADSs is net of any fees due to the custodian and the depositary bank. For more details see "Item 3.D. Risk Factors – Risks relating to our shares, preferred share ADSs and common share ADSs."

***Right of withdrawal***

Brazilian Law provides that under certain circumstances a shareholder has the right to withdraw his or her equity interest from a company and to receive a payment for the portion of equity attributable to his or her equity interest.

**10.B. Memorandum and Articles of Association**

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This right of withdrawal may be exercised:

- by the dissenting or non-voting holders of the adversely affected class of shares (including any holder of preferred shares) in the event that a general shareholders' meeting resolves to:
  - create preferred shares or increase an existing class of preferred shares relative to the other class or classes of preferred shares;
  - modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares;
  - create a new class of preferred shares with greater privileges than the existing class of preferred shares; or
- by the dissenting or non-voting shareholders (including any holder of preferred shares) in the event that a general shareholders' meeting resolves to:
  - reduce the mandatory distribution of dividends;
  - change our corporate purpose;
  - transfer all of our shares to another company, making us a wholly owned subsidiary of such company, known as an "*incorporação de ações*;" or
- by the dissenting or non-voting holder of common shares, in the event that a general shareholders' meeting resolves to:
  - acquire control of another company at a price exceeding certain limits set forth in Brazilian Law;
  - merge or consolidate a company, *provided that* its shares do not have liquidity and are widely held by the market;
  - participate in a "*grupo de sociedades*" as defined under the Brazilian Law, *provided that* its shares do not have liquidity and are widely held by the market; or
  - spin off a company or companies resulting in, among other things, a reduction of the mandatory annual dividend, participation in a group of companies, or a change of corporate purpose.

Our dissenting or non-voting shareholders also have a right of withdrawal in the event that the entity resulting from our merger, merger of our shares or spin-off does not become a listed company within 120 days of the shareholders' meeting at which the relevant decision was taken. The dissenting or non-voting

shareholders only have a withdrawal right if they owned the shares, which have been adversely affected at the time of the first call for the shareholders' meeting in which the relevant decision was made. If a public announcement of the action taken or to be taken was made prior to the call for the shareholders' meeting, the shareholders' ownership of shares is based on the date of announcement.

The right of withdrawal lapses thirty days after publication of the minutes of the shareholders' meeting at which the action is taken, except when the resolution is subject to confirmation by the preferred shareholders (which must be made at a special assembly to be held within one year). In that case the 30-day term is counted from the date the minutes of the special assembly are published. We would be entitled to reconsider any action giving rise to redemption rights within ten days following the maturity of such rights if the redemption of shares of dissenting shareholders would jeopardize our financial stability.

In all the situations described above, our shares would be redeemable at their book value, determined on the basis of the last balance sheet approved by our shareholders. If the shareholders' meeting giving rise to withdrawal rights occurs 60 days after the date of the last approved balance sheet, a shareholder may demand that its shares be valued on the basis of a new balance sheet of a date within 60 days preceding such shareholders' meeting.

#### ***Liquidation***

In the event of our liquidation, our preferred shareholders would be entitled to priority over common shareholders in the return of capital. The amount to which they would be entitled is based on the portion of the Capital Stock represented by the preferred shares, as adjusted from time to time to reflect any capital increases or reductions. After all our creditors had been paid, our residual assets would be used to return the amount of capital represented by the preferred shares to the preferred shareholders. Once the preferred shareholders had been fully reimbursed, the common shareholders would be reimbursed on the portion of the Capital Stock represented by the common shares. All our shareholders would participate equally and ratably in any remaining residual assets.

## **10.B. Memorandum and Articles of Association**

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### ***Redemption***

Our Bylaws provide that our shares are not redeemable. However, Brazilian Law authorizes us to redeem minority shareholders' shares if, after a public tender offer for our delisting, our controlling shareholder increases to more than 95.0% its participation in our total capital stock.

### ***Conversion rights***

Our Bylaws provide that our common shares cannot be converted into preferred shares or our preferred shares into common shares.

### ***Liability of our shareholders for further capital calls***

Neither Brazilian law nor our Bylaws provide for capital calls. Our shareholders' liability is limited to the payment of the issue price of the shares subscribed or acquired.

### ***Form and transfer***

Our shares are registered in book-entry form and we perform all the services of safekeeping and transfer of shares. To make the transfer we make an entry in the register, debit the share account of the transferor and credit the share account of the transferee.

Transfers of shares by a foreign investor are made in the same way and executed by the investor's local agent on the investor's behalf. However, if the original investment was registered with the Central Bank pursuant to a foreign investment mechanism regulated by the CMN Resolution No. 4,373/14 as described under "Item 10.D. Exchange Controls," the foreign investor must declare the transfer in its electronic registration.

Our shareholders may opt to hold their shares through BM&FBOVESPA. Shares are added to the BM&FBOVESPA system through Brazilian institutions, which have clearing accounts with the BM&FBOVESPA. Our shareholder registry indicates which shares are listed on the BM&FBOVESPA system. Each participating shareholder is in turn registered in a register of beneficial shareholders maintained by the BM&FBOVESPA and is treated in the same manner as our registered shareholders.

### ***Brazilian rules related to information disclosure***

In January 2002, through CVM Instruction No. 358/02, the CVM issued regulations that were amended in June 2002 and March 2007, regarding the disclosure of information to the market. These regulations include provisions which:

- determine what information must be filed with the CVM in the form of a notice to the shareholders or a material fact ("*fato relevante*"). The "*fato relevante*" includes any controlling shareholder decisions that could influence the price of our securities and any controlling shareholder decision to trade, cease to trade,

or exercise any rights under our securities;

- expand the list of events which may be considered material, including, among others:
  - the signature, amendment or termination of shareholders' agreements to which the company is a party, or which have been registered in our records;
  - the entry or withdrawal of shareholders that have a financial, operational, technological or management collaboration agreement with us;
- any authorization to trade our securities in any market, national or abroad;
- a decision upon deregistration of a publicly-held company;
- the merger, consolidation or spin-off of a company or its affiliates;
- the change in the composition of a company's capital stock;
- the change in accounting criteria;
- the debt renegotiation;
- the change in rights and advantages attached to the securities of a company;

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**10.B. Memorandum and Articles of Association**

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- the acquisition of a company's shares to keep in treasury or cancellation, and their sale;
- the company's profit or loss and the allocation of its cash dividends;
- the execution or termination of an agreement, or failure on its implementation, when the expectation of its accomplishment is public's knowledge; and
- the approval, change or abandonment of a project or delay in its implementation;
- extend, in the event our executive officer in charge of investor relations does not make required disclosure, the responsibility to make the required disclosure to our controlling shareholders, our Management, the members of our Fiscal Council and to any member of a technical or consulting body created by our Bylaws;
- extend confidentiality obligations related to undisclosed information to, in addition to our Management and controlling shareholders, the members of any technical or consulting bodies created by our Bylaws and our employees in charge of the issues considered relevant matters;
- disclose the information contained in material facts in all markets where our securities are traded;
- disclose any intention to delist the company within the period of one year if we acquire a controlling participation in a company that has its securities traded on a market;
- fulfill disclosure requirements related to the acquisition and sale of relevant shareholder participations, or the acquisition and sale of our securities by our managing shareholders, members of our Fiscal Council or any member of a technical or consulting body created by our Bylaws; and
- before a material fact is publicly disclosed, prohibit the trading of our securities by our direct and indirect controlling shareholders, officers, members of our Board of Directors, fiscal council and any technical or advisory committees or whomever by virtue of their position has knowledge of information related to the material fact.

In February 2014, the CVM provided publicly-held companies with the option of disclosing material facts by way of a news portal on the internet, in addition to the disclosure carried out through large circulation newspapers (as previously made).

Under CVM rules, we are also required to disclose a series of additional details to the market if a general meeting is called to decide on an absorption, merger, or split.

***Disclosure of periodic information***

In December 2009, the CVM issued Instruction No. 480/09 that addresses, among other topics, the issuance of securities and periodic disclosure of information by companies that have their securities traded on the Brazilian market. As a result of this rule, Brazilian issuers must file a "Reference Form" with the CVM every year, a document similar to a "Form 20-F," providing several detailed aspects of the company's operations and administration. Furthermore, the rules related to financial statements and information disclosure were improved and the management's responsibility for the information provided was increased. As a result, the quantity and quality of information provided to the Brazilian market and to CVM has increased considerably, reinforcing the transparency of our activities for the local investor. In addition, new issuances for companies already listed were made easier. Instruction No. 480/09 is periodically changed by CVM.

***Disclosure of operating information to the public***

CMN rules determine that financial institutions should establish a formal policy approved by its board of directors or, in its absence, by its board of executive officers, for disclosure of information referring to risk management, determination of amount of risk-weighted assets and adequacy of Regulatory Capital. In October 2013, pursuant to Circular No. 3,678/13, the Central Bank established the current standards on disclosure of this information to the public.

***Regulations and restrictions on non-Brazilian holders***

The Brazilian Constitution bars any increase in foreign interest in the share capital of financial institutions headquartered in Brazil. However, because we are a publicly-traded financial institution, non-Brazilian holders of our preferred shares benefit from an exception to this provision. Accordingly, foreign holders face no legal restrictions on the ownership of our preferred shares or of preferred share ADSs, and are entitled to all the rights and preferences of such preferred shares. Furthermore, in accordance with the Central Bank authorization for the ADR program for common shares in the U.S. market, foreigners can hold up to 30.0% of our total common shares.

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The ability to convert dividend payments and proceeds from the sale of our shares or preemptive rights into foreign currency and to remit such amounts abroad from Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank. Nonetheless, any non-Brazilian holder who registers with the CVM in accordance with CMN Resolution No. 4,373/14 may buy and sell securities on Brazilian stock exchanges without obtaining a separate certificate of registration for each transaction. These rules are applicable both to common and preferred shares.

Appendix 5 to CMN Resolution No. 1,289/87, known as the "Appendix 5 Regulations," allows Brazilian companies to issue depositary receipts in foreign exchange markets. Our ADR program is duly registered with the Central Bank.

Our Bylaws do not restrict the rights of Brazilian residents or non-residents to hold our shares and exercise related rights.

### ***Rights of the holders of our ADSs***

Holders of our ADSs are not treated as our shareholders and do not have the same rights that our shareholders have. The depositary bank will hold the preferred shares and common shares that underlie the preferred share ADSs and common shares ADSs through a custodian in accordance with the provisions of the Deposit Agreements. The rights of our ADS holders are governed by the Deposit Agreements, which are New York law governed contracts. In contrast, the rights of our shareholders are provided for by Brazilian law.

Holders of our ADSs will receive notifications and voting instructions in relation to any meetings only if we authorize and direct the depositary bank to distribute such information to the holders. If we do not provide that authorization and direction to the depositary bank, holders of 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. If we authorize and direct the depositary bank to distribute voting instructions to our ADS holders, such holders may guide the depositary bank to vote in accordance with the number of shares represented by their ADSs. See "Item 3.D – Risk Factors – Risks relating to our shares and ADSs – The Deposit Agreements governing the 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; there are also practical limitations on any ability to vote we may give such holders."

### ***Transfer of control***

Our Bylaws do not contain any provision that would have the effect of delaying, deferring or preventing a change in our control or that would operate only with respect to a merger, acquisition or corporate restructuring involving ourselves or any of our subsidiaries. However, Brazilian banking regulations require that any transfer of control of a financial institution be previously approved by the Central Bank.



Additionally, Brazilian law stipulates that acquisition of control of a publicly held company is contingent on tender offers for all outstanding common shares at a price equivalent to at least 80.0% of the price per share paid for the controlling block. In December 2003, we amended our Bylaws to ensure that in the event of a change in our control, the acquirer will be required to pay our shareholders an amount equal to (a) for our non-controlling common shareholders, 100% of the price per share paid to our controlling shareholders and (b) for our preferred shareholders, 80.0% of the price per share paid for our controlling shareholders.

In the event of our liquidation, our preferred shareholders would have priority over our common shareholders when returning capital. See "Organization – Liquidation" for more information. In addition, in the event of a transfer of control, our shareholders have the right of withdrawal under certain circumstances. See "Organization – Right of withdrawal" for more information.

Brazilian law also obliges our controlling shareholder to make a tender offer for our shares if it increases its interest in our share capital to a level that materially and negatively affects the liquidity of our shares.

**10.C. Material contracts**

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***Disclosure of shareholder ownership***

Brazilian regulations require that any person or group of persons representing the same interest that has directly or indirectly acquired an interest corresponding to 5.0% of any type or class of shares of a publicly traded company must disclose its share ownership to the CVM and to Brazilian stock exchanges. In addition, a statement containing the required information must be published in the newspapers. Any subsequent increase or decrease of 5.0% or more in ownership of any type or class of shares must be similarly disclosed.

***BM&FBOVESPA's differentiated corporate governance practices***

In 2001, we voluntarily adhered to BM&FBOVESPA's Level 1 Corporate Governance which establishes special requirements for the Company's listing and rules for its directors and shareholders, including its controlling shareholders. Companies listed on Level 1 must adopt practices favoring transparency and the disclosure, in addition to legal requirements, of more comprehensive financial reporting data, details of trading by directors, officers and controlling shareholders and related party transactions, among others – in all cases focusing on providing access to information for shareholders, investors and other stakeholders. Note that companies listed in this segment must also maintain a minimum free float of 25.0%.

**10.C. Material contracts**

On July 31, 2015, Bradesco entered into a share purchase agreement with HSBC Latin America Holdings (UK) Limited ("HSBC"), pursuant to which the Bank agreed to acquire 100% of the share capital of HSBC Bank Brasil S.A. – Banco Múltiplo and HSBC Serviços e Participações Ltda. (together, "HSBC Brasil") for approximately US\$5.2 billion. HSBC Brasil comprises all of HSBC's Brazilian operations including its retail, insurance, asset management, private banking and credit card businesses. The execution of the share purchase agreement was announced on August 3, 2015.

The acquisition was approved by Bradesco's shareholders at an extraordinary general meeting held on December 17, 2015. The acquisition was approved by: (i) the Central Bank on December 31, 2015; (ii) SUSEP on September 24, 2015; and (iii) the Cayman Islands Monetary Authority (CIMA) on November 17, 2015. It is still subject to the approval of Brazilian antitrust authority (Conselho Administrativo da Defesa Econômica - CADE).

**10.D. Exchange controls**

The Central Bank may place temporary restrictions on the remittance of foreign capital abroad, including payments of principal, interests or dividends, and on the repatriation of capital if there is a significant imbalance in Brazil's balance of payments, or one is expected. The last occurrence of restrictions on the remittance of foreign capital was in 1989, when for approximately six months in 1989 and early 1990, the government suspended all remittances abroad of dividends and invested capital. The Central Bank subsequently released these amounts for remittance abroad in accordance with specific guidelines. The government may take similar measures in the future.

Under Brazilian tax laws, non-Brazilian holders of securities enjoy favorable tax treatment if they are qualified in terms of CMN Resolution No. 4,373/14. To qualify under this Resolution, a non-Brazilian holder

must:

- appoint a representative in Brazil with power to undertake acts relating to the investment;
- register as a foreign investor with the CVM; and
- register its investment with the Central Bank.

See "Item 10.E. Taxation – Brazilian tax considerations – Taxation of gains" for a description of tax benefits extended to non-Brazilian holders of securities who qualify under CMN Resolution No. 4,373/14.

Under CMN Resolution No. 4,373/14, securities held by non-Brazilian holders must be maintained under the custody of, or in deposit accounts held in, financial institutions duly authorized by the Central Bank and the CVM. In addition, securities trading are restricted under CMN Resolution No. 4,373/14 to transactions on Brazilian stock exchanges or qualified over-the-counter markets.

Registered non-Brazilian holders are allowed to invest in any type of investment available to Brazilian citizens in the financial and securities markets, with the exception that the Brazilian Constitution limits the ability of non-Brazilian holders to acquire capital of financial institutions, as mentioned above under "Regulation of and Restrictions on Non-Brazilian holders." Registration allows investors to remit foreign currency abroad when the funds are distributions on registered shares or proceeds from the disposition of such shares. The funds are converted into foreign currency at the forex market rate.

The registered capital for each share purchased in Brazil and deposited with the custodian is equal to its purchase price (informed in U.S. dollars). If ADS holder chooses to cancel ADSs in exchange for the underlying shares, the investment in the shares may be registered with the Central Bank. This registration is necessary for the holder to receive dividends or proceeds from the sale of the shares outside of Brazil.

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When a holder of ADSs exchanges ADSs for the underlying shares, the holder is entitled to either:

- sell the shares on the stock exchange and remit the proceeds abroad within five business days; or
- freely convert the investment in the underlying shares to either an investment under CMN Resolution No. 4,373/14 (subject to satisfaction of the legal requirements described above) or a direct foreign investment in Brazil (in accordance with applicable rules).

Holders that do not comply with the rules previously described may still register their investment, but the registration process will be subject to detailed procedures established by the Central Bank. Holders that do not comply with these rules may also be subject to monetary penalties.

## 10.E. Taxation

The following summary contains a description of the principal Brazilian and U.S. federal income tax consequences of the acquisition, ownership and disposition of our shares and ADSs. However, it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase our shares and/or ADSs. Accordingly, prospective purchasers of our shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our shares and/or ADSs.

This summary is based upon the tax laws of Brazil and the United States in effect on the date hereof, which are subject to change.

Currently, there is no income tax treaty for double taxation between Brazil and the United States. However, due to the reciprocity of treatment in the United States, the Brazilian tax authority assures to residents in Brazil the right to deduct, from the income tax due, the amount of tax levied on income that has already been paid in the United States. Although the tax authorities of the two countries have had discussions that may culminate in such a treaty, no assurance can be provided regarding the possibility of a treaty of this kind or how it will affect the U.S. holders of our shares or ADSs. Accordingly, prospective holders of our shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of shares or ADSs in their particular circumstances.

### ***Brazilian tax considerations***

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of our shares or ADSs by a holder not residing in Brazil.

### ***Taxation of dividends***

Dividends paid to the holders of ADSs or to foreign holders related to our shares are not subject to Brazilian withholding income tax, provided that these dividends are paid from the profits generated as of January 1, 1996. Dividends paid from profits before January 1, 1996 may be withheld at the variable rates, according to the legislation applicable at the time.

In this context, Law No. 11,638/07 significantly changed the Brazilian Corporate Law, with the objective of more closely aligning BR GAAP with IFRS. The changes promoted by Law No. 11,638/07 produced effects already predicting that the new accounting rules could conflict with the provisions of the tax law, Law No. 11,941/09, the Transition Tax System ("RTT") was instituted. In general, under the implementation of the RTT, the changes promoted by the IFRS to modify the criterion of recognition of revenues, costs and expenses, would have no tax effects.

In this sense, profits recorded in line with the rules laid down by Law No. 11,638/07 ("IFRS Profits") may be different for profits calculated following the accounting methods and criteria in force on December 31, 2007 ("2007 Profits").

Although market practice is for the distribution of dividends calculated using the IFRS Profits to be exempt from taxes, the Brazilian tax authorities, through Instrução Normativa No. 1,397/13, understand that companies should consider the 2007 Profits as the basis for determining the amount of profit exempt from taxes that could be distributed to the beneficiaries.

Surplus paid on 2007 Profits ("Surplus Dividends") should, in the opinion of the tax authorities and in the specific case of non-resident beneficiaries in Brazil, be subject to taxation as follows: (i) Withholding Income Tax at Source ("IRRF") at a rate of 15.0% in the case of non-resident beneficiaries in Brazil, but which were not domiciled in a tax haven; or (ii) IRRF at a rate of 25.0% in the case of non-residents in Brazil, domiciled in the tax haven.

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As way to mitigate that issue, Law No. 12,973/14, in addition to revoking the RTT, made significant changes to federal tax law, including with relation to Excess Dividends. Following the changes introduced by Law No. 12,973/14, it was confirmed that Excess Dividends would be exempt with respect to profits made between 2008 and 2013. After 2015, this discussion is no longer relevant, as the differences relating to the previous accounting treatment have become irrelevant. Potential discussions remain, however, with regard to dividends paid from profits ascertained in the calendar year 2014, unless the company has voluntarily opted for the application of the provisions laid down in Law No. 12,973/14 since January 1, 2014.

***Taxation on earnings***

In accordance with Law No. 10,833/03, the gains earned as a result of the divestiture of assets located in Brazil with a foreign holder abroad are subject to taxation in Brazil, regardless of the fact that the divestiture is performed to another non-resident or to a resident in Brazil.

In this sense, in the case of divestiture of our shares, which are regarded as Brazilian assets, the foreign holder shall be subject to the income tax on the capital gain ascertained in accordance with the rules described in the following paragraphs, regardless of the operation being, or not, carried out in Brazil or abroad, or with a resident or non-resident in Brazil.

In relation to the ADSs, despite the theme not being pacified in Brazil, it is possible to argue that gains recorded by a foreign holder in the divestiture of these assets to another non-resident, should not be subject to taxation in Brazil. Such arguments would be based on the understanding that the ADSs do not represent Brazilian assets for purposes of the application of Law No. 10,833/03. So, it is not possible to ensure that such understanding will be accepted by the tax authorities, which can interpret the concept of Brazilian assets for purposes of the application of the rules laid down in Law No. 10,833/03 differently. So, gains earned as a result of the divestiture of ADSs with a foreign holder to a resident in Brazil (or even to a non-resident, if the tax authorities understand that the ADS represents a Brazilian asset for purposes of the application of the rules laid down in Law No. 10,833/03) may be subject to taxation in accordance with the rules described as follows.

It is important to emphasize that, for purposes of the Brazilian legislation, the rules applicable to gains earned as a result of the divestiture of shares or ADSs may vary according to the domicile of the foreign holder, in accordance with the form through which he has recorded his investment before the Central Bank and/or in accordance with the way that the divestiture is structured and performed.

The deposit of our shares in exchange for ADSs may necessitate taxation by income tax at a rate of 15.0% or 25.0%, in the event of any capital gain ascertained by a foreign holder located in a tax haven, if the cost of acquisition of our shares is less than: (i) the average price per share, quoted on the Brazilian stock exchange in which the highest number of these shares has been sold on the day of deposit; or (ii) if no share is sold on that day, the average price quoted on the Brazilian stock exchange in which the highest number of shares has been sold in the last 15 trading sessions immediately prior to the deposit. In this

case, the difference between the average price of our shares, as calculated above, and the corresponding acquisition cost, can be considered as capital gain. In certain circumstances, there may be arguments to sustain that such taxation is not applicable to foreign holders registered under the terms of CMN Resolution No. 4,373/14 ("Investor 4,373") who are not resident in the tax haven. The withdrawal of ADSs in exchange for shares, should not, in principle, be understood as an operation liable to result in capital gain subject to income tax, provided that the regulatory rules in relation to the registration of the investment before the Central Bank are appropriately observed.

The gains earned in the divestiture of shares on the Brazilian stock exchange (that include the transactions carried out in the OTC market) are:

- exempt from income tax when earned by a foreign holder that: (i) is an Investor 4,373; and (ii) is not resident in a location considered as a tax haven; or
- subject to income tax at a rate of 15.0% in any other case, including the gains earned by a foreign investor that: (i) is not an Investor 4,373; and/or (ii) is an Investor 4,373 resident in a location considered as a tax haven. In this case, the income tax withheld at source at a rate of 0.005% on the value of the divestiture will be applicable and may later be compensated with possible income tax on the capital gain.

Other gains earned in the divestiture of shares that are not carried out in Brazilian stock exchanges are subject to income tax at a rate of 15.0%, except for residents in locations considered as a tax haven, which, in this case, are subject to taxation by income tax at a rate of 25.0%. If the gains arising out of transactions carried out in the non-organized Brazilian over-the-counter market with mediation, the withholding of 0.005% on the value of the sale will be applicable and can be compensated with possible income tax due on the capital gain.

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In the event of redemption of shares or reduction of capital by a Brazilian company, the positive difference between the amount actually received by the foreign holder and the acquisition cost of shares redeemed will be considered as capital gain resulting from an operation not made on the stock exchange, therefore, it will be subject to taxation by income tax at a rate of 15.0% or 25.0%, depending on the case.

As a general rule, the gains recorded as a result of the divestiture of shares or ADSs are equivalent to the positive difference between the sale value of the shares or ADSs and the respective costs.

The exercise of any preemptive right related to shares or ADSs will not be subject to taxation on income in accordance with the Brazilian legislation currently in force. Any gain on the sale or exercise of rights of preference related to shares or ADSs by a foreign holder will be subject to taxation in accordance with the same rules applied in the case of divestiture of those shares.

### ***Interest on equity (“JCP”)***

The Brazilian legislation allows a Brazilian company, instead of distributing dividends, to perform a distribution of interest on equity to its own shareholders, treating such values as deductible in calculating the actual profit and in the calculation base of the Social Contribution. For taxation purposes, the interest on equity is limited to the daily variation pro rata of the Long-term Interest Rate (“TJLP”), as the subsequent determinations of the Central Bank and may not exceed the value equivalent to:

- 50% of the net income (after deduction of the Social Contribution, however before considering the provision related to the Corporate Income Tax and the amount attributable to the shareholders as JCP) established in the period in which the payment is carried out; and
- 50% of accumulated profits and profit reserves established on the date of commencement of the period in which the payment is made.

Specifically in relation to the payment of JCP for non-resident shareholders, such consignments are subject to IRRF at a rate of 15.0%, or 25.0%, where the recipient of the income is domiciled in a tax haven.

The values paid as JCP are subject to deduction in the calculation of the IRPJ and CSLL, which taxes are due on the profit, observing the limits detailed above.

### ***Tax haven***

The Brazilian tax authorities published NI No. 1,037/10, listing: (i) countries or jurisdictions considered as tax haven or whose internal legislation opposes confidentiality related to the corporate composition of legal entities or their ownership and; (ii) tax schemes considered as privileged, whose definition is brought by Law No.11,727/08.



In December 2014, the Brazilian Federal Revenue Office ("RFB") published the Decree No. 488/14, reducing the tax haven concept to localities that tax income at a maximum rate of less than 17.0% (previously considered 20.0%). However, until now, the list of NI No. 1,037/10 has not been updated. Furthermore, note that Decree No. 488/14 is not applicable to foreign investors whose investments in Brazil are in agreement with CMN Resolution No. 4,373/14.

Despite our understanding that a better interpretation of the legislation currently in force, leads to the conclusion that the concept of the privileged tax scheme, mentioned above, would be applicable only for purposes of Brazilian rules of transfer and under capitalized pricing, we cannot ensure that further legislation, or even interpretations of the tax authorities determine the application of the concept of the privileged tax scheme, established in Law No. 11,727/08 will also apply to foreign holders in the payment of JCP.

This way, it is recommended that private tax advisors are consulted regarding the consequences of the rules laid down in Law No. 11,727/08, NI No. 1,037/10 and Decree No. 488/14, if the tax authorities determine the application of the concept of the privileged tax regime in the context of IRRF due on payments made to a foreign holder, considering that, in this case, the IRRF could be charged at the higher rate of 25.0%.

### ***Tax on Foreign Exchange Transactions***

In accordance with Decree No. 6,306/07, the conversion of foreign currency into Brazilian currency or *vice-versa*, shall be subject to tax on foreign exchange operations. The rate of the current tax on foreign exchange operations, applicable to most of the foreign exchange operations, is 0.38%. However, foreign exchange operations carried out for inflows of resources in Brazil by an Investor 4,373 are subject to tax on foreign exchange operations at a rate of 0%: (i) in the case of variable income operations carried out on the Brazilian stock exchange, as well as acquisitions of shares of publicly held Brazilian companies or subscription of shares related to capital contributions, provided that the issuing company has registered its shares to be traded on the stock exchange; and (ii) for the transfer of resources from Brazil, related to this type of investment, including payments of dividends and JCP and the repatriation of resources invested in the Brazilian market. Additionally, the tax on foreign exchange operations is currently charged at a rate of 0% on the cancellation of ADSs in the exchange for shares.

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In any case, the tax rate on foreign exchange operations can be increased at any time by an act of the Federal Executive Branch, up to the percentage of 25.0%, in relation to the transactions that occurred after this possible amendment.

***Tax on the transaction with securities***

In accordance with Decree No. 6,306/07, the tax on the transaction with securities may be charged on all transactions involving securities, even though the transactions are conducted on Brazilian stock exchanges. The tax rate on transactions with securities applicable to transactions involving our shares is currently 0%. In particular, the tax on the transaction with securities is also of 0% due on the deposit of shares traded on Brazilian stock exchanges with the purpose of issuing certificates of deposit to be marketed abroad. The government can increase the tax rate on transactions with securities at any moment by up to 1.5% per day, but only with respect to future transactions.

***Other federal Brazilian taxes***

There are no federal Brazilian taxes on inheritance, gift or succession applicable to the ownership, transfer or disposition of preferred shares or ADSs by a foreign holder. Gift and inheritance taxes, however, can be levied by some states in Brazil on inheritances bestowed or gifts made by a foreign holder to individuals or entities residing or domiciled within such states in Brazil. There are no Brazilian taxes on stamps, issue, registration or similar by investors holding our shares or ADSs.

***Registered capital***

Amounts invested in securities by a holder not residing in Brazil who: (i) qualifies for benefits under CMN Resolution No. 4,373/14 and who registers with the CVM or (ii) holds ADSs and is represented by the depositary bank's registration, are eligible for registration with the Central Bank. In the case of ADSs, since the shareholder of record is the depositary bank, the depositary bank is responsible for obtaining the registration. The registration allows the remittance outside Brazil of foreign currency, converted at the Exchange Market rate, acquired with the proceeds of distributions on, or dispositions of, underlying shares.

***U.S. federal income tax considerations***

The statements regarding U.S. tax law set forth below are based on U.S. law as in force on the date of this annual report and changes to such law subsequent to the date of this annual report may affect the tax consequences described herein. This summary describes the principal tax consequences of the ownership and disposition of the shares and ADSs, but it does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to hold or dispose of the shares and ADSs. This summary applies only to purchasers of the shares and ADSs who will hold the shares and ADSs as capital assets and does not apply to special classes of holders such as dealers in securities or currencies, holders whose functional currency is not the U.S. dollar, holders of 10.0% or more of our shares (taking into account shares held directly, through depositary arrangements or through attribution), tax-exempt

organizations, financial institutions, holders liable for the alternative minimum tax, securities traders who elect to account for their investment in the shares or ADSs on a mark-to-market basis, and persons holding the shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction. Accordingly, each holder should consult such holder's own tax advisor concerning the overall tax consequences to it, including the consequences under laws other than U.S. federal income tax laws, of an investment in the shares or ADSs.

In this discussion, references to a "U.S. holder" are to a holder of a share or ADS that: (i) is a citizen or resident of the United States; (ii) is a corporation organized under the laws of the United States of America or any state thereof; or (iii) is otherwise subject to U.S. federal income taxation on a net basis with respect to the shares and ADSs.

The shares will be treated as equity for U.S. federal income tax purposes. For purposes of the U.S. Internal Revenue Code of 1986, as amended, or the "Code," holders of ADSs generally will be treated as owners of the shares represented by such ADSs.

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### ***Taxation of distributions***

A U.S. holder will recognize dividend income for U.S. federal income tax purposes in an amount equal to the amount of any cash and the value of any property distributed by us as a dividend to the extent that such distribution is paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, when such distribution is received by the custodian (or by the U.S. holder in the case of a holder of preferred shares). The amount of any distribution will include the amount of Brazilian tax withheld on the amount distributed, and the amount of a distribution paid in *reais* will be measured by reference to the exchange rate for converting *reais* into U.S. dollars in effect on the date the distribution is received by the custodian (or by a U.S. holder in the case of a holder of preferred shares). If this custodian (or U.S. holder in the case of a holder of preferred shares) does not convert such *reais* into U.S. dollars on the date it receives them, it is possible that the U.S. holder will recognize foreign currency loss or gain, which would be ordinary loss or gain, when the *reais* are converted into U.S. dollars. Dividends paid by us will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if: (i) the ADSs are readily tradable on an established securities market in the United States; and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on existing guidance, it is not clear whether dividends received with respect to the shares will be treated as qualified dividends, because the shares themselves are not listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of the shares or ADSs, and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. Holders of ADSs and the shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

Based on our audited financial statements and relevant market data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2009 to 2015 taxable years. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for the 2016 taxable year. Our belief that we are not, and will not in the future be, a PFIC is based on certain Proposed Treasury Regulations dealing with non-U.S. banks. Such regulations are not final and are subject to modification, in which case our determination regarding PFIC status may be different.

Distributions out of earnings and profits with respect to the shares and ADSs generally will be treated as dividend income from sources outside of the United States and generally will be treated separately with other items of "passive" (or, in the case of certain U.S. holders, "financial services") income for the purposes of determining the credit for foreign income taxes allowed under the Code. Subject to certain limitations, Brazilian income tax withheld in connection with any distribution with respect to the shares or ADSs may be claimed as a credit against the U.S. federal income tax liability of a U.S. holder if such holder elects for that year to credit all foreign income taxes. Alternatively such Brazilian withholding tax may be taken as a deduction against taxable income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is not substantial. U.S. holders should consult their own tax advisors concerning the implications of these rules in light of their particular circumstances.

Distributions of additional shares to holders with respect to their shares or ADSs that are made as part of a *pro rata* distribution to all our shareholders generally will not be subject to U.S. federal income tax.

Holders of shares or ADSs that are foreign corporations or non-resident alien individuals, or "non-U.S. holders," generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to shares or ADSs that are treated as dividend income for U.S. federal income tax purposes unless such dividends are effectively connected with the conduct by the holder of a trade or business in the United States.

**10.F. Dividends and Paying Agents**

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***Taxation of capital gains***

Upon the sale or other disposition of a share or ADS, a U.S. holder generally will recognize gain or loss for U.S. federal income tax purposes. The amount of the gain or loss will be equal to the difference between the amount realized in consideration for the disposition of the shares or ADSs and the U.S. holder's tax basis in the shares or ADSs. Such gain or loss generally will be subject to U.S. federal income tax as capital gain or loss and will be long-term capital gain or loss if held for more than one year. Capital losses may be deducted from taxable income, subject to certain limitations. Gain realized by a U.S. holder on a sale or disposition of shares or ADSs generally will be treated as U.S. source income. Consequently, if Brazilian tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign source income of the appropriate type in respect of which the credit may be used.

A non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of a share or ADS unless such gain is effectively connected with the conduct by the holder of a trade or business in the United States or such holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

***Backup withholding and information reporting***

Dividends paid on income for the year, and proceeds from the sale or other disposition of the ADSs or the shares to a U.S. holder, generally may be subject to the information reporting requirements of the Code and to backup withholding unless the U.S. holder: (i) establishes, if required to do so, it is an exempt recipient; or (ii) in the case of backup withholding, provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is furnished to the U.S. Internal Revenue Service.

A non-U.S. holder generally will be exempt from these information reporting requirements and backup withholding tax, but may be required to comply with certain certification and identification procedures in order to establish its eligibility for such exemption.

Certain U.S. holders may be subject to additional reporting requirements. The penalty for failing to comply with these reporting requirements can be significant. U.S. holders should consult their own tax advisors concerning any U.S. reporting requirements that may arise out of the ownership or disposition of the shares or ADSs in light of their particular circumstances.

**10.F. Dividends and Paying Agents**

Not applicable.

**10.G. Statement by Experts**

Not applicable.

#### **10.H. Documents on Display**

We file reports, including annual reports on Form 20 F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's website.

#### **10.I. Subsidiary Information**

For information on subsidiaries, see "Item 4.B. Business Overview – Main Subsidiaries" and Note 2(a) of our consolidated financial statements in "Item 18. Financial Statements."

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### ***Market risk***

Market risk is represented by the possibility of financial losses due to the variation of prices and interest rates of our financial assets, since its active and liability portfolios may have mismatches of periods, currencies and indexes. We are exposed to market risk, both in our trading and banking portfolios. The main market risks of our portfolios are interest rate risk and foreign exchange risk.

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**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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We use methodologies such as sensitivity analysis and Value at Risk (VaR), among others, for evaluating our market risk.

***Interest rate risk***

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, unexpected changes in the slope and shape of yield curves, base risk and changes in correlation of interest rates between different financial instruments/indexes. We are exposed to the risk of interest rate movements when there is a mismatch between fixed rates and market interest rates. For a discussion of our management of interest rate sensitivity, see "Item 5.B. Liquidity and Capital Resource – Interest rate sensitivity."

***Exchange risk***

Exchange risk arises as a result of our having assets, liabilities and off-balance sheet items that are denominated in, or indexed to, currencies other than *reais*, either as a result of trading or in the normal course of banking activities. We control exposure to exchange rate movements by ensuring that mismatches are managed and monitored, and our policy is to avoid material exchange rate mismatches. For a discussion of our management of exchange rate sensitivity, see "Item 5.B. Liquidity and Capital Resource – Exchange rate sensitivity."

***Market risk of trading activities***

We enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. As a result, our exposure to the potential losses described below is generally reduced by these transactions. These derivatives do not qualify as hedges under IFRS. Accordingly, we classify derivatives as financial assets held for trading.

***Sensitivity analysis***

Below, a sensitivity analysis for our financial exposure in trading and banking portfolios, based on three scenarios applied to market rates and prices. We considered 25.0% and 50.0% shocks in prices and rates that would adversely affect our positions, and a scenario reflecting an impact of 1 basis point on rates and 1.0% on market prices. These scenarios comply with CVM Instruction No. 475/08.

Risk Factor	Market as of December 31,	Scenarios	
		1 base point	25% shock for 50% shock for



	2015	shock for interest rate and 1% variation for prices	prices and rates	prices and rates
Foreign exchange rate R\$/USD	3.97	4.00	4.96	5.95
1-year fixed rate in reais	15.87%	15.88%	19.83%	23.80%

Shocks were also applied to other risk factors and terms of the interest curves. It is important to note that, in the first quarter of 2016, the real appreciated 8.9% against the U.S. dollar (from R\$3.90 to R\$3,55 per U.S. dollar), which is below the 25.0% and 50.0% shock scenarios.

The impacts of these scenarios on our positions would be as follows:

Trading and banking portfolios Risk Factors	On December 31, 2015 Definition	R\$ in thousands Scenarios <sup>(1)</sup>		
		1	2	3
Interest rate in <i>reais</i>	Exposure subject to the variation of fixed interest rates and interest rate coupon	(5,027)	(1,920,630)	(3,739,629)
Price Index	Exposure subject to the variation of price index coupon rates	(7,930)	(1,395,457)	(2,613,957)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(581)	(81,873)	(150,673)
Foreign currency	Exposure subject to foreign exchange variation	(5,054)	(132,492)	(264,983)
Variable income	Exposure subject to the variation of share prices	(12,054)	(301,354)	(602,707)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(1,260)	(51,310)	(101,025)
Other	Exposure not eligible in the previous definitions	(454)	(11,353)	(22,706)
<b>Total not correlated</b>		<b>(32,360)</b>	<b>(3,894,469)</b>	<b>(7,495,680)</b>
<b>Total correlated</b>		<b>(17,879)</b>	<b>(3,218,376)</b>	<b>(6,181,241)</b>

(1) Amounts net of tax effects.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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It is worth mentioning that the impacts of financial exposures from the banking portfolio (particularly interest rate and price index), would not necessarily represent potential accounting loss. This occurs because part of the loan and advances operations in our banking portfolio is financed by demand and/or savings deposits, which are natural hedges for any variations in interest rates, as well as the fact that variations in interest rates do not represent material impact on our results, since it is intended to hold loan and advances up to maturity. Additionally, in view of our strong share in the insurance and pension plan market, we have a significant volume of assets, which are price-level restated and linked to their respective technical provisions:

Banking portfolio Risk Factors	On December 31, 2015 Definition	R\$ in thousands Scenarios <sup>(1)</sup>		
		1	2	3
Interest rate in reais	Exposure subject to the variation of fixed interest rates and interest rate coupon	(4,199)	(1,613,721)	(3,139,565)
Price index	Exposure subject to the variation of price index coupon rates	(7,881)	(1,387,196)	(2,598,768)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(575)	(81,190)	(149,351)
Foreign currency	Exposure subject to foreign exchange variation	(5,311)	(138,829)	(277,657)
Variable income	Exposure subject to the variation share prices	(12,054)	(301,354)	(602,707)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(1,068)	(47,086)	(92,555)
Other	Exposure not eligible in the previous definitions	(454)	(11,353)	(22,706)
<b>Total not correlated</b>		<b>(31,542)</b>	<b>(3,580,729)</b>	<b>(6,883,309)</b>
<b>Total correlated</b>		<b>(17,016)</b>	<b>(2,913,750)</b>	<b>(5,585,927)</b>

<sup>(1)</sup> Amounts net of tax effects.

Below we present the sensitivity analysis exclusively for the trading portfolio, which represents exposure that may materially impact our results, and it is worth mentioning that the results disclose the impacts for each scenario given a static portfolio. The dynamism of the market causes these positions to continually change and not necessarily reflect today the position shown here. Additionally, as discussed above, we have an ongoing market risk management process that continually seeks methods to mitigate related risks, according to a strategy determined by Senior Management. Accordingly, in the event of indications that a

certain position is deteriorating, proactive actions are made to minimize any possible negative impacts, in order to maximize our risk - return ratio:

Trading Portfolio Risk Factors	On December 31, 2015 Definition	R\$ in thousands Scenarios <sup>(1)</sup>		
		1	2	3
Interest rate in reais	Exposure subject to the variation of fixed interest rates and interest rate coupon	(867)	(321,946)	(627,934)
Price index	Exposure subject to the variation of price index coupon rates	(53)	(8,834)	(16,217)
Exchange coupon	Exposure subject to the variation of foreign exchange coupon rates	(30)	(1,312)	(2,592)
Foreign currency	Exposure subject to foreign exchange variation	(276)	(6,898)	(13,796)
Sovereigns/Eurobonds and Treasuries	Exposure subject to the variation of interest rates of securities traded abroad	(530)	(7,281)	(14,747)
Other	Exposure not eligible in the previous definitions	-	(2)	(3)
<b>Total not correlated</b>		<b>(1,756)</b>	<b>(346,273)</b>	<b>(675,289)</b>
<b>Total correlated</b>		<b>(1,357)</b>	<b>(333,171)</b>	<b>(649,489)</b>

(1) Amounts net of tax effects.

#### *Value at Risk ("VaR")*

The Trading portfolio's risk is measured using the Delta-Normal VaR methodology with a 99.0% confidence level, and the time horizon applied includes the number of days required to undo the existing exposures. Additionally, for the measurement of all risk factors of the options portfolio, the historic simulation models and Delta-Gama-Vega are applied, whichever is the most conservative of the two. Financial positions are allocated to primary risk factors such as interest rates and currencies, and the methodology considers the diversification effect through the correlation observed for these factors.

The methodology applied and the existing statistical models are assessed on a permanent basis using backtesting techniques, which compare the VaR with holding periods of one day and hypothetical results, obtained with the same positions used in the VaR calculation, and effectively considering also the transactions of the day for which the VaR was estimated.

The main purpose is to monitor, validate and evaluate the VaR model's adherence and the number of breaks occurred should be in line with the number of breaks accepted by the statistical tests carried out for the required level of confidence (99.0%). Another purpose is to improve the models used by the Organization, by way of analyses carried out for different VaR observation periods and confidence levels,



**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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both for Total VaR and by risk factors.

In 2015 the daily results, both hypothetical and effective, exceeded the VaR four times. In each case, that is within the limits defined in the statistical testing applied to the model. In accordance with the paper published by the Basel Committee on Banking Supervision (Supervisory Framework for the use "Backtesting" in Conjunction with the Internal Models Approach to Market Risk Capital Requirements of January 1996), any deviations would be classified as "either bad luck or the markets moved in a fashion unanticipated by the model," that is, the volatility was significantly higher than expected and/or the correlations differed from those forecast by the model.

In 2015, VaR of the trading portfolio, at one-day horizon and net of tax effects, presented maximum and minimum values of R\$74.0 million and R\$5.3 million, respectively, in the third quarter of the year. The following tables show value at risk using the VaR methodology:

	2015 - R\$ in thousands			
	Average	1 <sup>st</sup> Quarter Minimum	Maximum	At March 31
<b>Risk Factors</b>				
Reais (fixed and floating rate)	19,319	12,599	31,669	16,225
Foreign exchange coupon	4,515	1,196	6,242	1,949
Foreign currency	2,158	66	10,114	3,526
Variable income	770	-	3,400	-
Sovereign risk	6,145	2,464	9,782	3,416
Other	1,684	899	2,105	1,405
<b>Total VaR</b>	<b>21,538</b>	<b>15,461</b>	<b>32,975</b>	<b>15,618</b>

	2015 - R\$ in thousands			
	Average	2 <sup>nd</sup> Quarter Minimum	Maximum	At June 30
<b>Risk Factors</b>				
Reais (fixed and floating rate)	12,773	8,903	17,702	13,791
Foreign exchange coupon	1,355	472	2,543	472
Foreign currency	1,784	17	5,499	3,426
Variable income	66	-	198	67
Sovereign risk	3,064	2,535	4,209	2,581
Other	1,827	941	3,878	941
<b>Total VaR</b>	<b>15,170</b>	<b>10,346</b>	<b>19,722</b>	<b>18,019</b>

	2015 - R\$ in thousands			At September 30
	Average	3 <sup>rd</sup> Quarter Minimum	Maximum	
<b>Risk Factors</b>				
Reais (fixed and floating rate)	19,774	2,762	74,554	73,432
Foreign exchange coupon	662	209	1,256	1,243
Foreign currency	1,399	48	6,088	1,243
Variable Income	101	-	565	-
Sovereign risk	4,315	2,262	6,877	6,724
Other	287	1	3,084	73
<b>Total VaR</b>	<b>21,659</b>	<b>5,266</b>	<b>73,984</b>	<b>72,132</b>

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**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

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	2015 - R\$ in thousands			At December 31
	Average	4 <sup>th</sup> Quarter Minimum	Maximum	
<b>Risk Factors</b>				
Reais (fixed and floating rate)	28,939	16,522	60,108	34,069
Foreign exchange coupon	1,407	851	2,606	1,117
Foreign currency	338	16	1,012	937
Variable Income	1	-	82	-
Sovereign risk	3,767	2,206	16,304	6,468
Other	42	1	406	31
<b>Total VaR</b>	<b>29,966</b>	<b>18,016</b>	<b>61,531</b>	<b>18,016</b>

The following table shows trading portfolio VaR concentration in frequency terms in the year ended December 31, 2015:

Value at Risk (R\$ in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	% Events
Up to R\$20	22.6%	87.7%	73.8%	20.3%	51.6%
Over R\$20 up to R\$30	64.5%	12.3%	18.5%	42.2%	34.0%
Over R\$30 up to R\$40	12.9%	0.0%	6.2%	17.2%	9.0%
Over R\$40 up to R\$50	0.0%	0.0%	1.5%	9.4%	2.7%
Over R\$50	0.0%	0.0%	0.0%	10.9%	2.7%

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****12.A. Debt Securities**

Not applicable.

