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., 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 “Preferred Share ADS Deposit Agreement”).

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

- 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

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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 thousands** (1)			**R$ in thousands**		
2015	**2015**	**2014**	**2013**	**2012**	**2011**	
Data from the Consolidated Statement of Income						
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)
Net interest income	**15,632,932**	**55,636,042**	**50,045,767**	**49,300,483**	**43,385,723**	**35,388,321**
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)
Net fee and commission income	**5,007,353**	**17,820,670**	**16,739,256**	**14,499,682**	**12,720,740**	**10,898,259**
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)
Income before income taxes and equity in the earnings of associates	**2,269,109**	**8,075,532**	**17,940,975**	**13,256,482**	**14,461,236**	**13,807,422**
Equity in the earnings of associates and joint ventures	429,360	1,528,051	1,389,816	1,062,687	980,212	803,820
Income before income taxes	**2,698,469**	**9,603,583**	**19,330,791**	**14,319,169**	**15,441,448**	**14,611,242**
Income tax and social contribution	2,426,121	8,634,322	(3,914,313)	(1,833,031)	(4,089,754)	(3,521,800)
Net income for the year	**5,124,590**	**18,237,905**	**15,416,478**	**12,486,138**	**11,351,694**	**11,089,442**
Attributable to shareholders						
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 (1)					
Earnings per share (2)					
Common	3.43	2.90	2.34	2.13	
Preferred	3.78	3.19	2.58	2.35	
Dividends/interest on equity per share (3)					
Common	1.15	0.96	0.78	0.73	
Preferred	1.27	1.05	0.85	0.81	
Weighted average number of outstanding shares (1)					
Common	2,520,790,423	2,520,886,223	2,520,886,223	2,520,999,776	2,5
Preferred	2,510,675,124	2,514,701,048	2,515,928,218	2,518,167,013	2,5

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

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

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

Articles of Association."

Year ended December 31,	**In US$**				
	2015	**2014**	**2013**	**2012**	**2011**
Dividends/interest on equity per share [(1)]					
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 thous**		
	2015	**2015**	**2014**	**2013**
Data from the Consolidated Statement of Financial Position				
Assets				
Cash and balances with banks	20,256,755	72,091,764	65,430,300	67,450,
Financial assets held for trading	44,851,906	159,623,449	78,498,311	96,092,
Financial assets available for sale	33,070,738	117,695,450	120,961,734	67,838,
Investments held to maturity	11,240,428	40,003,560	25,071,031	23,069,
Assets pledged as collateral	40,599,601	144,489,921	152,612,689	117,740,
Loans and advances to banks	10,008,826	35,620,410	72,974,619	78,719,
Loans and advances to customers, net of impairment	96,903,106	344,868,464	328,064,004	304,121,
Non-current assets held for sale	350,419	1,247,106	1,006,461	832,
Investments in associates and joint ventures	1,634,023	5,815,325	3,983,780	3,392,
Property and equipment, net of accumulated depreciation	1,546,668	5,504,435	4,700,518	4,501,
Intangible assets and goodwill, net of accumulated amortization	2,082,001	7,409,635	7,529,915	8,220,
Taxes to be offset	1,915,599	6,817,427	6,130,191	5,293,
Deferred income tax assets	12,756,155	45,397,879	28,388,183	25,661,
Other assets	11,272,780	40,118,697	35,099,280	35,367,
Total assets	**288,489,006**	**1,026,703,522**	**930,451,016**	**838,301,**
Liabilities				
Deposits from banks	82,582,649	293,903,391	279,940,227	243,100,
Deposits from customers	54,654,556	194,510,100	210,031,505	216,218,
Financial liabilities held for trading	5,435,873	19,345,729	3,315,573	1,826,
Funds from securities issued	30,866,292	109,850,047	85,030,399	57,883,
Subordinated debt	14,128,786	50,282,936	35,821,666	35,885,
Insurance technical provisions and pension plans	48,031,959	170,940,940	146,559,220	130,329,
Other provisions	4,317,153	15,364,317	13,864,401	13,752,
Current income tax liabilities	781,450	2,781,104	3,602,333	3,082,
Deferred income tax liabilities	216,960	772,138	808,178	799,
Other liabilities	21,927,578	78,038,058	69,185,709	63,321,
Total liabilities	**262,943,258**	**935,788,760**	**848,159,211**	**766,198,**
Equity				
Share capital	12,110,484	43,100,000	38,100,000	38,100,
Treasury shares	(121,118)	(431,048)	(298,015)	(269,0
Capital reserves	10,108	35,973	35,973	35,
Profit reserves	14,026,812	49,920,020	43,765,349	34,122,
Additional paid-in capital	19,808	70,496	70,496	70,
Other comprehensive income	(1,124,708)	(4,002,724)	(659,501)	(1,102,8
Retained earnings	589,146	2,096,710	1,153,439	927,

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

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

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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:

	Closing Selling Rate for U.S. dollars – R$ per US$1.00			
Period	**Period-End**	**Average [1]**	**High [1]**	**Low [1]**
2011	1.8758	1.6705	1.8758	1.5563
2012	2.0435	1.9524	2.1074	1.7092
2013	2.3426	2.1641	2.3725	1.9754
2014	2.6562	2.3586	2.6562	2.2025
2015	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
2016				
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

[1] 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 conduting 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.