**12.B. Warrants and Rights**

Not applicable.

**12.C. Other Securities**

Not applicable.

**12.D. American Depositary Shares**

The table below describes the services and the respective rates and fees that the direct or indirect holders of our ADRs (preferred and common) may be subject to pay to our depositary bank, The Bank of New York Mellon (BNYM).

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**PART II**

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**RATES AND FEES**

US\$0.05 (or less) for ADSs or common share ADSs.

US\$0.02 (or less) per ADSs or common share ADSs.

A fee equivalent to the one that should be paid if the distributed bonds were equivalent to shares and shares were deposited for the issuance of ADSs or common share ADSs.

US\$0.02 (or less) per ADSs or common share ADSs per year.

Registration or transfer fees.

Depository's expenses.

Taxes and other governmental fees the depository or the custodian must pay on any ADS or common share ADSs, or share backed by any ADS or common share ADSs, for example: taxes for transfer of shares, stamp tax or withholding taxes.

Any costs incurred by the depository or the agent for services provided relating to deposited bonds.

**SERVICE**

- Issuance of ADSs or common share ADSs, including issuances from share distribution, rights or other assets.

- ADS or common share ADS cancellation due to withdrawal, including in the event the deposit agreement is terminated.

- Any cash distribution to registered ADS or common share ADS holders.

- Distribution of bonds to deposit holders, which are distributed by the depository to registered ADS or common share ADS holders.

- Depository services.

- Transfer and registration of shares in custodian's books on behalf of the depository or his/her agent, when shares are deposited or withdrawn.

- Expenses related to telegram, telephone and fax (when expressly indicated in the deposit agreement).

- Converting foreign currency into U.S. dollars.

- As necessary.

- As necessary.

From January 1 to December 31, 2015, we received from our depository bank the amount of US\$13.7 million, as reimbursement or payment made in our favor.

**PART II**



**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

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**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

**ITEM 15. CONTROLS AND PROCEDURES**

Financial responsibility, disclosure controls and procedures, and report on internal control over financial reporting.

**(a) *Disclosure controls and procedures***

As of December 31, 2015, evaluations of the effectiveness of our disclosure controls and procedures (as defined in Articles 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 of the SEC) were carried out under the supervision of our Management, including our Chief Executive Officer and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, and it may not prevent or identify deficiencies. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded, subject to the limitations noted above, that for the period covered by this annual report, our disclosure controls and procedures were adequate and effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act of the SEC is recorded, processed, summarized and disclosed within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**(b) *Management's annual report on internal control over financial reporting***

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Articles 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934 of the SEC. Our internal control was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our Management made an assessment of the effectiveness of our internal control over consolidated financial reporting as of December 31, 2015 based upon the 2013 framework "Integrated Internal Control Structure" established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and has concluded that our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting, as of December 31, 2015, has been audited by KPMG Auditores Independientes, a PCAOB – registered independent accounting firm, as stated in their report beginning on page F-3 of "Item 18. Financial Statements."

**(c) *Attestation report of the independent registered public accounting firm***

For the report of KPMG Auditores Independientes, our PCAOB – registered independent accounting firm, dated April 15, 2016, on the effectiveness of the internal control over financial reporting as of December 31, 2015, see "Item 18. Financial Statements."

**(d) *Changes in internal control over financial reporting***

There have been no changes in our internal control over financial reporting (as such term is defined in Articles 13a-15(f) and 15d-15(f) under the "Exchange Act of 1934" of the SEC) that occurred during the fiscal year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [RESERVED]**

**16.A. Audit Committee Financial Expert**

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**16.A. Audit Committee Financial Expert**

Our Board of Directors has reviewed the qualifications and backgrounds of the members of the Audit Committee and designated Paulo Roberto Simões da Cunha as "Audit Committee financial expert," within the meaning of Item 16.A, and as independent member. For more information regarding our Audit Committee, see "Item 6.C. Board Practices – Board Committees – Audit Committee."

**16.B. Code of Ethics**

We have adopted a Code of Ethics and Sectorial Codes of Ethics under the Securities Exchange Act of 1934, as amended. Our Codes of Ethics apply to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and persons performing similar functions, to our directors, other officers, employees, business partners, suppliers and service providers. Our Codes of Ethics Conduct are available on our website at [www.bradesco.com.br/ir](http://www.bradesco.com.br/ir). If we amend the provisions of our Codes of Ethics Conduct, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

**16.C. Principal Accountant Fees and Services*****Audit and non-audit fees***

The following table sets forth the fees billed to us by our independent accounting firm during the fiscal years ended as of December 31, 2015 and 2014:

Year ended December 31,	R\$ in thousands	
	2015	2014
Audit fees	30,571	26,823
Audit-related fees	952	960
Other fees	1,410	1,180
<b>Total fees</b>	<b>32,933</b>	<b>28,963</b>

The fees for the years 2015 and 2014 correspond to those paid to our auditor for those years (KPMG Auditores Independentes).

Our independent accounting firm audits our annual financial statements in accordance with IFRS and BR GAAP, the annual financial statements of our investee companies, as well as the quarterly review of our interim financial statements.

Audit-related fees in the above table are the aggregate fees billed by the independent auditors for accounting attestation reports by our Management and the issue of comfort letters for placement of bonds abroad.

Other fees in the above table are fees billed by the independent auditors primarily related to previously-agreed procedures, due diligence and reviews of, substantially, financial, fiscal and actuarial information.

***Audit Committee pre-approval policies and procedures***

The Audit Committee recommends to the Board of Directors for approval, the entity to be hired to provide independent audit services to Bradesco and its subsidiaries and their compensation, as well as its replacement. The engagement of an independent auditor for non-audit services is not subject to the Board of Directors. However, it must be previously reviewed by the Audit Committee in respect to compliance with independence rules. For more information regarding our Board of Directors and Audit Committee, see "Item 6.C. Board of Directors Practices."

**16.D. Exemptions from the listing standards for Audit Committees**

Under the NYSE and the SEC listed-company audit committee rules effective July 31, 2006, we must comply with Exchange Act Rule 10A-3, which requires us to either establish an audit committee composed of members of the Board of Directors that meets specified requirements or designate and empower a Fiscal Council or similar body to perform the role of an audit committee based on the exemption in Exchange Act Rule 10A-3(c)(3).

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**16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

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Pursuant to Central Bank regulations, we have established a body denominated Audit Committee, which performs nearly all of the functions of an Audit Committee of a U.S. company. Of the four members of our Audit Committee, two members are also members of our Board of Directors. Under Brazilian law, the function of hiring independent auditors is a power reserved for the Board of Directors. As a result, our Board of Directors acts as our Audit Committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of approving the engagement of our independent auditors for audit. Except in these respects, our Audit Committee is comparable to and performs the functions of an audit committee of the Board of Directors of a U.S. company. Since our Audit Committee is not a committee of our Board of Directors, but a separate body, as required under Brazilian law, we believe that our Audit Committee satisfies the requirements of Exchange Act Rule 10(a)(3). However, based on the exemption set forth in Exchange Act Rule 10A-3(c)(3) because the Audit Committee is a separate body from our Board of Directors and is in accordance with Central Bank regulations. We believe that our Audit Committee is able to act independently in performing the responsibilities of an audit committee under the Sarbanes-Oxley Act and to satisfy the other requirements of Exchange Act Rule 10A-3.

**16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The purpose of the program of acquisition of shares to be held in treasury and to be subsequently disposed of or canceled, without capital reduction, is the application of funds available for investments from the "Earnings Reserve – Statutory Reserve" account. This program authorizes the acquisition of up to 15,000,000 nominative book-keeping shares, with no par value, whereby 7,500,000 are common shares and 7,500,000 are preferred shares; and it is effective from June 27, 2015 until June 26, 2016.

Acquisitions of preferred and common shares for treasury are in the tables below:

Period	Total number of preferred shares acquired	Average price paid per preferred share	Total number of preferred shares acquired from published plans or programs	Maximum number of preferred shares that can still be acquired from plans or programs
01/02 to 01/30/15	-	-	-	7,500,000
02/02 to 02/27/15	-	-	-	7,500,000
03/02 to 03/31/15	-	-	-	7,500,000
04/01 to 04/30/15	-	-	-	7,500,000
05/04 to 05/29/15	802,818	28.64	802,818	6,697,182
06/01 to 06/30/15	1,590,500	28.28	1,590,500	5,909,500
07/01 to 07/31/15	-	-	-	5,909,500
08/03 to 08/31/15	1,891,600	26.43	1,891,600	4,017,900
09/01 to 09/30/15	-	-	-	4,017,900
10/01 to 10/30/15	-	-	-	4,017,900
11/03 to 11/30/15	-	-	-	4,017,900
12/01 to 12/31/15	516,500	19.37	516,500	3,501,400

Period	Total number of common shares acquired	Average price paid per common share	Total number of common shares acquired from published plans or programs	Maximum number of common shares that can still be acquired from plans or programs
01/02 to 01/30/15	-	-	-	7,500,000
02/02 to 02/27/15	-	-	-	7,500,000
03/02 to 03/31/15	-	-	-	7,500,000
04/01 to 04/30/15	-	-	-	7,500,000
05/04 to 05/29/15	-	-	-	7,500,000
06/01 to 06/30/15	191,600	26.12	191,600	7,308,400
07/01 to 07/31/15	-	-	-	7,308,400
08/03 to 08/31/15	-	-	-	7,308,400
09/01 to 09/30/15	-	-	-	7,308,400
10/01 to 10/30/15	-	-	-	7,308,400
11/03 to 11/30/15	-	-	-	7,308,400
12/01 to 12/31/15	-	-	-	7,308,400

**16.F. Change in Registrant's Certifying Accountant**

Not applicable.

**16.G. Corporate Governance**

In May 2006, our Board of Directors approved our corporate governance policy. This policy is available on our website at [www.bradesco.com.br/ri](http://www.bradesco.com.br/ri).



**16.G. Corporate Governance**

Form 20-F

***Comparison of our corporate governance practices with NYSE rules applicable to North American companies***

Under the NYSE's corporate governance rules approved by the SEC, foreign private issuers are subject to a more limited set of corporate governance requirements than U.S. domestic issuers. As a foreign private issuer, we must comply with three rules imposed by the NYSE:

- SEC requirements concerning audit committees;
- our CEO must promptly notify the SEC in writing as soon as an executive officer becomes aware of any non-compliance with any of the applicable NYSE corporate governance rules; and
- we must provide a brief description disclosing any significant ways in which our corporate governance practices differ from those followed by U.S. companies under NYSE listing standards.

The chart below provides a brief description of the significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards.

<b>Article</b>	<b>NYSE corporate governance rules for US issuers</b>	<b>Our corporate governance practices</b>
<b>303A.01</b>	Independent directors must comprise a majority of the members of the Board of Directors of a listed company on NYSE.	Brazilian law provides that only individuals may be appointed to a company's Board of Directors. Accordingly, there is no legal or statutory provision requiring us to have independent directors.
<b>303A.03</b>	Non management directors of a listed company must meet at regularly scheduled executive sessions without management.	With the exception of our CEO, who is also a director of the Company, none of our directors is part of the <i>Diretoria Executiva</i> . The directors have regularly scheduled executive sessions at least once a year in order to evaluate his performance.
<b>303A.04</b>	Listed companies must have a nominating/ corporate governance committee composed entirely of independent directors, with a written charter that addresses specific minimum requirements.	We have a Corporate Governance Executive Committee composed of members of our Management. The committee has a charter that addresses its minimum requirements.
<b>303A.05</b>	Listed companies must have a compensation committee	We have a Compensation Committee of three to seven members chosen among the members of the Board of Directors,

composed entirely of independent directors, with a written charter that addresses specific minimum requirements.

except for one who is not a senior manager, each with a one-year term of office. The committee's primary responsibility is to assist the Board of Directors with conducting policies related to the compensation of our executive managers, according to legislation in force. None of the members of the Compensation Committee are independent directors. The compensation committee has a written charter that states the responsibilities of the committee.

**16.G. Corporate Governance**

Form 20-F

**303A.06**

**303A.07** Listed companies must have an audit committee, composed by a minimum of three members who satisfy the requirements of Rule 10A-3 under the Exchange Act, with a written charter that addresses specific minimum requirements.

Pursuant to our Bylaws and to Central Bank regulations since December 2003, we have appointed an Audit Committee. Our Audit Committee comprises three to five members, each of whom serves for a term of one year, and is appointed by, and may be replaced by, the Board of Directors. We currently have three members on our Audit Committee, one of them is also our director. Under Brazilian law, the function of hiring independent auditors is reserved for the Board of Directors of a company. As a result, our Board of Directors acts as our Audit Committee, as specified in Section 3(a)(58) of the Exchange Act, for purposes of approving the engagement of our independent auditors for audit. Except in these respects, our Audit Committee is comparable to and performs the functions of audit committees of U.S. companies. Since our Audit Committee is a separate body from our Board of Directors, pursuant to Central Bank regulations, we have relied on the exemption set forth in Exchange Act Rule 10A-3(c)(3) in this regard.

The main obligations of our Audit Committee are:

- recommending to the Board of Directors which outside firm should be hired to provide independent audit services and the amount of compensation such firm should receive, as well as to recommend the replacement of such firm;
- previously evaluating the hiring of independent auditors for other services than auditing of financial statements;
- reviewing statutory financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports;
- establishing and disclosing policies and procedures for receiving and processing information in breach of legal provisions and regulations applicable to the Company, or internal regulations or codes, including specific procedures to protect a person providing information and ensure their confidentiality;
- evaluating the work of both the internal and the independent auditors, including their compliance with applicable legal obligations and internal regulations and codes; and
- meeting with the *Diretoria Executiva* and both the independent and the external auditors at least quarterly.

We also have a Fiscal Council, which currently has five members and five alternates. The Fiscal Council is an independent corporate body. In accordance with Brazilian Corporate Law, the Fiscal Council's responsibilities include:

- supervising, through any of its members, the actions of our managers and verifying the fulfillment of their duties;
- reviewing and issuing opinions regarding our statutory financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports; and
- opining on any management proposals to be submitted to the General Shareholders' Meeting related to changes in our share capital, issuances of debentures or rights offerings entitling the holder to subscribe for equity, investment plans and capital expenditure budgets, distributions of dividends and/or interest on equity, change in the corporate structure, mergers, consolidations or spin offs.

**16.G. Corporate Governance**

Form 20-F

- Shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, with limited exemptions set forth in the NYSE rules.
- 303A.08** Under the Brazilian Corporate Law, shareholder approval is required for the adoption of any compensation plans upon delivery of equity interests. We currently do not have any stock option based compensation plan.
- Listed companies must adopt and disclose corporate governance guidelines addressing specific minimum requirements.
- 303A.09** Our corporate governance guidelines and practices are available in our website at [www.bradesco.com.br](http://www.bradesco.com.br), in the corporate governance section.
- Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.
- 303A.10** We have adopted a code of ethics, which applies to our Senior Management, employees, business partners, suppliers and service providers, parent companies, subsidiaries and companies under common control, directly or indirectly and, when applicable, to non-profit entities managed by members of Senior Management or employees appointed or transferred by companies that are part of the Organization. We have an Ethics Committee, appointed by the Board of Directors, which is responsible for the enforcement of the Codes of Ethics Conduct, including determining which actions to take concerning the disclosure, dissemination and fulfillment of the Codes of Ethics Conduct, as well as ensuring its effectiveness.
- We will post any modifications or waivers to either Codes of Ethics Conduct on our website.
- A CEO of a listed company must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of Section 303A.
- 303A.12** Our CEO shall promptly notify the NYSE in writing, should any executive officer become aware of any non-compliance with any applicable provision of the NYSE corporate governance rules.

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**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See "Item 18. Financial Statements."

**ITEM 18. FINANCIAL STATEMENTS**

See our financial statements on pages F-2 through F-143.

**ITEM 19. EXHIBITS**

Documents filed as exhibits to this annual report:

1.1 - Amended and Restated Bylaws of Banco Bradesco S.A.

2.1 - 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 (incorporated by reference to the Registration Statement on Form F-6 relating to the ADSs filed on August 25, 2009 (File No. 333-161530)).

2.2 – Common share 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 (incorporated by reference to the Registration Statement on Form F-6 relating to the common share ADSs filed on February 22, 2012 (File No. 333-179623)).

2.3 - The total amount of long-term debt securities of our company and its subsidiaries under any one instrument does not exceed 10.0% of the total assets of our company and its subsidiaries on a consolidated basis. We agree to furnish copies of any or all such instruments to the SEC upon request.

4.1+ – Share Purchase Agreement dated July 31, 2015 between HSBC Latin America Holdings (UK) and Banco Bradesco S.A.

6.1 - Calculation of earnings per share data and weighted average number of shares outstanding .

7.1 - Calculation of dividends/interest on equity per share data .

8.1 - List of Subsidiaries .

12.1 - Certification of the Chief Executive Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 .

12.2 - Certification of the Chief Financial Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 .

13.1 - Certification of the Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .

13.2 - Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .

+ Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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**SIGNATURES**

Form 20-F

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Banco Bradesco S.A.**

/s/ Luiz Carlos Trabuco Cappi  
Luiz Carlos Trabuco Cappi  
Chief Executive Officer

/s/ Alexandre da Silva Glüher  
Alexandre da Silva Glüher

Chief Financial Officer

Date: April 15, 2016.

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## Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Summary**

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15)	<u>Depreciation and amortization</u>	<u>F-96</u>	40)	<u>Transactions with related parties</u>	<u>F-138</u>
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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Banco Bradesco S.A.

We have audited the accompanying consolidated statement of financial position of Banco Bradesco S.A. and subsidiaries ("Bradesco") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. We also have audited Bradesco's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Bradesco's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Bradesco's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit

preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Bradesco S.A. and subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Also in our opinion, Bradesco maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

KPMG Auditores Independentes

Osasco, Brazil  
April 15, 2016

Bradesco

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Income**

	Note	R\$ thousand		
		Years ended December 31		
		2015	2014	2013
Interest and similar income		127,048,252	103,893,096	90,682,625
Interest and similar expenses		(71,412,210)	(53,847,329)	(41,382,142)
<b>Net interest income</b>	6	<b>55,636,042</b>	<b>50,045,767</b>	<b>49,300,483</b>
Fee and commission income		17,856,873	16,759,980	14,535,723
Fee and commission expenses		(36,203)	(20,724)	(36,041)
<b>Net fee and commission income</b>	7	<b>17,820,670</b>	<b>16,739,256</b>	<b>14,499,682</b>
Net gains/(losses) on financial instruments classified as held for trading	8	(8,252,055)	(1,933,003)	(5,790,089)
Net gains/(losses) on financial instruments classified as available for sale	9	(671,810)	(991,894)	(6,100,782)
Net gains/(losses) on foreign currency transactions	10	(3,523,095)	(1,244,680)	(1,093,597)
Net income from insurance and pension plans	11	5,497,505	5,411,845	6,933,680
<b>Other operating income</b>		<b>(6,949,455)</b>	<b>1,242,268</b>	<b>(6,050,788)</b>
Impairment of loans and advances	12	(14,721,152)	(10,291,386)	(9,623,870)
Personnel expenses	13	(14,058,047)	(13,667,639)	(12,354,418)
Other administrative expenses	14	(13,721,970)	(12,971,521)	(12,151,537)
Depreciation and amortization	15	(2,942,003)	(2,932,687)	(2,740,830)
Other operating income/(expenses)	16	(12,988,553)	(10,223,083)	(7,622,240)
<b>Other operating expense</b>		<b>(58,431,725)</b>	<b>(50,086,316)</b>	<b>(44,492,895)</b>
<b>Income before income taxes and equity in the earnings of associates</b>		<b>8,075,532</b>	<b>17,940,975</b>	<b>13,256,482</b>
Equity in the earnings of associates and joint ventures	27	1,528,051	1,389,816	1,062,687
<b>Income before income taxes</b>		<b>9,603,583</b>	<b>19,330,791</b>	<b>14,319,169</b>
Income tax and social contribution	17	8,634,322	(3,914,313)	(1,833,031)
<b>Net income for the year</b>		<b>18,237,905</b>	<b>15,416,478</b>	<b>12,486,138</b>
<b>Attributable to shareholders:</b>				
Controlling shareholders		18,132,906	15,314,943	12,395,920
Non-controlling interest		104,999	101,535	90,218
<b>Basic and diluted income per share based on the weighted average number of shares attributable to shareholders</b> (expressed in R\$ per share):				
– Earnings per ordinary share	18	3.43	2.90	2.34
Audit Committee pre-approval policies and procedures				383

– Earnings per preferred share	18	3.78	3.19	2.58
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The Notes are an integral part of the Consolidated Financial Statements.

– IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Comprehensive Income**

	R\$ thousand		
	<b>Years ended December</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net income for the year</b>	<b>18,237,905</b>	<b>15,416,478</b>	<b>12,416,478</b>
<b>Items that are or may be reclassified to the Consolidated Statement of Income</b>			
Financial assets available for sale			
Unrealized gains/(losses) on financial assets available for sale	(4,754,469)	2,018,046	(6,290,000)
Realized gains/(losses) on financial assets available for sale	(923,433)	(1,287,674)	(6,290,000)
Tax effect	2,273,982	(289,194)	5,000,000
Exchange differences on translations of foreign operations			
Foreign exchange on translations of foreign operations	118,485	3,681	1,000,000
Tax effect	(57,788)	(1,473)	(2,000,000)
<b>Total adjustments not included in the net income</b>	<b>(3,343,223)</b>	<b>443,386</b>	<b>(7,490,000)</b>
<b>Total comprehensive income for the year</b>	<b>14,894,682</b>	<b>15,859,864</b>	<b>4,926,478</b>
<b>Attributable to shareholders:</b>			
Controlling shareholders	14,789,683	15,758,329	4,800,000
Non-controlling interest	104,999	101,535	126,478

The Notes are an integral part of the Consolidated Financial Statements.

Bradesco

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Financial Position**

		R\$ thousand	
	Note	December 31, 2015	December 31, 2014
<b>Assets</b>			
Cash and balances with banks	19	72,091,764	65,430,300
Financial assets held for trading	20a	159,623,449	78,498,311
Financial assets available for sale	21	117,695,450	120,961,734
Investments held to maturity	22	40,003,560	25,071,031
Assets pledged as collateral	23	144,489,921	152,612,689
Loans and advances to banks	24	35,620,410	72,974,619
Loans and advances to customers, net of impairment	25	344,868,464	328,064,004
Non-current assets held for sale	26	1,247,106	1,006,461
Investments in associates and joint ventures	27	5,815,325	3,983,780
Property and equipment, net of accumulated depreciation	28	5,504,435	4,700,518
Intangible assets and goodwill, net of accumulated amortization	29	7,409,635	7,529,915
Taxes to be offset	17g	6,817,427	6,130,191
Deferred income tax assets	17c	45,397,879	28,388,183
Other assets	30	40,118,697	35,099,280
<b>Total assets</b>		<b>1,026,703,522</b>	<b>930,451,016</b>
<b>Liabilities</b>			
Deposits from banks	31	293,903,391	279,940,227
Deposits from customers	32	194,510,100	210,031,505
Financial liabilities held for trading	20b	19,345,729	3,315,573
Funds from securities issued	33	109,850,047	85,030,399
Subordinated debt	34	50,282,936	35,821,666
Insurance technical provisions and pension plans	35	170,940,940	146,559,220
Other provisions	37	15,364,317	13,864,401
Current income tax liabilities		2,781,104	3,602,333
Deferred income tax liabilities	17c	772,138	808,178
Other liabilities	38	78,038,058	69,185,709
<b>Total liabilities</b>		<b>935,788,760</b>	<b>848,159,211</b>
<b>Equity</b>			
Share capital	39	43,100,000	38,100,000
Treasury shares		(431,048)	(298,015)
Capital reserves		35,973	35,973
Profit reserves		49,920,020	43,765,349
Additional paid-in capital		70,496	70,496

Other comprehensive income	(4,002,724)	(659,501)
Retained earnings	2,096,710	1,153,439
<b>Equity attributable to controlling shareholders</b>	<b>90,789,427</b>	<b>82,167,741</b>
<b>Non-controlling interest</b>	<b>125,335</b>	<b>124,064</b>
<b>Total equity</b>	<b>90,914,762</b>	<b>82,291,805</b>
<b>Total liabilities and equity</b>	<b>1,026,703,522</b>	<b>930,451,016</b>

The Notes are an integral part of the Consolidated Financial Statements.

- IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Changes in Equity**

	Share capital	Treasury shares	Revenue reserves			Additional paid-in capital	Other comprehensive income <sup>(1)</sup>	Retained earnings	Equity attributable to controlling shareholders
			Capital reserves	Legal	Statutory				
<b>Balance on December 31, 2012</b>	<b>30,107,001</b>	<b>(107,001)</b>	<b>35,973,838</b>	<b>3,838,474</b>	<b>30,350,909</b>	<b>70,496</b>	<b>6,396,736</b>	<b>542,422</b>	<b>71,137,943</b>
Net income for the year	-	-	-	-	-	-	-	12,395,920	12,395,920
Financial assets available for sale <sup>(2)</sup>	-	-	-	-	-	-	(7,530,127)	-	(7,530,127)
Foreign currency translation adjustment	-	-	-	-	-	-	30,504	-	30,504
<b>Comprehensive income</b>	-	-	-	-	-	-	-	-	<b>4,896,297</b>
Purchase of treasury shares	-	(71,792)	-	-	-	-	-	-	(71,792)
Decrease of non-controlling shareholders' interest	-	-	-	-	-	-	-	-	-
Premium on share subscription <sup>(3)</sup>	8,000,000	-	-	-	(8,000,000)	-	-	-	-
Transfers to reserves	-	-	-	600,551	7,332,569	-	-	(7,933,120)	-
Interest on equity and dividends	-	-	-	-	-	-	-	(4,077,908)	(4,077,908)
<b>Balance on December 31, 2013</b>	<b>38,107,001</b>	<b>(269,000)</b>	<b>35,973,439</b>	<b>4,439,025</b>	<b>29,683,478</b>	<b>70,496</b>	<b>(1,102,887)</b>	<b>927,314</b>	<b>71,884,132</b>
	-	-	-	-	-	-	-	15,314,943	15,314,943

Net income for the year									
Financial assets available for sale	--	-	-	-	-	441,178	-	441,178	
Foreign currency translation adjustment	--	-	-	-	-	2,208	-	2,208	
<b>Comprehensive income</b>	--	-	-	-	-	-	-	<b>15,758,000</b>	
Purchase of treasury shares	(28,922)	-	-	-	-	-	-	(28,922)	
Decrease of non-controlling shareholders' interest	--	-	-	-	-	-	-	-	
Capital transaction <sup>(4)</sup>	--	-	-	(391,392)	-	-	-	(391,392)	
Transfers to reserves	--	-	754,442	9,279,796	-	-	-(10,034,238)	-	
Interest on equity and dividends	--	-	-	-	-	-	-(5,054,580)	-(5,054,580)	
<b>Balance on December 31, 2014</b>	<b>38,128,000</b>	<b>(1,000)</b>	<b>35,973,193</b>	<b>467,385,718</b>	<b>82,70,496</b>	<b>(659,501)</b>	<b>1,153,439</b>	<b>82,167,000</b>	

The Notes are an integral part of the Consolidated Financial Statements.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Changes in Equity (continued)**

	Share capital	Treasury shares	Capital reserves	Legal reserves	Statutory reserves	Additional paid-in capital	Other comprehensive income <sup>(1)</sup>	Retained earnings	Equity attributable to controlling shareholders
<b>Balance on December 31, 2014</b>	38,128,005	(206,005)	35,973,193	193,467	38,571,882	70,496	(659,501)	1,153,439	82,167,966
Net income for the year	-	-	-	-	-	-	-	18,132,906	18,132,906
Financial assets available for sale	-	-	-	-	-	-	(3,403,920)	-	(3,403,920)
Foreign currency translation adjustment	-	-	-	-	-	-	60,697	-	60,697
<b>Comprehensive income</b>	-	-	-	-	-	-	-	-	<b>14,789,683</b>
Decrease of non-controlling shareholders' interest	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	(133,033)	-	-	-	-	-	-	-	(133,033)
Increase of capital stock with reserves <sup>(5)</sup>	5,000,000	-	-	-	(5,000,000)	-	-	-	-
Transfers to reserves	-	-	-	859,482	10,295,189	-	-	(11,154,671)	-
Interest on equity and dividends	-	-	-	-	-	-	-	(6,034,964)	(6,034,964)
<b>Balance on December 31, 2015</b>	<b>43,100,000</b>	<b>(133,033)</b>	<b>35,973,193</b>	<b>859,482</b>	<b>43,867,071</b>	<b>70,496</b>	<b>(4,002,724)</b>	<b>2,096,710</b>	<b>90,789,689</b>

(1) In 2015, consists primarily of "net" unrealized gains/losses from investment securities, classified as available for sale (Notes 21 and 23), of which the net cumulative tax effects amount to R\$ 2,700,764 thousand (2014 - R\$ 438,285 thousand and 2013 - R\$ 782.952 thousand));

(2) On December 31, 2013 includes R\$ 6,117,649 thousand (R\$ 3,670,589 thousand, net of taxes), representing the realization of losses related to the sale and acquisition of available-for-sale securities totaling R\$ 41,945,300 thousand, allowing that the new acquisition cost is aligned with the current fair value. Additionally, a total of R\$ 19,121,109 thousand was reclassified from "Available for Sale Securities" to "Held-to-Maturity Securities," given that the Insurance Group made the reclassification because of a change in Management's intention. The mark-to-market accounting of these securities, totaling R\$ 479,358 thousand, was maintained under Shareholders' Equity and will be recognized in the income statement over the remaining term of the securities;

(3) On March 11, 2013, the Special Shareholders' Meeting approved an increase in Share Capital, of R\$ 8,000,000 thousand, increasing it from R\$ 30,100,000 thousand to R\$ 38,100,000 thousand, through the issue of 382,479,458 new no-par registered, book-entry shares, of which 191,239,739 are common shares and 191,239,719 are preferred shares. These shares were distributed free of charge to shareholders as a bonus, in the proportion of one (1) new share for every ten (10) shares of the same type already held, benefiting Bradesco's shareholders as registered on at March 25, 2013;

(4) In 2014, we acquired shareholdings of 6.51% of Odontoprev SA and 1.45% of Banco Bradesco BBI SA that were held by non-controlling shareholders; and

(5) In the Extraordinary General Meeting of March 10, 2015, deliberation was made to increase the Capital Stock by R\$ 5,000,000 thousand, increasing it from R\$ 38,100,000 thousand to R\$ 43,100,000 thousand, through the capitalization of part of the balance of the account "Profit Reserves - Statutory Reserve, of compliance with the provisions in Article 169 of Law nº 6,404/76, with a bonus of 20% in shares, by issuing 841,454,808 new nominative-book entry shares, with no nominal value, whereby 420,727,426 common and 420,727,382 preferred shares, attributed free-of-charge to the shareholders as bonus, to the ratio of two (2) new shares for every ten (10) shares of the same type that they own, benefiting the shareholders registered on March 26, 2015.

The Notes are an integral part of the Consolidated Financial Statements.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Cash Flows**

	R\$ thousand		
	Years ended December 31		
	2015	2014	2013
<b>Operating activities</b>			
<b>Income before income taxes</b>	<b>9,603,583</b>	<b>19,330,791</b>	<b>14,319,169</b>
<b>Adjustments to reconcile income before income tax to net cash flow from operating activities:</b>			
Impairment of loans and advances	14,721,152	10,291,386	9,623,870
Changes in the insurance technical provisions and pension plans	28,286,039	24,008,174	20,001,807
Net (gains)/losses from disposals of assets available for sale	247,288	(222,876)	5,698,697
Expenses with other provisions	3,510,916	2,324,505	1,132,596
Deferred acquisition cost (insurance)	(95,110)	(312,983)	(332,056)
Impairment of assets	650,588	1,300,378	459,193
Depreciation	1,057,722	1,056,389	1,018,239
Amortization of intangible assets	1,884,281	1,876,298	1,722,591
Equity in the earnings of associates and joint ventures	(1,528,051)	(1,389,816)	(1,062,687)
Losses on disposal of non-current assets held for sale	180,602	310,141	195,605
Net losses from disposal of property and equipment	96,630	35,706	24,795
Effect of changes in exchange rates on cash and cash equivalents	(2,911,155)	(618,226)	(1,339,711)
Others	-	16,254	12,273
<b>Changes in assets and liabilities:</b>			
(Increase)/decrease in compulsory deposits with the Central Bank	(3,866,979)	4,456,083	(7,428,592)
(Increase)/decrease in loans and advances to banks	2,045,985	19,562,317	87,999,493
(Increase)/decrease in loans and advances to customers	(95,025,702)	(88,722,859)	(95,688,070)
(Increase)/decrease in financial assets held for trading	(80,159,223)	14,689,614	7,619,533
(Increase)/decrease in other assets	(32,926,622)	(15,473,866)	(11,777,883)
Increase/(decrease) in deposits from banks	40,729,421	56,473,841	40,157,365
Increase/(decrease) in deposits from customers	(3,463,924)	6,883,751	16,961,511
Increase/(decrease) in financial liabilities held for trading	16,030,156	1,489,191	(2,223,600)
Increase/(decrease) in insurance technical provisions and pension plans	(3,904,319)	(7,777,977)	(8,441,504)
Increase/(decrease) in other provisions	(2,011,000)	(2,187,792)	(8,401,128)
Increase/(decrease) in other liabilities	29,295,296	18,571,777	13,181,535
Interest received	62,725,684	54,777,470	51,660,545
Interest paid	(38,823,738)	(32,704,290)	(29,518,063)
Income tax and social contribution paid	(7,419,802)	(6,446,222)	(6,192,982)



Other changes in taxes	(283,883)	(798,036)	(889,743)
<b>Net cash provided by/(used in) operating activities</b>	<b>(61,354,165)</b>	<b>80,799,123</b>	<b>98,492,798</b>

**Investing activities**

(Acquisitions)/disposal of subsidiaries, net of cash and cash equivalents paid/received	-	46,068	-
(Acquisitions) of financial assets available for sale	(61,153,632)	(48,896,316)	(97,805,696)
Proceeds from sale of financial assets available for sale	39,147,316	37,713,211	71,371,855
Maturity of investments held to maturity	269,063	-	303,307
(Acquisitions) of investments held to maturity	-	(641,845)	-
Disposal of non-current assets held for sale	742,732	663,789	658,039
(Acquisitions) of investments in associates	(971,672)	(6,000)	-
Dividends received from investments in associates	668,178	804,883	767,765
(Acquisition) of property and equipment	(2,181,549)	(1,559,585)	(1,332,570)
Disposal of property and equipment	205,094	263,457	303,996
(Acquisition) of intangible assets	(1,971,881)	(1,270,280)	(2,362,977)
Dividends received	251,623	295,780	189,865
Interest received	13,033,426	9,143,482	4,719,738
<b>Net cash provided by/(used in) investing activities</b>	<b>(11,961,302)</b>	<b>(3,443,356)</b>	<b>(23,186,678)</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Consolidated Statements of Cash Flows (continued)**

	R\$ thousand		
	Years ended December 31		
	2015	2014	2013
<b>Financing activities</b>			
Funds from securities issued	68,385,187	53,526,003	43,567,205
Payments on securities issued	(49,217,829)	(32,577,909)	(38,524,851)
Issuance of subordinated debts	11,304,318	-	713,760
Payments on subordinated debts	(1,271,261)	(2,706,203)	(1,762,491)
Acquisition of treasury shares	(133,033)	(28,922)	(71,792)
Capital transaction	-	(391,392)	-
Increase/(decrease) of non-controlling interest	28,446	(192,292)	(10,870)
Interest paid	(11,093,967)	(4,704,334)	(5,923,242)
Interest on equity and dividends paid	(5,007,596)	(3,925,450)	(4,362,781)
<b>Net cash provided by/(used in) financing activities</b>	<b>12,994,265</b>	<b>8,999,501</b>	<b>(6,375,062)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(60,321,202)</b>	<b>86,355,268</b>	<b>68,931,058</b>
<b>Cash and cash equivalents</b>			
At the beginning of the period	204,671,481	117,697,987	47,427,218
Effect of changes in exchange rates on cash and cash equivalents	2,911,155	618,226	1,339,711
At the end of the period	147,261,434	204,671,481	117,697,987
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(60,321,202)</b>	<b>86,355,268</b>	<b>68,931,058</b>
<b>Non-cash transactions</b>			
Credit operations transferred to non-current assets held for sale	1,591,998	1,390,525	1,356,644
Dividends and interest on equity declared but not yet paid	3,622,958	3,313,760	1,504,216
Unrealized (gains)/losses on securities available for sale	3,403,920	(441,178)	7,530,127

The Notes are an integral part of the Consolidated Financial Statements.

IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

# **1) General information**

Banco Bradesco S.A. and subsidiaries (“Bradesco”, the “Bank”, the “Company” or the “Organization”) is a publicly-traded company established according to the laws of the Federative Republic of Brazil with headquarters in the city of Osasco, state of São Paulo, Brazil.

Bradesco is a bank that provides multiple services within two segments: banking and insurance. The Bank complies with Brazilian banking regulations and operates throughout all of Brazil. The banking segment includes a range of banking activities, serving individual and corporate customers in the following operations: investment banking, national and international banking operations, asset management operations and consortium administration. The insurance segment covers auto, health, life, accident and property insurance and pension plans as well as capitalization bonds.

The retail banking products include demand deposits, savings deposits, time deposits, mutual funds, foreign exchange services and a range of credit operations, including overdrafts, credit cards and loans with repayments in installments. The services provided to corporate entities include fund management and treasury services, foreign exchange operations, corporate finance and investment banking services, hedge and finance operations including working capital financing, leasing and loans with repayments in installments. These services are provided, mainly, in domestic markets, but also include international services on a smaller scale.

The Organization was originally listed on the São Paulo Stock Exchange (“BM&FBovespa”) and then subsequently on the New York Stock Exchange (“NYSE”).

The consolidated financial statements, in accordance with the IFRS, were approved by the Board of Directors on March 7, 2016.

## 2) Significant accounting practices

These consolidated financial statements of the Organization were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements include the consolidated statements of financial position, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows as well as the notes to the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position: financial assets available for sale which are measured at fair value; assets and liabilities held for trading which are measured at fair value; financial instruments at fair value through profit or loss which are measured at fair value and the liability for defined benefit obligations which is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

The Organization has classified its expenses according to their nature.

The consolidated statement of cash flows shows the changes in cash and cash equivalents during the year arising from operating, investing and financing activities. Cash and cash equivalents include highly liquid investments. Note 19 details the accounts of the consolidated statement of financial position that comprise cash and cash equivalents. The consolidated statement of cash flows is prepared using the indirect method. Accordingly, the income before taxes and the participation of non-controlling interests was adjusted by non-cash items such as provisions, depreciation, amortization and losses due to impairment of loans and advances. The interest received and paid are classified as operating, financing or investment cash flows according to the nature of the corresponding assets and liabilities.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

The preparation of the consolidated financial statements requires the use of estimates and assumptions which affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the profit and loss amounts for the year. The consolidated financial statements also reflect various estimates and assumptions, including, but not limited to: adjustments to the provision for impairment losses of loans and advances; estimates of the fair value of financial instruments; depreciation and amortization; impairment losses in assets; the useful life of intangible assets; evaluation of the realization of tax assets; assumptions for the calculation of technical provisions for insurance; supplemental pension plans and capitalization bonds; provisions for contingencies and provisions for potential losses arising from fiscal and tax uncertainties. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The accounting policies listed below were used in all the periods presented and by all the companies of the Organization.

#### **a) Consolidation**

The consolidated financial statements include the financial statements of Bradesco and those of its direct and indirect subsidiaries, including exclusive mutual funds and special purpose entities.

The main subsidiaries included in the consolidated financial statements are as follows:

	Activity	Country	Shareholding interest (%)	
			December 31	
			2015	2014
Banco Alvorada S.A.	Banking	Brazil	99.99	99.99
Banco Bradesco Financiamentos S.A.	Banking	Brazil	100.00	100.00
Banco Boavista Interatlântico S.A.	Banking	Brazil	100.00	100.00
Banco Bradesco Argentina S.A.	Banking	Argentina	99.99	99.99
Banco Bradesco Europa S.A.	Banking	Luxembourg	100.00	100.00
Banco Bradesco BERJ S.A.	Banking	Brazil	100.00	100.00
Banco Bradescard S.A.	Cards	Brazil	100.00	100.00
Banco Bradesco BBI S.A.	Investment Bank	Brazil	99.80	99.80
Banco Bradesco Cartões S.A.	Cards	Brazil	100.00	100.00
Bradesco Administradora de Consórcios Ltda.	Consortium Management	Brazil	100.00	100.00
Bradseg Participações S.A.	Holding	Brazil	100.00	100.00
Bradesco Auto/RE Cia. de Seguros	Insurance	Brazil	100.00	100.00
Bradesco Capitalização S.A.	Capitalization	Brazil	100.00	100.00
Odontoprev S.A.	Dental Health	Brazil	50.01	50.01
Bradesco Leasing S.A. Arrendamento Mercantil	Leasing	Brazil	100.00	100.00
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Broker	Brazil	100.00	100.00
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Broker	Brazil	100.00	100.00
Bradesco Saúde S.A.	Insurance/Health	Brazil	100.00	100.00
Bradesco Seguros S.A.	Insurance	Brazil	100.00	100.00
Bradesco Vida e Previdência S.A.	Pension plan/Insurer	Brazil	100.00	100.00
Bradesplan Participações Ltda.	Holding	Brazil	100.00	100.00
BRAM – Bradesco Asset Management S.A. DTVM	Asset Management	Brazil	100.00	100.00
Tempo Serviços Ltda.	Service Provider	Brazil	100.00	100.00
União de Participações Ltda.	Holding	Brazil	100.00	100.00

None of the investments in subsidiary, associates and joint ventures presented significant restrictions on transferring resources in the form of cash dividends or repayment of obligations, during the periods reported.





Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **i. Subsidiaries**

Subsidiaries are all of the companies over which the Organization, has control. The Organization has control over an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiaries are fully consolidated from the date at which the Organization obtains control until the date when control ceases.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the consideration, including assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration given over the fair value of the Organization's share of the identifiable net assets and non-controlling interest acquired is recorded as goodwill. Any goodwill arising from business combinations is tested for impairment at least once a year and whenever events or changes in circumstances may indicate the need for an impairment write-down. If the cost of acquisition is less than the fair value of the Organization's share of the net assets acquired, the difference is recognized directly in the consolidated statement of income.

For acquisitions not meeting the definition of a business combination, the Organization allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) recognizing financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing assets and assuming liabilities to individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

### **ii. Associates**

Companies are classified as associates if the Organization has significant influence, but not control, over the operating and financial management policy decisions. Normally significant influence is presumed when the Organization holds in excess of 20%, but no more than 50%, of the voting rights. Even if less than 20% of the voting rights are held, the Organization could still have significant influence through its participation in the management of the investee or representations on its Board of Directors, providing it has executive power; i.e. voting power.

Investments in associates are recorded in the Organization's consolidated financial statements using the equity method and are initially recognized at cost. The investments in associates include goodwill (net of any impairment losses) identified at the time of acquisition.

iii. **Joint ventures**

The Organization has contractual agreements in which two or more parties undertake activities subject to joint control. Joint control is the contractual sharing of control over an activity and it exists only if strategic, financial and operating decisions are made on a unanimous basis by the parties. A joint venture is an arrangement in which the Organization has joint control, whereby the Organization has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are recorded in the consolidated financial statements of the Organization using the equity method.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **iv. Structured entities**

A structured entity is an entity that has been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Structured entities normally have some or all of the following features or characteristics:

- restricted activities;
- a narrow and well-defined objective, such as, to effect a specific structure like a tax efficient lease, to perform research and development activities, or to provide a source of capital or funding to an entity or to provide investment opportunities for investors by passing risks and rewards associated with the assets of the structured entity to investors;
- thin capitalisation, that is, the proportion of 'real' equity is too small to support the structured entity's overall activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (tranches).

### **v. Transactions with and interests of non-controlling shareholders**

The Organization applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Bank. For purchases of equity from non-controlling interests, the difference between any consideration paid and the share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on sales to non-controlling shareholders are also recorded in equity.

Profits or losses attributable to non-controlling interests are presented in the consolidated statements of income under this title.

vi. **Balances and transactions eliminated in the consolidation**

Intra-group transactions and balances (except for foreign currency transaction gains and losses) are eliminated in the consolidation process, including any unrealized profits or losses resulting from operations between the companies except when unrealized losses indicate an impairment of the asset transferred which should be recognized in the consolidated financial statements. Consistent accounting policies as well as similar valuation methods for similar transactions, events and circumstances are used throughout the Organization for the purposes of consolidation.

b) **Foreign currency translation**

**i. Functional and presentation currency**

Items included in the financial statements of each of the Organization's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Brazilian Reals (R\$), which is the Organization's presentation currency. The domestic and foreign subsidiaries use the Real as their functional currency, with the exception of the subsidiary in Mexico, which uses the Mexican Peso as its functional currency.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **ii. Transactions and balances**

Foreign currency transactions, which are denominated or settled in a foreign currency, are translated into the functional currency using the exchange rates prevailing on the dates of the transactions.

Monetary items denominated in foreign currency are translated at the closing exchange rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate on the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates on the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at each period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as “Net gains/(losses) of foreign currency transactions”.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of income, and other changes in the carrying amount, except impairment, are recognized in equity.

### **iii. Foreign operations**

The results and financial position of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rates in effect on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above process are reported in equity as “Foreign currency translation adjustment”.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to ‘Other comprehensive income’. If the operation is a non-wholly owned subsidiary, then the relevant proportion of the transaction difference is allocated to the non-controlling interest. When a foreign operation is partially sold or disposed, such exchange differences, which were recognized in equity, are recognized in the consolidated statement of income as part of the gain or loss on sale.





Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**c) Cash and cash equivalents**

Cash and cash equivalents include: cash, bank deposits, unrestricted balances held with the Central Bank of Brazil and other highly liquid short-term investments, with original maturities of three months or less and which are subject to insignificant risk of changes in fair value, used by the Organization to manage its short-term commitments. See Note 19(b) – “Cash and cash equivalents”.

**d) Sale and repurchase agreements**

Securities sold subject to repurchase agreements are presented in the consolidated financial statements in “Assets pledged as collateral”. The counterparty liability is included in “Deposits from Banks”. Securities purchased under agreements to resell are recorded in “Loans and advances to banks” or “Loans and advances to customers”, as appropriate. The difference between sale and repurchase price is treated as interest in the consolidated statement of income and recognized over the life of the agreements using the effective interest rate method.

**e) Financial assets and liabilities**

i. **Financial assets**

The Organization classifies financial assets in the following four categories: measured at fair value through profit or loss; available for sale; held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets upon initial recognition.

• **Measured at fair value through profit or loss**

Financial assets are initially recorded at fair value with subsequent changes to the fair value recognized immediately in profit or loss. These assets can be subdivided into two distinct classifications at the time of initial recognition: financial assets designated at fair value through profit or loss and financial assets held for trading.

- ***Financial assets designated at fair value through profit or loss***

The Organization does not have any financial assets designated at fair value through profit or loss.

- ***Financial assets held for trading (non Derivatives)***

A financial asset is classified as held for trading if it is acquired by Management for the purpose of selling it in the short term or if it is part of a portfolio of identified financial instruments that are managed together for short-term profit or position taking. Derivative financial instruments are also categorized as held for trading.

Financial assets held for trading are initially recognized in the consolidated statement of financial position at fair value and the transaction costs are recorded directly in the consolidated statement of income.

Realized and unrealized gains and losses arising from changes in fair value of non Derivatives assets are recognized directly in the consolidated statement of income under "Net gains and losses from financial instruments held for trading." Interest income on financial assets held for trading are included in "Net interest income". For the treatment of Derivatives assets see Note 2e (iii) below.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

- **Financial assets available for sale**

Financial assets available-for-sale are non-derivative financial assets that are intended to be held for an undefined period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial assets available-for-sale are initially recognized at fair value, which is the cash consideration including any transaction costs and, subsequently, are measured at fair value with gains and losses being recognized in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If a financial asset available-for-sale is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated statement of income.

Interest is recognized in the consolidated statement of income using the effective interest method. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of income in 'Dividend income' when the Organization's right to receive payment is established. Exchange gains and losses on investments in debt securities classified as available for sale are recognized in the consolidated statement of income. See Note 2e(viii)(b) for details of the treatment of impairment losses.

- **Investments held to maturity**

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed term maturities, which the Organization has the positive intention and ability to hold to maturity, and are not designated as at fair value through profit or loss or available for sale and do not meet the definition of loans and receivables.

Investments held to maturity are recognized initially at fair value including direct and incremental costs, and are subsequently recorded at amortized cost, using the effective interest rate method.

Interest on investments held-to-maturity is included in the consolidated statement of income and reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and is recognized in the consolidated statement of income.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets having fixed or determinable payments that are not quoted in an active market, that have not been designated as "available for sale" or "at fair value through profit or loss" and that the Organization has no intention of selling, either immediately or in the near term.

Loans and receivables are initially measured at their fair value plus direct transaction costs and are subsequently valued at amortized cost using the effective interest rate method.

Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers. Interest on loans is included in the consolidated statement of income and is reported as "Interest and similar income". In the case of impairment, the impairment loss is reported as a deduction in carrying amount of loans and advances, and is recognized in the consolidated statement of income as "Impairment of loans and advances".

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

ii. **Financial liabilities**

The Organization classifies its financial liabilities under the following categories: measured at fair value through profit and loss and amortized cost.

- **Measured at fair value through profit and loss**

These financial liabilities are recorded and measured at fair value and the respective changes in fair value are immediately recognized in the income statement. These liabilities can be subdivided into two different classifications upon initial recognition: financial liabilities designated at fair value through profit and loss and financial liabilities held for trading.

- ***Financial liabilities designated at fair value through profit and loss***

The Organization does not have any financial liability classified at fair value through profit and loss in income.

- ***Financial liabilities held for trading***

Financial liabilities held for trading recognized by the Organization are derivative financial instruments. For the treatment of Derivatives liabilities see Note 2e(iii) below.



- **Financial liabilities at amortized cost**

These are financial liabilities that are not classified as at fair value through profit or loss. Initially they are recognized at fair value and, subsequently, are measured at amortized cost. They include deposits from banks and customers, securities issued and subordinated debt securities, among others.

- iii. **Derivative financial instruments and hedge transactions**

Derivatives are initially recognized at fair value on the date the derivative contract is signed and are, subsequently, re-measured at their fair values with the changes recognized in the income statement under "Net gains and losses from financial instruments for trading."

Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for swaps and foreign currency transactions), such as discounted cash-flow models and options-pricing models, as appropriate. The calculation of fair value considers the credit risk of the counterparties.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not recorded at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the consolidated statement of income.

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

#### **iv. Recognition**

Initially, the Organization recognizes loans and advances, deposits, securities issued and subordinated debts and other financial assets and liabilities on the trade date, in accordance with the contractual provisions of the instrument.

#### **v. Derecognition**

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and, substantially, all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognized when they have been discharged, paid, redeemed, cancelled or expired.

#### **vi. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, the Organization has the intention and the legal enforceable right to offset the recognized amounts on a net basis or realize the asset and settle the liability simultaneously.

#### **vii. Determination of fair value**

The determination of the fair values for the majority of financial assets and liabilities is based on the market price or quotes of security dealers for financial instruments traded in an active market. The fair value for other instruments is determined using valuation techniques. The valuation techniques which include use of

recent market transactions, discounted cash flow method, comparison with other instruments similar to those for which there are observable market prices and valuation models.

For more commonly other instruments the Organization uses widely accepted valuation models that consider observable market data in order to determine the fair value of financial instruments.

For more complex instruments, the Organization uses proprietary models that are usually developed from standard valuation models. Some of the information included in the models may not be observable in the market and is derived from market prices or rates or may be estimated on the basis of assumptions.

The value produced by a model or by a valuation technique is adjusted to reflect various factors, since the valuation techniques do not necessarily reflect all of the factors that market participants take into account during a transaction.

The valuations are adjusted to consider the risks of the models, differences between the buy and sell price, credit and liquidity risks, as well as other factors. Management believes that such valuation adjustments are necessary and appropriate for the correct evaluation of the fair value of the financial instruments recorded in the consolidated statement of financial position.

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**Notes to the Consolidated Financial Statements**

**viii. Impairment of financial assets**

**(a) Financial assets recognized at amortized cost**

On each reporting date, the Organization assesses whether there is objective evidence that financial assets are impaired. The financial assets are impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Organization uses to determine that there is objective evidence of an impairment include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the granting to the borrower of a concession that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
- when it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the loss event cannot yet be identified at the level of the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of group assessed borrowers; and

- (ii) national or local economic conditions that correlate with defaults in the assets.

The Organization takes into consideration evidence of impairment loss for both individually significant assets and groups of assets. All significant financial assets are evaluated to detect specific losses.

All significant assets for which the assessment indicates that there is no specific impairment are valued as a group to detect any impairment loss that may have occurred, although not yet identified. The financial assets which are not individually significant are valued as a group to detect any collective impairment loss (recorded at the amortized cost) based on similar risk features. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through provisions and the amount of the loss is recognized in the consolidated statement of income.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit-risk characteristics (that is, on the basis of the Organization's rating process that considers product type, market segment, geographical location, collateral type, past-due status and other related factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit-risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to mitigate any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognized using the effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the relevant collection procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

#### **(b) Financial assets classified as available for sale**

The Organization assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities the Organization adopts the assessment described in item (a) above, in order to identify an impairment event.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment resulting in the recognition of an impairment loss.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement.

If, in a subsequent period, the fair value increases, for debt instrument classified as available for sale, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income. Increases in the fair value of equity instruments after impairment are directly recognized in equity – other comprehensive income.





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

**f) Non-current assets held for sale**

Under certain circumstances, property is repossessed following foreclosure of loans that are in default. Repossessed properties are measured at the lower of their carrying amount and fair value less the costs to sell and are included within "Non-current assets held for sale."

**g) Property and equipment**

**i. Recognition and valuation**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see Note 2(j) below), if any.

The cost includes expenses directly attributable to the acquisition of an asset.

The cost of assets internally produced includes the cost of materials and direct labor, as well as any other costs that can be directly allocated and that are necessary for them to function. Software acquired for the operation of the related equipment is recorded as part of the equipment.

When different parts of an item have different useful lives, and separate control is practical, they are recorded as separate items (main components) comprising the property and equipment.

Useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

Gains and losses from the sale of property and equipment are determined by comparing proceeds received with the carrying amount of the asset and are recorded in the consolidated income statement under the heading "Other operating income/(expenses)."

**ii. Subsequent costs**

Expenditure on maintenance and repairs of property and equipment items is recognized as an asset when it is probable that future economic benefits associated with the items will flow to the Organization for more than one year and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of income during the reporting period in which they are incurred.

**iii. Depreciation**

Depreciation is recognized in the consolidated statement of income using the straight-line basis and taking into consideration the estimated useful economic life of the assets. The depreciable amount is the gross-carrying amount, less the estimated residual value at the end of the useful economic life. Land is not depreciated. Useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.

**h) Intangible assets**

Intangible assets comprise separately identifiable non-monetary items, without physical substance due to business combinations, such as goodwill and other purchase intangible assets, computer software and other such intangible assets. Intangible assets are recognized at cost. The cost of an intangible asset, acquired in a business combination, is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortized over their estimated useful economic life, not exceeding 20 years. Intangible assets with an indefinite useful life are not amortized.

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

Generally, the identified intangible assets of the Organization have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits – see Note 2(j) below.

#### **i. Goodwill**

Goodwill (or bargain purchase gain) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill reflects the excess of the cost of acquisition in relation to the Organization's share of the fair value of net identifiable assets or liabilities of an acquired subsidiary, associate or joint venture on the date of acquisition. Goodwill originated from the acquisition of subsidiaries is recognized as "Intangible Assets", and the goodwill from acquisition of associates and joint ventures is included in the carrying amount of the investment, (see Note 2(a)(ii)). When the difference between the cost of acquisition and the Organization's share of the fair value of net identifiable assets or liabilities is negative (bargain purchase gain), it is immediately recognized in the consolidated statement of income as a gain on the acquisition date.

Goodwill is tested annually, as well as whenever a trigger event has been observed, for impairment (see Note 2(j) below). Gains and losses realized in the sale of an entity include consideration of the carrying amount of goodwill relating to the entity sold.

#### **ii. Software**

Software acquired by the Organization is recorded at cost, less accumulated amortization and accumulated impairment losses, if any.

Internal software-development expenses are recognized as assets when the Organization can demonstrate its intention and ability to complete the development, and use the software in order to generate future economic benefits. The capitalized costs of internally developed software include all costs directly attributable to development and are amortized over their useful lives. Internally developed software is recorded at its capitalized cost less amortization and impairment losses (see Note 2(j) below).

Subsequent software expenses are capitalized only when they increase the future economic benefits incorporated in the specific asset to which it relates. All other expenses are recorded as expenses as incurred.

Amortization is recognized in the consolidated statement of income using the straight-line method over the estimated useful life of the software, beginning on the date that it becomes available for use. The estimated useful life of software is from two to five years. Useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

### **iii. Other intangible assets**

Other intangible assets refer basically to the customer portfolio and acquisition of banking service rights. They are recorded at cost less amortization and impairment losses, if any, and are amortized over the period during which the asset is expected to contribute, directly or indirectly, to the future cash flows.

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

These intangible assets are reviewed annually, or whenever events or changes in circumstances occur which could indicate that the carrying amount of the assets cannot be recovered. If necessary, the write-off or impairment (see Note 2(j) below) is immediately recognized in the consolidated statement of income.

**i) Leasing**



The Organization has both operating and finance leases and operates as a lessee and a lessor.

Leases in which a significant part of the risks and benefits of the asset is borne by the lessor are classified as operating leases. For leases in which a significant part of the risks and benefits of the asset is borne by the lessee, the leases are classified as financial leasing.

Leases under the terms of which the Organization assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

As a lessee, the Organization classifies its leasing operations mainly as operating leases, and the monthly payments are recognized in the financial statements using the straight-line method over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

When an operating lease is terminated before the contract expires, any payment that may be made to the lessor in the form of a penalty is recognized as an expense for the period.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As a lessor, the Organization has substantial finance lease contracts, both in value and total number of contracts.

i. ***Finance Leases***

Finance leasing assets in the consolidated statement of financial position are initially recognized in the “loans and advances” account at an amount equal to the net investment in the lease.

The initial direct costs generally incurred by the Organization are included in the initial measurement of the leasing receivable and recognized as part of the effective interest rate of the contract, decreasing the amount of income recognized over the lease term. These initial costs include amounts for commissions, legal fees and internal costs. The costs incurred in relation to the negotiation, structuring and sales of leases are excluded from the definition of initial direct costs and therefore are recognized as expenses at the beginning of the lease term.

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

Recognition of financial revenue reflects a constant rate of return on the net investment made by the Organization.

The estimated non-guaranteed residual values used in the calculation of the gross investment of the lessor in the lease are reviewed at least annually. If there is a decrease in the estimated non-guaranteed residual value, the income allocated over the period of the lease is also reviewed periodically and any decrease in relation to the accumulated values is immediately recognized in the consolidated statement of income.

#### **ii. *Operating leases***

The assets leased under operating leases, where the Organization acts as lessor, are recognized in the consolidated statement of financial position as property and equipment according to the nature of the item leased.

The initial direct costs incurred by the Organization are added to the carrying amount of the leased asset and are recognized as expenses over the period of the lease and on the same basis as the income recognition.

Revenue from leasing is recognized using the straight-line method over the term of the lease, even if the payments are not made on the same basis. Costs, including depreciation and maintenance, incurred in the generation of income are recognized as expenses.

The depreciation policy for leased assets is the same as the depreciation policy used by the Organization for similar assets.

**j) Impairment of non-financial assets (except for deferred tax assets)**

Assets that have an indefinite useful life such as goodwill are not subject to amortization and are tested annually at the same date to verify the existence of impairment.

Assets, which are subject to amortization or depreciation, are reviewed to verify impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized based on the excess the carrying amount of the asset or the cash generating unit (CGU) over its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value, less costs to sell, and its value in use.

For the purpose of impairment testing, the assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to a ceiling of the operating segments, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of an asset/CGU's fair value less costs to sell and its value in use. When assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market conditions of the time value of money and the specific risks of the asset or CGU.

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

The Organization's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGU's on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in the consolidated income statement. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU's) and then to reduce the carrying amount of the other assets in the CGU (group of CGU's) on a pro rata basis.

An impairment of goodwill cannot be reversed. With regard to other assets, an impairment loss recognized in previous periods is reassessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment had been recognized.

**k) Deposits, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and subordinated liabilities are the main sources of funding used by the Organization to finance its operations.

They are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method.

**l) Provisions, contingent liabilities and contingent assets**

A provision is recognized when, as a result of a past event, the Organization has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions were established by Management whenever it considers that there is a probable loss taking into account the opinion of their legal advisors; the nature of the actions; the similarity to previous suits; the complexity and the positioning of the Courts.

Contingent liabilities are:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are recorded only when there are real guarantees or favorable and non-appealable court decisions, and when the gain is considered to be virtually certain. Contingent assets for which the expectation is the outcome will be favorable are only disclosed in the financial statements, when material.



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

**m) Classification of insurance contracts and investments**

An insurance contract is a contract in which the Organization accepts a significant insurance risk from the policy holder by agreeing to compensate the policyholder if a specific, uncertain, future event adversely affects the policy holder. Reinsurance contracts are also treated as insurance contracts because they transfer significant insurance risk. Contracts in the Insurance segment classified as investment contracts are related to our capitalization bonds, which do not transfer significant insurance risk and are accounted for as financial instruments in accordance with IAS 39.

**n) Insurance and pension plan technical provisions**

**i. Property damage**

The Provision for Unearned Premiums (PPNG) is calculated on a daily pro-rata basis using premiums net of coinsurance premiums, but including amounts ceded through reinsurance operations, and the value registered in the consolidated statement of financial position corresponds to the unexpired risk period of the insurance contracts less initial contracting costs. The portion of these reserves corresponding to the estimate for risks in effect on contracts that have been issued but are not yet fully binding is designated 'PPNG-RVNE'.

The PPNG-RVNE Provision that corresponds to the estimate of current risks, but which are not issued, is calculated based on the provisions in SUSEP Circular nº 517/15, and the Provision for Claims Incurred But Not Reported (IBNR) related to the extended warranty industry until October 2015 were calculated based on the provisions in SUSEP Circular nº 517/15, and after this date it is constituted based on the claims Incurred But Not Paid (IBNP) minus the balance of the PSL on the base date of the calculation. A final estimate of IBNP is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the previous 11 half-year periods to determine a future projection per occurrence period and to consider the estimated claims 'Incurred But Not Sufficiently Reported' (IBNER), reflecting the changing expectation of the amount provisioned along the regulatory process.

The reserve for unsettled claims (PSL) is determined based on the indemnity payment estimates, considering all administrative and judicial claims existing at the reporting date, net of salvage and payments expected to be received.

The reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid' (IBNP) claims less the balance of the reserve for 'unsettled' claims (PSL) on the calculation date. A final estimate of IBNP is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the prior last 14 half-year periods to determine a future projection per occurrence period, and considers the estimated claims 'incurred but not sufficient' reported (IBNER), reflecting the changing expectation of the amount provisioned along the regulatory process.

The IBNR provision related to retrocession operations accepted is constituted on the basis of amounts informed by IRB - Brasil Resseguros S.A.

The Complementary Reserve for Coverage (PCC) shall be established when there is insufficiency of the technical provisions required under the legislation, as determined in the Liability Adequacy Test (see Note 2(n)(vi) below). At the reporting date management did not identify the need for PCC on property damage contracts.

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

The reserve for related expenses (PDR) is recorded on a monthly basis to cover expenses related to estimated claims and benefits. It covers both costs that can be individually allocated to each claim as well as claims costs not discriminated, meaning those incurred at the portfolio level.

Other technical provisions correspond to the Provision for Administrative Expenses (PDA) arising on the Mandatory Insurance For Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations.

#### **ii. Life insurance, excluding life insurance with survival coverage (VGBL product)**

The Provision for Unearned Premiums (PPNG) is calculated on a daily pro-rata basis using premiums net of coinsurance premiums, but including amounts ceded through reinsurance operations, and the value registered in the consolidated statement of financial position corresponds to the unexpired risk period of the insurance contracts and includes an estimate for risks in effect on contracts that have been issued but are not yet fully binding is designated 'PPNG-RVNE'.

The Mathematical Provision for Benefits to be Granted (PMBaC) is calculated by the difference between the present value of the future benefits and the present value of the future contributions to be received for these benefits.

The Provision for Redemptions and other Amounts to be Settled (PVR) comprises amounts related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer.

The reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid (IBNP) claims less the reserve for unsettled claims (PSL) on the calculation date. A final estimate of IBNP claims is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the prior 16 half-year periods to determine a future projection per occurrence period.

The reserve for unsettled claims (PSL) considers all claim notifications received up to the end of the reporting period. The reserve is adjusted for inflation and includes all claims in litigation.

The Complementary Reserve for Coverage (PCC) refers to the amount necessary to complement technical reserves, as calculated through the Liability Adequacy Test. LAT is calculated using statistical and actuarial methods based on realistic considerations, taking into account the biometric table BR-EMS of both genders and improvement of G Scale and using a risk free forward interest rate structures which was approved by SUSEP to discount the future cash flows. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy.

The Technical Surplus Provision (PET) corresponds to the difference between the value of the expected cost and the actual cost of claims that occurred during the period for contracts of individual life insurance with rights to participate in technical surplus.

The Provision of Related Expenses (PDR) is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partially regimes, the reserve covers claims incurred. For products structured under a capitalization regime, the reserve covers the expected expenses related to incurred claims and also claims expected to be incurred in the future.

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

#### **iii. Health**

The reserve for claims incurred but not reported (IBNR) is calculated from the final estimate of claims already incurred and still not reported, based on monthly run-off triangles that consider the historical development of claims reported in the last 12 months to establish a future projection per period of occurrence

The provision for unsettled claims (PSL) is based on claims received up to the reporting date, including judicial claims and related costs adjusted for inflation.

The mathematical reserve for unvested benefits (PMBAC) relates to the individual health care plan portfolio and accounts for the risk related to the cover of the holder's dependents for five years following the death of the holder. It is calculated using: a 5.2% annual discount rate; the period over which holders are expected to remain in the plan up to their death; and the projected costs of the five-year-period cover in which no premiums will be received.

The mathematical reserve of benefits granted (PMBC) is constituted by the obligations arising from the contractual clauses of remission of installments in cash, regarding the coverage of health assistance and by the premiums through payment of insured persons participating in the Bradesco Saúde insurance - "GBS Plan", as provided for in the ANS Normative Resolution nº 75/2004, and considering a discount rate of 5.2% per annum.

The other provisions for the individual health portfolio are constituted to cover differences between the expected present value of claims and related future costs and the expected present value of future premiums, considering a discount rate of 5.2% per year.

The unearned premium or contribution reserve (PPCNG) is calculated on the currently effective contracts on a daily pro-rata basis based on the portion of health insurance premiums corresponding to the remaining

period of coverage.

Provisions for IBNR, PMBAC, PMBC and Other Provisions, listed above, are calculated using methodologies and assumptions established in the actuarial technical notes approved by the National Health Agency - ANS.

#### **iv. Operations with DPVAT Insurance**

Revenue from DPVAT premiums and the related technical reserves are recorded gross, based on reports received from Seguradora Lider S.A. which acts as the “lead insurer” of the Consortium of Insurance DPVAT S.A. in proportion to the percentage of Bradesco’s stake in the consortium. It is the function of the lead insurer to collect the premiums, coordinate policy issuance, settle claims and manage the administrative costs within the consortium, in accordance with the CNSP Normative Resolution nº 273/12. As defined in the regulations of the consortium, 50% of the monthly net income is distributed to the consortium’s members in the following month. The remaining 50% of the monthly income is retained by the lead insurer over the year and transferred to the members of the consortium at the start of the following year.

#### **v. Open pension plans and life insurance with survival coverage (VGBL product)**

The unearned premium reserve (PPNG) is calculated on a daily pro-rata basis, using net premiums and is comprised of the portion corresponding to the remaining period of coverage and includes an estimate for risks covered but not yet issued (RVNE).

The mathematical reserve for unvested benefits (PMBaC) is recorded for participants who have not yet received any benefit. In defined benefit pension plans, the reserve represents the difference between the present value of future benefits and the present value of future contributions, corresponding to obligations assumed in the form of retirement, disability, pension and annuity plans. The reserve is calculated using methodologies and assumptions set forth in the actuarial technical notes.



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The mathematical reserve for unvested benefits (PMBaC) related to life insurance and unrestricted benefit pension plans (VGBL and PGBL), and defined contribution plans, includes the contributions, received from participants, net of costs and other contractual charges, plus the financial return generated through the investment of these amounts in units of specially constituted investment funds (FIE).

The Provision for Redemptions and other Amounts to be Settled (PVR) comprises amounts related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer.

The mathematical reserve for vested benefits (PMBC) is recognized for participants already receiving benefits and corresponds to the present value of future obligations related to the payment of those on-going benefits.

The Complementary Reserve for Coverage (PCC) refers to the amount necessary to complement technical reserves, as calculated through the Liability Adequacy Test (see Note 2(n)(vi)). LAT is prepared semiannually using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, improvement of G Scale and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy.

The Provision of Related Expenses (PDR) is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partially regimes, the reserve covers claims incurred. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future.

The Provision for Financial Surplus (PEF) corresponds to the portion of income from investment of reserves that exceeds the minimum returns due to policyholders of pension plans that have a profit share clause.

The Provision for Events Incurred but Not Reported (IBNR) is established based on losses that occurred but were not reported, based on run-off triangles, which considers the historical development of losses over the past 96 months to establish a future projection per period of occurrence.

The reserve for unsettled claims (PSL) considers all claim notifications received up to the end of the reporting period. The reserve is adjusted for inflation.

Financial charges on technical provisions, as well as the constitution and/or reversal of the provision of financial excess, are classified as financial expenses and are shown in the line "Net interest income".

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

#### **vi. Liability Adequacy Test (LAT)**

The Organization conducted the liability adequacy test for all the contracts that meet the definition of an insurance contract according to IFRS 4 and which are in force on the date of execution of the test. This test is conducted every six months and the liability of insurance contracts, gross of reinsurance, is calculated as the sum of the carrying amount, deducting the deferred acquisition costs and the related intangibles. This is compared to the expected cash flows arising from the obligations under commercialized contracts and certificates.

The test considers projections of claims and benefits that have occurred and are to occur, administrative expenses, allocable expenses related to the claims, intrinsic options and financial surpluses, salvage and recoveries and other income and expense directly related to the insurance contracts.

To calculate the present value of projected cash flows, the Organization used the risk free forward (ETTJ) rate which was approved by SUSEP.

According to SUSEP Circular nº 517/2015, the test was segmented between life insurance and pension products and property coverage, and liabilities related to DPVAT insurance were not included in the adequacy test.

- **Life and pension products**

For private pension products and Life Insurance with Coverage for Survival, testing was conducted per risk type, which includes (among other things): guaranteed return, pre-defined mortality tables, death, disability and other risks.

The cash flows related to future premiums not recorded in the PPNG were only included in the projections when the result of the LAT without these values was negative.

The result of the liability adequacy test for pension products and life insurance, was fully recognized in profit or loss at the reporting date as provided in SUSEP Circular nº 517/2015.

- **Property Coverage**

The expected present value of cash flows relating to claims incurred - primarily claims costs and salvage recoveries - was compared to the technical provisions for claims incurred - PSL and IBNR.

The expected present value of cash flows relating to claims to be incurred on the policies in force, plus any administrative expenses and other expenses and income relating to products in run-off, was compared to the sum of the related technical provisions - PPNG and PPNG-RVNE.

The result of the liability adequacy test, for property coverage, did not present insufficiency and, consequently, no additional PCC provisions were recorded.

- o) **Reinsurance contracts**

Reinsurance contracts are used in the normal course of operations with the purpose of limiting potential losses, by spreading risks. Liabilities relating to contracts that have been reinsured are presented gross of their respective recoveries, which are booked as assets since the existence of the reinsurance contract does not nullify the Organization's obligations with the insured parties.

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As required by the regulators, reinsurance companies with headquarters abroad must have a minimum rating from a risk classification agency to reinsure risks all other reinsurance operations must be with national reinsurers If there are indications that the amounts recorded will not be realized by its carrying amount, these assets will be adjusted for impairment.

**p) Deferred acquisition costs**



These comprise deferred acquisition costs including commissions and brokers' fees related to the sale of insurance policies. Deferred commissions are recognized in the consolidated statement of income over the life of the respective policies and pension plan contracts or over an average period of twelve months. Expenses relating to insurance agency operations relating to the sale of health plans are appropriated over a twenty-four month period.

It also includes the deferred acquisition costs relating to exclusivity contracts with retailers for marketing insurance guarantees, to be amortized over a period of up to twelve years.

**q) Financial guarantees**



Financial guarantees are contracts that require the Organization to make specific payments under the guarantee for a loss incurred when a specific debtor fails to make a payment when due in accordance with the terms of the debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Organization's obligations under such guarantees are measured as the higher of the initial amount, less the accumulated amortization, and the best estimate of the amount required to settle the guarantee if management deems such expenditure to be probable. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of income within "Other operating income/ (expenses)".

**r) Employee benefits**

**i. Defined contribution plan**

Bradesco and its subsidiaries sponsor pension plans for their employees and Management of the “Free Benefit Generator Plan (PGBL)” type. The PGBL is a pension plan with defined contributions which allows financial resources to be accumulated throughout the professional career of the participants based on contributions paid by them and the sponsoring company, the funds of which are invested in an Exclusive Mutual Fund (FIE). The actuarial obligations of PGBL are fully covered by the corresponding FIE. The PGBL is managed by the subsidiaries Bradesco Vida e Previdência S.A..

The PGBL Supplementary Pension Plan was reformulated in October 2014, with contributions from employees and directors of Bradesco and its subsidiaries equal to at least 4% of their salaries. Contributions from Bradesco and its subsidiaries increased from 4% to 5% of salary, plus the percentage destined for death and disability coverages. The contributions concerning participants who in 2001 chose to migrate from the benefit plan defined for PGBL were maintained at the same levels of the previous benefit plan.

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Contribution obligations for defined contribution pension plans are recognized as expenses in profit or loss as incurred. Once the contributions are paid, Bradesco, in the capacity of employer, has no obligation to make any additional payment.

In addition to the PGBL described above, the participants who migrated from the defined benefit plan are assured a proportional deferred benefit. For retired and pensioned employees, regardless of whether they are participants in the migrated defined benefit plan or not, the present value of the actuarial obligations of the plan is invested in FIEs.

#### **ii. Defined benefit plans**

The Organization's net obligation, in relation to the defined benefit plans, refers exclusively to institutions acquired and the plans are calculated separately for each plan, estimating the future benefit that the employees have earned in return for their service during the current and prior periods. The benefit is discounted to determine its present value and any unrecognized past service costs and fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on "AA" credit rated bonds, which have maturity dates approximating the terms of the Organization's obligations. The calculation is made by an actuary, using the projected unit credit method.

When the benefits of a plan are improved, the portion of increased benefit related to past service by employee is recognized in the consolidated income statement using the straight-line method over the average period until the benefits become vest. To the extent that the benefits have already vested, the expense is recognized in the consolidated statement of income.

#### **iii. Termination benefits**

Severance benefits are required to be paid when the employment relationship is terminated by the Organization before the employee's normal date of retirement or whenever the employee accepts voluntary

redundancy in return for such benefits.

Benefits which are payable twelve months or more after the reporting date are discounted to their present value.

**iv. Short-term benefits**

Benefits such as wages, salaries, social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the reporting date) and non-monetary benefits such as health care, etc. are recorded as expenses in the consolidated statement of income, without any discount to present value, if the Organization has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be reliably estimated.

**s) Capitalization bonds**

The liability for capitalization bonds is registered in the line 'Other liabilities'. Financial liabilities and revenues from capitalization bonds are accrued at the time bonds are issued.

Bonds are issued according to the types of payments, monthly or single payment. Each bond bears a nominal value and the deposit portion of each payment is remunerated at the referential rate (TR) plus 0.5% per month, which is used to determine the liability.

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Capitalization bond beneficiaries are eligible for a prize draw. At the end of a certain period that is determined at the time the capitalization bond is issued, a beneficiary may redeem the nominal value paid plus the referential rate (TR), even if they have not won in the draw. These products are regulated by the insurance regulator in Brazil; however, they do not meet the definition of an insurance contract in accordance with IFRS 4 and, therefore, are classified as financial liabilities in accordance with IAS 39.

Unclaimed amounts from “capitalization plans” are derecognized when the obligation legally expires, in accordance with IAS 39 as it relates to the derecognition of a financial liability.

Expenses for placement of “capitalization plans”, are recognized as they are incurred.

**t) Interest**

Interest income and expenses are recognized on an accrual basis in the consolidated statement of income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments and receipts throughout the expected life of the financial asset or liability (or, when appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective rate, the Organization estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all commissions, transaction costs, discounts or bonuses which are an integral part of such rate. Transaction costs are incremental costs directly attributable to the acquisition, issuance or disposal of a financial asset or liability.

**u) Fees and commissions**

Fees and commission income and expense which are part of and are directly allocable to the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate.

Other fee and commission income, including account service fees, asset management fees, credit card annual charges, and collection and consortium fees are recognized as the related services are rendered. When a loan commitment is not expected to result in the drawdown of a loan, the related commitment fees are recognized on a straight-line basis over the commitment period. Other fees and commissions expense relate mainly to transaction as the services are received.

**v) Net insurance income**



Income and expense are recognized on an accrual basis.

Insurance and coinsurance premiums, net of premiums transferred through coinsurance and reinsurance and related commissions, are recognized as income upon issuance of the respective policies / certificates / endorsements and invoices, or at the beginning of the risk period for cases in which the cover begins before issue date, and accounted for on a straight-line basis, over the duration of the policies, through the upfront recognition and subsequent reversal of the provision for unearned premiums and the deferred acquisition costs.

Income from premiums and the acquisition costs related to risks already assumed whose respective policies have not yet been issued are recognized in the consolidated statement of income at the start of the risk coverage period on an estimated basis.

The health insurance premiums are recorded at the start of the risk period, net of the portion of premiums corresponding to the period of unexpired risk.

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Revenues and expenses related to DPVAT insurance operations are recorded on the basis of information received from the Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

Accepted co-insurance contracts and retrocession operations are recorded on the basis of information received from the lead co-insurer and IRB - Brasil Resseguros S.A., respectively.

Reinsurance transactions are recorded based on the premium and claims information provided to the reinsures which is subject to their review. Assigned reinsurance premiums are deferred in a manner consistent with the related insurance premium and/or reinsurance agreement.

Acquisition costs relating to the insurance commission are deferred and recognized in proportion to the recognition of earned premium.

The receipts from insurance agency operations are deferred and recognized in income linearly, for a period of 24 months in health insurance operations and by 12 months in the other operations.

Contributions to pension plans and life insurance premiums with survivor coverage are recognized in income upon their effective receipt.

Income from management fees are recognized as income on an accrual basis at contractually determined rates.

**w) Income tax and social contribution expenses**

Income tax and social contribution deferred tax assets, calculated on income tax losses, social contribution losses and temporary differences, are recorded in "Other Receivables - Sundry" and the deferred tax liabilities on tax differences in leasing depreciation (applicable only for income tax), mark-to-market adjustments on securities, restatement of judicial deposits, among others, are recorded in "Other Liabilities - Tax and Social Security".

Deferred tax assets on temporary differences are realized when the difference between the accounting treatment and the income tax treatment reverses. Deferred tax assets on income tax and social contribution losses are realizable when taxable income is generated, up to the 30% limit of the taxable profit for the period. Deferred tax assets are recorded based on current expectations of realization considering technical studies and analyses carried out by Management.

The provision for income tax is calculated at 15% of taxable income plus a 10% surcharge. For financial companies, financial company equivalent and of the insurance industry, the social contribution on the profit was calculated until August 2015, considering the rate of 15%. For the period between September 2015 and December 2018, the rate was changed to 20%, according to Law No. 13,169/15, returning to the rate of 15% as from January 2019. For the other companies, the social contribution is calculated considering the rate of 9%.

By virtue of the amendment of the rate, the Organização Bradesco constituted, in September 2015, a supplement to the deferred tax asset of social contribution, considering the annual expectations of realization and the respective rates in force in each period, according to the technical study conducted.

Tax expense comprises current and deferred tax. Current and deferred tax are recorded in the consolidated statement of income except when the result of a transaction is recognized directly in equity, in which case the related tax effect is also recorded in equity or in other comprehensive income.

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Current tax expenses are the expected amounts payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Organization takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The organization believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of various factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve judgments about future events. New information may become available that causes the Organization to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**x) Segment reporting**

Information for operating segments is consistent with the internal reports provided to the Executive Officers (being the Chief Operating Decision Makers), which are comprised by the Chief Executive Officer, Executive Vice-Presidents, Managing Directors and Deputy Directors. The Organization operates mainly in the banking and insurance segments. The banking operations include operations in retail, middle market and corporate activities, leasing, international bank operations, investment banking and private banking. The Organization's banking activities are performed through its own branches located throughout the country, in branches abroad and through subsidiaries, as well as by means of our shareholding interest in other companies. The insurance segment consists of insurance operations, supplementary pension plans and capitalization plans which are undertaken through a subsidiary, Bradesco Seguros S.A., and its subsidiaries.

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**y) Equity**

Preferred shares have no voting rights, but have priority over ordinary shares in reimbursement of capital, in the event of liquidation, up to the amount of the capital represented by such preferred shares, and the right to receive a minimum dividend per share that is ten percent (10%) higher than the dividend distributed per share to the holders of ordinary shares.



i. Share issue costs



Incremental costs directly attributable to the issuance of shares are shown net of taxes in equity, thus reducing the initial share value.

**ii. Earnings per share**

The Organization presents basic and diluted earnings per share data. Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Organization by the weighted average number of shares outstanding during the year, excluding the average number of shares purchased by the Organization and held as treasury shares. Diluted earnings per share are the same as basic earnings per share, as there are no potentially dilutive instruments.

**iii. Dividends payable**

Dividends on shares are paid and provisioned during the year. In the Meeting of Shareholders are destined at least the equivalent of 30% of the annual net income. Dividends approved and declared after the reporting date of the financial statements, are disclosed in the notes as subsequent events.

iv. Capital transactions

Capital transactions are transactions between partners qualified as investment owners. These transactions modify the equity held by the controlling shareholder in a subsidiary. Since there is no loss of control, the difference between the amount paid and the fair value of the transaction is recognized directly in equity.

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**3) Risk Management**

**Risk-management structure**

The risk and capital management structure is made up of committees, which assist the Board of Directors, the CEO and the Board of Executive Officers in their strategic decision-making process.

The Organization has a committee known as the Integrated Risk and Capital Allocation Management Committee, whose duty is to advise the Board of Directors in performing its duties in risk management, capital and control. This committee is assisted by the Capital Management Executive Committee, and Risk Management Executive Committees in managing a) Credit risk, b) Market and Liquidity risk, c) Operational and Social and Environmental risk, d) Bradesco's Insurance Group and BSP Empreendimentos Imobiliários and e) compliance with the Basel Capital Acord. In addition to the Capital Management Executive Committee, and Risk Management Executive Committees there are Products and Services Executive Committee and business area Executive Committees, which suggest exposure limits for their respective risks and prepare the mitigation plans to be submitted to the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

It is worth highlighting the Integrated Risk Control Department (DCIR), responsible for implementing risk control and capital allocation through practices and certification of existence, execution and effectiveness of controls which assure acceptable risk levels in the Organization's processes, independently, consistently, on a transparent and integrated manner. This Department is also responsible for complying with the Brazilian Central Bank rules for risk management activities.

### **3.1. Credit risk**



Credit risk refers to the possibility of losses associated with the borrower's or counterparty's failure to comply with their financial obligations under the terms agreed, as well as the fall in value of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, benefits granted to borrowers in renegotiations, recovery costs and other costs related to the counterparty's noncompliance with the financial obligations.

Credit risk management in the Organization 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 autonomy of the processes.

The Organization controls the exposure to credit risk which comprises mainly credit operations, securities and derivatives. There is also the credit risk in financial obligations relating to commitments on loan or financial guarantees.

With the objective of not compromising the quality of the portfolio, all aspects inherent to credit concession, concentration, guarantee requirements and terms, among others, are observed.

The Organization continuously maps all the activities that could possibly generate exposure to credit risk, classifying them by their probability and magnitude, identifying their managers, as well as their measurement and mitigation plans.

### **Counterparty's Credit Risk**

The counterparty credit risk to which the Organization is exposed includes the possibility of losses due to the non-compliance by counterparties with their obligations relating to the settlement of financial asset trades, including the settlement of derivative financial instruments. Counterparty credit risk also includes the risk related to a downgrade in the counterparty's credit standing.

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The Organization exercises complete control over its net position (the difference between purchase and sale agreements) and potential future exposures from operations where there is counterparty risk. Each counterparty's exposure to risk is treated in the same way and is part of general credit limits granted by the Organization's to its customers. Usually, guarantees associated with this type of operation include margin deposits, which are made by the counterparty with the Organization or with other trustees, whose counterparty's risks are also appropriately evaluated.

**Credit Concession**

Under the responsibility of the Credit Department, lending procedures are based on the Organization's credit policy emphasizing the security, quality and liquidity of the lending. The process is guided by the Organization's risk-management governance and complies with the rules of the Central Bank of Brazil.

In the continual pursuit for profitability in the business, the Organization uses methodologies designed specifically for each segment in which it operates, which guide the lending processes and the determination of operational limits.

In the evaluation and classification of customers or economic groups, the quantitative (economic and financial indicators) and qualitative (personal data and behaviors) aspects associated with the customers capacity to honor their obligations are considered.

All business proposals are subject to the Organization's operational limits, which are included in the Loan Guidelines and Procedures. At branches, the delegation of power to grant a loan depends on its size, the total exposure to the Organization, the guarantees offered, the level of restriction and their credit risk score/rating. Business proposals with risks beyond these limits are subject to technical analysis and approval of by the Credit Department.

In its turn, the Executive Credit Committee was created to decide, within its authority, on queries about the granting of limits or loans proposed by business areas, previously analyzed and with opinion from the Credit Department. According to the size of the operations/limits proposed, this Committee, may then submit the proposal for approval by the Board of Directors, depending on the amounts involved.

Loan proposals pass through an automated system with parameters set to provide important information for the analysis, granting and subsequent monitoring of loans, thereby minimizing the risks inherent in the operations.

The Organization uses proprietary Credit and Behavior Scoring systems to aid decision making in the concession of loans to the Retail segment, which are designed to provide greater speed and reliability, while standardizing the procedures for loan analysis and approval.

Business is diversified wide-spread and aimed at individuals and companies with a proven payment capacity and solvency, always seeking to support them with guarantees that are adequate to the risk assumed, considering the amounts, objectives and the maturities of loan granted.

**Credit Risk Rating**

The credit risk assessment methodology, in addition to providing data to establish the minimum parameters for lending and risk management, also enables the definition of special Credit Rules and Procedures according to customer characteristics and size. Thus, the methodology provides the basis not only for the correct pricing of operations, but also for defining the appropriate guarantees.

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The methodology used also follows the requirements established by National Monetary Council (CMN) Resolution 4,327/14 and includes analysis of social and environmental risk in projects, aimed at evaluating customers' compliance with related laws and the Equator Principles, a set of rules that establish the minimum social and environmental criteria which must be met for lending.

In accordance with its commitment to the continuous improvement of methodologies, the credit risk rating of the Organization's economic groups/customers uses a seventeen-level scale, in which thirteen levels represent performing loan operations, ensuring greater compliance with the requirements of the Basel Capital Accord.

Risk ratings for economic groups (legal entities) are based on standardized statistical and judgmental procedures, and on quantitative and qualitative information. Classifications are made corporately and are monitored periodically in order to preserve the quality of the credit portfolio.

For individuals, in general, credit ratings are based on personal data variables, such as income, assets, restrictions and indebtedness, in addition to the history of their relationship with the Organization, and statistical credit evaluation models.

The risk classification adopted on the basis of the customers' capacity of honoring their commitments is shown below:

	<b>Internal Rating</b>	<b>Organization classification</b>
1	AA1	
2	AA2	
3	AA3	
4	A1	
5	A2	
6	A3	

7  
8  
9  
10  
11  
12

B1  
B2  
B3  
C1  
C2  
C3

Low risk

13  
14  
15  
16  
17

D  
E  
F  
G  
H

Medium risk

High risk

**Credit-Risk Management Process**



The credit risk management process is conducted in a corporation-wide manner. This process involves several areas with specific duties, ensuring an efficient structure. Credit risk measurement and control are conducted in a centralized and independent manner.

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The credit risk monitoring area actively 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.

This area continuously reviews the internal processes, including the roles and responsibilities and its training and requirements, as well as conducts periodical reviews of risk evaluation processes to incorporate new practices and methodologies.

**Control and Monitoring**

The Organization's credit risk is controlled and monitored by the credit risk area of the Integrated Risk Control Department.

The department advises the Executive Credit Risk Management Committee, in which methodologies for credit risk measurement are discussed and formalized. Significant issues discussed in this committee are reported to the Integrated Risk Management and Capital Allocation Committee, which is subordinate to the Board of Directors.

In addition to the committee meetings, the area holds monthly meetings with all product and segment executives and officers, with a view to inform them about the evolution of the loan portfolio, delinquency, adequacy of allowance for loan losses, loan recoveries, gross and net losses, portfolio limits and concentrations among others. This information is also reported to the Audit Committee on a monthly basis.