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.

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.

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.

3.D. Risk Factors

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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.

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

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 fullya

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.

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

3.D. Risk Factors

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

As of December 31, 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 fullya

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.

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

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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 fullya

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.

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

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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 fullya

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.

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") in 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 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."

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

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, 32nd and 33rd floors, New York 10022.

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

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

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.

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 Livelo 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.

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 15th 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**
Banking			
Loans and advances [1]	69,877,296	62,634,879	57,561,074
Fees and commissions	19,195,003	17,570,839	15,639,215
Insurance and pension plans			
Premiums retained from insurance and pension plans	58,760,780	50,454,983	44,887,215

[1] Includes industrial loans, financing under credit cards, overdraft loans, trade financing and foreign loans.

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

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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, midsized and large companies in Brazil. Historically, we have cultivated a strong presence among the broadest segment of the Brazilian market, middle- and low-income individuals.

The following table shows selected financial data for our banking segment for the periods indicated. 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**
Statement of Income data			
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) [(1)]	(31,200,150)	(21,285,902)	(24,455,897)
Income before income taxes	**(745,286)**	**11,316,468**	**7,412,822**
Income tax and social contribution	12,621,169	(771,896)	789,516
Net income for the year	**11,875,883**	**10,544,572**	**8,202,338**
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
Statement of Financial Position data			
Total assets	894,579,942	872,867,916	768,059,393
Selected results of operations data			
Interest and similar income			
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
Interest and similar expenses			
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)
Net interest income	**46,934,849**	**43,034,717**	**41,600,095**
Net fee and commission income	**19,195,003**	**17,570,839**	**15,639,215**

Note: Inter segment transactions have not been eliminated.

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

Products and banking services

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

- deposit-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:

December 31,	R$ in thousands, except %					
	2015		2014		2013	
Deposits from customers						
Demand deposits	**23,012,068**	**11.8%**	**32,086,299**	**15.3%**	**39,633,427**	**18.3%**
Reais	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%
Savings deposits	**91,878,765**	**47.2%**	**92,154,815**	**43.9%**	**80,717,805**	**37.3%**
Reais	91,878,765	47.2%	92,154,815	43.9%	80,717,805	37.3%
Time deposits	**79,619,267**	**40.9%**	**85,790,391**	**40.8%**	**95,866,825**	**44.3%**
Reais	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%
Total	**194,510,100**	**100.0%**	**210,031,505**	**100.0%**	**216,218,057**	**100.0%**

4.B. Business Overview

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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**
Loans and advances to individuals outstanding by type of operation			
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
Total	**370,323,668**	**349,196,681**	**323,979,568**

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

December 31,	2015	2014	2013
Borrower size			
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.

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 prurpose 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.

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 Elopar, an investment holding company which investments include Alelo (benefit cards, pre-paid and Money card), Livelo (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:

	In millions		
	2015	**2014**	**2013**
Revenue – R$			
Credit	140,063.8	131,999.9	119,407.0
Number of transactions			
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 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 "Bradesco*Franquias 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) 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.

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
Investment Funds		
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
Total	**510,343,260**	**452,102,473**
Managed Portfolios		
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
Total	**39,940,546**	**36,627,610**
Overall Total	**550,283,806**	**488,730,084**

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

Our products are mostly distributed through our branch network, banking service by phone and the Internet (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

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 Açu* (*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 9th 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 14th 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 18th 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 systemcontains 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 depositary entities. In addition, centralized deposit service providers will take on a crucial role for trading assets in organized markets, concentrating all operations corresponding to deposited assets. These new instructions 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;

- 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:

	2015		2014		2013	
For the years ended December 31,	**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%
Total	**144,905,125**	**100.0%**	**120,653,076**	**100.0%**	**105,218,348**	**100.0%**

Foreign branches and subsidiaries

Our foreign branches and subsidiaries principally provide financing in foreign currency (particularly foreign trade finance operations) to Brazilian and non-Brazilian customers. Total assets of the foreign branches, 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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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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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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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.

2015	R$ in thousands
Export financing	
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
Total export financing	**42,344,856**
Import financing	
Import financing – foreign currency	8,109,609
Exchange discounted in advance for import credit	2,840,999
Import credit opened	245,751
Total import financing	**11,196,359**
International guarantees	**4,786,633**
Total foreign trade portfolio	**58,327,848**

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.