The area also monitors any internal or external event that may cause a significant impact on the Organization's credit risk, such as spin-offs, bankruptcies and crop failures, in addition to monitoring economic activity in the sectors to which the company has significant risk exposures.

Both the governance process and existing limits are sanctioned by the Integrated Risk Management and Capital Allocation Committee, which are submitted for the approval of the Board of Directors, and are revised at least once a year.

### **Internal Report**

Credit risk is monitored on a daily basis in order to maintain the risk levels within the limits established by the Organization. Managerial reports on risk control are provided to all levels of business, from branches to Senior Management.

With the objective of highlighting the risk situations that could result in the customers' inability to honor its obligations as contracted, the credit risk monitoring area provides daily reports, to the branches, business segments, as well as the lending and loan recovery areas. This system provides timely information about the loan portfolios and credit bureau information of customers, in addition to enabling comparison of past and current information, highlighting points requiring a more in-depth analysis by managers.

The Organization also has an electronic corporate system of credit risk indicators to provide the lending and loan recovery areas, business areas, regional managers and branches with information on assets by segment, product, region, risk classification, delinquency and expected and unexpected losses, among others. This electronic system provides both a macro-level and detailed view of the information, and also enables a specific loan operation to be viewed.

The information is viewed and delivered via dashboards, allowing queries at several levels such as business segment, divisions, managers, regions, products, employees and customers, and under several aspects (asset, delinquency, provision, write-off, restriction levels, guarantees, portfolio quality by rating, among others).

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

#### **Credit Risk Exposure**

We present below the maximum credit risk exposure of the financial instruments.

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash and balances with banks	72,091,764	65,430,300
Derivative financial instruments	18,870,917	4,421,457
Loans and advances to banks	35,671,727	73,018,884
Loans and advances to customers	370,323,668	349,196,681
Other financial assets <sup>(1)</sup>	432,983,945	366,893,064
<b>Total items recorded in the balance sheet <sup>(2)</sup></b>	<b>929,942,021</b>	<b>858,960,386</b>
<b>Total items not recorded in the balance sheet (Note 41)</b>	<b>264,320,142</b>	<b>254,889,412</b>
<b>Total risk exposure</b>	<b>1,194,262,163</b>	<b>1,113,849,798</b>

(1) Includes Investments held to maturity recognized as amortized cost in the amount of R\$ 40,003,560 thousand (2014 – R\$ 25,071,031 thousand); and

(2) Collaterals are mainly represented by: securities, properties, financial investments, sureties and guarantees.

The Organization's maximum credit risk exposure was R\$ 1,194,262,163 thousand in 2015, which was an increase of 7.2% from December 2014.

Of this exposure, R\$ 72,091,764 thousand, or 6.0% is related to cash and bank deposits composed mainly of funds deposited with the Central Bank of Brazil that are assessed to have low credit risk.

The "Other financial assets" item totaling R\$ 432,983,945 thousand (36.3% of the total exposure), have a low credit risks as it primarily consists of Brazilian government bonds which, are recorded at their market value, represented by "Financial assets held for trading" R\$ 159,623,449 thousand (2014 – R\$ 78,498,311 thousand) and "Financial assets available for sale" R\$ 117,695,450 thousand (2014 – R\$ 120,961,734 thousand).

In 2015, items not recorded in the consolidated statement of financial position (recorded in off-balance sheet accounts) amounted to R\$ 264,320,142 thousand (2014 - R\$ 254,889,412 thousand), reaching a level of 22.1% (2014 – 22.9%) of total exposure.

The following provides a detailed analysis of other exposures subject to credit risk totaling R\$ 424,866,312 thousand, representing 35.6% of the total exposure, including derivatives of R\$ 18,870,917 thousand, loans and advances to banks of R\$ 35,671,727 thousand and loans and advances to clients of R\$ 370,323,668 thousand.

### Derivative Financial Instruments

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Traded in the stock exchange	5,561,772	81,180
OTC contract	13,309,145	4,340,277
<b>Total</b>	<b>18,870,917</b>	<b>4,421,457</b>

In relation to derivatives, 70.5% of the total, refers basically to over-the-counter contracts. Of the total of the Derivative financial instruments, 80.0% is assessed to have "low credit risk" by the Organization's internal procedures.

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

**Loans and advances to banks**

We present below the portfolio of loans and advances to banks as rated internally by the Organization:

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Low risk	35,627,580	72,968,103
Medium risk	-	50,781
High risk	44,147	-
<b>Total</b>	<b>35,671,727</b>	<b>73,018,884</b>

Ratings as assigned by the Organization: Low risk: Ratings AA1 – C3; Medium risk: Rating D; and High risk: Ratings E – H.

Of total loans and advances to banks, 99.9% are not rated as past-due or impaired. In addition, the portfolio has no debt-rescheduling history.

#### **Loans and advances to customers**



The loans and advances to customers are classified as:

- Neither past due nor impaired.
- Past due but not impaired.
- Impaired, including loans and advances classified as impaired and loans and advances that are analyzed individually for loss classified as impaired.

The Organization's loans and advances to customers are classified as "impaired" when they fall in at least one of the following situations: (a) are delinquent more than 90 days, except for housing loan operations secured by residential property (overdue more than 180 days) and/or; (b) have incurred a loss and/or; (c) have been renegotiated and/or; (d) have been reclassified as a higher risk level; and/or (e) have been subject to bankruptcy events. Notably, the internal models used by the Organization are based on client or product.

	R\$ thousand	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Neither past due nor impaired (i)	326,363,904	311,423,678
Past due but not impaired (ii)	11,656,848	6,932,215
Impaired (iii)	32,302,916	30,840,788
<b>Total loans and advances to customers</b>	<b>370,323,668</b>	<b>349,196,681</b>
Impairment of loans and advances	(25,455,204)	(21,132,677)
<b>Net amount</b>	<b>344,868,464</b>	<b>328,064,004</b>

The portfolio of loans and advances to customers grew by 6.1% from 2015 to December 2014.



Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**(i) Loans and advances to customers neither past due nor impaired**

	R\$ thousand	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Low risk	318,889,943	305,446,990
Medium risk	6,338,308	4,246,414
High risk	1,135,653	1,730,274
<b>Total</b>	<b>326,363,904</b>	<b>311,423,678</b>

Ratings as assigned by the Organization: Low risk: Ratings AA1 – C3; Medium risk: Rating D; and High risk: Ratings E – H.

The loans and advances to customers assessed to be neither past due nor impaired totaled R\$ 326,363,904 thousand in 2015.

Of the total transactions, 97.7% were classified as low risk.

**(ii) Loans and advances to customers past due but not impaired**

We present below the analysis by number of days past due of the contracts for loans and advances which were not classified as being impaired in the collective analysis and those which are not impaired based on the individual analysis.

For the purpose of this analysis, an asset is considered past due and included in the following table when payment is late or is not received strictly in accordance with the contractual terms. The amount included in this category comprises the total financial asset, i.e. not only the overdue installment amount but the full contractual amount plus accrued interest.

The loans and advances to customers which are not individually material, such as, for example, which have not been classified as impaired are presented in this category.

The individually material loans and advances may be presented in this category when, based on the individual analysis, it is not necessary to record an individual impairment loss and, accordingly, the asset is then subject to a collective loss analysis.

	R\$ thousand	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Past due up to 60 days	9,286,212	5,824,269
Overdue between 61 and 90 days	2,241,006	1,043,598
Overdue for more than 90 days	129,630	64,348
<b>Total</b>	<b>11,656,848</b>	<b>6,932,215</b>

The above table shows loans and advances, which despite being overdue, do not provide indications of possible impairment. This amount represented 3.1% of the portfolio in 2015 (2014 – 2.0%).

IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**(iii) Loans and advances to customers impaired**

	R\$ thousand	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Portfolio not yet due	14,185,533	13,310,390
Past due up to 60 days	2,199,703	3,814,291
Overdue between 61 and 90 days	1,097,900	1,487,221
Overdue for more than 90 days	14,819,780	12,228,886
<b>Total</b>	<b>32,302,916</b>	<b>30,840,788</b>

Loans and advances to customers impaired reached R\$ 32,302,916 thousand and accounted for 8.7% of the total portfolio in 2015 (2014 - 8.8%).

**By type of loan category**



The following table presents the loans and advances impaired by category:

	R\$ thousand	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Working capital	6,846,091	4,661,167
Credit card	5,128,607	4,709,358
Personal credit	3,617,781	4,283,065
Vehicles – CDC (Direct consumer credit)	1,631,255	2,816,045
Housing loans	1,081,833	1,375,115
Financing and export	1,043,922	832,621
Rural loans	805,392	746,489
Onlending BNDES/Finame	771,581	1,293,028
Overdraft for individuals	651,011	702,665
Overdraft for corporates	281,176	324,370
Leasing	279,269	436,399
Others	10,164,998	8,660,466
<b>Total</b>	<b>32,302,916</b>	<b>30,840,788</b>

**Renegotiated loans and advances**

The total balance of “Loans and advances to customers impaired” includes renegotiated loans and advances to customers. Such loans contemplate extension of loan payment terms, grace periods, reductions in interest rates, and/or, in some cases, the forgiveness (write-off) of part of the loan principal amount.

Renegotiations may occur after debts are past due or when the Company has information about a significant deterioration in the client’s creditworthiness. The purpose of such renegotiations is to adapt the loan to reflect the client’s actual payment capacity.

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

The following table shows changes made and our analysis of our portfolio of renegotiated loans and advances to customers:

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Renegotiated loans and advances at the beginning of the year</b>	<b>10,775,621</b>	<b>10,190,180</b>
Additional renegotiated amounts, including interest	13,128,228	10,482,519
Payments received	(7,256,464)	(5,864,616)
Write-offs	(3,918,662)	(4,032,462)
<b>Renegotiated loans and advances at the end of the year</b>	<b>12,728,723</b>	<b>10,775,621</b>
Impairment of loans and advances	(7,547,690)	(7,239,474)
<b>Total renegotiated loans and advances to customers, net of impairment at the end of the year</b>	<b>5,181,033</b>	<b>3,536,147</b>
Impairment on renegotiated loans and advances as a percentage of the renegotiated portfolio	59.3%	67.2%
Total renegotiated loans and advances as a percentage of the total loan portfolio	3.4%	3.1%
Total renegotiated loans and advances as a percentage of the total loan portfolio, net of impairment	1.5%	1.1%

At the time a loan is modified, Management considers the new loan's conditions and renegotiated maturity and it is no longer considered past due. From the date of modification, renegotiated interest begins to accrue, using the effective interest rate method, taking into consideration the customer's capacity to pay the loan based on the analysis made by Management. If the customer fails to maintain the new negotiated terms, management considers ceasing accrual from that point.

Additionally, any balances related to renegotiated loans and advances to customers that have already been written off and recorded in off-balance sheet accounts, as well as any gains from renegotiations, are recognized only when received.

### **Concentration of credit risk in loans and advances**



	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Largest borrower	2.8%	2.0%
Ten largest borrowers	9.2%	6.9%
Twenty largest borrowers	13.3%	10.0%
Fifty largest borrowers	19.5%	14.2%
Hundred largest borrowers	23.8%	17.8%

All ranges presented increase in concentration in 2015 compared to December 2014.

IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**By Economic Activity Sector**



The credit-risk concentration analysis presented below is based on the economic activity sector in which the counterpart operates.

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	R\$ thousand	%	R\$ thousand	%
<b>Public sector</b>	<b>10,250,375</b>	<b>2.8%</b>	<b>6,849,002</b>	<b>2.0%</b>
Federal	10,241,594	2.8%	6,828,851	2.0%
State	8,781	-	20,151	-
<b>Private sector</b>	<b>360,073,293</b>	<b>97.2%</b>	<b>342,347,679</b>	<b>98.0%</b>
Individuals	147,859,789	39.9%	141,219,983	40.4%
Industry	65,158,837	17.6%	56,651,087	16.2%
Commerce	41,267,638	11.1%	43,024,256	12.3%
Services	102,629,056	27.7%	97,987,989	28.1%
Agribusiness	3,157,973	0.9%	3,464,364	1.0%
<b>Total portfolio</b>	<b>370,323,668</b>	<b>100.0%</b>	<b>349,196,681</b>	<b>100.0%</b>
Impairment of loans and advances	(25,455,204)	-	(21,132,677)	-
<b>Total of net loans and advances to customers</b>	<b>344,868,464</b>	<b>-</b>	<b>328,064,004</b>	<b>-</b>

Notably, over the last year, there was an increased participation of “Public sector” and “Individuals”.

## Measurement of Credit Risk

Periodically, the Organization evaluates the existence of objective evidence of loss in the loans and advances portfolio, taking into account its historical experience of impairment losses and employing other methodologies to consider the customer' quality as well as the nature of the transaction including its guarantees for estimating the expected cash flows, which are reviewed regularly in order to constantly improve the models and to ensure that the provision is sufficient.

Initially, clients are classified as individually significant and individually non-significant. Following that initial classification, clients are evaluated on the basis of the existence of evidence of one or more objective loss events. As sometimes it may not be possible to identify a specific event that has caused a loss in the recoverable amount, the combined effects of several events are evaluated. In addition, loss events may be specific, that is, refer to only a particular client, such as payment defaults, renegotiation or bankruptcy event, or be collective and affect a group of assets as a result, for example, interest or exchange rate variations or a reduction in the activity level of one or more economic sectors.

For individually significant clients with specific objective evidences of impairment, the impairment loss is estimated by individual analysis, taking into account the future cash flows expected from each client, including the realization of guarantees associated with operations.

For individually non-significant clients with specific objective evidence of impairment, the, impairment loss is estimated using proprietary historic loss experience models which are based on observable information on the calculation date.

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

Clients showing no specific objective evidence of impairment losses, both individually significant and individually non-significant clients, are evaluated collectively using the Organization's internal models based on collective parameters of loss identified and macroeconomic parameters of economic activity and default.

For collective evaluation, Probability of Default and Loss Given Default models, as well as the Loss Identification Period factor, are used.

Probability of Default (PD): determines the probability of default perceived by the Organization with respect to the customer, according to its internal evaluation model. This risk parameter is determined differently for each segment: retail models are quantitative, while wholesale models are both quantitative and qualitative (subjective).

Loss Given Default (LGD): refers to the percentage effectively lost after recovery efforts given the default of the contract, which is expressed as a percentage of exposure.

Loss Identification Period (LIP): interim period between the occurrence of the loss event in groups of collectively evaluated financial assets, significant and non significant, and its identification by the institution as being impaired.

### **Write-offs**

Credits are written off in the consolidated statement of financial position against impairment of loans and advances when they are considered uncollectible or a permanent loss. Credit operations are normally written off when they are overdue for 180 to 360 days. Credit operations with remaining maturities of at least 36 months are written off when they are overdue for 360 to 540 days.

## Credit Risk Mitigation

Potential credit losses are mitigated by the use of a variety of types of collateral formally stipulated through legal instruments, such as conditional sales, liens and mortgages, by guarantees such as third-party sureties or guarantees, and also by financial instruments such as credit derivatives. The efficiency of these instruments is evaluated considering the time to recover and realize an asset given as collateral, its market value, the guarantors' counterparty risk and the legal safety of the agreements. The main types of collaterals include: term deposits; financial investments and securities; residential and commercial properties; movable properties such as vehicles, aircraft, machinery and equipment. Additionally, collateral may include commercial bonds such as invoices, checks and credit card bills. Sureties and guarantees may also include bank guarantees and letters of credit.

Credit derivatives are bilateral agreements where one of the counterparties buys hedge against credit risk of a specific financial instrument and its risk is transferred to the selling counterparty. Usually, the latter receives a linear remuneration during the transaction's effectiveness.

In the event of default, the counterparty who purchased the hedge will be paid, the purpose of which is to compensate for the impairment losses on the underlying financial instrument. In this case, the selling counterparty receives the underlying asset in exchange for the referred payment.

On December, 2015, Bradesco had credit default swaps (CDS) with the following characteristics: the risk received in credit swaps whose underlying assets are "debt securities issued by companies" is R\$ 136,668 thousand (2014 – (i) the amount of risk transferred under credit swaps whose underlying assets are "securities – securities of foreign government debt" is negative R\$ 1,326,900 thousand; and (ii) the risk received in credit swaps whose underlying assets are "derivative with companies" is R\$ 13,281 thousand, amounting to a total net credit risk value of negative R\$ 1,313,619 thousand), with an effect on the calculation of required shareholders' equity of negative R\$ 15,033 thousand (R\$ 71,519 thousand in 2014). The contracts related to credit derivatives transactions described above are due in 2020. The mark-to-market of the protection rates that remunerates the counterparty that received the risk totaled R\$ 42 thousand. There were no credit events, as defined in the agreements, during the period.

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

#### **Offsetting of financial assets and liabilities**

According to IFRS 7, the Bank must also present the amounts related to financial instruments subject to master netting agreements or similar agreements, which do not meet some or all of offsetting criteria from IAS 32. Similar agreements include the Global Derivative Agreements (CGD/ISDA) and the Global Master Repurchase Agreements (GMRA).

Part of the derivative financial instruments transacted by the Bank in environments that are not stock exchange, are executed through contracts CGD and ISDA (International Swaps and Derivatives agreement), in Brazil and abroad.

The table below shows the offsetting of financial assets and liabilities:

		2015	R\$ thousand
	<b>Gross amount of financial assets presented in the statement of financial position</b>	<b>Related amounts not offset in the statement of financial position</b>	<b>Net amount</b>
Securities purchased under agreements to resell	111,024,912	3,782	111,021,130
Derivatives	18,870,917	301,725	18,569,192

		2015	R\$ thousand
	<b>Gross amount of financial</b>	<b>Related amounts not</b>	<b>Net amount</b>

	<b>liabilities presented in the statement of financial position</b>	<b>offset in the statement of financial position</b>	
Securities sold under repurchase agreements	222,291,364	3,782	222,287,582
Derivatives	19,345,729	301,725	19,044,004

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**Notes to the Consolidated Financial Statements**

	R\$ thousand		
	<b>2014</b>		
	<b>Gross amount of financial assets presented in the statement of financial position</b>	<b>Related amounts not offset in the statement of financial position</b>	<b>Net amount</b>
Securities purchased under agreements to resell	136,738,812	12,765	136,726,047
Derivatives	4,421,457	345,370	4,076,087

	R\$ thousand		
	<b>2014</b>		
	<b>Gross amount of financial liabilities presented in the statement of financial position</b>	<b>Related amounts not offset in the statement of financial position</b>	<b>Net amount</b>
Securities sold under repurchase agreements	219,359,890	12,765	219,347,125
Derivatives	3,315,573	345,370	2,970,203

**3.2. Market risk**

Market risk is represented by the possibility of financial loss due to fluctuating prices and interest rates of the Organization's financial instruments, such as its asset and liability transactions that may have mismatched maturities, currencies and indexes.

Market risk is identified, measured, mitigated, controlled and reported. The Organization's exposure to market risk profile is in line with the guidelines established by the governance process, with limits independently monitored.

All transactions that expose the Organization to market risk are mapped, measured and classified according to probability and magnitude, and the whole process is approved by the governance structure.

The risk management process relies on the participation of all levels of the Organization, from the business areas to the Board of Directors.

In compliance with the best Corporate Governance practices, to preserve and strengthen the management of market risk in the Organization, as well as to meet the requirements of Resolution n<sup>o</sup> 3.464/07, of the National Monetary Council (CMN), the Board of Directors approved the Market and Liquidity Risk Management Policy, which is reviewed at least annually by the relevant Committees and by the Board of Directors itself, and provides the main guidelines for acceptance, control and management of market and liquidity risks.

In addition to the policy, the Organization has specific rules to regulate the market risk management process, as follows:

- Classification of Operations;
- Reclassification of Operations;
- Trading of Public or Private Securities;



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

- Use of Derivatives; and
- Hedging.

### **Market Risk Management Process**

The market risk management process is a corporation wide process; it involves various areas, each with specific duties in the process, thereby ensuring an efficient structure. The measurement and control of market risk is conducted in a centralized and independent manner. This process permits that the Organization uses its internal market risk models to calculate regulatory capital requirements since January 2013. This process, approved by the Board of Directors, is also revised at least once a year by the Committees and the Board itself.

### **Determination of Limits**

Proposed market-risk limits are validated by specific Committees and submitted for approval by the Integrated Risk Management and Capital Allocation Committee, and then for approval by the Board of Directors. Based on the business' characteristics, they are segregated into the following Portfolios:

Trading Portfolio: it comprises all operations involving financial instruments, held-for-trading, including derivatives, 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 with the following limits:

- Value at Risk (VaR);
- Stress;
- Income; and
- Financial Exposure / Concentration.

Banking Portfolio: it comprises operations not classified in the Trading Portfolio, arising from Organization's other businesses and their respective hedges.

The Banking Portfolio is monitored with the following limits:

- Interest rate risk limit.

### **Market-Risk Measurement Models**

Market risk is measured and controlled using Stress, VaR, Economic Value Equity (EVE) and Sensitivity Analysis methodologies, as well as limits for the Management of Results and Financial Exposure. Using several methodologies to measure and evaluate risks is of great importance, because they can complement each other and their combination allows for analysis of different scenarios and situations.

### **Trading and Regulatory Portfolio**

Trading Portfolio risks are controlled by the Stress and VaR methodologies. The Stress methodology quantifies the negative impact of economic shocks and events that are financially unfavorable to the Organization's positions. The analysis uses stress scenarios prepared by the Market Risk area and the Organization's economists based on historical and prospective data for the risk factors in the Organization portfolio.

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

The methodology adopted to calculate VaR is the Delta-Normal, with a confidence level of 99% and considering the number of days necessary to unwind the existing exposures. The methodology is applied to the Trading and Regulatory Portfolio (Trading Portfolio positions plus Banking Portfolio foreign currency and commodities exposures). It is worth noting that the historical simulation and the Delta-Gama-Vega models are applied to measure all risk factors of an options portfolio, whichever is the most conservative. A minimum 252-business-day period is adopted to calculate volatilities, correlations and historical returns.

For regulatory purposes, the capital requirements relating to shares held in the Banking Portfolio are determined on a credit risk basis, as per Central Bank of Brazil resolution, ie, are not included in the market risk calculation.

### **Risk of Interest Rate in the Banking Portfolio**

The measurement and control of the interest-rate risk in the Banking Portfolio area is based on the EVE methodology, which measures the economic impact on the positions, according to scenarios prepared by the Organization's economists. These scenarios determine the positive and negative movements of interest rate curves that may affect Organization's investments and capital-raising.

The EVE methodology consists of repricing the portfolio exposed to interest rate risk, taking into account the scenarios of increases or decreases of rates, by calculating the impact on present value and total term of assets and liabilities. The economic value of the portfolio is estimated on the basis of market interest rates on the analysis date and of scenarios projected for a period of 1 year. The difference between the values obtained for the portfolio will be EVE, that is, the interest-rate risk applicable to the Banking Portfolio.

In measuring the Banking Portfolio interest rate risk, the possibility of the early settlement is not considered as this possibility is not relevant to the total volume. For demand and savings deposits with undetermined maturity, their historical behaviors and the possibility of maintaining them are studied. Thus, after all the

deductions from demand and savings deposits, for example, the compulsory reserve held at Brazilian Central Bank, the remaining balance (free funds) is considered in accordance with the maturity flows of fixed-rate lending operations.

We emphasize that the insurance operations are not exposure to significant currency risk.

### **Financial Instrument Pricing**

To adopt the best market prices related to the assessment of financial instruments' market value, the Market and Liquidity Risk Management Executive Committee (CEGRIMEL) established the Mark-to-Market Commission (CMM), which is responsible for approving or submitting mark-to-market models to GEGRIMEL. CMM is composed of business, back-office and risk representatives. The risk area is responsible for the coordination of the Commission and for the submission the matters to the CEGRIMEL for reporting or approval, whichever is the case.

Whenever possible, the Bank uses prices and quotes from by the Securities, Commodities and Futures Exchange and the Secondary Markets. Failing to find such market references, prices made available by other sources (such as Bloomberg, Reuters and Brokerage Firms) are used. As a last resort, proprietary models are used to price the instruments, which also follow the same CMM approval procedure and are submitted to the Organization's validation and assessment processes.

Mark-to-market criteria are periodically reviewed, according to the governance process, and may vary due to changes in market conditions, creation of new classes of instruments, establishment of new sources of data or development of models considered more appropriate.

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The financial instruments to be included in the Trading Portfolio must be approved by the Treasury Executive Committee or the Product and Service Executive Committee and their pricing criteria must be defined by the CMM.

The following principles for the mark-to-market process are adopted by the Organization:

- **Commitment:** the Organization is committed to ensuring that the prices used reflect the market value of the operations. Should information not be found, Bradesco uses its best efforts to estimate the market value of the financial instruments;
- **Frequency:** the formalized mark-to-market criteria are applied on a daily basis;
- **Formality:** the CMM is responsible for ensuring the methodological quality and the formalization of the mark-to-market criteria;
- **Consistency:** the process to gather and apply prices should be carried out consistently, to guarantee equal prices for the same instrument within the Organization; and
- **Transparency:** the methodology must be accessible by the Internal and External Audit, Independent Model Validation areas and by Regulatory Agencies.

In December 2014, the Brazilian National Monetary Council (CMN) published Resolution 4,389/14, which amended Resolution 4,277/13. These resolutions set forth the basic procedures that entities must follow in pricing financial instruments to market value and the guidelines to apply prudential adjustments to these instruments. In accordance with the above mentioned procedures, Bradesco is already aligned with these resolutions' guidelines, including applying due prudential adjustments required by the regulation.

### **Independent Risk Model Validation**

Bradesco uses models to manage and measure risks and capital, which are developed based on statistical, economic, financial and mathematical theories or expert knowledge, which support and facilitate the structuring of critical issues and enable standardization and fast decision-making.

The independent validation process identifies, mitigates and controls the model risk. Model risk arises from the potential for adverse consequences resulting from decisions based on incorrect or obsolete models. The independent validation process checks whether the models adequately attend their defined objectives, and whether the results obtained are appropriate to be used for the purpose they were created. Validation is carried out through the application of a strict series of tests that addresses the appropriateness of processes, governance and the development of the models and their assumptions. The results are reported to the managers, Internal Audit, and the Internal Control, Compliance and Integrated Risk and Capital Allocation Management Committees.

Accordingly, the area carries out activities that allow the development and constant improvement of the tests included in the test program. The test programs are specific for each type of model and are classified into six dimensions, grouped into qualitative and quantitative types:

- **Qualitative**

- **Scope of the Model:** scope of application of the model that includes the objective of each type of risk, the companies exposed to this type of risk exposure, books, products, segments, channels, etc.;

- **Applicability of the Model:** includes the definition and reasonability of the use of the model's factors and the flow and timeliness of information in the decision-making process; and

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- Technological Environment and Data Consistency: structure of systems and controls involved in the model calculations and the overall process in which the model is inserted. It also includes data consistency, which takes into consideration the effectiveness of version and access controls, backup procedures, traceability, changes in parameters, data quality, system contingency and automated controls.

- **Quantitative**

- Measurement System: risk measurement procedure that includes the definition, application and internal validation of the method, including methodology, assumptions, parameters, calculation routine, input data and results;

- Stress Test: measurement procedure to quantify the variations in the amounts estimated by the model in extreme, historical and plausible, prospective scenarios of the variables affecting it; and

- Backtesting: statistic procedure used to assess the model by comparing the amounts estimated by the model and the amounts observed within a previously defined period. It includes methodological, formalization and utilization aspects for model improvement.

The responsibility for executing the independent validation process, that includes the analysis and the assessment of models, lies with to the Independent Model Validation Area (AVIM), which uses structures that are already implemented and settled in the Organization to avoid overlapping tasks.

### **Control and Follow-Up**

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

In addition to daily reports, Trading Portfolio positions are discussed once a week by the Treasury Executive Committee, while Banking Portfolio positions and liquidity reports are examined every fifteen days by the Asset and Liability Management Treasury Executive Committee. At both meetings, results and risks are assessed and strategies are discussed. Both the governance process and the existing thresholds are ratified by the Integrated Risk and Capital Allocation Management Committee and submitted to approval of the Board of Directors, and they are revised at least once a year.

In case of disruption of any limit, the head of the business division responsible for the position is informed of the threshold use, and the Integrated Risk and Capital Allocation Management Committee is called in a timely fashion to make a decision. If the Committee decides to raise the threshold and/or maintain the positions, the Board of Directors is called to approve the new threshold or revised position strategy.

### **Internal Communication**

The market risk department provides daily managerial control reports on the positions to the business areas and Senior Management, in addition to weekly reports and periodic presentations to the Board of Directors.

Reporting is conducted through an alert system, which determines the addressees of risk reports as previously determined risk threshold percentage is reached; therefore, the higher the risk threshold consumption, more Senior Management members receive the reports.



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### **Hedging and Use of Derivatives**

In order to standardize the use of financial instruments as hedges of operations and the use of derivatives by the Treasury Department, the Organization created specific rules that were approved by the competent Committees.

The hedge operations executed by Bradesco's Treasury Department must necessarily cancel or mitigate risks related to unmatched quantities, terms, currencies or indexes of the positions in the Treasury books, and must use assets and derivatives authorized to be traded in each of their books to:

- control and classify the operations, respecting the exposure and risk limits in effect;
- alter, modify or revert positions due to changes in the market and to operational strategies; and
- reduce or mitigate exposures to operations in inactive markets, in conditions of stress or of low liquidity.

### **Fair value Hedge accounting**

Bradesco constituted a hedge to protect from the market risk, using futures contracts, which generated R\$ 1,406,154 thousand, for protection against the effects of the exchange rate variation of the firm commitment concerning the purchase and sale of shares agreement (Note 43 (1)), which produced an adjustment to the market value of (R\$ 1,761,964 thousand). The effect of these operations, recorded in the caption derivative financial instruments, was an expense of R\$ 355,810 thousand.

## **Standardized and “Continuous Use” Derivatives**

Bradesco’s Treasury Department may use standardized (traded on an exchange) and “continuous use” (traded over-the-counter) derivatives for the purpose of obtaining income or as hedges. The derivatives classified as “continuous use” are those habitually traded over-the-counter, such as vanilla swaps (interest rates, currencies, CDS – Credit Default Swap, among others), forward operations (currencies, for example) and vanilla options (currency, Bovespa Index), among others. Non-standardized derivatives that are not classified as “continuous use” or structured operations cannot be traded without the authorization of the applicable Committee.

## **Evolution of Exposures**

In this section we present the evolution of financial exposure, the VaR calculated using the internal model and its backtesting and the Stress Analysis.

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

#### **Financial Exposure – Trading Portfolio**

<b>Risk Factors</b>	R\$ thousand			
	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Fixed rate	48,582,147	3,260,337	45,180,176	84,966,113
IGP-M (General Index of market pricing) / IPCA (Consumer price index)	3,385,148	3,225,568	10,132,364	3,943,431
Forex Coupon	1,577,228	1,429,773	7,558,990	5,179,851
Foreign Currency	12,304,611	12,257,907	19,449,097	20,028,084
Equities	-	-	296,396	1,022
Sovereign / Eurobonds and Treasuries	10,907,639	6,095,598	12,055,852	9,473,734
Other	320,877	3,264	606,845	53,738
<b>Total</b>	<b>77,077,650</b>	<b>26,272,447</b>	<b>95,279,720</b>	<b>123,645,973</b>

#### **VaR Internal Model –Trading Portfolio**

The 1-day VaR of Trading Portfolio net of tax effects in end of 2015 was R\$ 18,016 thousand, with the prefixed risk as the largest participation of the portfolio.

<b>Risk Factors</b>	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fixed rate	16,514	20,368
IGP-M (General Index of market pricing) / IPCA (Consumer price index)	524	10,495
Forex Coupon	1,117	6,048
Foreign Currency	937	8,640
Equities	-	3,737
Sovereign/Eurobonds and Treasuries	6,468	5,526
Others	30	1,995

Correlation / Diversification Effect	(7,574)	(20,260)
<b>VaR at the end of the year</b>	<b>18,016</b>	<b>36,549</b>
Average VaR in the year	21,450	36,356
Minimum VaR in the year	4,878	16,090
Maximum VaR in the year	64,538	56,896

Note: 1-day VaR and net of tax effects.

### **VaR Internal Model – Regulatory Portfolio**

Bradesco Organization was the first financial institution to be authorized by Brazilian Central Bank to use, since January 2013, its internal market risk models, which had already been in use by the Organization's management, to assess regulatory capital requirements<sup>(1)</sup> for all risk factors and all companies of the Organization. This capital is calculated based on the Regulatory Portfolio, which comprises the Trading Portfolio and the Foreign Exchange Exposure and the Commodities Exposure of the Banking Portfolio, through the use of the normal delta VaR model. In addition, the historical simulation and the Delta–Gama–Vega models are applied to measure all risk factors to an options portfolio, whichever is the most conservative. In this model, risk value is extrapolated to the regulatory horizon<sup>(2)</sup> (at least ten days) by the 'square root of time' method. VaR and Stressed VaR shown below refer to a ten-day horizon and are net of tax effects.

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(1) For purposes of calculating the Market Risk portion, capital requirement will be the maximum between the internal model and 80% of Brazilian Central Bank's standard model, as per Brazilian Central Bank's Circular Letters 3,646/13 and 3,674/13; and

(2) The maximum amount between the book's holding period and ten days, which is the minimum regulatory horizon required by Brazilian Central Bank, is adopted.

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

Risk Factors	R\$ mil			
	December 31			
	2015		2014	
	VaR	Stressed	VaR	Stressed
Interest rate	55,695	110,807	96,136	211,451
Exchange rate	48,914	70,643	60,771	102,805
Commodity price (Commodities)	3,099	7,209	2,103	3,836
Equities	-	-	15,821	16,706
Correlation / Diversification Effect	(17,398)	(10,732)	(40,471)	(53,131)
<b>VaR at the end of the year</b>	<b>90,310</b>	<b>177,927</b>	<b>134,360</b>	<b>281,667</b>
Average VaR in the year	100,250	179,591	142,015	271,875
Minimum VaR in the year	26,434	72,814	55,350	146,052
Maximum VaR in the year	312,386	378,198	201,431	346,826

Note: Ten-day horizon VaR net of tax effects.

To calculate regulatory capital requirement according to the internal model, it is necessary to take into consideration the rules described by Brazilian Central Bank Circular Letters nº 3,646/13 and 3,674/13, such as the use of VaR and Stressed VaR net of tax effects, the average in the last 60 days and the multiplier.

### **VaR Internal Model – Backtesting**

The risk methodology applied is continuously assessed using backtesting techniques, which compare the one-day period VaR with the hypothetical P&L, obtained from the same positions used in the VaR calculation, and with the effective P&L, also considering the intraday operations for which VaR was estimated.

The main purpose of backtesting is to monitor, validate and assess the adherence of the VaR model, and the number of exceptions that occurred must be compatible with the number of exception accepted by the statistical tests conducted and the confidence level established. Another objective is to improve the models

used by the Organization, through analyses carried out with different observation periods and confidence levels, both for Total VaR and for each risk factor.

The hypothetical and effective P&L for the last 250 business days exceeded their respective VaR with a 99% confidence level four times.

The exceptions were mainly due to the increase in volatility in the domestic market arising from the uncertainties about meeting of the fiscal target. According to the document published by the Basel Committee on Banking Supervision<sup>(3)</sup>, exceptions are classified as being due to “either bad luck or the markets did not behave as expected by the model”, i.e. volatility was significantly higher than expected and, in certain situations, the correlations differed from those forecast by the model.

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(3) *Supervisory Framework for the use “Backtesting” in Conjunction with the Internal Models Approach to Market Risk Capital Requirements* (January 1996).



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

### **Stress Analysis – Trading Portfolio**

The Organization also assesses on a daily basis, the possible impacts on positions in stress scenarios for the next 20 business days, with limits established in the governance process. Thus, considering the effect of -/diversification between the risk factors and the tax effects, the average of the possible loss estimates in a stress situation would be R\$ 190,301 thousand in 2015 (2014 – R\$ 384,415 thousand), and the maximum estimated loss in the year of 2015 would be R\$ 397,795 thousand (2014 – R\$ 542,079 thousand).

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
At the end of the year	184,312	437,960
Average in the year	190,301	384,415
Minimum in the year	54,060	162,252
Maximum in the year	397,795	542,079

Note: Values net of tax effects.

### **Sensitivity Analysis**

The Trading Portfolio is also monitored daily by sensitivity analyses that measure the effect of movements of market and price curves on our positions. Furthermore, a sensitivity analysis of the Organization's financial exposures (Trading and Banking Portfolio) is performed on a quarterly basis, in compliance with CVM Rule nº 475/08.

Note that the impact on the financial exposures held in the Banking Portfolio (notably interest rates and price indexes) does not necessarily represent a potential accounting loss for the Organization because a portion of loans held in the Banking Portfolio are financed by demand and/or savings deposits, which are "natural hedges" for future variations in interest rates, moreover, interest rate variations in this book do not



have a material impact on the Institution's result, as Loans are held to maturity. In addition, due to our strong presence in the insurance and pension plan market, Bradesco holds a large volume of assets on which price adjustments would also impact the linked technical reserves.

The sensitivity analyses were carried out based on the scenarios prepared for the respective dates, always taking into consideration market inputs available at the time and scenarios that would adversely impact our positions, in accordance with the scenarios below:

**Scenario 1:** Based on market information (BM&FBOVESPA, Anbima, etc.), stresses were applied for 1 basis point on the interest rate and 1% variation on prices. For example: for a Real/US dollar exchange rate of R\$ 3.97 a scenario of R\$ 4.00 was used, while for a 1-year fixed interest rate of 15.87%, a 15.88% scenario was applied;

**Scenario 2:** 25% stresses were determined based on market information. For example: for a Real/US dollar exchange rate of R\$ 3.97 a scenario of R\$ 4.96 was used, while for a 1-year fixed interest rate of 15.87%, a 19.83% scenario was applied. The scenarios for other risk factors also accounted for 25% stresses in the respective curves or prices; and

**Scenario 3:** 50% stresses were determined based on market information. For example: for a Real/US dollar quote of R\$ 3.97 a scenario of R\$ 5.95 was used, while for a 1-year fixed interest rate of 15.87%, a 23.80% scenario was applied; The scenarios for other risk factors also account for 50% stresses in the respective curves or prices.

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**Notes to the Consolidated Financial Statements**

**Sensitivity Analysis – Trading and Banking Portfolio**

		R\$ thousand					
		Trading & Banking Portfolios <sup>(1)</sup>					
		December 31, 2015			December 31, 2014		
Risk Factors	Definition	Scenario			Scenario		
		1	2	3	1	2	3
Interest Rates in Reais	Exposures subject to variations of fixed interest rates and coupon rate	(5,027)	(1,920,630)	(3,739,629)	(6,653)	(2,026,998)	(3,924,153)
Price indices	Exposures subject to the variation of the coupon rate of the price indices	(7,930)	(1,395,457)	(2,613,957)	(9,382)	(1,370,926)	(2,568,347)
Forex Coupon	Exposures subject to the variation of the coupon rate of foreign currencies	(581)	(81,873)	(150,673)	(526)	(57,069)	(106,625)
Foreign Currency	Exposures subject to the FX variation	(5,054)	(132,492)	(264,983)	(7,430)	(142,382)	(272,480)
Equities	Exposures subject to the variation of share prices	(12,054)	(301,354)	(602,707)	(17,898)	(447,446)	(894,892)
Sovereign/ Eurobonds and Treasuries	Exposures subject to the variation of the interest rate of securities traded on the	(1,260)	(51,310)	(101,025)	(898)	(40,715)	(79,422)

	international market Exposures that do not match the previous definitions	(454)	(11,353)	(22,706)	(1,100)	(28,795)	(57,591)
Others							
<b>Total without correlation</b>		<b>(32,360)</b>	<b>(3,894,469)</b>	<b>(7,495,680)</b>	<b>(43,887)</b>	<b>(4,114,331)</b>	<b>(7,903,510)</b>
<b>Total with correlation</b>		<b>(17,879)</b>	<b>(3,218,376)</b>	<b>(6,181,241)</b>	<b>(32,947)</b>	<b>(3,412,335)</b>	<b>(6,546,331)</b>

(1) Values net of taxes.

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Below we also present the sensitivity analysis of the Trading Portfolio, which contains the exposures that could have a material impact on the Organization's results, emphasizing that results show the impact for each scenario on a static portfolio position. However, the market is highly dynamic which results in continuous changes in these positions. Moreover, as previously mentioned, the Organization has an on-going process of market risk management, which constantly seeks to adjust positions to mitigate related risks according to the strategy determined by Senior Management. Therefore, where there are indicators of deterioration in a certain position. Therefore, in cases of deterioration indicators in a certain position, proactive measures are taken to minimize any potential negative impact, aimed at maximizing the risk/return ratio for the Organization.

### **Sensitivity Analysis – Trading Portfolio**

		R\$ thousand					
		Trading Portfolio <sup>(1)</sup>					
		December 31, 2015			December 31, 2014		
		Scenario			Scenario		
Risk Factors	Definition	1	2	3	1	2	3
Interest Rates in Reais	Exposures subject to variations of fixed interest rates and coupon rate	(867)	(321,946)	(627,934)	(1,171)	(366,067)	(712,658)
Price indices	Exposures subject to the variation of the coupon rate of the price indices	(53)	(8,834)	(16,217)	(569)	(80,643)	(157,231)
Forex Coupon	Exposures subject to the variation of the	(30)	(1,312)	(2,592)	(435)	(47,993)	(89,385)

	coupon rate of foreign currencies Exposures subject to the FX variation	(276)	(6,898)	(13,796)	(3,418)	(85,185)	(170,367)
Foreign Currency							
	Exposures subject to the variation of share prices	-	-	-	(651)	(16,264)	(32,529)
Equities							
	Exposures subject to the variation of the interest rate of securities traded on the international market	(530)	(7,281)	(14,747)	(574)	(29,250)	(56,730)
Sovereign/ Eurobonds and Treasuries							
	Exposures that do not match the previous definitions	-	(2)	(3)	(1,121)	(27,687)	(55,374)
Others							
<b>Total without correlation</b>		<b>(1,756)</b>	<b>(346,273)</b>	<b>(675,289)</b>	<b>(7,939)</b>	<b>(653,089)</b>	<b>(1,274,274)</b>
<b>Total with correlation</b>		<b>(1,357)</b>	<b>(333,171)</b>	<b>(649,489)</b>	<b>(5,250)</b>	<b>(434,142)</b>	<b>(843,678)</b>

(1) Values net of taxes.

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**3.3. Liquidity risk**

The Liquidity Risk is represented by the possibility of the institution not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the institution not being able to trade a position at market price due to its high amount when compared to the usually traded volume or due to some market discontinuation.

The understanding and monitoring of this risk are crucial to enable the Organization to settle operations in a timely manner.

### **Management Process for Liquidity Risk**

The management of liquidity risk is a group-wide process. This process involves several areas with specific responsibilities that guarantee an efficient structure. The measurement and control of liquidity risk are conducted in a centralized and independent manner, including the daily monitoring of available funds, the compliance with the minimum liquidity level and the contingency plan for stress situations.

One of the objectives of the Organization's Policy on Market and Liquidity Risk Management, approved by the Board of Directors, is to set out the rules, criteria and procedures that guarantee the establishment of the Minimum Liquidity Reserve (RML) for the Organization, as well as the strategy and action plans for liquidity crisis situations. The policy and controls established fully comply with National Monetary Council Resolution 4,090/12.

As part of the criteria and procedures approved, the Organization establishes the minimum daily liquidity reserve and the types of assets eligible to be included in the available resources. It also establishes the instruments for managing liquidity in a normal scenario and in a crisis scenario and the strategies to be implemented in each case.

### **Control and Monitoring**

The liquidity risk management process is conducted by Bradesco's Treasury Department based on the positions provided by the back-office area, which is responsible for providing the necessary information to the management and for monitoring the compliance with the limits established. The Integrated Risk Control Department is responsible for the methodology for measuring the minimum liquidity reserve, controlling the limits established according to currency and type of company (including non-financial firms), reviewing the policies, rules, criteria and procedures, and conducting studies for new recommendations.



Liquidity risk is monitored in meetings of the Treasury Asset and Liability Management Executive Committee, which manages liquidity reserves, with term and currency mismatches. Monitoring is also handled by the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

In addition to the controlling and monitoring internal methodology, in October 2015 the Organization began to measure and report to BCB the Short-Term Liquidity indicator (LCR), as provided by National Monetary Council Resolution 4,401/15 of BCB Circular Letter 3,749/15.

### **Internal Communication**

In the process of liquidity risk management, reports are distributed daily to the areas involved in management and control, as well as to Management. This process includes the use of several analysis instruments to monitor liquidity, such as:

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- Daily distribution of liquidity control instruments;
- Automatic intra-day update of the liquidity reports for appropriate management by the Treasury Department;
- Preparation of reports with past behavior and future simulations based on scenarios;
- Daily verification of compliance with minimum liquidity levels; and
- Weekly reports to the Board of Executive Officers, showing the behavior and expectations related to the liquidity situation.

The liquidity risk management process also has an alert system that selects the appropriate reporting level according to the percentage of the established limit utilized. Thus, the higher the risk limit consumption, the higher the number of Senior Management members who receive the reports.

### **Undiscounted cash flows of financial liabilities**

The table below presents the cash flows payable for non-derivative financial liabilities, covering the remaining contractual period to maturity as from the date of the consolidated statement of financial position. The values disclosed in this table represent the undiscounted contractual cash flows.

	December 31, 2015					R\$ thousand
	From 3					
	Up to 1 month	3 months	From 1 to months to 1 year	From 1 to 5 years	More than 5 years	Total
Deposits from banks	150,331,118	20,291,509	71,326,932	65,961,025	7,919,945	315,830,529
Deposits from customers	130,723,632	5,248,961	17,115,696	56,442,974		-209,531,263
Funds from securities issued	5,656,769	5,745,925	44,293,275	91,813,081	1,362,297	148,871,347

Subordinated debt	1,326	393	220,054	34,278,197	28,955,215	63,455,185
Other financial liabilities <sup>(1)</sup>	33,004,342	2,704,788	6,198,291	3,669,150	4,593,310	50,169,881
<b>Total liabilities</b>	<b>319,717,187</b>	<b>33,991,576</b>	<b>139,154,248</b>	<b>252,164,427</b>	<b>42,830,767</b>	<b>787,858,205</b>

R\$ thousand

## December 31, 2014

## From 3

	From 1 to months to 1	From 1 to 5	More than			
	Up to 1 month	3 months	year	years	5 years	Total
Deposits from banks	156,597,215	12,476,450	61,952,803	63,523,273	6,008,538	300,558,279
Deposits from customers	139,924,613	11,547,029	14,673,694	55,221,182	268,807	221,635,325
Funds from securities issued	3,627,093	7,153,234	38,964,220	53,581,427	3,097,228	106,423,202
Subordinated debt	330,835	40,805	2,882,799	37,186,527	12,149,375	52,590,341
Other financial liabilities <sup>(1)</sup>	31,269,551	2,590,313	5,460,287	404,715	-	39,724,866
<b>Total liabilities</b>	<b>331,749,307</b>	<b>33,807,831</b>	<b>123,933,803</b>	<b>209,917,124</b>	<b>21,523,948</b>	<b>720,932,013</b>

(1) Include, mainly, credit card transactions, foreign exchange transactions, negotiation and intermediation of securities, finance leasing and capitalization bonds.

The assets available to meet all the obligations and cover the outstanding commitments include cash and cash equivalents, financial assets, loans and advances. Management may also cover unexpected cash outflows by selling securities and by having access to sources of additional funds, such as asset-backed-markets.

The previous table shows the undiscounted contractual cash flows of the to financial liabilities of the Organization. The cash flows that the Organization estimates for these instruments may vary significantly from those presented. For example, it is expected that demand deposits of customers will maintain a stable or increasing balance, and it is not expected that these deposits will be withdrawn immediately.

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The gross cash outflows presented in the previous table refer to the undiscounted contractual cash flow related to the financial liability.

In the Organization, liquidity-risk management involves a series of controls, mainly related to the establishment of technical limits, with the ongoing evaluation of the positions assumed and the financial instruments used.

**Undiscounted cash flows for derivatives**

All the derivatives of the Organization are settled at net value, and include:

- Foreign currency derivatives – over-the-counter currency options, currency futures, and currency options traded on an exchange; and
- Interest rate derivatives – interest rate swaps, forward rate contracts, interest rate options, other interest rate contracts, interest rate futures traded on an exchange and interest rate options traded on an exchange.

The table below analyzes the derivative financial liabilities that will be settled at net value, grouped based on the period remaining from the reporting date to the respective maturity date. The values disclosed in the table are undiscounted cash flows.

	<b>December 31, 2015</b>	R\$ thousand
<b>Up to 1 month</b>		<b>Total</b>
		548

		<b>From 1 to 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	
Differential of swaps payable	6,095,945	590,439	1,212,280	7,920,786	456,162	16,275,612
Non-deliverable forwards	2,737,511	195,041	378,029	36,575	-	3,347,156
• Purchased	18,744	14,313	13,738	708	-	47,503
• Sold	2,718,767	180,728	364,291	35,867	-	3,299,653
Premiums of options	11,614	31,967	55,803	21,551	-	120,935
Adjustment payables - future	20,614	-	-	-	-	20,614
<b>Total of derivative liabilities</b>	<b>8,865,684</b>	<b>817,447</b>	<b>1,646,112</b>	<b>7,978,912</b>	<b>456,162</b>	<b>19,764,317</b>

R\$ thousand

**December 31, 2014****From 3**

	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Differential of swaps payable	346,649	115,965	447,568	1,722,738	438,477	3,071,397
Non-deliverable forwards	820,776	83,641	79,565	34,450	-	1,018,432
• Purchased	448,725	3,609	6,546	2,028	-	460,908
• Sold	372,051	80,032	73,019	32,422	-	557,524
Premiums of options	133,098	-	-	-	-	133,098
Adjustment payables - future	36,761	-	-	-	-	36,761
<b>Total of derivative liabilities</b>	<b>1,337,284</b>	<b>199,606</b>	<b>527,133</b>	<b>1,757,188</b>	<b>438,477</b>	<b>4,259,688</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

## Notes to the Consolidated Financial Statements

### Statement of financial position by maturities

The tables below show the financial assets and liabilities of the Organization segregated by maturities used for the management of liquidity risks, in accordance with the remaining contractual maturities on the reporting date:

	December 31, 2015						R\$ mil
	1 to 30 days	Current 31 to 180 days	181 to 360 days	1 to 5 years	Non-current More than 5 years	No stated maturity	Total
<b>Assets</b>							
Cash and balances with banks	72,091,764	-	-	-	-	-	72,091,764
Financial assets held for trading	3,612,532	44,910,148	65,668,238	17,239,116	5,845,695	22,347,720	159,623,449
Financial assets available for sale	15,492,144	14,989,348	14,699,465	37,119,401	26,071,346	9,323,746	117,695,450
Investments held to maturity	1,614	310	1,080	4,692,585	35,307,971	-	40,003,560
Assets pledged as collateral	117,735,013	4,664,281	535,117	7,948,870	13,606,640	-	144,489,921
Loans and advances to banks	25,966,200	5,125,023	2,631,802	1,893,758	3,627	-	35,620,410
Loans and advances to customers	48,849,077	81,615,491	49,906,092	128,028,009	36,469,795	-	344,868,464
Other financial assets <sup>(1)</sup>	21,155,622	359,485	377,601	9,690,087	1,246,693	-	32,829,488
<b>Total financial assets</b>	<b>304,903,966</b>	<b>151,664,086</b>	<b>133,819,395</b>	<b>206,611,826</b>	<b>118,551,767</b>	<b>31,671,466</b>	<b>947,222,506</b>
<b>Liabilities</b>							
	149,715,213	65,563,266	20,681,344	51,391,187	6,552,381	-	293,903,391

Deposits from banks							
Deposits from customers <sup>(2)</sup>	130,851,646	11,850,391	9,485,648	42,322,415	-	-	-194,510,100
Financial liabilities held for trading	18,666,928	381,846	198,067	98,888	-	-	- 19,345,729
Funds from securities issued	4,620,768	20,161,644	28,486,433	55,534,303	1,046,899	-	-109,850,047
Subordinated debt	275,151	3,078	189,632	26,809,456	23,005,619	-	- 50,282,936
Insurance technical provisions and pension plans <sup>(2)</sup>	141,710,109	2,787,753	940,009	25,503,069	-	-	-170,940,940
Other financial liabilities <sup>(3)</sup>	33,004,342	6,707,561	2,195,518	3,669,150	4,593,310	-	- 50,169,881
<b>Total financial liabilities</b>	<b>478,844,157</b>	<b>107,455,539</b>	<b>62,176,651</b>	<b>205,328,468</b>	<b>35,198,209</b>	<b>-</b>	<b>-889,003,024</b>

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**Notes to the Consolidated Financial Statements**

	December 31, 2014						R\$ mil
	1 to 30 days	Current 31 to 180 days	181 to 360 days	1 to 5 years	Non-current More than 5 years	No stated maturity	Total
<b>Assets</b>							
Cash and balances with banks	65,430,300	-	-	-	-	-	65,430,300
Financial assets held for trading	12,528,462	10,329,874	3,821,167	27,391,862	10,116,311	14,310,635	78,498,311
Financial assets available for sale	48,622,441	2,805,961	1,094,808	20,491,801	42,117,479	5,829,244	120,961,734
Investments held to maturity	251,847	-	-	2,957,798	21,861,386	-	25,071,031
Assets pledged as collateral	134,356,223	2,348,240	44,883	8,554,067	7,309,276	-	152,612,689
Loans and advances to banks	59,578,452	5,994,985	1,922,751	5,478,431	-	-	72,974,619
Loans and advances to customers	42,439,356	79,341,613	52,377,146	128,976,162	24,929,727	-	328,064,004
Other financial assets <sup>(1)</sup>	18,835,255	178,155	126,040	7,911,000	695,425	-	27,745,875
<b>Total financial assets</b>	<b>382,042,336</b>	<b>100,998,828</b>	<b>59,386,795</b>	<b>201,761,121</b>	<b>107,029,604</b>	<b>20,139,879</b>	<b>871,358,563</b>
<b>Liabilities</b>							
Deposits from banks	156,090,148	51,898,510	18,295,238	48,706,320	4,950,011	-	279,940,227
Deposits from customers <sup>(2)</sup>	140,005,267	19,522,530	5,655,603	44,848,105	-	-	210,031,505
Financial liabilities held for trading	1,587,956	336,416	247,455	910,999	232,747	-	3,315,573
Funds from securities issued	3,193,907	25,211,737	18,296,364	36,970,980	1,357,411	-	85,030,399
Subordinated debt	182,774	773,767	1,905,575	23,771,494	9,188,056	-	35,821,666
	119,595,531	2,731,627	887,115	23,344,947	-	-	146,559,220



Insurance technical provisions and pension plans <sup>(2)</sup>							
Other financial liabilities <sup>(3)</sup>	31,269,551	5,571,072	2,479,528	404,715	-	-	39,724,866
<b>Total financial liabilities</b>	<b>451,925,134</b>	<b>106,045,659</b>	<b>47,766,878</b>	<b>178,957,560</b>	<b>15,728,225</b>		<b>-800,423,456</b>

(1) Includes mainly foreign exchange transactions, debtors for guarantee deposits and negotiation and intermediation of securities;

(2) Demand and savings deposits and insurance technical provisions and pension plans comprising VGBL and PGBL products are classified as up to 30 days, without considering average historical turnover; and

(3) Includes mainly credit card transactions, foreign exchange transactions, negotiation and intermediation of securities, finance leasing and capitalization bonds.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

The tables below show the assets and liabilities of the Company segregated by current and non-current, on the reporting date:

	December 31, 2015		R\$ thousand
	Current	Non-current	Total
<b>Assets</b>			
<b>Total financial assets</b>	<b>477,347,690</b>	<b>469,874,816</b>	<b>947,222,506</b>
Non-current assets held for sale	1,247,106	-	1,247,106
Investments in associated companies	-	5,815,325	5,815,325
Property and equipment	-	5,504,435	5,504,435
Intangible assets and goodwill	-	7,409,635	7,409,635
Taxes to be offset	2,497,111	4,320,316	6,817,427
Deferred income tax assets	-	45,397,879	45,397,879
Other assets	4,896,521	2,392,688	7,289,209
<b>Total non-financial assets</b>	<b>8,640,738</b>	<b>70,840,278</b>	<b>79,481,016</b>
<b>Total assets</b>	<b>485,988,428</b>	<b>540,715,094</b>	<b>1,026,703,522</b>
<b>Liabilities</b>			
<b>Total financial liabilities</b>	<b>648,476,347</b>	<b>240,526,677</b>	<b>889,003,024</b>
Other provisions	1,199,443	14,164,874	15,364,317
Current income tax liabilities	2,781,104	-	2,781,104
Deferred income tax liabilities	-	772,138	772,138
Other liabilities	27,197,846	670,331	27,868,177
<b>Total non-financial liabilities</b>	<b>31,178,393</b>	<b>15,607,343</b>	<b>46,785,736</b>
<b>Total equity</b>	<b>-</b>	<b>90,914,762</b>	<b>90,914,762</b>
<b>Total liabilities and equity</b>	<b>679,654,740</b>	<b>347,048,782</b>	<b>1,026,703,522</b>

	December 31, 2014		R\$ thousand
	Current	Non-current	Total
<b>Assets</b>			
<b>Total financial assets</b>	<b>542,427,959</b>	<b>328,930,604</b>	<b>871,358,563</b>
Non-current assets held for sale	1,006,461	-	1,006,461
Investments in associated companies	-	3,983,780	3,983,780

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Property and equipment	-	4,700,518	4,700,518
Intangible assets and goodwill	-	7,529,915	7,529,915
Taxes to be offset	2,406,727	3,723,464	6,130,191
Deferred income tax assets	-	28,388,183	28,388,183
Other assets	4,485,318	2,868,087	7,353,405
<b>Total non-financial assets</b>	<b>7,898,506</b>	<b>51,193,947</b>	<b>59,092,453</b>
<b>Total assets</b>	<b>550,326,465</b>	<b>380,124,551</b>	<b>930,451,016</b>
<b>Liabilities</b>			
<b>Total financial liabilities</b>	<b>605,737,671</b>	<b>194,685,785</b>	<b>800,423,456</b>
Other provisions	5,589,526	8,274,875	13,864,401
Current income tax liabilities	3,602,333	-	3,602,333
Deferred income tax liabilities	-	808,178	808,178
Other liabilities	29,080,272	380,571	29,460,843
<b>Total non-financial liabilities</b>	<b>38,272,131</b>	<b>9,463,624</b>	<b>47,735,755</b>
<b>Total equity</b>	<b>-</b>	<b>82,291,805</b>	<b>82,291,805</b>
<b>Total liabilities and equity</b>	<b>644,009,802</b>	<b>286,441,214</b>	<b>930,451,016</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**3.4. Fair value of financial assets and liabilities**

The Organization applies IFRS 13 for financial instruments measured in the consolidated statement of financial position at fair value, which requires disclosure of fair-value measurements according to the following fair-value hierarchy of fair value measurement:

- Level 1

Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active market, as well as Brazilian government securities that are highly liquid and are actively traded in over-the-counter markets.

- Level 2

Valuation uses observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data, including but not limited to yield curves, interest rates, volatilities, equity or debt prices and foreign exchange rates.

- Level 3

Valuation uses unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities normally include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant Management judgment or estimation. This category generally includes certain corporate and bank debt securities and certain derivative contracts.

To fair value securities which have no consistent, regulatory updated, public price source, Bradesco uses models defined by the mark-to-market Commission and documented in the mark-to-mark manual for each security type. Through the use of methods and both mathematical and financial models which capture the effects and variations in the prices of marked-to-market assets, or similar instruments, Bradesco is able to ascertain in a clear and consistent manner the determination of fair value of its level 3 assets and liabilities.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

The tables below present the composition of the financial assets and liabilities measured at fair value, classified using the hierarchical levels:

**R\$ thousand**



	December 31, 2015			
	Level 1	Level 2	Level 3	Fair Value
Brazilian government securities	91,024,831	2,808,135	150	93,833,116
Corporate debt and marketable equity securities	2,726	7,462,571	209,060	7,674,357
Bank debt securities	602,526	14,720,225	-	15,322,751
Mutual funds	21,711,385	-	-	21,711,385
Foreign governments securities	784,507	-	-	784,507
Brazilian sovereign bonds	1,426,416	-	-	1,426,416
<b>Financial assets held for trading</b>	<b>115,552,391</b>	<b>24,990,931</b>	<b>209,210</b>	<b>140,752,532</b>
Derivative financial instruments (assets)	77,357	18,793,525	35	18,870,917
Derivative financial instruments (liabilities)	-	(19,325,312)	(20,417)	(19,345,729)
<b>Derivatives</b>	<b>77,357</b>	<b>(531,787)</b>	<b>(20,382)</b>	<b>(474,812)</b>
Brazilian government securities	66,150,482	-	65,370	66,215,852
Corporate debt securities	4,460,456	29,657,956	1,643,401	35,761,813
Bank debt securities	3,449,165	1,193,879	-	4,643,044
Brazilian sovereign bonds	4,791	-	-	4,791
Foreign governments securities	1,746,204	-	-	1,746,204
Marketable equity securities and other stocks	2,293,172	2,654,155	4,376,419	9,323,746
<b>Financial assets available for sale</b>	<b>78,104,270</b>	<b>33,505,990</b>	<b>6,085,190</b>	<b>117,695,450</b>
Brazilian government securities	29,158,113	-	-	29,158,113
Corporate debt securities	2,488,929	-	-	2,488,929
Bank debt securities	1,817,967	-	-	1,817,967
<b>Assets pledged as collateral</b>	<b>33,465,009</b>	-	-	<b>33,465,009</b>
<b>Total</b>	<b>227,199,027</b>	<b>57,965,134</b>	<b>6,274,018</b>	<b>291,438,179</b>

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

**R\$ thousand**

**December 31, 2014**

	Level 1	Level 2	Level 3	Fair Value
Brazilian government securities	33,361,270	1,653,447	189	35,014,906
Corporate debt and marketable equity securities	6,140,460	-	4,192,257	10,332,717
Bank debt securities	12,021,814	-	3,883,495	15,905,309
Mutual funds	12,336,964	-	-	12,336,964
Foreign governments securities	68,397	-	-	68,397
Brazilian sovereign bonds	418,561	-	-	418,561
<b>Financial assets held for trading</b>	<b>64,347,466</b>	<b>1,653,447</b>	<b>8,075,941</b>	<b>74,076,854</b>
Derivative financial instruments (assets)	1,682,609	2,738,848	-	4,421,457
Derivative financial instruments (liabilities)	(133,004)	(3,182,569)	-	(3,315,573)
<b>Derivatives</b>	<b>1,549,605</b>	<b>(443,721)</b>	-	<b>1,105,884</b>
Brazilian government securities	70,075,922	-	73,115	70,149,037
Corporate debt securities	1,849,728	-	39,517,045	41,366,773
Bank debt securities	2,227,430	-	1,127,349	3,354,779
Brazilian sovereign bonds	261,901	-	-	261,901
Marketable equity securities and other stocks	5,642,776	-	186,468	5,829,244
<b>Financial assets available for sale</b>	<b>80,057,757</b>	-	<b>40,903,977</b>	<b>120,961,734</b>
Brazilian government securities	8,352,929	-	-	8,352,929
Corporate debt securities	3,661,955	-	-	3,661,955
Bank debt securities	3,858,993	-	-	3,858,993
<b>Assets pledged as collateral</b>	<b>15,873,877</b>	-	-	<b>15,873,877</b>
<b>Total</b>	<b>161,828,705</b>	<b>1,209,726</b>	<b>48,979,918</b>	<b>212,018,349</b>

### Derivative Assets and Liabilities

The Organization's derivative positions are determined 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. The majority of market inputs are observable and can be obtained, from BM&FBovespa (principal source) and the secondary market. Exchange traded derivatives valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; those that are not are classified as Level 2 or Level 3.

The yield curves are used to determine the fair value by the method of discounted cash flow, for currency swaps and swaps based on other risk factors. The fair value of futures and forward contracts is also determined based on quoted markets prices on the exchanges for exchanges-traded derivatives or using similar methodologies to those described for swaps. The fair value of options is determined using external quoted prices or mathematical models, such as Black-Scholes, using yield curves, implied volatilities and the fair value of the underlying asset. Current market prices are used to determine the implied volatilities. The majority of these models do not contain a high level of subjectivity as the methodologies used in the models do not require significant judgment and inputs to the model are readily observable from active quoted markets. Such instruments are generally classified within Level 2 of the valuation hierarchy. The fair values of derivative assets and liabilities also include adjustments for market liquidity, counterparty credit quality and other specific factors, where appropriate.

Derivatives that are valued based on mainly unobservable market parameters and that are not actively traded are classified within Level 3 of the valuation hierarchy. Level 3 derivatives include credit default swaps which have corporate debt securities as underlyings.

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### Notes to the Consolidated Financial Statements

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years 2015 and 2014:

	R\$ thousand				
	Financial assets held for trading	Financial assets available for sale	Derivatives	Assets pledged as collateral	Total
<b>Balance on December 31, 2013</b>	<b>15,483,147</b>	<b>26,285,737</b>	-	<b>1,597,019</b>	<b>43,365,903</b>
Included in the statement of income and other comprehensive income	1,182,719	3,177,784	-	326,944	4,687,447
Additions	2,731,439	20,112,571	-	225	22,844,235
Reductions	(11,258,124)	(8,474,920)	-	(262,282)	(19,995,326)
Transfer levels	(63,240)	(197,195)	-	(1,661,906)	(1,922,341)
<b>Balance on December 31, 2014</b>	<b>8,075,941</b>	<b>40,903,977</b>	-	-	<b>48,979,918</b>
Included in the statement of income and other comprehensive income	451,287	2,494,337	-	-	2,945,624
Additions	1,101,585	7,469,980	(20,382)	-	8,551,183
Reductions	(2,387,864)	(5,340,777)	-	-	(7,728,641)
Transfer levels	(7,031,739)	(27,023,324)	-	-	(34,055,063)
Transfer to investments held to maturity	-	(12,419,003)	-	-	(12,419,003)
<b>Balance on December 31, 2015</b>	<b>209,210</b>	<b>6,085,190</b>	<b>(20,382)</b>	-	<b>6,274,018</b>

In 2015, there was a transfer of securities from Level 3 to other levels of classification, mainly for level 2 in the amount R\$ 34,055,063 thousand. The transfer refers, basically, to Corporate debt securities, which were based on the fair value obtained from internal pricing models, mainly customer internal rating, and since 2015 began to be calculated based on observable market data (Anbima's credit curve). Also on September 2015, R\$ 12,419,003 thousand were reclassified Certificates of real estate receivables from category "Financial assets available for sale" to the category "Investments held to maturity", due to the change of intention of the Management.

The tables below show the gains/(losses) due to changes in fair value, including the realized and unrealized gains and losses, recorded in the consolidated statement of income for Level 3 assets and liabilities during the years 2015, 2014 and 2013:

	Year ended December 31, 2015			R\$ thousand
	Financial assets held for trading	Financial assets available for sale	Assets pledged as collateral	Total
Interest and similar income	440,791	1,399,443	-	1,840,234
Net trading gains/(losses) realized and unrealized	10,496	1,094,894	-	1,105,390
<b>Total</b>	<b>451,287</b>	<b>2,494,337</b>	<b>-</b>	<b>2,945,624</b>

	Year ended December 31, 2014			R\$ thousand
	Financial assets held for trading	Financial assets available for sale	Assets pledged as collateral	Total
Interest and similar income	1,169,354	3,719,015	244,964	5,133,333
Net trading gains/(losses) realized and unrealized	13,365	(541,231)	81,980	(445,886)
<b>Total</b>	<b>1,182,719</b>	<b>3,177,784</b>	<b>326,944</b>	<b>4,687,447</b>

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**Notes to the Consolidated Financial Statements**

	Year ended December 31, 2013			R\$ thousand
	Financial assets held for trading	Financial assets available for sale	Assets pledged as collateral	Total
Interest and similar income	2,499,220	1,067,146	264,920	3,831,286
Net trading gains/(losses) realized and unrealized	48,335	(1,067,450)	(141,274)	(1,160,389)
<b>Total</b>	<b>2,547,555</b>	<b>(304)</b>	<b>123,646</b>	<b>2,670,897</b>

The tables below show the gains/(losses) due to the changes in fair value, including the realized and unrealized gains and losses, recorded in the statement of income for Level 3 assets and liabilities, which were not settled during the years 2015, 2014 and 2013:

	Year ended December 31, 2015			R\$ thousand
	Financial assets held for trading	Assets pledged as collateral	Total	
Net gains/(losses) due to changes in fair value	9,420	-	9,420	
<b>Total</b>	<b>9,420</b>	<b>-</b>	<b>9,420</b>	

	Year ended December 31, 2014			R\$ thousand
	Financial assets held for trading	Assets pledged as collateral	Total	
Net gains/(losses) due to changes in fair value	(32,104)	79,710	47,606	
<b>Total</b>	<b>(32,104)</b>	<b>79,710</b>	<b>47,606</b>	

	Year ended December 31, 2013			R\$ thousand
	Financial assets held for trading	Assets pledged as collateral	Total	



Net gains/(losses) due to changes in fair value	36,768	(142,011)	(105,243)
<b>Total</b>	<b>36,768</b>	<b>(142,011)</b>	<b>(105,243)</b>

**Sensitivity analysis for financial assets classified as Level 3**

	R\$ thousand					
	<b>December 31, 2015</b>					
	<b>Impact on income <sup>(1)</sup></b>			<b>Impact on shareholders' equity<sup>(1)</sup></b>		
	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Interest rate in BRL	-	(1)	(3)	(16)	(4,228)	(7,399)
Price indices	(69)	(10,986)	(20,489)	(350)	(58,074)	(107,165)
Equities	-	-	-	(24,141)	(603,532)	(1,207,063)

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**Notes to the Consolidated Financial Statements**

	R\$ thousand					
	<b>December 31, 2014</b>					
	<b>Impact on income <sup>(1)</sup></b>			<b>Impact on shareholders' equity<sup>(1)</sup></b>		
	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Interest rate in BRL	(28)	(8,412)	(16,168)	(4,506)	(986,617)	(1,766,138)
Price indices	(181)	(25,777)	(48,804)	(873)	(122,229)	(228,411)
Foreign currency coupon	(11)	(703)	(1,392)	-	-	-
Foreign currency	(564)	(14,110)	(28,220)	-	-	-
Equities	-	-	-	(1,119)	(27,970)	(55,940)

(1) Values net of taxes.

The sensitivity analyses were carried out based on the scenarios prepared for the dates shown, always taking into consideration market inputs available at the time and scenarios that would adversely impact our positions, in accordance with the scenarios below:

**Scenario 1:** Based on market information (BM&FBOVESPA, Anbima, etc.), stresses were applied for 1 basis point on the interest rate and 1% variation on prices. For example: for a Real/US dollar exchange rate of R\$ 3.97 a scenario of R\$ 4.00 was used, while for a 1-year fixed interest rate of 15.87%, a 15.88% scenario was applied;

**Scenario 2:** 25% stresses were determined based on market information. For example: for a Real/US dollar exchange rate of R\$ 3.97 a scenario of R\$ 4.96 was used, while for a 1-year fixed interest rate of 15.87%, a 19.83% scenario was applied. The scenarios for other risk factors also had 25% stresses in the respective curves or prices; and

**Scenario 3:** 50% stresses were determined based on market information. For example: for a Real/US dollar quote of R\$ 3.97 a scenario of R\$ 5.95 was used, while for a 1-year fixed interest rate of 15.87%, a 23.80% scenario was applied; The scenarios for other risk factors also had 50% stresses in the respective curves or prices.

**Financial instruments not measured at fair value**

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities that were not presented in the consolidated statements of financial position at their fair value, classified using the hierarchical levels:

**R\$ thousand**

	December 31, 2015			Total	Carrying amount
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Assets pledged as collateral					
• Securities purchased under agreements to resell	-	111,024,912	-	111,024,912	111,024,912
Held to maturity	27,387,974	-	11,226,056	38,614,030	40,003,560
Loans and receivables					
• Banks <sup>(1)</sup>	-	35,620,410	-	35,620,410	35,620,410
• Customers <sup>(1)</sup>	-	-	340,574,061	340,574,061	344,868,464
<b>Financial liabilities</b>					
Deposits from banks	-	-	293,242,911	293,242,911	293,903,391
Deposits from customers	-	-	193,919,119	193,919,119	194,510,100
Funds from securities issued	-	-	110,005,449	110,005,449	109,850,047
Subordinated debt	-	-	49,752,718	49,752,718	50,282,936

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**R\$ thousand**

	December 31, 2014			Total	Carrying amount
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Assets pledged as collateral					
• Securities purchased under agreements to resell	-	136,738,812	-	136,738,812	136,738,812
Held to maturity	27,141,530	-	-	27,141,530	25,071,031
Loans and receivables					
• Banks <sup>(1)</sup>	-	72,974,619	-	72,974,619	72,974,619
• Customers <sup>(1)</sup>	-	-	326,701,918	326,701,918	328,064,004
<b>Financial liabilities</b>					
Deposits from banks	-	-	279,875,143	279,875,143	279,940,227
Deposits from customers	-	-	209,623,317	209,623,317	210,031,505
Funds from securities issued	-	-	85,190,081	85,190,081	85,030,399
Subordinated debt	-	-	35,890,227	35,890,227	35,821,666

(1) Amounts of loans and receivables are presented net of the provision for impairment losses.

Below we list the methodologies used to determine the fair values presented above:

### Loans and receivables

Fair values were estimated for groups of similar loans based upon type of loan, credit quality and maturity. Fair value for fixed-rate transactions was determined by discounted cash flow estimates using interest rates approximately equivalent to our rates for new transactions based on similar contracts. Where credit deterioration has occurred, estimated cash flows for fixed and floating-rate loans have been reduced to reflect estimated losses.

The fair values for performing loans are calculated by discounting scheduled principal and interest cash flows through maturity using market discount rates and yield curves that reflect the credit and interest rate risk inherent to the loan type at each reporting date. The fair values for impaired loans are based on discounting cash flows or the value of underlying collateral.

The non-performing loans were allocated into each loan category for purposes of calculating the fair-value disclosure. Assumptions regarding cash flows and discount rates are based on available market information and specific borrower information.

### Held to maturity

R\$ thousand

Investments held to maturity are carried at amortized cost. Fair values are estimated according to the assumptions described on Note 2(e). See Note 22 for further details regarding the amortized cost and fair values of held-to-maturity securities.

### **Deposits from banks and customers**

The fair value of fixed-rate deposits with stated maturities was calculated using the contractual cash flows discounted with current market rates for instruments with similar maturities and terms. For floating-rate deposits, the carrying amount was considered to approximate fair value.

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**Funds from securities issued**

The carrying values of funds from securities issued approximate the fair values of these instruments.

**Subordinated debt**

Fair values for subordinated debts were estimated using a discounted cash flow calculation that applies interest rates available in the market for similar maturities and terms.

**3.5. Capital management**



## **Capital Management Corporate Process**

The Capital Management provides the conditions required to meet the Organization's strategic goals and face the risks inherent to its activities. It includes the preparation of the capital plan, identifying the contingency actions to be considered in stress scenarios.

In line with the strategic guidelines, the Organization manages capital, involving the control and business areas, in accordance with the guidelines of the Board of Executive Officers and Board of Directors.

The governance structure for the capital management and the Internal Capital Adequacy Assessment Process (ICAAP) is composed by Committees and its highest level body is the Board of Directors. The most important is the Planning, Budget and Control Department, whose mission is to provide the efficient and effective management of the business through strategic management and planning, supporting the Top Management by providing analyses and projections of capital requirements and availability, identifying threats and opportunities that help plan the sufficiency and optimization of capital levels. The Department is responsible for complying with the provisions of Brazilian Central Bank regarding capital management activities.

## **Capital Adequacy**

This process is followed up daily to ensure that the Organization maintains a solid capital base to support its operations and to cover the risks incurred, either in normal situations or in extreme market conditions, besides complying with regulatory requirements.

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

According to the Central Bank, financial institutions are required to permanently maintain capital and additional Common Equity Tier I compatible with the risks from their activities, represented by Risk-Weighted Asset (RWA), which is calculated taking into consideration, at least, the sum of the following portions:

Where:

RWACPAD: portion referring to exposures to credit risk;

RWAMPAD: portion referring to exposures to market risk subject to calculation of capital requirement upon standardized approach, through the addition of the following portions:

- RWAJUR: portion referring to exposures subject to interest rate variation;
- RWAACS: portion referring to exposures subject to share price variation;
- RWACOM: portion referring to exposures subject to commodity price variation; and
- RWACAM: portion referring to exposures of gold, in foreign currency and assets subject to foreign exchange variation.

RWAMINT: portion referring to market risk exposures subject to calculation of capital requirement upon internal model; and

RWAOPAD: portion referring to calculation of required capital to operational risk.

Additionally, the Organization must maintain enough capital to meet the interest rate risk from operations not included in the trading portfolio (Banking Portfolio's interest rate risk), calculated using the EVE (Economic Value Equity) method.

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## Notes to the Consolidated Financial Statements

### Analysis of Reference Equity (PR)

Following is the detailed information on the Organization's Capital, in compliance with the Prudential <sup>(1)</sup> and Financial Consolidated:

Calculation basis – Capital Adequacy Ratio <sup>(1)</sup>	R\$ thousand	
	Basel III	
	December 31	
	2015	2014
	Prudential <sup>(1)</sup>	Financial
<b>Tier I capital</b>	<b>77,506,951</b>	<b>77,198,803</b>
<b>Common Equity tier I</b>	<b>77,506,951</b>	<b>77,198,803</b>
Shareholders' equity	88,906,644	81,508,250
Prudential adjustments <sup>(2)</sup>	(11,399,693)	(4,309,447)
<b>Tier II capital</b>	<b>25,318,399</b>	<b>21,405,720</b>
Subordinated debt	25,318,399	21,405,720
<b>Capital (a)</b>	<b>102,825,350</b>	<b>98,604,523</b>
- Credit risk	556,440,558	544,797,828
- Market risk	18,670,132	21,435,661
- Operational risk	37,106,557	30,979,716
<b>Risk-weighted assets – RWA (b)</b>	<b>612,217,247</b>	<b>597,213,205</b>
<b>Capital adequacy ratio (a / b)</b>	<b>16.8%</b>	<b>16.5%</b>
<b>Tier I capital</b>	<b>12.7%</b>	<b>12.9%</b>
Common equity	12.7%	12.9%
<b>Tier II capital</b>	<b>4.1%</b>	<b>3.6%</b>

(1) As per January 2015, the Basel Ratio started to be calculated based on the "Prudential Consolidated", in accordance with National Monetary Council Resolution n<sup>o</sup> 4,192/13; and

(2) As per January 2015, the factor applied to prudential adjustments went from 20% to 40%, according to the timeline for application of deductions of prudential adjustments, defined in Article 11 of National Monetary Council Resolution n<sup>o</sup> 4,192/13.

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

### **Breakdown of Risk-Weighted Assets (RWA)**

Below is the detailed comparison of the risk-weighted assets (RWA) of the Prudential and Financial Consolidated, regulatory approach:

RWA	R\$ thousand	
	December 31 2015 Prudential	2014 Financial
<b>Credit risk</b>	<b>556,440,558</b>	<b>544,797,828</b>
Risk Weight of 0%	-	-
Risk Weight of 2%	328,283	147,754
Risk Weight of 20%	4,518,512	2,024,991
Risk Weight of 35%	6,008,247	4,995,128
Risk Weight of 50%	10,078,977	8,175,758
Risk Weight of 75%	119,281,405	130,444,268
Risk Weight of 85%	132,933,131	101,542,404
Risk Weight of 100%	243,218,248	257,528,910
Risk Weight of 250%	29,065,106	28,949,551
Risk Weight of 300%	10,715,057	10,745,990
Risk Weight of 909.09%	293,592	243,074
<b>Market Risk <sup>(1)</sup></b>	<b>18,670,132</b>	<b>21,435,661</b>
Fixed-rate in Reais	10,701,612	6,932,576
Foreign Currency Coupon	3,479,394	6,990,281
Price Index Coupon	355,282	6,244,313
Equities	-	445,602
Commodities	876	320,739
Exposure to Gold, Foreign Currencies and Exchange <sup>(2)</sup>	559,358	5,861,064
<b>Operational Risk</b>	<b>37,106,557</b>	<b>30,979,716</b>
Corporate Finance	1,058,528	1,075,605
Trading and Sales	3,452,346	5,611,414
Retail	6,627,621	4,771,800
Commercial	14,447,459	13,215,216
Payment and Settlement	7,806,207	3,679,832
Financial Agent Services	2,365,768	1,514,018
Asset Management	1,250,498	1,031,478

R\$ thousand

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Retail Brokerage	98,130	80,353
<b>Total Risk Weighted Assets</b>	<b>612,217,247</b>	<b>597,213,205</b>
<b>Total Capital Requirement</b>	<b>67,343,897</b>	<b>65,693,452</b>
<b>Banking Portfolio's Interest Rate Risk</b>	<b>3,701,899</b>	<b>3,528,879</b>

1- To calculate the portion concerning Market Risk, capital requirements will be the greater between of the amount determined using the internal model and 80% of the standard model, according to Brazilian Central Bank Circular Letter 3646/13.

The Organization ended the year of 2015 with total Risk-Weighted Assets (RWA) of R\$ 612,217,247 thousand (2014 – R\$ 597,213,205 thousand).

The RWA for credit risk were R\$ 556,440,558 thousand, which represented 90.9% of total risk-weighted assets. In December, 2015, RWA for market risk totaled R\$ 18,670,132 thousand, which represented 3.0% of total risk-weighted assets. For the regulatory capital requirement we used 80% of the standard model, while the internal model RWA stood at R\$ 12,686,684 thousand. With regards to operational risk, RWA amounts to R\$ 37,106,557 thousand, equivalent to 6.1% of total risk-weighted assets. Capital requirement for interest rate risk in the Banking Portfolio was R\$ 3,701,899 thousand.

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

### **Follow-up of Basel Index and Margin**

The Capital Adequacy Ratio (Basel) is an international indicator defined by the Basel Committee on Bank Supervision, which recommends a minimum ratio of 8% between capital and risk-weighted assets. In Brazil, in December 2015 the current minimum required ratio was 11% for Total Capital, 6% for Tier I Capital and 4.5% for Common Equity Tier I, according to the regulations in effect (National Monetary Council Resolutions 4,192/13 and 4,193/13).

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>Prudential</b>	<b>Financial</b>
Total Capital	102,825,350	98,604,523
Tier I	77,506,951	77,198,803
Common Equity Tier I	77,506,951	77,198,803
Total Capital Requirement	67,343,897	65,693,453
Margin <sup>(1)</sup> (Capital Buffer)	35,481,453	32,911,070
Banking Book's Interest Rate Risk	3,701,899	3,528,879
Capital Adequacy Ratio	16.8%	16.5%
Tier I Ratio	12.7%	12.9%
Common Equity Tier I Ratio	12.7%	12.9%

(1) Lower margin between Total Capital, Tier I Capital and Common Equity Tier I, and deduction of Capital for each vision.

### **Capital Sufficiency**



The management of capital is aligned with the strategic planning and is forward looking, anticipating any changes in the economic and commercial environment conditions in which we operate.

The Organization's capital management methodology aims to ensure, in a permanent way, a solid capital composition to support the development in its activities and ensure appropriate coverage of all risks involved. An important component of this methodology is the managerial capital margin (management buffer), which is added to the minimum regulatory requirements (Total Capital, Tier I and Common Equity Tier I).

The management buffer is defined according to the leading practices and regulatory requirements, observing aspects such as additional impacts generated by stress scenarios, qualitative risks and risks not captured by the regulatory model.

The Organization considers it comfortable to maintain a Tier I Capital margin of at least 25% in relation to the minimum capital requirements in the medium and long term, pursuant to the schedule established by the Brazilian Central Bank for the full adoption of Basel III guidelines.

The Organization's regulatory capital sufficiency can be seen by calculating the capital adequacy ratio which in this period was 16.8%, of which 12.7% was Tier I and Common Equity Tier I. In terms of margin, the amount totaled R\$ 35,481,103 thousand, which would allow for an increase of up to R\$ 385,206,714 thousand in loan operations (Retail).

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

Since January 2015, according to the National Monetary Council's Resolution 4,192/13 which deals with the methodology for calculating the ratios of Common Equity Tier 1, Tier 1 and Total Capital, the regulatory scope became the Consolidated Prudential, the Prudential adjustments rose from 20% to 40% and the use of subordinated debt eligible for capital issued under the previous rules of the Basel III fell from 80% to 70% of the stock of these debts.

### **Capital Forecast**

The capital management area (ICAAP) is responsible for making simulations and projections of the Organization's capital, in accordance with the strategic guidelines, the impacts arising from variations and trends of the economic and business environment as well as regulatory changes. The results from the projections are submitted to the Top Management, pursuant to the governance established.

The projections present adequate levels of Principal and Level I Capital indices, considering the incorporation of net profits and the increase in prudential adjustments due to the increase of the factors established in Article 11 of National Monetary Council Resolution 4,192/13 for subsequent periods.

Capital Requirement indices projected for the next three years present sufficiency that meets the minimum regulatory requirements and were approved by the Board of Directors.

### **Simulation - Basel III**

Based on Basel III rules published by Brazilian Central Bank in March and October 2013, which include the definition of capital and the expansion of risk scope and are being gradually implemented up to 2019, below is the simulation based in strategic assumptions for the Prudential Consolidated, taking into consideration the full compliance with the rules on the reference date of September 2015, i.e., anticipating all the impacts

expected throughout the implementation schedule, according to National Monetary Council Resolution 4,192/13.

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

**Basel III – Quantitative Impact Study**

**3.6. Insurance risk/subscription risk**

Insurance risk is the risk related to a possible loss event that may occur in the future and for which there is uncertainty over the amount of damages that result from it. A component of insurance risk is underwriting risk, which arises from an adverse economic situation not matching the Organization's expectations at the time of drafting its underwriting policy and calculating insurance premiums. In short, it refers to the risk of the frequency or severity of loss events or benefits exceeding the Organization's estimates.

Underwriting risk is managed by our technical areas. Underwriting and risk acceptance policies are periodically evaluated by working groups. In addition, one of the main tasks of our technical areas is to develop an internal model for calculating additional capital based on underwriting risk.

The management process seeks to diversify insurance operations, aiming to excel at balancing the portfolio, and is based on the grouping of risks with similar characteristics in order to reduce the impact of individual risks.

#### **Uncertainties over estimated future claim payments**

The organization must indemnify all covered events that occurred during the policy period, even if a loss is discovered after coverage ends. As a result, claims are reported over a period and a significant portion of these claims are accounted for in the provisions for incurred and but not reported claims (IBNR). The estimated cost of claims includes direct expenses to be incurred when settling them.

Giving the uncertainties inherent to the process for estimating claims provisions, the final settlement may be different than the original provision.

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

### **Asset and liability management (ALM)**

The organization periodically analyzes future cash flows on assets and liabilities held in portfolio (ALM - Asset Liability Management). The method used for ALM analysis is to observe the sufficiency or insufficiency of the present value of the stream of assets in relation to the present value of the stream of liabilities, and the duration of assets in relation to that of liabilities. The aim is to verify that the situation of the portfolio of assets and liabilities is balanced in order to honor the Organization's future commitments to its participants and insured persons.

### **Risk management by product**

Monitoring the insurance contract portfolio enables us to track and adjust premiums practiced, as well as assess the need for alterations. Other monitoring tools in use include: (i) sensitivity analysis, and (ii) algorithmic checks and corporate system notifications (underwriting, issuance and claims).

### **The main risks associated with property insurance**

- Oscillations in the incidence, frequency and severity of the claims and the indemnifications of claims in relation to the expectations;
- Unpredictable claims arising from an isolated risk;
- Inaccurate pricing or inadequate underwriting of risks;
- Inadequate reinsurance policies or risk transfer techniques; and
- Insufficient or excessive technical provisions.

Generally the property insurance underwritten is of short duration.

The underwriting strategies and goals are adjusted by management and informed through internal guidelines and practice and procedure manuals.

The risks inherent to the main property insurance business lines are summarized as follows:

- Auto insurance includes, among other things, physical damage to the vehicle, loss of the insured vehicle and third-party liability insurance for vehicles; and
- Business, home and miscellaneous insurance includes, among other things, fire risks (fire, explosion and business interruption), natural hazards (earthquakes, storms and floods), engineering lines (explosion of boilers, breakdown of machinery and construction) and marine (cargo and hull) as well as liability insurance.

### **Property insurance risk management**

The Organization monitors and evaluates risk exposure and undertakes the development, implementation and revision of guidelines related to underwriting, treatment of claims, reinsurance and constitution of technical provisions. The implementation of these guidelines and the management of these risks are supported by the technical departments of each risk area.

The Technical Department has developed mechanisms, e.g. risk grouping by CPF, CNPJ and risky addresses, that identify, quantify and manage accumulated exposures in order to keep them within the limits defined in the internal guidelines.

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

### **The main risks associated with life-insurance and private-pension plans**

Life-insurance and private-pension plans are long-term in nature and, accordingly, various actuarial assumptions are used to manage and estimate the risks involved, such as: assumptions about returns on investments, mortality and persistence rates in relation to each business unit. Estimates are based on historical experience and on actuarial expectations.

The risks associated with life insurance and private pension plans include:

- Biometric risks, which includes mortality experience, adverse morbidity, longevity and disability. The mortality risk may refer to policyholders living longer than expected (longevity) or passing away before expected. This is because some products pay a lump sum if the person dies, and others pay regular amounts while the policyholder is alive;
- Policyholder's behavior risks, which includes persistence rate experience. Low persistence rates for certain products may result in less policies/private pension plan agreements remaining contracted to help cover fixed expenses and may reduce future positive cash flows of the underwritten business. A low persistence rate may affect liquidity of products which carry a redemption benefit;
- Group life-insurance risk results from exposure to mortality and morbidity rates and to operational experience worse than expected on factors such as persistence levels and administrative expenses; and
- Some Life and Pension Plan products have pre-defined yield guarantees, and thereby face risk from changes in financial markets, returns on investments and interest rates that are managed as a part of market risk.

### **Life-insurance and private-pension-plan risk management**

- The Organization monitors and assesses risk exposure and is responsible for developing, implementing and reviewing policies relating to underwriting, processing claims, and technical reserves for



insurance purposes. Implementation of these policies and management of these risks are supported by our technical areas;

- The technical areas have developed mechanisms, such as statistical reports and performance by type that identify, quantify and manage accumulated exposures to keep them within limits defined by internal policies;
- Longevity risks are carefully monitored in relation to the most recent data and to the trends in the environments in which the Organization and its subsidiaries and associated companies operate. Management monitors exposure to this risk and the capital implications of it in order to manage the possible impacts, as well as to ensure that business has the capital that it may require. The administration adopts improvement assumptions in its calculation of technical provisions in order to predict and thus be covered for possible impacts generated by the improvement in life expectancy of the insured/assisted population;
- Mortality and morbidity risks are partially mitigated through reinsurance contracts for catastrophes;
- Persistency risk is managed through frequent monitoring of the Organization's experience. Management has also defined rules on the management and monitoring of persistence and the implementation of specific initiatives to improve the renewal of policies that expire;
- The risk of a high level of expenses is primarily monitored through the evaluation of the profitability of the business units and the frequent monitoring of expense levels; and
- Interest-rate risk is monitored as a part of market risk.