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:

As of and for the year ended December 31,	**Insurance, pension plans and capitalization bonds - R$ in thousands**		
	2015	**2014**	**2013**
Statement of Income data			
Net interest income	5,973,694	4,556,146	5,589,989
Other income and expenses (1)	2,539,976	2,742,922	446,117
Income before income taxes	**8,513,670**	**7,299,068**	**6,036,106**
Income tax and social contribution	(3,192,918)	(2,843,493)	(2,253,451)
Net income for the year	**5,320,752**	**4,455,575**	**3,782,655**
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
Statement of Financial Position data			
Total assets	209,789,872	181,949,261	160,295,583
Selected results of operations data			
Income from insurance and pension plans			
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)
Premiums retained from insurance and pension plans	**58,760,780**	**50,454,983**	**44,887,215**
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)
Income from insurance and pension plans	**5,496,147**	**5,410,748**	**6,932,616**

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.

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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.

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.

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%

Distribution channels

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

Distribution Channels [1] - Units	2015	2014	2013
Service Stations: [2]	**65,851**	**75,176**	**72,736**
Branches	4,507	4,659	4,674
PAs - Service Points [3]	3,511	3,486	3,586
PAEs - ATMs located on a company´s premises	736	1,145	1,180
External ATM Network - Bradesco [4] [5]	627	1,344	3,003
Banco24Horas Network [4]	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
ATMs	**50,467**	**48,682**	**48,203**
Bradesco Network	31,527	31,089	33,464
Banco24horas Network	18,940	17,593	14,739

(1) We offer products and services also through digital channels such as: (i) contact center; (ii) mobile app; and (iii) internet banking;
(2) 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;
(3) 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;
(4) Including overlapping ATMs within Bradesco´s own network and Banco24Horas network; and
(5) 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 firmed 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 invoce by focusing a smartphone camera on a barcode, which is then automatically filled in;

Partnerships with retail companies – Bradesco Expresso

- **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 appications. 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

• **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 [1]	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)%
Total	**10,509**	**8,897**	**18.1%**

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

Partnerships with retail companies – Bradesco Expresso

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.

Partnerships with retail companies – Bradesco Expresso

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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.

Partnerships with retail companies – Bradesco Expresso

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), 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.

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.

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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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 complywith 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.

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.

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.

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.bradescori.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.

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 midsized corporations, are reviewed every 90 days.

Our maximum exposure per client (e.g. individuals, companies or other economic groups) is determined by client rating and the aggregate maximum exposure is limited to 10.0% 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	As a % of Shareholders´ Equity
AA1	10

AA2	9
AA3	8
A1	7
A2	6
A3	5
B1	4
B2	3
B3	2
C1	1
C2	0.7
C3	0.5
D	0.3

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

- restructuring our methodology to calculate possible losses;

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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:

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

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

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

We provide our branches with tools that allow them to analyze loans and advances for individual clients in a rapid, efficient and standardized manner and to produce the corresponding loan contracts automatically.

Partnerships with retail companies – Bradesco Expresso

With these tools, our branches can respond quickly to clients, keep costs low, and control the risks inherent to consumer credit in the Brazilian market.

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

Total Risk Amount	R$ in thousands
Decision making authority	
Credit department	up to 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:

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

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

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

Total Risk Amount	**R$ in thousands**
Decision making authority	
Credit department	up to 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.

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	2015	2014	2013
From customers				
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
Deposits from banks				
Demand deposits	0.4%	807,715	940,997	986,310
Interbank deposits	0.2%	466,448	641,205	963,855
Total	**100.0%**	**195,784,263**	**211,613,707**	**218,168,222**

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 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.

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:

As of December 31,	**R$ in thousands**		
	2015	**2014**	**2013**
Funding Sources			
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
Euronotes	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	-
Total	**452,762,231**	**399,210,090**	**334,918,279**

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.

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.

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;

- 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.

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.

4.B. Business Overview

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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:

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

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

Doubtful loans are classified according to the loss perspective, as per E-H ratings as follows:

Rating	Bradesco Classification
E	Deficient
F	Bad
G	Critical
H	Uncollectible

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

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:

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

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

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

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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:

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

(1) 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.

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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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.

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.

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."

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.

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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4.B. Business Overview

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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.

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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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.

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

	R$ in thousands, except %						
		2015			2014		
For the year ended December 31,	**Average balance**	**Interest and similar income**	**Average yield/ interest**	**Average balance**	**Interest and similar income**	**Average yield/ interest**	**Average balance**
Interest earning assets							
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
Total interest earning assets	**830,573,056**	**127,048,252**	**15.3%**	**764,559,836**	**103,893,096**	**13.6%**	**713,903,186**
Non interest earning assets							
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 (1)	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

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	
Total non interest earning assets	**127,336,322**	**-**	**-**	**107,777,583**	**-**	**-**	**105,841,555**	
Total assets	**957,909,378**	**127,048,252**	**13.3%**	**872,337,419**	**103,893,096**	**11.9%**	**819,744,741**	**9**

(1) Overdue by more than 60 days.