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

### **The main risks associated with health insurance**

- Variations in cause, frequency and severity of indemnities of claims compared to expectations;
- Unforeseen claims resulting from isolated risk;
- Incorrect pricing or inadequate subscription of risks; and
- Insufficient or overvalued technical provisions.

For individual health insurance, for which certain provisions are calculated based on expected future cash flows (difference between expected future claims and expected future premiums), there are a number of risks, in addition to those cited above, such as biometric risk, including mortality and longevity experience and the insured's behavioral risk, which covers persistency experience, as well as interest-rate risk that is managed as a part of market risk.

### **Management of health-insurance risk**

- The Organization monitors and evaluates risk exposure and is responsible for the development, implementation and review of policies that cover subscription, treatment of claims and technical insurance provisions. The implementation of these policies and management of risks are supported by the technical areas;
- The technical areas have developed mechanisms, such as statistical reports and performance by type that identify, quantify and manage accumulated exposure in order to keep it within the limits defined by internal policies;
- Longevity risk is carefully monitored using the most recent data and tendencies of the environment in which the Organization operates. Management monitors exposure to this risk and its capital implications in order to manage possible impacts, as well as the funding that the future business needs;

- Persistency risk is managed through the frequent management of the Organization's experience. Management has also established guidelines for the management of persistency in order to monitor and implement specific initiatives, when necessary, to improve retention of policies;
- The risk of elevated expenses is primarily monitored through the evaluation of the profitability of business units and the frequent monitoring of expense levels; and
- Interest-rate risk is monitored as a part of market risk.

**Results of sensitivity analysis - Damages, life and health insurance and Life with Survival and Welfare Coverage and Individual Life Insurance**

Some test results are shown below. For each sensibility scenario the impact is shown in the income and shareholders' equity after taxes and contributions, in a reasonable and possible change in just a single factor. We emphasize that the insurance operations are not exposed to significant currency risk.

<b>Sensitivity factor</b>	<b>Description of sensitivity factor applied</b>
Interest rate	Effect of lowering the risk free forward yield curve rate
Loss events	Impact on the business of increased loss events and claims
Longevity	Impact of an improved survival estimates on annuity contracts
Conversion to income	Impact on annuity contracts of a higher rate of conversion to income

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### Notes to the Consolidated Financial Statements

The sensibility test for Life Insurance with Survival, Welfare Coverage and Individual Life Insurance was made considering the same bases of the LAT test with variation in the assumptions listed below:

	R\$ thousand		
	<b>December 31, 2015</b>		
	<b>Interest rate</b>	<b>Longevity</b>	<b>Conversion to income</b>
Percentage adjustment to each assumption:	<b>-5%</b>	<b>+0,002%</b>	<b>+ 5%</b>
PGBL and VGBL (contributing period)	(48,970)	(22,216)	(29,824)
Tradicional plans (contributing period)	(57,212)	(13,740)	(19,879)
All plans(retirement benefit period)	(31,176)	(1,645)	-
Individual life	(8,615)	6,781	-
<b>Total</b>	<b>(145,973)</b>	<b>(30,820)</b>	<b>(49,703)</b>

For damages, life and health insurance, except individual life, the table below shows increase in the events/claims were to rise 1 percentage point over the 12 months from the calculation base date.

	R\$ thousand			
	<b>Gross of reinsurance</b>		<b>Net of reinsurance</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Auto	(21,917)	(22,032)	(21,917)	(22,032)
RE (Elementary branch)	(8,359)	(8,197)	(6,410)	(6,713)
Life	(21,798)	(20,776)	(21,708)	(20,677)
Health	(80,163)	(71,896)	(80,163)	(71,896)

### Limitations of sensitivity analysis

Sensitivity analyses show the effect of a change in an important premise while other premises remain unchanged. In real situations, premises and other factors may be correlated. It should also be noted that these sensitivities are not linear and therefore greater or lesser impacts should not be interpolated or extrapolated from these results.

Sensitivity analyses do not take account of the fact that assets and liabilities are managed and controlled. Additionally, the Organization's financial position may vary with any movement occurring in the market. For example, the risk management strategy aims to manage exposure to fluctuations in the market. As investment markets move, management initiatives may include sales of investments, altered portfolio allocations, and other protective measures.

Other limitations of sensitivity analyses include the use of hypothetical market trends to show potential risk, which only poses Managements views of possible changes affecting markets in the near future in ways that cannot be predicted with any certainty, as well as the premise that interest rates vary in the same way across the curve.

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

### **Risk concentration**

Potential exposures are monitored by analyzing concentration in certain type of insurance. The table below shows risk concentration by type of insurance (except health), based on net premiums, net of reinsurance:

<b>Net premiums written by type of insurance, net of reinsurance</b>	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Auto	3,920,821	4,117,048
Other	1,557,301	1,477,949
Tradicional plans	1,498,935	1,705,576
Life insurance	5,280,448	4,814,010
VGBL	24,689,594	20,044,929
PGBL	2,296,243	2,019,104

### **Credit risk of insurance**

Credit risk consists of the possible incurrence of losses associated with non-performance, by the borrower or counterparty, of its financial obligations according to agreed terms, as well as the fall in value of any credit agreement as a result of deterioration in the risk classification of the borrower, and other losses related to any non-performance of financial obligations by the counterparty.

### **Reinsurance policy**

Credit risk is involved in purchasing reinsurance and insurance companies must be conservative and selective when choosing their partners. Reinsurers are registered with SUSEP, and classified as local, admitted or occasional. Reinsurers classified as admitted and occasional, headquartered abroad, must meet specific minimum requirements set forth in current legislation.

The Bradesco Organization's policy for purchasing reinsurance and approval of reinsurers are the responsibility of the executive board, which, in addition to the minimum legal requirements and regulations, follows certain other parameters when choosing these partners, to minimize the credit risk inherent in these transactions, such as requiring a minimum rating of A- from S&P – Standard & Poor's (or equivalent) except for local reinsurances and a value of shareholder equity consistent with amounts transferred. Another important aspect of managing reinsurance operations is the fact that the Organization aims to work within its contractual capacity, thereby avoiding high credit risk.

The value of premiums transferred in reinsurance is relatively small in relation to total premiums written. However, almost all property damage portfolios, except automotive, are hedged by reinsurance which, in most cases, is a combination of proportional and non-proportional plans by risk and/or by event.

Currently, part of the treaty reinsurance contracts (proportional and non-proportional) are transferred to IRB Brasil Resseguros S.A. Some admitted reinsurers participate with lower individual percentages, but all have minimum capital and rating higher than the minimum established by the Brazilian legislation, which, in management's judgment, reduces the credit risk.

### **Managing credit risk**

Credit-risk management in the Organization is a continuous and evolving process including the mapping, development, evaluation and diagnosis of existing models, instruments and procedures that requires a high level of discipline and control in the analysis of operations to preserve the integrity and independence of processes.

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

Risk management includes monitoring exposure to credit risk of individual counterparties through their credit ratings determined by risk rating agencies such as Fitch Ratings, Standard & Poor's, and Moody's.

As noted above, credit risk is managed at the corporate level using structured, independent internal procedures based on proprietary documentation and reports, duly assessed by the risk management structures of Organization, and based on the gradual deployment of internal models for the determination, measurement and calculation of capital.

#### **Exposure to insurance credit risk**

Management believes that maximum exposure to credit risk arising from premiums to be paid by insured parties is low, since, in some cases, coverage of claims may be canceled (under Brazilian regulations), if premiums are not paid by the due date. Exposure to credit risk for premium receivables differs between risks yet to be incurred and risks incurred, since there is higher exposure on incurred-risk lines for which coverage is provided in advance of payment of the insurance premium.

The Organization is exposed to concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted universe of reinsurers that have acceptable credit ratings. The Organization's policy for managing exposure of to reinsurance counterparties is to restrict the reinsurers that may be used, and to regularly assess the impact of reinsurer default.

#### **4) Estimates and judgments**

The Organization makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Such estimates and judgments are



continually evaluated and based on the historical experience and a number of other factors including future event expectations, regarded as reasonable, under the current circumstances.

The estimates and assumptions that have a significant risk and might have a relevant impact on the amounts of assets and liabilities within the next financial year are disclosed below. The actual results may be different from those established by these estimates and premises.

### **Fair value of financial instruments**

Financial instruments recognized at fair value in our consolidated financial statements consist primarily of financial assets held for trading, including derivatives and financial assets classified as available for sale. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the management date.

These financial instruments are categorized within a hierarchy based on the lowest level of input that is significant to the fair value measurement. For instruments classified as level 3, we have to apply a significant amount of our own judgment in arriving at the fair value measurements. We base our judgment decisions on our knowledge and observations of the markets relevant to the individual assets and liabilities, and those judgments may vary based on market conditions. In applying our judgment, we look at a range of third-party prices and transaction volumes to understand and assess the extent of market benchmarks available and the judgments or modeling required in third-party processes. Based on these factors, we determine whether the fair values are observable in active markets or whether the markets are inactive.

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

Imprecision in estimating unobservable market inputs can impact the amount of revenue or loss recorded for a particular position. Furthermore, while we believe our valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value on the reporting date. For a detailed discussion of the determination of fair value of financial instruments, see Note 3.4.

#### **Impairment of financial assets available for sale**

We determine that financial assets available for sale are impaired when there has been a significant or prolonged decline in the fair value below its cost (see Note 2(e)(viii)(b)). This determination of what is significant or prolonged requires judgment. In making this judgment, the Organization evaluates, among other factors, the volatility in share price, where such variations involve equity securities.

In addition, valuations are obtained through market prices or valuation models that require the use of certain assumptions or judgments to estimate fair value.

#### **Allowance for impairment on loans and advances**

Periodically, the Organization reviews its portfolio of loans and advances evaluating the estimated loss for the impairment of its operations.

The determination of the amount of the allowance for impairment, by its nature, requires judgments and uses assumptions regarding the loan portfolio, both on a portfolio basis and on an individual basis. When we review our loan portfolio as a whole, several factors can affect our estimate of the likely range of losses, including which methodology we use in measuring historical delinquency rates and what historical period

we consider in making those measurements.

Additional factors that can affect our determination of the allowance for impairment include:

- General economic conditions and conditions in the relevant industry;
- Past experience with the relevant debtor or industry, including recent loss experience;
- Credit quality trends;
- Amounts of loan collateral;
- The volume, composition and growth of our loan portfolio;
- The Brazilian government's monetary policy; and
- Any delays in the receipt of information needed to evaluate loans or to confirm existing credit deterioration.

The Organization uses models to assist analysis of the loan portfolio and in determining what impairment should be made. It applies statistical loss factors and other risk indicators to loan pools with similar risk characteristics to arrive at an estimate of incurred losses in the portfolio. Although the models are frequently revised and improved, they are by nature dependent on judgment in relation to the information and estimates. In addition, the volatility of the Brazilian economy is one of the factors that may lead to greater uncertainty in our models than would be expected in more stable macroeconomic environments. Accordingly, our allowance for impairment may not be indicative of future charge-offs.

For a sensitivity analysis, we assess the impact of an increase in the probability of default (PD) on the allowance. In this assessment an increase in 10% of the PD on December 31, 2015, would have increased the allowance for impairment by R\$ 1,040,548 thousand. This sensitivity analysis is hypothetical, and is only meant to illustrate the impact that the expectation of defaults have on determining the allowance for loan losses.

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

The process to determine the level of provision for losses from impairment requires estimates and the use of judgment; it is possible that actual losses presented in subsequent periods will differ from those calculated according to current estimates and assumptions.

### **Impairment of goodwill**

The Organization has to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the process requires the identification of independent Cash-Generating Units and the allocation of goodwill to these units. The carrying amount of the CGU, including the allocated goodwill, is compared to its recoverable amount to determine whether any impairment exists. If the value in use of a cash-generating unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competitive activity, regulatory change). The value in use is based upon discounting expected pre-tax cash flows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both requires one to exercise one's judgment. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect the Organization's view of future performance.

### **Income tax**

The determination of the amount of our income tax liability is complex, and our assessment is related to our analysis of our deferred tax assets and liabilities and income tax payable. In general, our evaluation requires that we estimate future amounts of current and deferred taxes. Our assessment of the possibility that deferred tax assets are realized is subjective and involves assessments and assumptions that are inherently uncertain in nature. The realization of deferred tax assets is subject to changes in future tax rates and developments in our strategies. The underlying support for our assessments and assumptions could change over time as a result of unforeseen events or circumstances, affecting our determination of the amount of our tax liability.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, even after the outcome of any related administrative or judicial proceedings based on technical merits. Further judgment is then required to determine the amount of benefit eligible for recognition in our consolidated financial statements.

In addition, we have monitored the interpretation of tax laws by, and decisions of, the tax authorities and Courts so that we can adjust any prior judgment of accrued income taxes. These adjustments may also result from our own income tax planning or resolution of income tax controversies, and may be material to our operating results for any given period. For additional information about income tax, see Note 17.

### **Technical insurance provisions**

Insurance technical provisions (reserves) are liabilities representing estimates of the amounts that will become due at a future date, to or on behalf of our policyholders – see Note 2(n). These benefits are computed using assumptions of mortality, morbidity, lapse, investment performance, inflation and expense. These assumptions are based on our experience and are periodically reviewed against industry standards to ensure actuarial credibility.

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

### **5) Operating segments**

The Organization operates mainly in the banking and insurance segments. Our banking operations include operations in the retail, middle-market and corporate sectors, leasing, international bank operations, investment bank operations and as a private bank. The Organization also conducts banking segment operations through its branches located throughout the country, in branches abroad and through subsidiaries as well as by means of shareholding interests in other companies. Additionally we are engaged in insurance, supplemental pension plans and capitalization bonds through our subsidiary, Bradesco Seguros S.A. and its subsidiaries.

The following information regarding the segments was prepared based on reports provided to our key management to evaluate performance and make decisions related to the allocation of funds for investments and other purposes. Our key management uses a range of information, including financial information, in accordance with the specific procedures established by Article 3 of the National Monetary Council Resolution n<sup>o</sup> 2,723/00, in force until March 31, 2015, and other provisions of the Accounting Plan of Financial Institutions, and non-financial information measured on different bases. Hence, the segment information demonstrated in the table below was prepared in accordance with the specific procedures established by Article 3 of the National Monetary Council Resolution n<sup>o</sup> 2,723/00, in force until March 31, 2015, and other provisions of the Accounting Plan of Financial Institutions and the total amounts, which correspond to the consolidated financial statements were demonstrated under IFRS, as issued by IASB.

The main assumptions for the segmentation of income and expenses include (i) surplus cash invested by the entities operating in insurance, supplemental pension and capitalization bonds are included in this segment, resulting in an increase in net interest income; (ii) salaries and benefits and administrative costs included in the insurance, supplemental pension and capitalization bonds segment consist only of cost directly related to these operations, and (iii) costs incurred in the banking operations segment related to the infrastructure of the branch network and other general indirect expenses have not been allocated between segments.



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### Notes to the Consolidated Financial Statements

Information by operating segment, reviewed by the Organization and corresponding to the years 2015, 2014 and 2013, is shown below:

	R\$ thousand			
	Year ended December 31, 2015			
	Banking	Insurance, pension and capitalization bonds	Other operations (1), adjustments and eliminations	Total
<b>Net interest income</b>	<b>46,934,849</b>	<b>5,973,694</b>	<b>2,727,499</b>	<b>55,636,042</b>
<b>Net fee and commission income</b>	<b>19,195,003</b>	<b>1,497,890</b>	<b>(2,872,223)</b>	<b>17,820,670</b>
Net gains/(losses) on financial instruments classified as held for trading	(7,199,397)	(627,343)	(425,315)	(8,252,055)
Net gains/(losses) on financial instruments classified as available for sale	(370,947)	(353,679)	52,816	(671,810)
Net gains/(losses) on foreign currency transactions	(3,523,095)	-	-	(3,523,095)
Net income from insurance and pension plans	-	5,496,147	1,358	5,497,505
<b>Other operating income/(loss)</b>	<b>(11,093,439)</b>	<b>4,515,125</b>	<b>(371,141)</b>	<b>(6,949,455)</b>
Impairment of loans and advances	(16,479,985)	-	1,758,833	(14,721,152)
Personnel expenses	(13,103,515)	(1,217,211)	262,679	(14,058,047)
Other administrative expenses	(13,076,913)	(1,137,706)	492,649	(13,721,970)
Depreciation and amortization	(2,752,946)	(321,462)	132,405	(2,942,003)
Other operating income/(expenses)	(11,726,387)	(963,525)	(298,641)	(12,988,553)
<b>Other operating expense</b>	<b>(57,139,746)</b>	<b>(3,639,904)</b>	<b>2,347,925</b>	<b>(58,431,725)</b>
<b>Income before income taxes and equity in the earnings of associates</b>	<b>(2,103,333)</b>	<b>8,346,805</b>	<b>1,832,060</b>	<b>8,075,532</b>
Equity in the earnings of associates and joint ventures	1,358,047	166,865	3,139	1,528,051
<b>Income before income taxes</b>	<b>(745,286)</b>	<b>8,513,670</b>	<b>1,835,199</b>	<b>9,603,583</b>
Income tax and social contribution	12,621,169	(3,192,918)	(793,929)	8,634,322
<b>Net income for the year</b>	<b>11,875,883</b>	<b>5,320,752</b>	<b>1,041,270</b>	<b>18,237,905</b>
Attributable to controlling shareholders	11,874,609	5,215,765	1,042,532	18,132,906
Attributable to non-controlling interest	1,274	104,987	(1,262)	104,999



<b>Total assets</b>	<b>894,579,942</b>	<b>209,789,872</b>	<b>(77,666,292)</b>	<b>1,026,703,522</b>
<b>Investments in associates and joint ventures</b>	<b>4,479,642</b>	<b>1,255,326</b>	<b>80,357</b>	<b>5,815,325</b>
<b>Total liabilities</b>	<b>804,576,173</b>	<b>188,809,573</b>	<b>(57,596,986)</b>	<b>935,788,760</b>

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**Notes to the Consolidated Financial Statements**

R\$ thousand

	<b>Banking</b>			
<b>Net interest income</b>	<b>43,034,717</b>	<b>4,556,146</b>	<b>2,454,904</b>	<b>50,045,767</b>
<b>Net fee and commission income</b>	<b>17,570,839</b>	<b>1,557,352</b>	<b>(2,388,935)</b>	<b>16,739,256</b>
Net gains/(losses) on financial instruments classified as held for trading	(1,833,589)	(255,485)	156,071	(1,933,003)
Net gains/(losses) on financial instruments classified as available for sale	(296,545)	(728,720)	33,371	(991,894)
Net gains/(losses) on foreign currency transactions	(1,244,680)	-	-	(1,244,680)
Net income from insurance and pension plans	-	5,410,749	1,096	5,411,845
<b>Other operating income/(loss)</b>	<b>(3,374,814)</b>	<b>4,426,544</b>	<b>190,538</b>	<b>1,242,268</b>
Impairment of loans and advances	(10,432,347)	-	140,961	(10,291,386)
Personnel expenses	(12,460,644)	(1,197,272)	(9,723)	(13,667,639)
Other administrative expenses	(12,578,064)	(1,118,542)	725,085	(12,971,521)
Depreciation and amortization	(2,749,282)	(244,442)	61,037	(2,932,687)
Other operating income/(expenses)	(8,914,747)	(850,149)	(458,187)	(10,223,083)
<b>Other operating expense</b>	<b>(47,135,084)</b>	<b>(3,410,405)</b>	<b>459,173</b>	<b>(50,086,316)</b>
<b>Income before income taxes and equity in the earnings of associates</b>	<b>10,095,658</b>	<b>7,129,637</b>	<b>715,680</b>	<b>17,940,975</b>
Equity in the earnings of associates and joint ventures	1,220,810	169,431	(425)	1,389,816
<b>Income before income taxes</b>	<b>11,316,468</b>	<b>7,299,068</b>	<b>715,255</b>	<b>19,330,791</b>
Income tax and social contribution	(771,896)	(2,843,493)	(298,924)	(3,914,313)
<b>Net income for the year</b>	<b>10,544,572</b>	<b>4,455,575</b>	<b>416,331</b>	<b>15,416,478</b>
Attributable to controlling shareholders	10,532,724	4,354,752	427,467	15,314,943
Attributable to non-controlling interest	11,848	100,823	(11,136)	101,535
<b>Total assets</b>	<b>872,867,916</b>	<b>181,949,261</b>	<b>(124,366,161)</b>	<b>930,451,016</b>
<b>Investments in associates and joint ventures</b>	<b>2,735,360</b>	<b>1,176,844</b>	<b>71,576</b>	<b>3,983,780</b>
<b>Total liabilities</b>	<b>790,229,118</b>	<b>161,403,921</b>	<b>(103,473,828)</b>	<b>848,159,211</b>

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**Notes to the Consolidated Financial Statements**

	R\$ thousand			
	Year ended December 31, 2013			
	Banking	Insurance, pension and capitalization bonds	Other operations (1), adjustments and eliminations	Total
<b>Net interest income</b>	<b>41,600,095</b>	<b>5,589,989</b>	<b>2,110,399</b>	<b>49,300,483</b>
<b>Net fee and commission income</b>	<b>15,639,215</b>	<b>1,264,869</b>	<b>(2,404,402)</b>	<b>14,499,682</b>
Net gains/(losses) on financial instruments classified as held for trading	(4,073,466)	(1,914,579)	197,956	(5,790,089)
Net gains/(losses) on financial instruments classified as available for sale	(3,880,575)	(2,526,016)	305,809	(6,100,782)
Net gains/(losses) on foreign currency transactions	(1,120,880)	-	27,283	(1,093,597)
Net income from insurance and pension plans	-	6,932,616	1,064	6,933,680
<b>Other operating income/(loss)</b>	<b>(9,074,921)</b>	<b>2,492,021</b>	<b>532,112</b>	<b>(6,050,788)</b>
Impairment of loans and advances	(9,731,376)	-	107,506	(9,623,870)
Personnel expenses	(11,200,617)	(1,092,479)	(61,322)	(12,354,418)
Other administrative expenses	(12,068,420)	(1,102,065)	1,018,948	(12,151,537)
Depreciation and amortization	(2,625,748)	(180,381)	65,299	(2,740,830)
Other operating income/(expenses)	(6,156,686)	(966,999)	(498,555)	(7,622,240)
<b>Other operating expense</b>	<b>(41,782,847)</b>	<b>(3,341,924)</b>	<b>631,876</b>	<b>(44,492,895)</b>
<b>Income before income taxes and equity in the earnings of associates</b>	<b>6,381,542</b>	<b>6,004,955</b>	<b>869,985</b>	<b>13,256,482</b>
Equity in the earnings of associates and joint ventures	1,031,280	31,151	256	1,062,687
<b>Income before income taxes</b>	<b>7,412,822</b>	<b>6,036,106</b>	<b>870,241</b>	<b>14,319,169</b>
Income tax and social contribution	789,516	(2,253,451)	(369,096)	(1,833,031)
<b>Net income for the year</b>	<b>8,202,338</b>	<b>3,782,655</b>	<b>501,145</b>	<b>12,486,138</b>
Attributable to controlling shareholders	8,195,099	3,692,531	508,290	12,395,920
Attributable to non-controlling interest	7,239	90,124	(7,145)	90,218
<b>Total assets</b>	<b>768,059,393</b>	<b>160,295,583</b>	<b>(90,053,362)</b>	<b>838,301,614</b>
<b>Investments in associates and joint ventures</b>	<b>2,254,356</b>	<b>1,068,210</b>	<b>70,281</b>	<b>3,392,847</b>
<b>Total liabilities</b>	<b>696,187,324</b>	<b>143,112,952</b>	<b>(73,101,588)</b>	<b>766,198,688</b>

(1) Other operation represents less than 1% of total assets/liabilities and the net income for the year. The main adjustments from the information disclosed in segments columns are related to the difference

between the IFRS and the Segment Report Information as impairment for loans and advance and effective interest rate.

Our operations are substantially conducted in Brazil. Additionally, as of December 31, 2015, we have a branch in New York, one branch in Grand Cayman, and one branch in London, mainly to complement our banking services and assist in import and export operations for Brazilian customers. Moreover we also have subsidiaries abroad, namely: Banco Bradesco Argentina S.A. (Buenos Aires), Banco Bradesco Europe S.A. (Luxembourg), Bradesco North America LLC (New York), Bradesco Securities, Inc. (New York), Bram US LLC (New York), Bradesco Securities UK Limited (London), Bradesco Services Co., Ltd. (Tokyo), Cidade Capital Markets Ltd. (Grand Cayman), Bradesco Securities Hong Kong Limited (Hong Kong), Bradesco Trade Services Limited (Hong Kong) and Bradescard Mexico, Sociedad de Responsabilidad Limitada (Mexico).

No income from transactions with a single customer or counterparty abroad represented 10% of the Organization's income in the period of 2015 and 2014.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in "Other operations, adjustments and eliminations". Income and expenses directly associated with each segment are included in determining business-segment performance.

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**Notes to the Consolidated Financial Statements**

**6) Net interest income**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Interest and similar income</b>			
Loans and advances to banks	8,349,194	8,709,828	8,899,968
Loans and advances to customers:			
- Loan operations	62,472,012	54,584,854	48,961,763
- Leasing transactions	444,502	555,551	683,657
Financial assets:			
- For trading	13,982,927	9,357,339	7,872,493
- Available for sale	11,629,493	9,537,105	7,740,512
- Held to maturity	5,253,616	2,870,674	603,768
Pledged as collateral	20,270,191	13,953,796	12,770,916
Compulsory deposits with the Central Bank	4,587,412	4,277,351	3,110,877
Other financial interest income	58,905	46,598	38,671
<b>Total</b>	<b>127,048,252</b>	<b>103,893,096</b>	<b>90,682,625</b>
<b>Interest and similar expenses</b>			
Deposits from banks:			
- Interbank deposits	(74,814)	(86,232)	(63,268)
- Funding in the open market	(23,509,785)	(19,161,452)	(16,671,777)
- Borrowings and onlending	(3,092,184)	(1,821,103)	(1,937,991)
Deposits from customers:			
- Savings accounts	(6,450,258)	(5,440,263)	(4,112,323)
- Time deposits	(5,942,386)	(6,441,317)	(5,828,956)
Funds from securities issued	(11,570,606)	(6,689,844)	(3,646,584)
Subordinated debt	(4,669,830)	(3,787,060)	(3,132,915)
Technical insurance and pension plans	(16,102,347)	(10,420,058)	(5,988,328)
<b>Total</b>	<b>(71,412,210)</b>	<b>(53,847,329)</b>	<b>(41,382,142)</b>
<b>Net interest income</b>	<b>55,636,042</b>	<b>50,045,767</b>	<b>49,300,483</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**7) Net fee and commission income**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Fee and commission income</b>			
Credit cards	5,875,029	5,479,230	4,871,774
Current accounts	4,941,947	4,015,897	3,601,736
Collections	1,573,818	1,565,709	1,471,005
Guarantees	1,265,356	1,013,082	920,433
Fund management	1,054,424	1,168,787	838,320
Consortium management	1,040,109	880,373	722,462
Custody and brokerage services	556,701	520,290	510,785
Underwriting	540,879	636,407	568,401
Collection of taxes, utility bills and similar	382,427	371,874	352,928
Other	626,183	1,108,331	677,879
<b>Total</b>	<b>17,856,873</b>	<b>16,759,980</b>	<b>14,535,723</b>
<b>Fee and commission expenses</b>			
Financial system services	(36,203)	(20,724)	(36,041)
<b>Total</b>	<b>(36,203)</b>	<b>(20,724)</b>	<b>(36,041)</b>
<b>Net fee and commission income</b>	<b>17,820,670</b>	<b>16,739,256</b>	<b>14,499,682</b>

**8) Net gains/(losses) on financial instruments classified as held for trading**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fixed income securities	(5,174,739)	(1,828,178)	(4,344,885)
Derivative financial instruments	(4,267,748)	(1,503,052)	(1,842,833)
Equities and investment funds	1,190,432	1,398,227	397,629



<b>Total</b>	<b>(8,252,055)</b>	<b>(1,933,003)</b>	<b>(5,790,089)</b>
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**9) Net gains/(losses) on financial instruments classified as available for sale**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fixed income securities <sup>(1)</sup>	(346,032)	(358,321)	(5,821,894)
Equities <sup>(2)</sup>	(577,401)	(929,353)	(468,754)
Dividends received	251,623	295,780	189,866
<b>Total</b>	<b>(671,810)</b>	<b>(991,894)</b>	<b>(6,100,782)</b>

(1) In 2013, includes the effect of the sale of the securities described of the statements of equity totaling R\$ 6,117,649 thousand; and

(2) Includes impairment losses of R\$ 424,522 thousand in 2015 (2014 - R\$ 1,214,770 thousand and 2013 - R\$ 402,085 thousand).

**10) Net gains/(losses) on foreign currency transactions**

Net gains and losses on foreign currency transactions primarily consists of gains or losses from currency trading and translation of monetary items from a foreign currency into the functional currency.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**11) Net income from insurance and pension plans**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Premiums written	55,920,681	47,745,885	42,226,410
Supplemental pension plan contributions	3,795,219	3,724,762	3,584,290
Coinsurance premiums ceded	(88,612)	(135,728)	(154,125)
Premiums returned	(522,309)	(525,895)	(543,779)
<b>Net premiums</b>	<b>59,104,979</b>	<b>50,809,024</b>	<b>45,112,796</b>
Reinsurance premiums	(344,199)	(354,041)	(225,581)
<b>Premiums retained from insurance and pension plans</b>	<b>58,760,780</b>	<b>50,454,983</b>	<b>44,887,215</b>
Changes in the provision for insurance	(25,528,076)	(21,801,154)	(18,737,974)
Changes in the provision for private pension plans	(2,757,963)	(2,207,020)	(1,263,833)
<b>Changes in the insurance technical provisions and pension plans</b>	<b>(28,286,039)</b>	<b>(24,008,174)</b>	<b>(20,001,807)</b>
Reported indemnities	(21,658,594)	(18,318,200)	(15,448,699)
Claims expenses	(69,599)	(194,870)	(295,432)
Recovery of ceded coinsurance	87,053	75,128	49,011
Recovery of reinsurance	407,195	138,514	194,185
Salvage recoveries	402,718	329,868	246,751
Changes in the IBNR provision	(892,816)	(174,128)	(230,507)
<b>Retained claims</b>	<b>(21,724,043)</b>	<b>(18,143,688)</b>	<b>(15,484,691)</b>
Commissions on premiums	(1,985,426)	(1,905,332)	(1,630,312)
Recovery of commissions	21,700	21,876	16,896
Fees	(1,201,216)	(1,095,816)	(828,659)
Brokerage expenses - private pension plans	(188,037)	(216,557)	(246,443)
Changes in deferred commissions	99,786	304,553	221,481
<b>Selling expenses for insurance and pension plans</b>	<b>(3,253,193)</b>	<b>(2,891,276)</b>	<b>(2,467,037)</b>
<b>Net income from insurance and pension plans</b>	<b>5,497,505</b>	<b>5,411,845</b>	<b>6,933,680</b>

**12) Impairment of loans and advances**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Loans and advances:</b>			
Impairment losses	(19,527,976)	(14,514,898)	(14,202,896)
Recovery of credits charged-off as loss	4,144,879	3,924,514	3,640,014
Reversal of impairment	661,945	298,998	939,012
<b>Total</b>	<b>(14,721,152)</b>	<b>(10,291,386)</b>	<b>(9,623,870)</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

#### **13) Personnel expenses**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Salaries	(6,369,727)	(6,051,522)	(5,654,705)
Benefits	(2,994,155)	(2,787,651)	(2,572,877)
Social charges	(2,402,112)	(2,344,062)	(2,194,667)
Employee profit sharing	(1,304,958)	(1,235,912)	(1,094,204)
Provision for labor disputes	(853,660)	(1,112,906)	(719,003)
Training	(133,435)	(135,586)	(118,962)
<b>Total</b>	<b>(14,058,047)</b>	<b>(13,667,639)</b>	<b>(12,354,418)</b>

#### **14) Other administrative expenses**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Third party services	(4,139,058)	(3,906,581)	(3,722,757)
Communications	(1,427,685)	(1,383,228)	(1,480,119)
Data processing	(1,222,433)	(1,087,503)	(1,072,253)
Advertising, promotions and public relations	(963,308)	(826,462)	(708,476)
Maintenance and conservation of assets	(926,001)	(628,363)	(608,501)
Rent	(887,412)	(838,843)	(782,179)
Financial system	(830,199)	(772,099)	(732,520)
Transportation	(631,085)	(756,472)	(811,428)
Security and surveillance	(606,292)	(556,705)	(492,060)
Water, electricity and gas	(339,267)	(233,551)	(220,785)
Materials	(315,135)	(329,489)	(299,152)
Advances to FGC (Deposit Guarantee Association)	(303,094)	(308,360)	(296,618)
Travel	(157,723)	(147,566)	(132,359)

Other	(973,278)	(1,196,299)	(792,330)
<b>Total</b>	<b>(13,721,970)</b>	<b>(12,971,521)</b>	<b>(12,151,537)</b>

**15) Depreciation and amortization**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Amortization expenses	(1,884,281)	(1,876,298)	(1,722,591)
Depreciation expenses	(1,057,722)	(1,056,389)	(1,018,239)
<b>Total</b>	<b>(2,942,003)</b>	<b>(2,932,687)</b>	<b>(2,740,830)</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**16) Other operating income/(expenses)**

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Expenses with taxes other than income tax	(4,791,754)	(3,926,682)
Legal provision	(1,439,460)	(1,267,557)
Changes in monetary liabilities	(597,240)	(346,369)
Income from sales of non-current assets, investments, and property and equipment, net	(277,232)	(362,101)
Other <sup>(1)</sup>	(5,882,867)	(4,320,374)
<b>Total</b>	<b>(12,988,553)</b>	<b>(10,223,083)</b>

(1) Includes: (i) the effect of the (additions)/reversal of provision for tax contingency in 2015 - R\$ (570,835) thousand; 2014 - R\$ 1,378,103 thousand; and 2013 - R\$ 1,949,763 thousand; (ii) impairment losses in the amount of 2015 - R\$ 207,880 thousand; 2014 - R\$ 84,806 thousand; and 2013 - R\$ 104,606 thousand; and (iii) operating expense related of insurance operation in 2015 - R\$1,281,381 thousand; 2014 - R\$ 1,161,567 thousand; and 2013 - R\$ 979,050 thousand.

**17) Income tax and social contribution**

**a) Calculation of income tax and social contribution charges**

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Income before income tax and social contribution</b>	<b>9,603,583</b>	<b>19,311,111</b>
<b>Total income tax and social contribution charges at rates of 25% and 15%, respectively <sup>(1)</sup></b>	<b>(4,321,612)</b>	<b>(7,700,000)</b>
<b>Effect of additions and exclusions in the tax calculation:</b>		
Equity in results of associates	687,623	5,000,000
Interest on equity (paid and payable)	2,305,695	1,400,000
Net tax credit of deferred liabilities <sup>(2)</sup>	2,341,220	1,000,000
Other <sup>(3)</sup>	7,621,396	1,300,000

**Income tax and social contribution for the period**

**8,634,322(3,9**

Effective rate

(89.9)%

(1) Current rates: (i) 25% for income tax; (ii) of 15% for the social contribution to financial and equated companies, and of the insurance industry, and of 20%, from September 2015 to December 2018, in accordance with Law n<sup>o</sup> 13,169/15; and (iii) of 9% for the other companies (Note 2w);

(2) In 2015, refers to, constitution of deferred tax assetes, net of deferred liabilities, related to the increase in the social contribution tax rate, according to Law n<sup>o</sup> 13,169/15; and

(3) Basically, includes, (i) the exchange rate variation of assets and liabilities, derived from investments abroad; (ii) the equalization of the effective rate of social contribution in relation to the rate (45% in 2015 and 40% in 2014 and 2013) shown; and (iii) the deduction incentives.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**b) Composition of income tax and social contribution in the consolidated statement of income**

	R\$ thousand		
	Years ended December 31		
	2015	2014	2013
<b>Current taxes:</b>			
<b>Income tax and social contribution due</b>	<b>(6,075,948)</b>	<b>(6,959,862)</b>	<b>(5,814,188)</b>
<b>Deferred taxes:</b>			
Net Addition/(realization) of temporary differences	11,424,595	2,555,080	1,163,367
<b>Use of initial balances from:</b>			
Negative social contribution losses	(127,214)	(347,426)	(130,336)
Income tax loss	(65,224)	(546,943)	(208,823)
<b>Prior-period tax credits</b>			
Temporary additions	-	-	462,270
<b>Addition on:</b>			
Negative social contribution losses	272,793	589,644	1,181,492
Income tax loss	731,419	795,194	1,513,187
<b>Activation of the deferred tax assets – Law No. 13,169/15:</b>			
Negative social contribution losses	422,853	-	-
Temporary additions	2,051,048	-	-
<b>Total deferred tax expense</b>	<b>14,710,270</b>	<b>3,045,549</b>	<b>3,981,157</b>
<b>Income tax and social contribution</b>	<b>8,634,322</b>	<b>(3,914,313)</b>	<b>(1,833,031)</b>

**c) Deferred income tax and social contribution presented in the consolidated statement of financial position**

				R\$ thousand
	Balance on December 31, 2014	Additions <sup>(2)</sup>	Realization	Balance on December 31, 2015
	17,378,890	9,225,769	3,987,562	22,617,097



Provisions of impairment of loans and advances				
Provision for contingencies	4,730,342	1,917,425	927,169	5,720,598
Adjustment to market value of securities	646,522	6,641,975	197,558	7,090,939
Others	2,709,441	2,688,219	1,886,079	3,511,581
<b>Total tax assets on temporary differences</b> <sup>(3)</sup>	<b>25,465,195</b>	<b>20,473,388</b>	<b>6,998,368</b>	<b>38,940,215</b>
Income tax and social contribution losses in Brazil and abroad <sup>(3)</sup>	4,526,999	1,427,065	192,438	5,761,626
Adjustment to market value of available for sale <sup>(3)</sup>	348,597	2,543,716	187,829	2,704,484
Social contribution - MP 2158-35 (change in tax law)	113,783	-	-	113,783
<b>Total deferred tax assets</b> <sup>(1)</sup>	<b>30,454,574</b>	<b>24,444,169</b>	<b>7,378,635</b>	<b>47,520,108</b>
Deferred tax liabilities <sup>(1)</sup>	2,874,569	948,682	928,884	2,894,367
<b>Net deferred taxes</b> <sup>(1)</sup>	<b>27,580,005</b>	<b>23,495,487</b>	<b>6,449,751</b>	<b>44,625,741</b>

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**Notes to the Consolidated Financial Statements**

	<b>Balance on December 31, 2013</b>	<b>Additions <sup>(2)</sup></b>	<b>Realization</b>	<b>R\$ thousand Balance on December 31, 2014</b>
Provisions of impairment of loans and advances	14,718,480	6,408,907	3,748,497	17,378,890
Provision for contingencies	4,701,558	1,642,152	1,613,368	4,730,342
Adjustment to market value of securities	716,814	242,196	312,488	646,522
Others	2,773,263	2,034,900	2,098,722	2,709,441
<b>Total tax assets on temporary differences <sup>(3)</sup></b>	<b>22,910,115</b>	<b>10,328,155</b>	<b>7,773,075</b>	<b>25,465,195</b>
Income tax and social contribution losses in Brazil and abroad <sup>(3)</sup>	4,036,530	1,384,838	894,369	4,526,999
Adjustment to market value of available for sale <sup>(3)</sup>	710,311	541,635	903,349	348,597
Social contribution - MP 2158-35 (change in tax law)	140,197	-	26,414	113,783
<b>Total deferred tax assets <sup>(1)</sup></b>	<b>27,797,153</b>	<b>12,254,628</b>	<b>9,597,207</b>	<b>30,454,574</b>
Deferred tax liabilities <sup>(1)</sup>	2,935,897	675,757	737,085	2,874,569
<b>Net deferred taxes <sup>(1)</sup></b>	<b>24,861,256</b>	<b>11,578,871</b>	<b>8,860,122</b>	<b>27,580,005</b>

(1) Deferred tax assets and deferred tax liabilities are offset in the consolidated statement of financial position when related to income taxes levied by the same authority and are related to the same taxable entity. The offset in December 2015, was R\$ 2,122,229 thousand (2014 – R\$ 2,066,391 thousand);

(2) Includes the sum of R\$ 2,473,901 thousand, concerning the increase of the rate of the social contribution on the temporary additions and negative basis provisioned for completion by December 2018, based on technical studies and analyses carried out by the Management, according to Law n<sup>o</sup> 13,169/15; and

(3) Deferred tax assets from financial companies and similar companies, and insurance companies were established considering the increase in the social contribution rate, determined by Law n<sup>o</sup> 11,727/08 and Law n<sup>o</sup> 13,169/15 (Note 2w).

**d) Expected realization of tax assets on temporary differences, income tax and social contribution losses and special social contribution assets**

R\$ thousand

	Temporary differences		Income tax and Social contribution losses		Social contribution - MP 2158-35	Total
	Income tax	Social contribution	Income tax	Social contribution		
2016	3,272,868	2,268,243	556,995	653,504	106,097	6,857,707
2017	3,464,498	2,401,533	609,436	561,346	-	7,036,813
2018	3,508,498	2,424,921	544,543	509,133	-	6,987,095
2019	3,378,195	2,340,290	471,400	197,315	-	6,387,200
2020	4,257,414	2,797,006	246,543	62,070	7,686	7,370,719
After 2020	5,223,879	3,602,870	682,573	666,768	-	10,176,090
<b>Total</b>	<b>23,105,352</b>	<b>15,834,863</b>	<b>3,111,490</b>	<b>2,650,136</b>	<b>113,783</b>	<b>44,815,624</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**e) Deferred tax liabilities**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Timing differences of depreciation – finance leasing	597,234	784,378
Adjustment to market values of financial assets	136,738	239,129
Judicial deposit and others <sup>(1)</sup>	2,160,395	1,851,062
<b>Total</b>	<b>2,894,367</b>	<b>2,874,569</b>

(1) Includes, in 2015, the sum of R\$ 132,681 thousand, related to the increase of the social contribution rate, in accordance with Law n<sup>o</sup> 13,169/15.

The deferred tax liabilities of companies in the financial and insurance sectors were established considering the increased social contribution rate, established by Law n<sup>o</sup> 11,727/08 and Law n<sup>o</sup> 13,169/15 (Note 2w).

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**f) Income tax and social contribution on adjustments recognized directly in equity**

	December 31, 2015			December 31, 2014			December 31, 2013		
	Before tax			Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Financial assets recorded as available for sale	(5,677,902)	2,273,982	(3,403,920)	730,372	(289,194)	441,178	(12,544,423)	5,014,296	(7,530,127)
Exchange differences on translations of foreign operations	118,485	(57,788)	60,697	3,681	(1,473)	2,208	50,839	(20,335)	30,504
<b>Total</b>	<b>(5,559,417)</b>	<b>2,216,194</b>	<b>(3,343,223)</b>	<b>734,053</b>	<b>(290,667)</b>	<b>443,386</b>	<b>(12,493,584)</b>	<b>4,993,961</b>	<b>(7,499,623)</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**18) Earnings per share**

**a) Basic earnings per share**

The calculation of basic earnings per share was calculated based on the weighted average number of ordinary and preferred shares outstanding, as shown in the calculations below:

	<b>Years ended Dec</b>	
	<b>2015</b>	<b>2014</b>
<b>Net earnings attributable to the Organization's ordinary shareholders (R\$ thousand)</b>	<b>8,652,905</b>	<b>7,302,211</b>
<b>Net earnings attributable to the Organization's preferred shareholders (R\$ thousand)</b>	<b>9,480,001</b>	<b>8,012,721</b>
Weighted average number of ordinary shares outstanding (thousands)	2,520,790	2,520,881
Weighted average number of preferred shares outstanding (thousands)	2,510,675	2,514,701
Basic earnings per share attributable to ordinary shareholders of the Organization (in Reais)	3.43	2.90
Basic earnings per share attributable to preferred shareholders of the Organization (in Reais)	3.78	3.19

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Board of Directors' Meeting of March 10, 2015, in the proportion of two new shares for every 10 shares held.

**b) Diluted earnings per share**

Diluted earnings per share are the same as basic earnings per share since there are no potentially dilutive instruments.

**19) Cash and balances with banks**

**a) Cash and balances with banks**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash in local currency	9,215,083	10,800,176
Cash in foreign currency	8,084,654	3,705,112
Restricted deposits with the Brazilian Central Bank <sup>(1)</sup>	54,791,885	50,924,906
Others	142	106
<b>Total</b>	<b>72,091,764</b>	<b>65,430,300</b>

(1) Compulsory deposits with the Brazilian Central Bank refer to a minimum balance that financial institutions must maintain at the Brazilian Central Bank based on a percentage of deposits received from third parties.

**b) Cash and cash equivalents**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash in local currency	9,215,083	10,800,176
Cash in foreign currency	8,084,654	3,705,112
Short-term interbank investments <sup>(1)</sup>	129,961,555	190,166,087
Others	142	106
<b>Total</b>	<b>147,261,434</b>	<b>204,671,481</b>

(1) Refers to operations with maturity date on the effective date of investment equal to or less than 90 days and insignificant risk of change in the fair value. Of this amount, R\$ 111,024,912 thousand (2014 – R\$ 136,738,812 thousand) are registered as Assets pledged as collateral and R\$ 18,936,643 thousand (2014 – R\$ 53,427,275 thousand) as Loans and advances to banks.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**20) Financial assets and liabilities held for trading**

**a) Financial assets held for trading**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Financial assets</b>		
Brazilian government securities	93,833,116	35,014,906
Bank debt securities	15,322,751	15,905,309
Corporate debt and marketable equity securities	7,674,357	10,332,717
Mutual funds	21,711,385	12,336,964
Brazilian sovereign bonds	1,426,416	418,561
Foreign governments securities	784,507	68,397
Derivative financial instruments	18,870,917	4,421,457
<b>Total</b>	<b>159,623,449</b>	<b>78,498,311</b>

**Maturity**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Maturity of up to one year	114,190,918	26,679,503
Maturity of one to five years	17,239,116	27,391,862
Maturity of five to 10 years	5,121,876	8,743,965
Maturity of over 10 years	723,819	1,372,346
No stated maturity	22,347,720	14,310,635
<b>Total</b>	<b>159,623,449</b>	<b>78,498,311</b>



Financial instruments provided as collateral and classified as "held for trading", totaled R\$ 291,498 thousand and R\$ 1,257,413 thousand in 2015 and December 2014, respectively, as disclosed in Note 23 "Assets Pledged as Collateral".

The total assets held for trading pledged as a guarantee of liabilities was R\$ 4,315,701 thousand (December 2014 – R\$ 3,218,365 thousand).

Unrealized gains/(losses) on securities and trading securities totaled R\$ (7,425,562) thousand in 2015 (2014 – R\$ 877,798 thousand and 2013 – R\$ (60,919) thousand). Net variation in unrealized gains/(losses) from securities and trading securities totaled R\$ (8,303,360) thousand in 2015 (2014 - R\$ 938,717 thousand and 2013 - R\$ (453,019) thousand).

**b) Financial liabilities held for trading**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Derivative financial instruments	19,345,729	3,315,573
<b>Total</b>	<b>19,345,729</b>	<b>3,315,573</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **c) Derivative financial instruments**

The Organization enters into operations involving derivative financial instruments with a number of customers for the purpose of mitigating their overall risk exposure as well as managing risk exposure. The derivative financial instruments most often used are highly-liquid instruments traded on the futures market (BM&FBovespa).

#### **(i) Swap contracts**

Foreign currency and interest rate swaps are agreements to exchange one set of cash flows for another and result in an economic exchange of foreign currencies or interest rates (for example fixed or variable) or in combinations thereof (i.e. foreign currency and interest rate swaps). There is no exchange of the principal except in certain foreign currency swaps. The Organization's foreign currency risk reflects the potential cost of replacing swap contracts and whether the counterparties fail to comply with their obligations. This risk is continually monitored in relation to the current fair value, the proportion of the notional value of the contracts and the market liquidity. The Organization, to control the level of credit risk assumed, evaluates the counterparties of the contracts using the same techniques used in its loan operations.

#### **(ii) Foreign exchange options**

Foreign exchange options are contracts according to which the seller (option issuer) gives to the buyer (option holder) the right, but not the obligation, to buy (call option) or sell (put option) on a certain date or during a certain period, a specific value in foreign currency. The seller receives from the buyer a premium for assuming the exchange or interest-rate risk. The options can be arranged between the Organization and a customer. The Organization is exposed to credit risk only on purchased options and only for the carrying amount, which is the fair market value.

**(iii) Foreign currency and interest rate futures**

Foreign currency and interest rate futures are contractual obligations for the payment or receipt of a net amount based on changes in foreign exchange and interest rates or the purchase or sale of a financial instrument on a future date at a specific price, established by an organized financial market. The credit risk is minimal, since the future contracts are guaranteed in cash or securities and changes in the value of the contracts are settled on a daily basis. Contracts with a forward rate are interest-rate futures operations traded individually which require settlement of the difference between the contracted rate and the current market rate over the value of the principal to be paid in cash at a future date.

**(iv) Forward operations**

A forward operation is a contract of purchase or sale, of a share, at a fixed price, for settlement on a certain date. Because it is a futures market, in which the purchase of the share will only be made on the date of maturity, a margin deposit is necessary to guarantee the contract. This margin can be in cash or in securities. The value of the margin varies during the contract according to the variation of the share involved in the operation, to the changes of volatility and liquidity, besides the possible additional margins that the broker could request.

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

The breakdown of the notional and/or contractual values and the fair value of derivatives held for trading by the Organization is as follows:

	Notional amounts		R\$ thousand Asset/(liability)	
	December 31		December 31	
	2015	2014	2015	2014
<b>Futures contracts</b>				
• Interest rate futures				
Purchases	120,562,790	59,298,642	75,217	22,356
Sales	50,489,526	110,759,701	(20,614)	(33,710)
• In foreign currency				
Purchases <sup>(1)</sup>	34,101,616	16,145,870	-	-
Sales	41,360,434	26,041,747	-	-
• Others				
Purchases	33,399	3,222,294	-	-
Sales	64,681	238,235	-	-
<b>Options</b>				
• Interest rates				
Purchases	3,840,166	23,409,200	169,518	27,432
Sales	3,638,190	30,594,004	(6,686)	(28,642)
• In foreign currency				
Purchases	559,071	2,190,621	34,303	134,292
Sales	6,233,860	1,711,374	(89,633)	(77,944)
• Others				
Purchases	28,449	438,498	4,160	2,666
Sales	29,345	123,697	(24,615)	(26,505)
<b>Forward operations</b>				
• In foreign currency				
Purchases	15,014,083	8,372,687	2,173,191	1,015,133
Sales	16,056,742	9,280,704	(3,215,656)	(671,345)
• Others				
Purchases	118,120	111,559	12,543	343,683
Sales	149,969	416,503	(12,434)	(339,424)
<b>Swap contracts</b>				

• Asset position				
Interest rate swaps	91,993,544	11,512,776	5,915,951	385,543
Currency swaps	33,543,125	17,935,347	10,485,772	2,490,351
• Liability position				
Interest rate swaps	60,797,118	13,020,906	(15,499,869)	(1,699,752)
Currency swaps	11,531,242	8,879,646	(476,222)	(438,249)

(1) Includes, on December 31, 2015, the hedging of the firm commitment concerning the purchase and sale of shares agreement, to the sum of R\$ 20,250,293 thousand (Note 43 (1)).

Swaps are contracts of interest rates, foreign currency and cross currency and interest rates in which payments of interest or the principal or in one or two different currencies are exchanged for a contractual period. The risks of swap contracts refer to the potential inability or unwillingness of the counterparties to comply with the contractual terms and the risk associated with changes in market conditions due to changes in the interest rates and the currency exchange rates.

The interest rate and currency futures and the forward contracts of interest rates call for subsequent delivery of an instrument at a specific price or specific profitability. The reference values constitute a nominal value of the respective instrument whose variations in price are settled daily. The credit risk associated with futures contracts is minimized due to these daily settlements. Futures contracts are also subject to risk of changes in interest rates or in the value of the respective instruments.

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

The Organization has the following economic hedging operations, however, as mentioned in Note 2(e) (iii), these do not qualify for hedge accounting:

#### **Fair-value hedge of interest-rate risk**

The Organization uses interest-rate swaps to protect its exposure to changes in the fair value of its fixed income issuances and certain loans and advances. The interest rate swaps are matched with specific issuances or fixed-income loans.

#### **Cash-flow hedge of debt securities issued in foreign currency**

The Organization uses interest-rate swaps in foreign currencies to protect itself against exchange and interest-rate risks arising from the issuance of floating rate debt securities denominated in foreign currencies. The cash flows of foreign-currency interest-rate swaps are compatible with the cash flows of the floating rate debt securities.

#### **Market risk hedge**

The gains and losses, realized or not, of the financial instruments classified in this category as well as the financial assets and liabilities, that are the object of the hedge, are recorded in the Income Statement.

#### **Hedge of net foreign investments**

The Organization uses a combination of forward exchange contracts and foreign currency denominated debt to mitigate the exchange-rate risk of its net investments in subsidiaries abroad.

The fair value of forward contracts used to protect the net investments in foreign subsidiaries is shown in the previous table. Foreign currency denominated debts used to protect net investments of the Organization in subsidiaries abroad act as a natural hedge of the foreign currency risk and are included in funds from securities issuances (Note 33).

### **Other derivatives designated as hedges**

The Organization uses this category of instruments to manage its exposure to currency, interest rate, equity market and credit risks. Instruments used include interest-rate swaps, interest-rate swaps in foreign currency, forward contracts, futures, options, credit swaps and stock swaps. The fair value of these derivatives is shown in the previous table.

### **Unobservable gains on initial recognition**

When the valuation depends on unobservable data any initial gain or loss on financial instruments is deferred over the life of the contract or until the instrument is redeemed, transferred, sold or the fair value becomes observable. All derivatives which are part of the hedge relationships are valued on the basis of observable market data.

The reference and/or contractual values do not reflect the actual risk assumed by the Organization, since the net position of these financial instruments arises from compensation and/or combination thereof. The net position is used by the Organization especially to protect interest rates, the price of the underlying assets or exchange risk. The result of these financial instruments is recognized in "Net gains and losses of financial assets held for trading", in the consolidated statement of income.

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## Notes to the Consolidated Financial Statements

### 21) Financial assets available for sale

	R\$ thousand			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Brazilian government securities	67,605,104	313,941	(1,703,193)	66,215,852
Corporate debt securities	37,760,971	1,400,982	(3,400,140)	35,761,813
Bank debt securities	5,472,115	254,892	(1,083,963)	4,643,044
Brazilian sovereign bonds	4,661	130	-	4,791
Foreign governments securities	1,824,108	-	(77,904)	1,746,204
Marketable equity securities and other stocks	9,247,367	206,664	(130,285)	9,323,746
<b>Balance on December 31, 2015</b>	<b>121,914,326</b>	<b>2,176,609</b>	<b>(6,395,485)</b>	<b>117,695,450</b>
Brazilian government securities	70,490,510	932,267	(1,273,740)	70,149,037
Corporate debt securities	41,684,427	431,375	(749,029)	41,366,773
Bank debt securities	3,372,189	201,182	(218,592)	3,354,779
Brazilian sovereign bonds	272,701	1,362	(12,162)	261,901
Marketable equity securities and other stocks	5,286,472	696,633	(153,861)	5,829,244
<b>Balance on December 31, 2014</b>	<b>121,106,299</b>	<b>2,262,819</b>	<b>(2,407,384)</b>	<b>120,961,734</b>

### Maturity

	R\$ thousand			
	December 31, 2015		December 31, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within one year	45,540,511	45,180,957	52,546,732	52,523,210
From 1 to 5 years	38,118,029	37,119,401	20,842,585	20,491,801
From 5 to 10 years	19,665,723	17,599,486	25,586,953	25,058,017
Over 10 years	9,342,696	8,471,860	16,843,557	17,059,462
No stated maturity	9,247,367	9,323,746	5,286,472	5,829,244
<b>Total</b>	<b>121,914,326</b>	<b>117,695,450</b>	<b>121,106,299</b>	<b>120,961,734</b>



Financial instruments pledged as collateral and classified as available for sale, totaled R\$ 33,173,511 thousand and R\$ 14,616,464 thousand in 2015 and 2014, respectively, as disclosed in Note 23 "Assets Pledged as Collateral".

In 2015, the Organization maintained a total of R\$ 2,635,422 thousand (2014 – R\$ 2,543,749 thousand) financial assets available for sale pledged as a guarantee for liabilities.

We have applied our policy for impairment testing described in Note 2(e)(viii)(b) and realized other than temporary losses in our portfolio of equities registered in financial assets available for sale in the amount of R\$ 424,522 thousand in 2015 (2014 - R\$ 1,214,770 thousand and 2013 - R\$ 402,085 thousand), included in Note 9.

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

## Notes to the Consolidated Financial Statements

### 22) Investments held to maturity

				R\$ thousand
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Securities :</b>				
Brazilian government securities	27,405,022	2,051,127	(2,111,684)	27,344,465
Corporate debt securities <sup>(1)</sup>	12,557,446	1,476	(1,332,866)	11,226,056
Brazilian sovereign bonds	41,092	2,417	-	43,509
<b>Balance on December 31, 2015</b>	<b>40,003,560</b>	<b>2,055,020</b>	<b>(3,444,550)</b>	<b>38,614,030</b>
<b>Securities :</b>				
Brazilian government securities	25,032,157	3,150,195	(1,085,098)	27,097,254
Brazilian sovereign bonds	38,874	5,402	-	44,276
<b>Balance on December 31, 2014</b>	<b>25,071,031</b>	<b>3,155,597</b>	<b>(1,085,098)</b>	<b>27,141,530</b>

(1) On 2015, Certificates of real estate receivables were reclassified from category "Financial assets available for sale", due to the change of intention of the Management, as described in Note 3.4.

### Maturity

	December 31, 2015		December 31, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within one year	3,004	3,010	251,847	255,604
From 1 to 5 years	4,692,585	4,762,495	2,957,798	3,124,863
From 5 to 10 years	10,343,614	10,943,658	6,521,620	7,733,739
Over 10 years	24,964,357	22,904,867	15,339,766	16,027,324
<b>Total</b>	<b>40,003,560</b>	<b>38,614,030</b>	<b>25,071,031</b>	<b>27,141,530</b>

### 23) Assets pledged as collateral

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Held for trading</b>	<b>291,498</b>	<b>1,257,413</b>
Brazilian government securities	291,498	1,257,413
<b>Available for sale <sup>(1)</sup></b>	<b>33,173,511</b>	<b>14,616,464</b>
Brazilian government securities	28,866,615	7,095,516
Corporate debt securities	2,488,929	3,661,955
Bank debt securities	1,817,967	3,858,993
<b>Loans and advances to banks</b>	<b>111,024,912</b>	<b>136,738,812</b>
Securities purchased under agreements to resell	111,024,912	136,738,812
<b>Total</b>	<b>144,489,921</b>	<b>152,612,689</b>

(1) In 2015, includes unrealized gains of R\$ 568,202 thousand (2014 - R\$ 264,815 thousand) and unrealized losses of R\$ 3,214,523 thousand (2014 - R\$ 1,300,315 thousand).

Collateral is a conditional commitment to ensure that the contractual clauses of a funding in the open market are complied with. In these agreements, the amount of R\$ 139,446,192 thousand (2014 – R\$ 152,282,854 thousand) may be repledged and R\$ 5,043,729 thousand (2014 – R\$ 329,835 thousand), sold or repledged.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**24) Loans and advances to banks**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Repurchase agreements	29,633,112	57,438,342
Loans to financial institutions	6,038,615	15,580,542
Impairment of loans and advances	(51,317)	(44,265)
<b>Total</b>	<b>35,620,410</b>	<b>72,974,619</b>

**25) Loans and advances to customers**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Working capital	65,501,432	62,155,974
Personal credit <sup>(1)</sup>	49,681,429	45,807,489
Housing loans	48,114,515	40,103,169
Financing and export	38,180,619	26,141,531
Onlending BNDES/Finame	38,158,108	42,168,754
Credit card	30,943,428	28,072,447
Vehicles – CDC (Direct consumer credit)	26,484,476	30,354,903
Rural loans	13,710,274	17,057,992
Import	11,026,017	9,195,381
Overdraft for corporates	9,831,248	10,500,353
Receivable insurance premiums	4,757,182	4,257,787
Overdraft for individuals	3,904,889	3,665,539
Leasing	3,072,777	4,319,149
Others	26,957,274	25,396,213
<b>Total Portfolio</b>	<b>370,323,668</b>	<b>349,196,681</b>
Impairment of loans and advances	(25,455,204)	(21,132,677)
<b>Total of net loans and advances to customers</b>	<b>344,868,464</b>	<b>328,064,004</b>

(1) Includes in 2015 R\$ 34,564,935 thousand related to payroll loans (2014 – 29,501,361 thousand).

**Allowance for loans and advances to customers**

	R\$ thousand	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>21,132,677</b>	<b>19,858,234</b>
Impairment of loans and advances	14,721,152	10,291,386
Recovery of credits charged-off as loss	4,144,879	3,924,514
Write-offs	(14,543,504)	(12,941,457)
<b>At the end of the year</b>	<b>25,455,204</b>	<b>21,132,677</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **Finance lease receivables**

Loans and advances to customers include the following finance lease receivables.

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Gross investments in financial leases receivable:		
Up to one year	1,629,160	2,188,804
From one to five years	1,420,681	2,073,705
Over five years	22,936	56,640
Impairment loss on finance leases	(186,348)	(251,877)
<b>Net investment</b>	<b>2,886,429</b>	<b>4,067,272</b>
Net investments in finance leases:		
Up to one year	1,513,602	2,032,434
From one to five years	1,350,413	1,979,160
Over five years	22,414	55,678
<b>Total</b>	<b>2,886,429</b>	<b>4,067,272</b>

### **26) Non-current assets held for sale**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets not for own use</b>		
Vehicles and related	303,057	287,332
Properties	933,421	704,523
Machinery and equipment	6,117	7,365
Others	4,511	7,241
<b>Total</b>	<b>1,247,106</b>	<b>1,006,461</b>

The properties or other non-current assets received in total or partial settlement of the payment obligations of debtors are considered as non-operating assets held for sale in auctions, which normally occur in up to one year. Therefore, non-current assets held for sale include the accounting value of the items the Organization intends to sell, which in their current condition is highly probable and expected to occur within a year.

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## Notes to the Consolidated Financial Statements

### 27) Investments in associates and joint ventures

#### a. Breakdown of investments in associates and joint ventures

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in net income (loss)	Associates assets	Associates liabilities	Revenue (1)	R\$ thousand Associates net income (loss) for the year
Cielo S.A.	30.06%	30.06%	3,302,071	1,043,743	24,561,680	17,896,054	239,386	3,472,355
IRB - Brasil Resseguros S.A. (2) (3)	20.51%	-	658,949	138,165	14,690	11,424	3,144	673,650
Fleury S.A. (8)	16.39%	16.39%	512,642	6,262	1,393,617	1,707	1,845	38,206
Fidelity Processadora S.A.	49.00%	49.00%	254,785	68,312	852,969	332,997	19,546	139,412
Haitong Banco de Investimento do Brasil S.A. (6)	20.00%	20.00%	130,248	(5,377)	7,791,897	7,140,656	13,834,551	(26,886)
Cia. Brasileira de Gestão e Serviços S.A. NCR Brasil S.A. (2)	41.85%	41.85%	83,735	17,660	296,517	37,576	13,247	42,197
Empresa Brasileira de Solda Elétrica S.A. (2)	49.00%	49.00%	80,357	7,101	233,461	134,533	71,177	14,492
Integritas Participações S.A. (2) (7)	-	-	-	(5,769)	149,312	80,018	115,874	(11,774)
<b>Total investments</b>			<b>5,056,741</b>	<b>1,274,875</b>	<b>36,046,593</b>	<b>25,641,565</b>	<b>14,299,598</b>	<b>4,360,635</b>



**in associates**

Elo Participações S.A.	50.01%	50.01%	686,951	243,073	1,662,320	144,184	14,669	486,049
Crediare S.A. – Crédito, Financiamento e Investimento Leader S.A.	50.00%	50.00%	65,030	10,400	443,895	312,036	158,124	20,800
Adm. de Cartões de Crédito <sup>(2)</sup>	50.00%	50.00%	6,551	716	392,163	379,061	313,065	1,432
MPO - Processadora de Pagamentos Móveis S.A.	50.00%	50.00%	52	(1,013)	3,198	3,095	1,790	(2,026)
<b>Total investments in joint ventures</b>			<b>758,584</b>	<b>253,176</b>	<b>2,501,576</b>	<b>838,376</b>	<b>487,648</b>	<b>506,255</b>
<b>Total on December 31, 2015</b>			<b>5,815,325</b>	<b>1,528,051</b>	<b>38,548,169</b>	<b>26,479,941</b>	<b>14,787,246</b>	<b>4,866,890</b>

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in	Associates assets	Associates liabilities	Revenue	Associates
				net income (loss)			(1)	net income (loss) for the year
Cielo S.A.	28,65%	28,65%	1,696,088	924,699	18,156,089	13,659,918	15,859	3,227,769
IRB - Brasil Resseguros S.A. (2) (3)	20,51%	-	618,527	148,874	12,932	9,917	2,265	725,859
Integritas Participações S.A. (2)	25,17%	25,17%	492,242	7,883	782,014	7,195	218	31,316
Fidelity Processadora S.A.	49,00%	49,00%	258,535	66,759	839,393	311,769	27,819	136,243
Haitong Banco de Investimento do Brasil S.A. (6)	20,00%	20,00%	138,002	10,891	5,927,414	5,237,405	16,212,154	54,456
NCR Brasil S.A. (2)	49,00%	49,00%	71,576	1,295	199,444	118,407	32,692	2,642
Cia. Brasileira de Gestão e Serviços S.A. Empresa Brasileira de Solda Elétrica S.A. (2)	41,85%	41,85%	66,076	9,279	229,506	27,679	10,518	22,173
<b>Total investments in associates</b>			<b>3,380,769</b>	<b>1,183,926</b>	<b>26,351,205</b>	<b>19,495,636</b>	<b>16,739,132</b>	<b>4,229,532</b>

R\$ thousand  
Associates

Elo Participações S.A. <sup>(4)</sup>	50,01%	50,01%	515,035	186,009	1,264,614	88,441	443	371,943
Crediare S.A. – Crédito, Financiamento e Investimento Leader S.A. Adm. de Cartões de Crédito <sup>(2)</sup>	50,00%	50,00%	66,845	13,785	431,667	297,978	147,364	27,570
MPO - Processadora de Pagamentos Móveis S.A.	50,00%	50,00%	20,817	16,075	376,329	334,694	294,547	32,150
			314	(9,979)	15,156	14,525	-	(19,957)
<b>Total investments in joint ventures Total on December 31, 2014</b>			<b>603,011</b>	<b>205,890</b>	<b>2,087,766</b>	<b>735,638</b>	<b>442,354</b>	<b>411,706</b>
			<b>3,983,780</b>	<b>1,389,816</b>	<b>28,438,971</b>	<b>20,231,274</b>	<b>17,181,486</b>	<b>4,641,238</b>

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**Notes to the Consolidated Financial Statements**

Company	Total shareholding interest	Shareholding interest with voting rights	Investment book value	Equity in Associates			Revenue (1)	Associates	
				net income (loss)	assets	liabilities		net income (loss) for the year	net income (loss) for the year
Cielo S.A. IRB - Brasil Resseguros S.A. (2) (3)	28.65%	28.65%	1,360,812	802,033	12,643,111	9,317,261	18,187	R\$ thousand	
Integritas Participações S.A. (2)	21.24%	-	507,503	18,166	12,502,578	9,990,775	1,508,156	85,518	
Fidelity Processadora S.A.	22.32%	22.32%	503,911	6,700	810,921	9,713	30,232	30,022	
Haitong Banco de Investimento do Brasil S.A. (6)	49.00%	49.00%	266,429	58,579	868,262	324,529	14,931	119,549	
NCR Brasil S.A. (2)	20.00%	20.00%	133,140	6,047	7,257,323	6,591,624	9,097,795	30,235	
Cia. Brasileira de Gestão e Serviços S.A. Empresa Brasileira de Solda Elétrica S.A. (2)	49.00%	49.00%	70,281	5,122	159,228	82,720	36,035	10,453	
<b>Total investments in associates</b>	41.85%	41.85%	56,796	6,285	196,342	22,575	5,893	15,018	
Elo Participações S.A. (4)	49.00%	49.00%	25,642	4,043	328,952	276,621	178,399	8,251	
Crediare S.A. – Crédito,			<b>2,924,514</b>	<b>906,975</b>	<b>34,766,717</b>	<b>26,615,818</b>	<b>10,889,628</b>	<b>3,098,634</b>	
	50.01%	50.01%	373,145	76,567	924,083	957	46	153,103	
	50.00%	50.00%	64,852	11,261	383,426	250,738	133,855	22,522	

Financiamento e Investimento Leader S.A. Adm. de Cartões de Crédito <sup>(2)</sup>	50.00%	50.00%	26,042	15,803	390,788	338,703	303,233	31,606
MPO - Processadora de Pagamentos Móveis S.A. Companhia Brasileira de Soluções e Serviços – Alelo <sup>(4)</sup>	-	-	-	52,996	-	-	36,415	105,971
2BCapital S.A. <sup>(5)</sup>	50.00%	50.00%	-	(184)	4,358	4,886	39	(368)
<b>Total investments in joint ventures</b>			<b>468,333</b>	<b>155,712</b>	<b>1,711,430</b>	<b>595,472</b>	<b>473,588</b>	<b>311,372</b>
<b>Total on December 31, 2013</b>			<b>3,392,847</b>	<b>1,062,687</b>	<b>36,478,147</b>	<b>27,211,290</b>	<b>11,363,216</b>	<b>3,410,006</b>

(1) Revenues from financial intermediation or services;

(2) Companies for which the equity accounting adjustments are calculated using statements of financial position and statements of income with lag in relation to the reporting date of these consolidated financial statements;

(3) Bradesco has a board member at IRB-Brasil with voting rights, which results in significant influence;

(4) In 2013 the investment in the associate Cia Brasileira de Soluções e Serviços – Alelo was disposed and a respective capital increase was made in Elo Participações S.A.;

(5) Company was fully consolidated from December of 2014, due to the capital increase;

(6) New denomination of BES Investimento do Brasil S.A.;

(7) Partial spin-off in October, 2015; and

(8) Participation in Fleury S.A. (i) due to the partial spin-off of Integritas Participações S.A. and, (ii) recorded using equity method as Bradesco has significant influence due its participation on the Board of the Directors and other committes.



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

In 2015, with the exception of Cielo S.A., the other investments mentioned in the table above were not traded regularly on any stock exchange. The market value of our investment in Cielo, was R\$ 19,049,214 thousand (2014 - R\$ 18,768,859 thousand). The Organization does not have any contingent liability for investments in Associates, in which it is responsible for, in part or in full.

#### **b. Changes in associates**

	R\$ thousand	
	2015	2014
<b>Initial balances</b>	<b>3,983,780</b>	<b>3,392,847</b>
Additions <sup>(1)</sup>	1,469,011	6,000
Spin-off of associates <sup>(2)</sup>	(497,339)	-
Equity in net income of associates	1,528,051	1,389,816
Dividends/Interest on capital	(668,178)	(804,883)
<b>At the end of the year</b>	<b>5,815,325</b>	<b>3,983,780</b>

(1) Includes in 2015, acquisition of equity interest (i) in Cielo S.A.; in Fleury S.A., due to the partial spin-off of Integritas Participações S.A.; and

(2) Partial spin-off of Integritas Participações S.A. occurred in October, 2015.

#### **28) Property and equipment**

##### **a) Composition of property and equipment by class**

	R\$ thousand			
	Annual rate of depreciation	Cost	Accumulated depreciation	Net

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Buildings	4%	1,006,849	(424,247)	582,602
Land	-	448,020	-	448,020
Installations, properties and equipment for use	10%	5,032,082	(2,243,752)	2,788,330
Security and communications systems	10%	234,836	(175,750)	59,086
Data processing systems	20% - 50%	2,883,391	(1,841,408)	1,041,983
Transportation systems	20%	108,430	(38,193)	70,237
Financial leasing of data processing systems	20% - 50%	2,475,136	(1,960,959)	514,177
<b>Balance on December 31, 2015</b>		<b>12,188,744</b>	<b>(6,684,309)</b>	<b>5,504,435</b>
Buildings	4%	1,107,832	(580,007)	527,825
Land	-	493,079	-	493,079
Installations, properties and equipment for use	10%	4,366,846	(2,161,742)	2,205,104
Security and communications systems	10%	222,627	(174,905)	47,722
Data processing systems	20% - 50%	2,682,748	(1,763,755)	918,993
Transportation systems	20%	84,860	(39,646)	45,214
Financial leasing of data processing systems	20% - 50%	2,880,337	(2,417,756)	462,581
<b>Balance on December 31, 2014</b>		<b>11,838,329</b>	<b>(7,137,811)</b>	<b>4,700,518</b>

Depreciation charges in 2015 amounted to R\$ 1,057,722 thousand (2014 - R\$ 1,056,389 thousand and 2013 - R\$ 1,018,239 thousand ).

We enter into finance lease agreements as a lessee for data processing equipment, which are recorded as leased equipment in property and equipment. According to this accounting method, both the asset and the obligation are recognized in the consolidated financial statements and the depreciation of the asset is calculated based on the same depreciation policy as for similar assets. See Note 38 for disclosure of the obligation.



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**Notes to the Consolidated Financial Statements**

**b) Change in property and equipment by class**

	Buildings	Land	Installations, properties and equipment for use	Security and communications systems	Data processing systems <sup>(1)</sup>	Transportation systems
<b>Balance on December 31, 2014</b>	<b>527,825</b>	<b>493,079</b>	<b>2,205,104</b>	<b>47,722</b>	<b>1,381,574</b>	<b>45,214</b>
Additions	90,053	54,838	1,088,506	48,451	857,527	42,174
Write offs	(24,922)	(99,897)	(106,959)	(6,086)	(63,452)	(408)
Impairment	-	-	-	(13,183)	-	(5,003)
Depreciation	(10,354)	-	(398,321)	(17,818)	(619,489)	(11,740)
<b>Balance on December 31, 2015</b>	<b>582,602</b>	<b>448,020</b>	<b>2,788,330</b>	<b>59,086</b>	<b>1,556,160</b>	<b>70,237</b>
<b>Balance on December 31, 2013</b>	<b>505,159</b>	<b>492,411</b>	<b>2,029,907</b>	<b>57,073</b>	<b>1,394,775</b>	<b>22,642</b>
Additions	36,269	833	790,626	10,523	690,865	30,469
Write offs	(320)	(165)	(255,243)	(3,136)	(44,528)	(451)
Impairment	-	-	(802)	-	-	-
Depreciation	(13,283)	-	(359,384)	(16,738)	(659,538)	(7,446)
<b>Balance on December 31, 2014</b>	<b>527,825</b>	<b>493,079</b>	<b>2,205,104</b>	<b>47,722</b>	<b>1,381,574</b>	<b>45,214</b>

(1) Includes financial leasing of data processing systems.

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**Notes to the Consolidated Financial Statements**

**29) Intangible assets and goodwill**

**a) Change in intangible assets and goodwill by class**

	R\$ thousand					
	Intangible assets					
	Acquisition Goodwill of financial service rights <sup>(1)</sup>	Software <sup>(1)</sup>	Customer portfolio <sup>(1)</sup>	Others <sup>(1)</sup>	Total	
<b>Balance on December 31, 2014</b>	<b>723,526</b>	<b>2,025,940</b>	<b>3,603,798</b>	<b>751,923</b>	<b>424,728</b>	<b>7,529,915</b>
Additions/(reductions)	-	1,126,370	835,301	-	10,210	1,971,881
Impairment <sup>(2)</sup>	-	-	-	-	(207,880)	(207,880)
Amortization	-	(892,277)	(799,274)	(42,460)	(150,270)	(1,884,281)
<b>Balance on December 31, 2015</b>	<b>723,526</b>	<b>2,260,033</b>	<b>3,639,825</b>	<b>709,463</b>	<b>76,788</b>	<b>7,409,635</b>
<b>Balance on December 31, 2013</b>	<b>723,526</b>	<b>2,589,021</b>	<b>3,577,855</b>	<b>794,383</b>	<b>535,954</b>	<b>8,220,739</b>
Additions/(reductions)	-	285,325	911,566	-	73,389	1,270,280
Impairment <sup>(2)</sup>	-	(244)	(84,562)	-	-	(84,806)
Amortization	-	(848,162)	(801,061)	(42,460)	(184,615)	(1,876,298)
<b>Balance on December 31, 2014</b>	<b>723,526</b>	<b>2,025,940</b>	<b>3,603,798</b>	<b>751,923</b>	<b>424,728</b>	<b>7,529,915</b>

(1) Rate of amortization: acquisition of banking rights - in accordance with contract agreement; software – 20%; Customer portfolio – up to 20%; and others – 20%; and

(2) Impairment losses were recognized in the consolidated statement of income, within “Other operating income/(expenses)”.



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

### **b) Composition of goodwill by segment**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Banking	429,560	429,560
Insurance, pension and capitalization bonds	293,966	293,966
<b>Total</b>	<b>723,526</b>	<b>723,526</b>

The Cash Generation Units allocated to the banking segment and the insurance, pension and capitalization bonds segment are tested annually for impairment of goodwill. We did not incur any goodwill impairment losses in 2015, nor in 2014 nor in 2013.

The recoverable amount from the Banking Segment has been determined based on a value-in-use calculation. The calculation uses cash-flow predictions based on financial budgets approved by management, with a terminal growth rate of 8.2% p.a. (8.0% p.a. in 2014). The forecast cash flows have been discounted at a rate of 15.4% p.a. (12.6% p.a. in 2014).

The key assumptions described above may change as economic and market conditions change. The Organization estimates that reasonably possible changes in these assumptions within the current economic environment are not expected to cause the recoverable amount of either unit to decline below the carrying amount.

### **30) Other assets**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Foreign exchange transactions <sup>(1)(4)</sup>	14,260,780	11,709,418

Debtors for guarantee deposits <sup>(2)(4)</sup>	12,482,898	11,300,204
Negotiation and intermediation of securities <sup>(4)</sup>	2,866,779	1,687,955
Trade and credit receivables <sup>(4)</sup>	1,978,001	2,042,977
Deferred acquisition cost (insurance) – Note 35f	1,945,238	1,839,353
Sundry borrowers	1,917,864	2,960,115
Prepaid expenses	1,418,030	507,457
Income receivable <sup>(4)</sup>	1,241,028	1,005,321
Interbank and interbranch receivables	934,684	1,010,056
Others <sup>(3)</sup>	1,073,395	1,036,424
<b>Total</b>	<b>40,118,697</b>	<b>35,099,280</b>

(1) Mainly refers to purchases in foreign currency made by the institution on behalf of customers and rights in the institution's domestic currency, resulting from exchange sale operations;

(2) Refers to deposits resulting from legal or contractual requirements, including guarantees provided in cash, such as those made for the filing of appeals in departments or courts and those made to guarantee services of any nature;

(3) Includes basically trade and credit receivables, material supplies, other advances and payments to be reimbursed; and

(4) Financial assets are recorded at amortized cost.

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

#### **31) Deposits from banks**

Financial liabilities called “Deposits from banks” are initially measured at fair value and, subsequently, at amortized cost, using the effective interest rate method.

#### **Composition by nature**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Demand deposits	807,695	940,997
Interbank deposits	466,448	641,205
Funding in the open market	222,291,364	219,359,890
Borrowings	28,236,838	15,218,591
Onlending	42,101,046	43,779,544
<b>Total</b>	<b>293,903,391</b>	<b>279,940,227</b>

#### **32) Deposits from customers**

Financial liabilities called “Deposits from customers” are initially measured at fair value and subsequently at amortized cost, using the effective interest rate method.

#### **Composition by nature**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>

Demand deposits	23,012,068	32,086,299
Savings deposits	91,878,765	92,154,815
Time deposits	79,619,267	85,790,391
<b>Total</b>	<b>194,510,100</b>	<b>210,031,505</b>

### 33) Funds from securities issued

#### a) Composition by type of security issued and location

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Instruments Issued – Brazil:</b>		
Mortgage notes	-	404,915
Real estate credit notes	20,223,220	11,862,705
Agribusiness notes	7,642,250	8,570,579
Financial notes	71,691,563	54,961,063
<b>Subtotal</b>	<b>99,557,033</b>	<b>75,799,262</b>
<b>Securities and bonds – Abroad:</b>		
<i>Euronotes</i> <sup>(1)</sup>	6,204,942	6,276,614
Securities issued through securitization – (item (b))	3,575,729	2,694,477
<b>Subtotal</b>	<b>9,780,671</b>	<b>8,971,091</b>
<b>Structured operations certificates</b>	<b>512,343</b>	<b>260,046</b>
<b>Grand Total</b>	<b>109,850,047</b>	<b>85,030,399</b>

(1) Issuance of securities in the foreign market to fund customers' foreign exchange operations, export pre-financing, import financing and working capital financing, substantially in the medium and long terms.

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

### **b) Securities issued through securitization**

Since 2003, the Organization uses certain arrangements to optimize its activities of funding and liquidity management by means of an Specific Purpose Entity (SPE). This SPE, which is called International Diversified Payment Rights Company, is financed with long-term bonds which are settled with the future cash flow of the corresponding assets, basically comprising current and future flow of payment orders sent by individuals and legal entities abroad to beneficiaries in Brazil for whom Bradesco acts as payor.

The long-term instruments issued by the SPE and sold to investors will be settled with funds from the payment orders flows. The Organization is required to redeem the instruments in specific cases of default or upon closing of the operations of the SPE.

The funds deriving from the sale of current and future payment orders flows, received by the SPE, must be maintained in a specific bank account until they reach a given minimum level.

We show below the amounts of the securities issued by the SPE, which appear in the "Funding from issuance of securities" line item:

	Date of Issue	Amount of the transaction	Maturity	R\$ thousand	
				December 31 2015	2014
Securitization of the future flow of payment orders received from abroad	3.06.2008	836,000	5.22.2017	532,436	646,002
	12.19.2008	1,168,500	2.20.2019	1,277,663	1,148,173
	12.17.2009	133,673	2.20.2017	66,812	90,137
	12.17.2009	89,115	2.20.2020	121,015	101,960
	8.20.2010	307,948	8.21.2017	223,185	250,772
	9.29.2010	170,530	8.21.2017	127,445	143,325
	11.16.2011	88,860	11.20.2018	116,875	107,432
	11.16.2011	133,290	11.22.2021	261,230	206,676
	12.23.2015	390,480	11.21.2022	424,060	-



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	12.23.2015	390,480	11.20.2020	425,008	-
<b>Total</b>		<b>3,708,876</b>		<b>3,575,729</b>	<b>2,694,477</b>

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**Notes to the Consolidated Financial Statements**

**34) Subordinated debt**

Maturity	Original term in years	Amount of the operation	R\$ thousand	
			December 31 2015	2014
<b>In Brazil:</b>				
<b>Subordinated CDB:</b>				
2015 (1)	6	-	-	2,677,464
2016	6	500	1,129	952
2019	10	20,000	48,919	40,986
<b>Financial notes:</b>				
2016	6	102,018	194,398	166,069
2017	6	8,630,999	10,479,463	9,904,746
2018	6	8,262,799	9,449,037	9,036,475
2019	6	21,858	29,859	26,148
2017	7	40,100	84,064	72,358
2018	7	141,050	256,191	216,409
2019	7	3,172,835	3,366,282	3,294,514
2020	7	1,700	2,351	2,036
2022 (2)	7	4,305,011	4,393,265	-
2018	8	50,000	97,531	82,323
2019	8	12,735	22,230	19,329
2020	8	28,556	43,541	37,726
2021	8	1,236	1,710	1,486
2023 (2)	8	1,706,846	1,733,383	-
2021	9	7,000	10,214	8,898
2024 (2)	9	4,924	4,977	-
2021	10	19,200	32,823	27,976
2022	10	54,143	81,225	70,401
2023	10	688,064	921,434	810,721
2025 (2)	10	284,137	293,445	-
2026 (2)	11	3,400	3,432	-
perpetual (2)	-	5,000,000	5,016,437	-
<b>CDB pegged to loans:</b>				
2016	1	792	1,160	3,073
<b>Subtotal in Brazil</b>			<b>36,568,500</b>	<b>26,500,090</b>
<b>Abroad:</b>				
2019	10	1,333,575	2,972,627	2,021,595

2021	11	2,766,650	6,385,622	4,339,415
2022	11	1,886,720	4,356,187	2,960,566
<b>Subtotal Abroad</b>			<b>13,714,436</b>	<b>9,321,576</b>
<b>Overall total (3)</b>			<b>50,282,936</b>	<b>35,821,666</b>

(1) Subordinated debt transactions that matured in 2015; and

(2) New issuing of financial bills in 2015; and

(3) It includes the amount of R\$ 11,444,939 thousand, referring to subordinate debts recorded in “Eligible Debt Capital Instruments”.

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## Notes to the Consolidated Financial Statements

### 35) Insurance technical provisions and pension plans

#### a) Technical provisions by account

	R\$ thousand					
	Insurance <sup>(1)</sup>		Life and Pension <sup>(2)(3)</sup>		Total	
	December 31		December 31		December 31	
	2015	2014	2015	2014	2015	2014
<b>Current and long-term liabilities</b>						
Mathematical provision for benefits to be granted	854,988	798,859	143,706,977	120,906,070	144,561,965	121,704,929
Mathematical provision for benefits granted	187,100	171,416	7,747,615	6,985,943	7,934,715	7,157,359
IBNR (Incurred But Not Reported) provision	2,453,085	1,606,139	1,107,026	1,056,832	3,560,111	2,662,971
Provision for unearned premiums	4,206,014	4,066,841	362,409	277,958	4,568,423	4,344,799
Provision for insurance claims to be settled	4,194,758	4,161,996	1,430,291	1,097,502	5,625,049	5,259,498
Provision for financial surplus	-	-	506,504	426,239	506,504	426,239
Other technical provisions	1,429,936	1,882,315	2,754,237	3,121,110	4,184,173	5,003,425
<b>Total provisions</b>	<b>13,325,881</b>	<b>12,687,566</b>	<b>157,615,059</b>	<b>133,871,654</b>	<b>170,940,940</b>	<b>146,559,220</b>

1. "Other reserves" - Insurance basically refers to the technical reserves of the "personal health" portfolio;
2. Includes personal insurance and pension plans; and
3. "Other reserves" - Life and Pension Plan mainly includes the "Reserve for redemption and other amounts to be settled", "Reserve for related expenses". In 2014, in compliance with SUSEP Circular Letter nº462/13, the "Other Technical provisions (OPT)" balance was reversed.



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### Notes to the Consolidated Financial Statements

#### b) Technical provisions by product

	R\$ thousand					
	Insurance		Life and Pension		Total	
	December 31		December 31		December 31	
	2015	2014	2015	2014	2015	2014
Health	7,040,435	6,622,586	-	-	7,040,435	6,622,586
Auto / Liability Insurance	3,175,873	3,195,673	-	-	3,175,873	3,195,673
DPVAT (Personal Injury Caused by Automotive Vehicles) <sup>(1)</sup>	331,996	242,282	3,437	3,955	335,433	246,237
Life	-	-	7,636,428	6,258,042	7,636,428	6,258,042
Elementary lines (property/casualty)	2,777,577	2,627,025	-	-	2,777,577	2,627,025
Free Benefits Generating Plan - PGBL	-	-	24,844,503	22,907,179	24,844,503	22,907,179
Free Benefits Generating Life - VGBL	-	-	106,248,597	87,144,950	106,248,597	87,144,950
Traditional plans	-	-	18,882,094	17,557,528	18,882,094	17,557,528
<b>Total technical provisions</b>	<b>13,325,881</b>	<b>12,687,566</b>	<b>157,615,059</b>	<b>133,871,654</b>	<b>170,940,940</b>	<b>146,559,220</b>

#### c) Technical provisions by aggregated products

	R\$ thousand	
	December 31	
	2015	2014
Insurance – Vehicle, Elementary Lines, Life and Health	20,965,746	18,949,563
Insurance – Life with Survival Coverage (VGBL)	106,248,597	87,144,950
Pensions – PGBL and Traditional Plans	36,848,112	34,393,291
Pensions – Risk Traditional Plans	6,878,485	6,071,416
<b>Total</b>	<b>170,940,940</b>	<b>146,559,220</b>



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**Notes to the Consolidated Financial Statements**

**d) Changes in the insurance and pension technical provisions**

**(i) Insurance – Vehicle, General, Life, Health and Pension (Risk on Traditional Plans)**

	R\$ thousand	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>25,020,979</b>	<b>22,036,698</b>
(-) DPVAT insurance	(245,411)	(695,437)
<b>Subtotal at beginning of the year</b>	<b>24,775,568</b>	<b>21,341,261</b>
Additions, net of reversals	24,199,584	20,662,929
Payment of claims, benefits and redemptions	(23,061,771)	(17,973,611)
Adjustment for inflation and interest	1,597,151	744,989
<b>Subtotal at end of the period</b>	<b>27,510,532</b>	<b>24,775,568</b>
(+) DPVAT insurance	333,699	245,411
<b>Total at the Year-End</b>	<b>27,844,231</b>	<b>25,020,979</b>

**(ii) Insurance – Life with Survival Coverage (VGBL)**

	R\$ thousand	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>87,144,950</b>	<b>74,522,213</b>
Receipt of premiums net of fees	24,568,993	19,951,708
Payment of benefits	(26,704)	(15,824)
Payment of redemptions	(14,393,788)	(12,682,365)
Adjustment for inflation and interest	9,987,082	6,607,823
Others	(1,031,936)	(1,238,605)
<b>Total at the Year-End</b>	<b>106,248,597</b>	<b>87,144,950</b>



**(iii) Pensions – PGBL and Traditional Plans**

	R\$ thousand	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>34,393,291</b>	<b>33,770,112</b>
Receipt of contributions net of fees	2,427,913	2,136,712
Payment of benefits	(573,307)	(532,903)
Payment of redemptions	(2,123,360)	(2,142,511)
Adjustment for inflation and interest	3,893,897	2,615,983
Others	(1,170,322)	(1,454,102)
<b>Total at the Year-End</b>	<b>36,848,112</b>	<b>34,393,291</b>

Bradesco

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

### Notes to the Consolidated Financial Statements

#### e) Guarantees for the technical provisions

	R\$ thousand					
	Insurance		Life and Pension		Total	
	December 31 2015	December 31 2014	December 31 2015	December 31 2014	December 31 2015	December 31 2014
<b>Total technical reserves</b>	<b>13,325,881</b>	<b>12,687,566</b>	<b>157,615,059</b>	<b>133,871,654</b>	<b>170,940,940</b>	<b>146,559,220</b>
(-) Deferred acquisition costs that reduce unearned premium reserve (PPNG)	(287,330)	(270,631)	-	-	(287,330)	(270,631)
(-) Portion corresponding to contracted reinsurance	(934,252)	(871,011)	(32,094)	(12,612)	(966,346)	(883,623)
(-) Deposits retained at IRB and court deposits	(2,318)	(2,318)	-	-	(2,318)	(2,318)
(-) Receivables	(934,747)	(891,065)	-	-	(934,747)	(891,065)
(-) Unearned premium reserve - Health insurance <sup>(1)</sup>	(1,089,006)	(949,029)	-	-	(1,089,006)	(949,029)
(-) Reserves from DPVAT agréments	(325,149)	(236,239)	-	-	(325,149)	(236,239)
<b>To be insured</b>	<b>9,753,079</b>	<b>9,467,273</b>	<b>157,582,965</b>	<b>133,859,042</b>	<b>167,336,044</b>	<b>143,326,315</b>
Investment fund quotas (VGBL and PGBL) <sup>(2)</sup>	-	-	-128,864,259	107,894,380	128,864,259	107,894,380
Investment fund quotas (excluding VGBL and PGBL)	6,018,361	7,980,702	18,159,359	20,080,415	24,177,720	28,061,117
Government securities	5,488,115	5,046,582	13,078,481	10,228,007	18,566,596	15,274,589
Private securities	106,660	105,943	176,214	173,684	282,874	279,627
Equities	1,911	2,956	1,123,289	1,296,157	1,125,200	1,299,113
<b>Total guarantees of technical reserves</b>	<b>11,615,047</b>	<b>13,136,183</b>	<b>161,401,602</b>	<b>139,672,643</b>	<b>173,016,649</b>	<b>152,808,826</b>

(1) In accordance with Article 4 of ANS Resolution n° 314/12; and

(2) The “VGBL” and “PGBL” mutual funds were consolidated in the consolidated financial statements.



Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**f) Changes in deferred acquisition cost (insurance assets)**

	R\$ thousand	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>1,839,353</b>	<b>1,537,145</b>
Additions	1,924,261	1,853,617
Reversals	(1,818,376)	(1,551,409)
<b>Total at the Year-End</b>	<b>1,945,238</b>	<b>1,839,353</b>

**g) Changes in reinsurance assets**

	R\$ thousand	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>At the beginning of the year</b>	<b>1,037,654</b>	<b>945,728</b>
Additions	828,630	487,448
Reversals	(481,971)	(258,586)
Recovered insurance losses	(231,592)	(135,708)
Adjustment of inflation and interest	38,876	17,537
Others	(47,091)	(18,765)
<b>Total at the Year-End</b>	<b>1,144,506</b>	<b>1,037,654</b>

**h) Claim information**

The purpose of the table below is to show the inherent insurance risk, comparing the insurance claims paid with their provisions. Starting from the year in which the claim was reported, the upper part of the table shows the changes in the provision over the years. The provision varies as more precise information

concerning the frequency and severity of the claims is obtained. The lower part of the table shows the reconciliation of the amounts with the amounts presented in the financial statements.

Bradesco

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**Insurance, Vehicle/RCF and Elementary Lines – Claims, gross reinsurance<sup>(d)</sup>**

	Year claims were notified								
	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013
Amount estimated for the claims:									
• In the year of notification	2,023,548	1,697,160	1,701,439	1,152,371	2,058,559	2,414,674	2,647,298	3,134,409	3,020,8
• One year after notification	1,955,138	1,626,143	1,638,346	1,108,270	2,037,365	2,394,609	2,626,356	3,035,716	2,848,3
• Two years after notification	1,921,320	1,600,359	1,596,899	1,088,069	2,018,329	2,387,075	2,604,738	3,021,698	2,809,9
• Three years after notification	1,912,062	1,603,521	1,593,526	1,094,795	2,015,921	2,403,020	2,604,061	3,041,626	
• Four years after notification	1,918,314	1,597,707	1,598,083	1,102,364	2,046,000	2,418,649	2,600,194		-
• Five years after notification	1,925,223	1,605,888	1,600,766	1,102,595	2,044,644	2,428,252			-
• Six years after notification	1,926,098	1,612,902	1,608,667	1,127,609	2,056,612				-
• Seven years after notification	1,931,580	1,623,910	1,601,931	1,140,708					-
• Eight years after notification	1,935,495	1,626,669	1,607,644						-
• Nine years after notification	1,966,368	1,638,045							-

- Ten years after notification

**Estimate of claims on the reporting date (2015)**

Payments of claims

**Outstanding Claims**

1,973,920	-	-	-	-	-	-	-	-	-
<b>1,973,920</b>	<b>1,638,045</b>	<b>1,607,644</b>	<b>1,140,708</b>	<b>2,056,612</b>	<b>2,428,252</b>	<b>2,600,194</b>	<b>3,041,626</b>	<b>2,809,9</b>	
(1,909,964)	(1,607,830)	(1,588,786)	(995,916)	(2,008,382)	(2,349,145)	(2,532,314)	(2,768,515)	(2,664,6	
<b>63,956</b>	<b>30,215</b>	<b>18,858</b>	<b>144,792</b>	<b>48,230</b>	<b>79,107</b>	<b>67,880</b>	<b>273,111</b>	<b>145,3</b>	

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**Insurance, Vehicle/RCF and Elementary Lines – Claims, net reinsurance<sup>(4)</sup>**

	Year claims were notified								
	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013
Amount estimated for the claims:									
• In the year of notification	1,725,277	1,464,086	1,421,768	859,651	1,791,249	2,260,194	2,440,426	2,804,706	2,815,300
• One year after notification	1,675,830	1,415,281	1,385,711	846,124	1,773,092	2,235,404	2,417,095	2,695,513	2,648,100
• Two years after notification	1,635,350	1,413,371	1,381,949	835,214	1,766,152	2,232,926	2,401,407	2,696,091	2,622,000
• Three years after notification	1,639,187	1,417,612	1,379,442	844,636	1,769,942	2,251,003	2,418,057	2,705,326	
• Four years after notification	1,653,212	1,417,980	1,386,605	850,115	1,791,739	2,268,293	2,425,973		-
• Five years after notification	1,670,356	1,429,154	1,392,108	857,121	1,797,090	2,281,206		-	-
• Six years after notification	1,686,295	1,437,203	1,401,024	868,958	1,810,770		-	-	-
• Seven years after notification	1,693,861	1,448,422	1,404,940	873,978		-	-	-	-
• Eight years after notification	1,707,860	1,453,221	1,410,894		-	-	-	-	-
	1,728,217	1,463,909			-	-	-	-	-



- Nine years after notification

- Ten years after notification

**Estimate of claims on the reporting date (2015)**

Payments of claims

**Outstanding Claims**

1,731,930	-	-	-	-	-	-	-	-	-
<b>1,731,930</b>	<b>1,463,909</b>	<b>1,410,894</b>	<b>873,978</b>	<b>1,810,770</b>	<b>2,281,206</b>	<b>2,425,973</b>	<b>2,705,326</b>	<b>2,622,000</b>	<b>2,622,000</b>
(1,701,537)	(1,441,165)	(1,398,062)	(855,034)	(1,779,614)	(2,231,549)	(2,370,661)	(2,631,217)	(2,529,166)	(2,529,166)
<b>30,393</b>	<b>22,744</b>	<b>12,832</b>	<b>18,944</b>	<b>31,156</b>	<b>49,657</b>	<b>55,312</b>	<b>74,109</b>	<b>92,834</b>	<b>92,834</b>

Bradesco

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**Life – Insurance claims, gross reinsurance<sup>(d)</sup>**

	Year claims were notified									
	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount estimated for the claims:										
• In the year of notification	816,255	624,866	778,085	819,262	885,177	997,287	1,183,335	1,228,706	1,303,216	1,326,000
• One year after notification	778,352	608,403	766,642	829,831	909,937	1,006,142	1,180,974	1,219,349	1,295,014	1,369,000
• Two years after notification	755,274	590,246	772,788	845,582	926,808	1,012,326	1,181,021	1,229,698	1,323,077	
• Three years after notification	747,555	586,480	776,168	841,047	920,827	1,002,115	1,189,830	1,229,696		-
• Four years after notification	738,165	590,823	779,660	838,726	927,503	1,013,162	1,186,600			-
• Five years after notification	738,659	583,930	773,646	836,488	937,744	1,010,685				-
• Six years after notification	734,144	580,137	778,029	837,591	935,677					-
• Seven years after notification	725,395	581,401	753,093	837,981						-
• Eight years after notification	720,079	580,600	756,800							-
• Nine years after notification	722,823	581,246								-

notification  
 • Ten years  
 after

notification	725,305	-	-	-	-	-	-	-	-	-
<b>Estimate of claims on the reporting date (2015)</b>	<b>725,305</b>	<b>581,246</b>	<b>756,800</b>	<b>837,981</b>	<b>935,677</b>	<b>1,010,685</b>	<b>1,186,600</b>	<b>1,229,696</b>	<b>1,323,077</b>	<b>1,369,369</b>
Payments of claims	(708,786)	(563,875)	(724,290)	(811,422)	(891,667)	(946,874)	(1,114,342)	(1,137,570)	(1,162,625)	(997,500)
<b>Outstanding Claims</b>	<b>16,519</b>	<b>17,371</b>	<b>32,510</b>	<b>26,559</b>	<b>44,010</b>	<b>63,811</b>	<b>72,258</b>	<b>92,126</b>	<b>160,452</b>	<b>371,869</b>

IFRS – International Financial Reporting Standards – 2015

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

**Life – Insurance claims, net reinsurance<sup>(4)</sup>**

	Year claims were notified									
	Up to 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount estimated for the claims:										
• In the year of notification	816,255	624,866	778,085	819,262	885,177	997,287	1,183,335	1,228,706	1,303,216	1,326,000
• One year after notification	778,352	608,403	766,642	829,831	909,937	1,006,142	1,180,974	1,219,349	1,295,014	1,369,000
• Two years after notification	755,274	590,246	772,788	845,582	926,808	1,012,326	1,181,021	1,229,698	1,323,077	
• Three years after notification	747,555	586,480	776,168	841,047	920,827	1,002,115	1,189,830	1,229,696		-
• Four years after notification	738,165	590,823	779,660	838,726	927,503	1,013,162	1,186,600		-	-
• Five years after notification	738,659	583,930	773,646	836,488	937,744	1,010,685		-	-	-
• Six years after notification	734,144	580,137	778,029	837,591	935,677		-	-	-	-
• Seven years after notification	725,395	581,401	753,093	837,981		-	-	-	-	-
• Eight years after notification	720,079	580,600	756,800		-	-	-	-	-	-

- Nine years after notification

722,823	581,246	-	-	-	-	-	-	-	-	-
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- Ten years after notification

725,305	-	-	-	-	-	-	-	-	-	-
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**Estimate of claims on the**

**reporting**

**date (2015)**

725,305	581,246	756,800	837,981	935,677	1,010,685	1,186,600	1,229,696	1,323,077	1,369,500
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Payments of

(708,786)	(563,875)	(724,290)	(811,422)	(891,667)	(946,874)	(1,114,342)	(1,137,570)	(1,162,625)	(997,500)
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**Outstanding**

<b>Claims</b>	<b>16,519</b>	<b>17,371</b>	<b>32,510</b>	<b>26,559</b>	<b>44,010</b>	<b>63,811</b>	<b>72,258</b>	<b>92,126</b>	<b>160,452</b>	<b>371,000</b>
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(1) The claims table does not include the products Health and Dental insurance – R\$1,886,840 thousand, DPVAT insurance – R\$16,159 thousand, “Extended guarantee” R\$ 21,330 thousand, Retrocession – R\$ 24,975 thousand and salvage and reimbursement estimates - R\$ (161,892) thousand.

Bradesco

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

### **36) Supplemental pension plans**

Bradesco and its subsidiaries sponsor an unrestricted benefit pension plan (PGBL) for employees and directors which is a private defined contribution pension plan that allows financial resources to be accumulated by participants throughout their careers by means of employee and employer contributions to be invested in an Exclusive Investment Fund (FIE).

The PGBL is managed by Bradesco Vida e Previdência S.A. and BRAM - Bradesco Asset Management S.A. The Securities Dealer Company (DTVM) is responsible for the financial management of FIE.

The PGBL Supplementary Pension Plan was reformulated in October 2014, with contributions from employees and directors of Bradesco and its subsidiaries equal to at least 4% of their salaries. Contributions from Bradesco and its subsidiaries increased from 4% to 5% of salary, plus the percentage destined for death and disability coverages. The contributions concerning participants who in 2001 chose to migrate from the benefit plan defined for PGBL were maintained at the same levels of the previous benefit plan.

Actuarial obligations of the defined contribution plan (PGBL) are fully covered by the plan assets of the corresponding FIE.

Expenses related to contributions made in 2015 totaled R\$ 606,245 thousand (2014 - R\$ 622,807 thousand and 2013 - R\$ 622,160 thousand).

In addition to this benefit, Bradesco and its subsidiaries offer other benefits to their employees and administrators, including health insurance, dental care, life and personal accident insurance, and professional training. These expenses, including the aforementioned contributions, totaled R\$ 3,163,517 thousand in 2015 (2014 - R\$ 2,949,691 thousand and 2013 - R\$ 2,730,353 thousand).

In addition to the aforementioned plan (PGBL), participants who chose to migrate from the defined benefit plan are guaranteed a proportional deferred benefit, corresponding to their accumulated rights in the plan. For participants of the defined benefit plan, whether they migrated to the PGBL plan or not, for retirees and pensioners, the present value of the actuarial plan obligation is fully covered by the plan assets.

Banco Alvorada S.A. (successor from the of Banco Baneb S.A.) maintains defined contribution and defined benefit retirement plans, through Fundação Baneb de Seguridade Social - Bases (related to the former employees of Baneb).

Banco Bradesco BBI S.A. (formally Banco BEM S.A.) sponsors both defined benefit and defined contribution retirement plans, through Caixa de Assistência e Aposentadoria dos Funcionários do Banco do Estado do Maranhão (Capof).

Bradesco sponsors a defined benefit plan through Caixa de Previdência Privada do Banco do Estado do Ceará (Cabec), exclusively to former employees of Banco BEC S.A.

On December 31 of each year we conduct an assessment of the plans of our subsidiaries Alvorada, BBI and Bradesco. IAS 19 establishes that the employer must recognize prospectively the surplus or deficit of its defined benefit plans and post-retirement plans as an asset or an obligation in its consolidated statement of financial position, and must recognize the changes in the financial condition during the year in which the changes occurred, in profit or loss.

In accordance with the requirements of IAS 19 – Employee Benefits, Bradesco and its subsidiaries, as sponsors of these plans, taking into consideration the economic and actuarial study, recalculated their actuarial commitments using the real interest rate that reflected the new real interest rate scenario and recognised their obligations in the financial statements as appropriate.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

**Notes to the Consolidated Financial Statements**

	R\$ thousand	
	<b>Alvorada, BBI and Bradesco Plans</b>	
	<b>Years ended December 31</b>	
	<b>2015</b>	<b>2014</b>
(i) Projected benefit obligations:		
<b>At the beginning of the year</b>	<b>1,182,761</b>	<b>1,082,613</b>
Cost of current service	(579)	641
Interest cost	133,385	127,082
Participant's contribution	2,590	2,162
Actuarial gains/(losses)	(58,529)	60,621
Benefit paid	(97,623)	(90,358)
<b>At the end of the year</b>	<b>1,162,005</b>	<b>1,182,761</b>
(ii) Plan assets comprise:		
<b>At the beginning of the year</b>	<b>1,070,636</b>	<b>995,591</b>
Expected returns	64,011	154,209
Contributions received:		
Employer	8,168	9,032
Employees	2,590	2,162
Benefits paid	(97,623)	(90,358)
<b>At the end of the year</b>	<b>1,047,782</b>	<b>1,070,636</b>
(iii) Financial position:		
Plans in deficit	(131,849)	(112,125)
Plans in surplus	17,626	-
<b>Net balance</b>	<b>(114,223)</b>	<b>(112,125)</b>

The net cost/(benefit) of the pension plans recognized in the consolidated statement of income includes the following components:

	R\$ thousand		
	<b>Alvorada, BBI and Bradesco Plans</b>		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>



**Projected benefit obligations:**

Cost of service	(579)	641	1,649
Cost of interest on actuarial obligations	133,385	127,082	117,071
Expected returns from the assets of the plan	(120,960)	(116,965)	(95,573)
<b>Net cost/ (benefit) of pension plans</b>	<b>11,846</b>	<b>10,758</b>	<b>23,147</b>

The accumulated obligations of the pension plans are included in "Other Liabilities", in our consolidated statement of financial position.

Bradesco -

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Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

Benefit obligations and net periodic benefit cost for the years 2015 and 2014 for our subsidiaries, were determined using the following assumptions:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate <sup>(1)</sup>	12.7%	11.7%
Expected long-term rate of return on the assets	12.7%	11.7%
Increase in salary levels	5.0%	5.2%

(1) In 2015, considering an inflation rate of 5.0% p.a. and a real discount rate of 7.3% p.a. (2014 – 5.2% and 6.2% p.a., respectively).

The long-term rate of return on plan assets is based on the following:

- Medium- to long-term expectations of the asset managers; and
- Public and private securities, with short to long-term maturities which represent a significant portion of the investment portfolios of our subsidiaries, the return on which is higher than inflation plus interest.

The assets of pension plans are invested in compliance with the applicable legislation (government securities and private securities, listed company shares and real estate properties) and the weighted-average allocation of the pension plan's assets by category is as follows:

<b>Asset categories</b>	<b>Assets of the Alvorada Plan</b>		<b>Assets of the BBI Plan</b>		<b>Assets of the Bradesco Plan</b>	
	<b>December 31 2015</b>	<b>December 31 2014</b>	<b>December 31 2015</b>	<b>December 31 2014</b>	<b>December 31 2015</b>	<b>December 31 2014</b>
Equities	-	-	9.2%	12.4%	3.4%	7.2%

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Fixed income	92.0%	91.4%	87.2%	83.8%	86.7%	82.6%
Properties	6.3%	6.9%	-	-	3.8%	3.6%
Other	1.7%	1.7%	3.6%	3.8%	6.1%	6.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

IFRS – International Financial Reporting Standards – 2015

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

Below is the sensitivity analysis of the benefit plan obligations, showing the impact on the actuarial exposure (12.7% p.a.) assuming a 1 b.p. change in the discount rate:

Discount rate	Sensitivity analysis	Effect on actuarial liabilities	Effect on the present value of obligations
13.7%	Increase of 1 b.p.	decrease	(96,511)
11.7%	Decrease of 1 b.p.	increase	117,947

### **37) Other provisions**

#### **a) Contingent assets**

Contingent assets are not recognized in the financial statements. However, there are ongoing proceedings where the chance of success is considered probable, such as: a) Social Integration Program (PIS), claiming to offset PIS against Gross Operating Income, paid under Decree-Laws n° 2445/88 and n° 2449/88, regarding the payment that exceeded the amount due under Supplementary Law n° 07/70 (PIS Repique); and b) other taxes, the legality and/or constitutionality of which is being challenged, where the decision may lead to reimbursement of amounts paid.

#### **b) Contingent liabilities and tax and social security obligations**

The Organization is a party to a number of labor, civil and tax lawsuits, arising from the normal course of business.

Management recorded provisions based on their opinion and that of their legal counsel, the nature of the lawsuit, similarity to previous lawsuits, complexity and the courts standing, where the loss is deemed probable.

Management considers that the provision is sufficient to cover losses generated by the respective lawsuits.

Liability related to litigation is held until the conclusion to the lawsuit, represented by judicial decisions, with no further appeals or due to the statute of limitation.

### **I - Labor claims**

These are claims brought by former employees and outsourced employees seeking indemnifications, most significantly for unpaid overtime, pursuant to Article 224 of the Consolidation of Labor Laws (CLT). In proceedings in which a judicial deposit is used to guarantee the execution of the judgment, the labor provision is made considering the estimated loss of these deposits. For proceedings with similar characteristics and not judged, the provision is recorded based on the average calculated value of payments made for labor complaints settled in the past 12 months; and for proceedings originating from acquired banks, with unique characteristics, the calculation and assessment of the required balance is conducted periodically, based on the updated recent loss history.

Overtime is monitored by using electronic time cards and paid regularly during the employment contract and, accordingly, the claims filed by former employees do not represent significant amounts.

### **II - Civil proceedings**

These are claims for pain and suffering and property damages, mainly relating to protests, returned checks, the inclusion of information about debtors in the credit restriction registry and the replacement of inflation adjustments excluded as a result of government economic plans. These lawsuits are individually controlled using a computer-based system and provisioned whenever the loss is deemed as probable, considering the opinion of Management and their legal counsel, the nature of the lawsuits, and similarity with previous lawsuits, complexity and positioning of the courts.

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Most of these lawsuits are brought to the Special Civil Court (JEC), in which the claims are limited to 40 times the minimum wage and do not cause significant impact on Organization's financial position.

It is worth mentioning the significant number of legal claims pleading alleged differences in adjustment for inflation on savings account balances is due to the implementation of economic plans that were part of the federal government's economic policy to reduce inflation in the '80s and '90s.

Although Bradesco complied with the law and regulation in force at the time, these lawsuits have been recorded in provisions, taking into consideration the claims where the Bank is the defendant and the perspective of loss, which is considered after the analysis of each demand, based on the current decision of the Superior Court of Justice (STJ).

Note that, regarding disputes relating to economic plans, the Federal Supreme Court (STF) suspended the prosecution of all lawsuits on cognizance stage, until the Court issues a final decision on the right under litigation.

#### **c) Tax and social security obligations**

The Organization is disputing the legality and constitutionality of certain taxes and contributions in court, for which provisions have been recorded in full, although there is good chance of a favorable outcome, based on the opinion of Management and their legal counsel. The processing of these legal obligations and the provisions for cases for which the risk of loss is deemed as probable is regularly monitored in the legal court. During or after the conclusion of each case, a favorable outcome may arise for the Organization, resulting in the reversal of the related provisions.

The main cases are:

- PIS and COFINS – R\$ 2,115,466 thousand (2014 - R\$ 1,818,412 thousand): a request for authorization to calculate and pay PIS and COFINS based on effective billing, as set forth in Article 2 of Supplementary Law nº 70/91, removing from the calculation base the unconstitutional inclusion of other revenues other than those billed;

- INSS Autonomous Brokers – R\$ 1,794,380 thousand (2014 - R\$ 1,531,540 thousand): discussing the charging of social security contribution on remunerations paid to third-party service providers, established by Supplementary Law nº 84/96 and subsequent regulations/amendments, at 20.0% with an additional 2.5%, on the grounds that services are not provided to insurance companies but to policyholders, thus being outside the scope of such a contribution as provided for in item I, Article 22 of Law nº 8,212/91, as new wording in Law nº 9,876/99;
  
- IRPJ/CSLL on credit losses – R\$ 1,880,905 thousand (2014 - R\$ 2,059,542 thousand): we are requesting to deduct from income tax and social contributions payable (IRPJ and CSLL, respectively) amounts of actual and definite loan losses related to unconditional discounts granted during collections, regardless of compliance with the terms and conditions provided for in Articles 9 to 14 of Law nº 9,430/96 that only apply to temporary losses;
  
- PIS – EC 17/97 - R\$ 233,597 thousand (2014 - R\$ 321,748): for the period from July 1997 to February 1998, request to calculate and pay PIS contributions as established by LC 07/70 (PIS Repique) and not as established by EC 17/97 (PIS on Gross Operating Income);

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- PIS – R\$ 325,932 thousand (2014 - R\$ 320,067 thousand): we are requesting the authorization to offset overpaid amounts in 1994 and 1995 as PIS contribution, corresponding to the surplus paid over that calculated on the tax base established in the Constitution, i.e., gross operating income, as defined in the income tax legislation (set out in Article 44 of Law n<sup>o</sup> 4,506/64), which excludes interest income; and
- Pension Contributions - R\$ 1,080,640 thousand (2014 - R\$ 484,960 thousand): official notifications related to the pension contributions on financial contributions in private pension plans, considered by the audit as compensatory sums subject to the incidence of such financial contributions and isolated fine for not withholding tax of the IRRF on the related financial contributions.

#### **d) Changes in other provision**

	R\$ thousand		
	<b>Labor</b>	<b>Civil</b>	<b>Tax and Social Security</b>
<b>Balance on December 31, 2014</b>	<b>2,705,363</b>	<b>3,937,591</b>	<b>7,221,447</b>
Indexation charges	366,088	373,757	653,107
Additions, net of reversals	883,887	983,576	250,501
Payments	(906,896)	(1,091,974)	(12,130)
<b>Balance on December 31, 2015</b>	<b>3,048,442</b>	<b>4,202,950</b>	<b>8,112,925</b>
<b>Balance on December 31, 2013</b>	<b>2,509,323</b>	<b>3,813,571</b>	<b>7,429,683</b>
Indexation charges	310,580	363,847	475,589
Additions, net of reversals	1,169,873	577,237	(572,621)
Payments	(1,284,413)	(817,064)	(111,204)
<b>Balance on December 31, 2014</b>	<b>2,705,363</b>	<b>3,937,591</b>	<b>7,221,447</b>

#### **e) Contingent liabilities classified as possible losses**



The Organization maintains a system to monitor all administrative and judicial proceedings in which the institution is plaintiff or defendant and, based on the opinion of legal counsel, classifies the lawsuits according to the expectation of loss. Case law trends are periodically analyzed and, if necessary, the related risk is reclassified. In this respect, contingent lawsuits deemed to have a possible risk of loss are not recorded as a liability in the financial statements. The main proceedings in this category are the following: a) leasing companies' Tax on Services of any Nature (ISSQN), total lawsuits correspond to R\$ 1,910,629 thousand (2014 - R\$ 1,840,272 thousand) which relates to the municipal tax demands from municipalities other than those in which the company is located and where, under law, tax is collected; b) 2006-2010 income tax and social contribution, relating to goodwill amortization being disallowed on the acquisition of investments, for the amount of R\$ 5,194,055 thousand (2014 - R\$ 4,264,479 thousand); c) IRPJ and CSLL deficiency notice relating to the disallowance of loan loss deductions, for the amount of R\$ 1,200,403 thousand (2014 - R\$ 1,034,018 thousand); d) IRPJ and CSLL deficiency note relating to disallowance of exclusions of revenues from the mark-to-market of securities from 2007 to 2010, and differences in depreciation and operating expenses and income, amounting to R\$ 908,915 thousand (2014 - R\$ 1,226,665 thousand); and e) IRPJ and CSLL deficiency note, amounting to R\$ 421,035 thousand (2014 - R\$ 378,664 thousand) relating to profit of subsidiaries based overseas, for the calendar years of 2008 and 2009.

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

#### **38) Other liabilities**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Financial liabilities</b>		
Credit card transactions <sup>(1)</sup>	19,100,529	18,094,072
Foreign exchange transactions <sup>(2)</sup>	13,263,836	11,261,026
Loan assignment obligations <sup>(4)</sup>	7,519,809	4,948,920
Capitalization bonds	6,893,483	6,707,862
Negotiation and intermediation of securities	2,716,075	2,763,658
Liabilities for acquisition of assets – financial leasing (Note 38 a)	676,149	898,248
<b>Other liabilities</b>		
Third party funds in transit <sup>(3)</sup>	6,382,059	5,888,405
Provision for payments	5,605,489	5,656,677
Sundry creditors	5,451,598	3,930,699
Corporate and statutory obligations	3,770,172	3,105,276
Other taxes payable	1,378,280	982,897
Liabilities for acquisition of assets and rights	1,077,236	1,054,651
Others	4,203,343	3,893,318
<b>Total</b>	<b>78,038,058</b>	<b>69,185,709</b>

(1) Refers to amounts payable to merchants;

(2) Mainly refers to the institution's sales in foreign currency to customers and its right's in domestic currency, resulting from exchange sale operations;

(3) Mainly refers to payment orders issued domestically and the amount of payment orders in foreign currency coming from overseas; and

(4) Bradesco carried out operations related to the sale or transfer of financial assets in which there was the retention of credit risks of the financial assets transferred. Therefore, such operations remained recorded in loans and advance to customer - property loans in the amount of R\$ 7,510,739 thousand (2014 - R\$ 4,953,774 thousand).

#### **a) Composition by maturity of financial leasing and details of operational leases**

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Due within one year	475,211	497,011
From 1 to 2 years	183,676	316,872
From 2 to 3 years	17,262	84,365
<b>Total</b>	<b>676,149</b>	<b>898,248</b>

Total non-cancellable minimum future payments due on operational leases in 2015 are R\$ 5,328,926 thousand, of which R\$ 682,500 thousand is due within 1 year, R\$ 2,540,356 thousand between 1-5 years and R\$ 2,106,070 thousand with more than 5 years.

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**Notes to the Consolidated Financial Statements**

**39) Equity**

**a) Capital and shareholders' rights**

**i. Composition of share capital in number of shares**

The share capital, which is fully subscribed and paid, is divided into registered shares with no par value.

	<b>December 31</b>	
	<b>2015</b>	<b>2014 <sup>(1)</sup></b>
Ordinary (one vote per share)	2,524,364,555	2,524,364,555
Preferred (no voting rights)	2,524,364,292	2,524,364,292
<b>Subtotal</b>	<b>5,048,728,847</b>	<b>5,048,728,847</b>
In treasury (common)	(3,669,932)	(3,478,332)
In treasury (preferred)	(15,583,262)	(10,781,844)
<b>Total outstanding</b>	<b>5,029,475,653</b>	<b>5,034,468,671</b>

**ii. Changes in capital stock, in number of shares**

	<b>Common</b>	<b>Preferred</b>	<b>Total</b>
<b>Number of shares outstanding on December 31, 2013 <sup>(1)</sup></b>	<b>2,520,886,223</b>	<b>2,514,924,768</b>	<b>5,035,810,991</b>
Shares acquired and not cancelled	-	(1,342,320)	(1,342,320)
<b>Number of shares outstanding on December 31, 2014 <sup>(1)</sup></b>	<b>2,520,886,223</b>	<b>2,513,582,448</b>	<b>5,034,468,671</b>
Shares acquired and not cancelled	(191,600)	(4,801,418)	(4,993,018)
<b>Number of shares outstanding on December 31, 2015</b>	<b>2,520,694,623</b>	<b>2,508,781,030</b>	<b>5,029,475,653</b>

(1) All share amounts presented for prior periods have been adjusted to reflect the stock split approved at the Board of Directors' Meeting of March 10, 2015 in proportion of two new shares for every 10 shares held.

In the Extraordinary General Meeting of March 10, 2015, deliberation was made to increase the Capital Stock by R\$ 5,000,000 thousand, increasing it from R\$ 38,100,000 thousand to R\$ 43,100,000 thousand, through the capitalization of part of the balance of the account "Profit Reserves - Statutory Reserve", in compliance with the provisions in Article 169 of Law nº 6,404/76, with a bonus of 20% in shares, by issuing 841,454,808 new nominative-book entry shares, with no nominal value, whereby 420,727,426 common and 420,727,382 preferred shares, attributed free-of-charge to the shareholders as bonus, in the ratio of two (2) new shares for every ten (10) shares of the same type that they own, benefiting the shareholders registered on March 26, 2015.

All of the shareholders are entitled to receive, in total, a mandatory dividend of at least 30% of Bradesco's annual net income, as shown in the statutory accounting records, adjusted by transfers to reserves. The Organization has no obligation that is exchangeable for or convertible into shares of capital. As a result, its diluted earnings per share is the same as the basic earnings per share.

In occurring any operation that changes the number of shares, simultaneously with the transaction in the Brazilian Market, and with the same timeframes, an identical procedure is adopted in the International Market, for the ADRs/GDRs traded in New York, USA, and Madrid, Spain.

Treasury shares are recorded at cost, which is approximately equivalent to the market prices on the date they are acquired. Cancellation of treasury shares is recorded as a reduction of unappropriated retained earnings. Treasury shares are acquired for subsequent sale or cancellation.

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

### **b) Reserves**

#### **Capital reserve**

The capital reserve consists mainly of premiums paid by the shareholders upon subscription of shares. The capital reserve is used for (i) absorption of any losses in excess of accumulated losses and revenue reserves, (ii) redemption, reimbursement of purchase of shares, (iii) redemption of founders' shares, (iv) transfer to share capital, and (v) payment of dividends to preferred shares, when this privilege is granted to them.

#### **Revenue reserves**

In accordance with Corporate Legislation, Bradesco and its Brazilian subsidiaries must allocate 5% of their annual statutory net income, after absorption of accumulated losses, to a legal reserve, the distribution of which is subject to certain limitations. The reserve can be used to increase capital or to absorb losses, but cannot be distributed in the form of dividends.

The Statutory Reserve aims to maintain an operating margin that is compatible with the development of the Organization's active operations and may be formed by up to 100% of net income remaining after statutory allocations if proposed by the Board of Executive Officers, approved by the Board of Directors and ratified at the Shareholders' Meeting, with the accumulated value limited to 95% of the Organization's paid-in capital share amount.

### **c) Dividends (including interest on equity)**

Dividends are based on the net income as determined in the financial statements prepared in accordance with Brazilian generally accepted accounting principles (BR GAAP) applicable to financial institutions authorized to operate by the Central Bank of Brazil. The dividends are paid in *Reais* and can be converted into US dollars and remitted to shareholders abroad, provided that the equity participation of the non-resident shareholder is registered with the Central Bank of Brazil, Brazilian companies may pay interest on equity to shareholders based on the net equity and treat these payments as deductible expenses in the Brazilian income tax and social contribution calculations. The interest cost is treated for accounting purposes as a deduction from equity in a manner similar to dividends. Withholding income tax is levied and paid at the time that the interest on equity is paid to the shareholders.

In 2015 the Organization distributed dividends (including interest on equity) of R\$ 6,034,964 thousand, being attributed to the shareholders, the amount per share of R\$ 1.15 for common shares and R\$ 1.27 for preferred shares (2014 - R\$ 5,054,580 thousand, R\$ 0.96 for ordinary shares and R\$ 1.05 for preferred shares).

#### **40) Transactions with related parties**

Related party transactions are carried out under conditions and at rates consistent with those entered into with third parties, when applicable, and effective on the dates of the operations.

The principal shareholders of Bradesco are Cidade de Deus Companhia Comercial de Participações and Fundação Bradesco. Fundação Bradesco is a not-for-profit entity that for more than 40 years, has been helping to develop the potential of children and youngsters by means of schools in disadvantaged regions.

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The main transactions with related parties are presented as follows:

	R\$ thousand	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Loans and advances to banks</b>	<b>223,874</b>	<b>101,025</b>
Crediare S.A. Crédito Financiamento e Investimento - Joint venture	223,874	101,025
<b>Other assets</b>	<b>11,277</b>	<b>6,754</b>
Cia. Brasileira de Soluções e Serviços – Alelo - Joint venture	8,849	3,492
Crediare S.A. Crédito Financiamento e Investimento - Joint venture	2,428	3,262
<b>Liabilities and Equity</b>		
<b>Deposits from customers</b>	<b>(231,110)</b>	<b>(157,540)</b>
Cidade de Deus Companhia Comercial de Participações - Holding	(114,231)	(59,946)
Key Management Personnel	(69,429)	(92,832)
Others associates	(47,450)	(4,762)
<b>Funds from securities issued</b>	<b>(2,509,577)</b>	<b>(1,151,105)</b>
Cidade de Deus Companhia Comercial de Participações - Holding	(822,271)	(290,413)
Haitong Banco de Investimento Brasil S.A. - Associates	(740,390)	-
Fidelity Processadora e Serviços S.A. – Associates	(115,491)	(76,996)
Key Management Personnel	(716,400)	(711,594)
Others associates	(115,025)	(72,102)
<b>Corporate and statutory obligations</b>	<b>(1,279,382)</b>	<b>(1,019,589)</b>
Cidade de Deus Companhia Comercial de Participações - Holding	(942,262)	(750,925)
Fundação Bradesco - Holding	(337,120)	(268,664)
<b>Other liabilities</b>	<b>(24,811)</b>	<b>(9,534)</b>
Fidelity Processadora e Serviços S.A. – Associates	(24,811)	(9,534)

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenues and expenses</b>			
<b>Net Interest income</b>	<b>(167,583)</b>	<b>(164,134)</b>	<b>(114,707)</b>
Crediare S.A. Crédito Financiamento e Investimento - Joint venture	27,338	9,581	7,033
Cidade de Deus Companhia Comercial de Participações - Holding	(68,794)	(34,997)	(31,128)
Key Management Personnel	(88,343)	(81,337)	(59,616)
Others associates	(37,784)	(57,381)	(30,996)



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<b>Other revenues / (expenses)</b>	<b>88.406</b>	<b>(68.366)</b>	<b>(90.687)</b>
Cia. Brasileira de Soluções e Serviços - Alelo - Joint venture	36,500	9,125	29,936
Others associates	51,906	(77,491)	(120,623)

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

### **a) Remuneration of key management personnel**

The following is established each year at the Annual Shareholders' Meeting:

- The annual grand total amount of management compensation, set forth at the Board of Directors Meetings, to be paid to board members and members of the Board of Executive Officers, as determined by the Company's Bylaws; and
- The amount allocated to finance Management pension plans, within the Employee and Management pension plan of the Bradesco Organization.

For 2015, the maximum amount of R\$ 349,900 thousand (2014 - R\$ 355,100 thousand) was set for Management compensation and R\$ 353,050 thousand (2014 - R\$ 354,600 thousand) to finance defined contribution pension plans. The current policy on Management compensation sets forth that 50% of net variable compensation, if any, must be allocated to the acquisition of preferred shares of Bradesco, in the name of Directors, which vest in three equal, annual and successive installments, the first of which is in the year following the payment date. This procedure complies with National Monetary Council Resolution nº 3921/10, which sets forth a management compensation policy for financial institutions.

### **Short-term benefits for management**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Salaries	309,864	319,743	326,132
INSS contributions	69,404	71,611	73,123
<b>Total</b>	<b>379,268</b>	<b>391,354</b>	<b>399,255</b>

**Post-employment benefits**

	R\$ thousand		
	<b>Years ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Defined contribution supplementary pension plans	311,670	322,726	322,926
<b>Total</b>	<b>311,670</b>	<b>322,726</b>	<b>322,926</b>

The Organization has no long-term benefits for the termination of employment contracts or for remuneration based on shares for its key management personnel.

**Other information****a) Under current law, financial institutions are not allowed to grant loans or advances to:**

- (i) Officers and members of the advisory, administrative, fiscal or similar councils, as well as to their respective spouses and family members up to the second degree;
- (ii) Individuals or corporations that own more than 10% of their capital; and

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(iii) Corporations in which the financial institution itself, any officers or administrators of the institution, as well as their spouses and respective family members up to the second degree own more than 10% of equity.

Therefore, no loans or advances are granted by the financial institutions to any subsidiary, members of the Board of Directors or Board of Executive Officers and their relatives.

**b) Equity participation**

Together directly, members of the Board of Directors and Board of the Executive Officers had the following shareholding in Bradesco:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Ordinary shares	0.6%	0.7%
Preferred shares	1.1%	1.0%
<b>Total shares</b> <sup>(1)</sup>	<b>0.8%</b>	<b>0.9%</b>

(1) In 2015, direct and indirect shareholding of the members of Board of Directors and Board of Executive Officers totaled 2.7% of ordinary shares, 1.1% of preferred shares and 1.9% of all shares (2014 – 3.0% of ordinary shares, 1.1% of preferred shares and 2.1% of all shares).

**41) Off-balance sheet commitments**

The table below summarizes the total risk represented by off-balance sheet commitments:

R\$ thousand

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Commitments to extend credit <sup>(1)</sup>	194,191,498	182,514,948
Financial guarantees <sup>(2)</sup>	69,882,893	72,069,547
Letters of credit for imports	245,751	304,917
<b>Total</b>	<b>264,320,142</b>	<b>254,889,412</b>

(1) Includes available lines of credit, limits for credit cards, personal loans, housing loans and overdrafts; and

(2) Refers to guarantees mostly provided for Corporate customers.

Financial guarantees are conditional commitments for loans issued to ensure the performance of a customer in an obligation to a third party. There is usually the right of recourse against the customer to recover any amount paid under these guarantees. Moreover, we can retain cash or other highly-liquid funds to counter-guarantee these commitments.

The contracts are subject to the same credit evaluations as other credit operations. Standby letters of credit are issued mainly to endorse public and private debt issue agreements including commercial paper, securities financing and similar transactions. The standby letters of credit are subject to customer credit evaluation by the management.

We issue letters of credit in connection with foreign trade transactions to guarantee the performance of a customer with a third party. These instruments are short-term commitments to pay the third-party beneficiary under certain contractual terms for the shipment of products. The contracts are subject to the same credit evaluation as other credit operations.

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

### **42) New standards and amendments and interpretations of existing standards**

#### **Standards, amendments and interpretations of existing standards in future periods**

- IFRS 9 Financial Instruments: Recognition and Measurement – The principal changes in IFRS 9 in comparison with IAS 39 are: (i) all of the financial assets are initially measured at fair value ; (ii) the standard divides all of the financial assets that are presently within the scope of IAS 39 into two measurement types: amortized cost and fair value; (iii) the categories of available for sale and held to maturity of IAS 39 were eliminated; and (iv) the concept of built-in derivatives of IAS 39 was eliminated by the concepts of IFRS 9. Any possible impacts arising from adopting these changes are being assessed.
- IFRS 15 – Revenue from Contracts with Customers – requires that revenue is recognized so as to reflect the transfer of goods or services to the client for an amount that represents the company's expectation of having rights to these goods or services by way of consideration. IFRS 15 replaces IAS 18, IAS 11, and related interpretations (IFRICs 13, 15 and 18), and shall be applicable from January, 2017. Any possible impacts arising from adopting these changes are being assessed.
- IFRS 16 – Leasing. The new standard does not change the definition of lease, in which the lessor transfers to the lessee in return for a payment or series of payments, the use of the asset for a period of agreed time. However there will no longer be a distinction between the accounting criteria applied for operating and financial leases. This standard is applicable from January 2019. Any possible impacts arising from adopting these changes are being assessed.

### **43) Other information**

1. On August, 2015, Bradesco informed the market that it had signed the Purchase and Sale of Shares Agreement with HSBC Latin America Holdings Limited for the acquisition of 100% of the share capital of HSBC Bank Brasil S.A. - Banco Múltiplo and HSBC Serviços e Participações Ltda. ("HSBC"), for the value

of US\$ 5.2 billion. The price shall be adjusted by the equity variation of HSBC as per December 31, 2014 and will be paid on the date of completion of the operation. With the acquisition, Bradesco will assume all operations of HSBC in Brazil, including retail, insurance and asset management, as well as all the branches and clients. In January 2016, Bradesco communicated to the market that the Central Bank approved the acquisition of 100% of the capital share of HSBC. The conclusion of the operation is subject to approval by the other competent regulatory agencies and fulfillment of the legal formalities.

**2.** In January 2016, Bradesco signed a non-binding Memorandum of Understanding with Banco do Brasil S.A., Banco Santander (Brasil) S.A., Caixa Econômica Federal and Itaú Unibanco S.A., in order to create a holding company of credit intelligence ("GIC"), which will develop a database with the goal of adding, reconciling and handling database and credit-related information, of individuals and legal entities, which expressly authorize their inclusion in the database, as required by the applicable rules.

**3.** Unconsolidated structured entities are unconsolidated entities that the Organization does not control, but which have a contractual and non-contractual involvement, and provide variability of returns arising from the performance. The organization has an involvement with structured entities through management of investment funds and portfolios making management fees and consortium management.

The main unconsolidated structured entities, are the investment of funds held by Bradesco Organization, whose nature and involvement, generating management fees and investment in shares, the assets of managed funds and non consolidated in 2015 were R\$ 344,075,899 thousand (2014 - R\$ 315,555,233 thousand) and revenues earned in 2015 were R\$ 1,054,424 thousand (2014 - R\$ 1,168,787 thousand and 2013 - R\$ 838,320 thousand), the consortium which nature and involvement is related to generation management fees of consortium quotas, represented by groups of quotaholders formed to acquire specific goods, whose assets in 2015 were R\$ 57,440,902 thousand (2014 – R\$ 50,680,235 thousand) and the revenues were in 2015 R\$ 1,040,109 thousand (2014 – R\$ 880,373 thousand and 2013 - R\$ 722,462 thousand).

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS)

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

**44) Subsequent events**

There were no other events after the reporting period that need to be adjusted or disclosed in these consolidated financial statements as at December 31, 2015.

Bradesco -

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For further information, please contact:

Board of Executive Officers

Luiz Carlos Angelotti

Managing Director and Investor Relations Officer

Phone: (11) 3684-4011

Fax: (11) 3684-4630

[4000.diretoria@bradesco.com.br](mailto:4000.diretoria@bradesco.com.br)

Market Relations Department Carlos Wagner Firetti

Phone: (11) 2194-0921

Cidade de Deus, s/nº - Prédio Vermelho - 3º andar

Osasco – SP

Brazil

[www.bradesco.com.br/ir](http://www.bradesco.com.br/ir)