Interest-bearing and non-interest-bearing liabilities

For the year ended December 31,		R$ in thousands, except %					
		2015			2014		
Average balance	**Interest and similar expense**	**Average yield/ interest**	**Average balance**	**Interest and similar expense**	**Average yield/ interest**	**Average balance**	**Interest and simil expense**
Interest bearing liabilities							
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
Total interest-bearing liabilities	**744,656,465**	**71,412,210**	**9.6%**	**668,684,168**	**53,847,329**	**8.1%**	**619,015,5**
Non-interest-bearing liabilities							
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
Total non interest bearing liabilities	**126,965,157**	**-**	**-**	**126,567,997**	**-**	**-**	**131,915,2**
*	*	*	*	*	*	*	
Total liabilities	**871,621,622**	**71,412,210**	**8.2%**	**795,252,165**	**53,847,329**	**6.8%**	**750,930,8**
*	*	*	*	*	*	*	
Equity attributable to controlling shareholders	**85,887,584**	**-**	-	**76,574,415**	**-**	-	**68,216,7**
Non-controlling interest	**400,172**	**-**	**-**	**510,839**	**-**	**-**	**597,1**
Total liabilities and equity	**957,909,378**	**71,412,210**	**7.5%**	**872,337,419**	**53,847,329**	**6.2%**	**819,744,7**

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:

	R$ in thousands					
For the year ended December 31,	**2015/2014**			**2014/2013**		
	Increase/(decrease) due to changes in					
	Average volume	**Average yield/rate**	**Net change**	**Average volume**	**Average yield/rate**	**Net change**
Interest earning assets						
Financial assets held for trading	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
Total interest earning assets	**9,340,696**	**13,814,460**	**23,155,156**	**7,688,140**	**5,522,331**	**13,210,471**
Interest bearing liabilities						
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
Total interest bearing liabilities	**7,195,121**	**10,369,760**	**17,564,881**	**3,441,799**	**9,023,388**	**12,465,187**

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:

For the year ended December 31,	R$ in thousands, except %		
	2015	2014	2013
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
Net interest income [(1)]	**55,636,042**	**50,045,767**	**49,300,483**
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%
Net yield on interest earning assets [(2)]	**5.7%**	**5.5%**	**6.0%**
Net interest margin [(3)]	**6.7%**	**6.5%**	**6.9%**

(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.

Return on equity and assets

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

For the year ended December 31,	R$ in thousands, except % and per share information		
	2015	2014	2013
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 (1)	32.2%	31.5%	31.5%

(1) 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.":

December 31,	R$ in thousands, except %		
	2015	2014	2013
Financial assets held for trading			
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	-
Total financial assets held for trading	**159,623,449**	**78,498,311**	**96,092,523**
Financial assets held for trading as a percentage of total assets	15.5%	8.4%	11.5%
Financial assets available for sale			
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	-	-
Total financial assets available for sale	**117,695,450**	**120,961,734**	**67,838,411**
Financial assets available for sale as a percentage of total assets	11.5%	13.0%	8.1%
*	*	*	*
Investments held to maturity			
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
Total investments held to maturity	**40,003,560**	**25,071,031**	**23,069,026**
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":

December 31,	R$ in thousands, except %		
	2015	**2014**	**2013**
Financial assets held for trading			
Brazilian government securities	291,498	1,257,413	2,924,653
Total of financial assets held for trading	**291,498**	**1,257,413**	**2,924,653**
Financial assets held for trading as a percentage of total assets	0.0%	0.1%	0.3%
Financial assets available for sale			
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
Total of financial assets available for sale	**33,173,511**	**14,616,464**	**47,060,487**
Financial assets available for sale as a percentage of total assets	3.2%	1.6%	5.6%
Investments held to maturity			
Brazilian sovereign bonds	-	-	4,360
Total of investments held to maturity	**-**	**-**	**4,360**
Investments held to maturity as a percentage of total assets	-	-	-
*	*	*	*
Loans and advances to banks			
Interbank investments	111,024,912	136,738,812	67,750,725
Total of Loans and advances to banks	**111,024,912**	**136,738,812**	**67,750,725**
Loans and advances to banks as a percentage of total assets	10.8%	14.7%	8.1%
Total assets pledged as collateral	**144,489,921**	**152,612,689**	**117,740,225**
Assets pledged as collateral as a % of total assets	14.1%	16.4%	14.0%

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:

	R$ in thousands, except %								
December 31, 2015	**Due in 1 year or less**		**Due after 1 year up to 5 years**		**Due after 5 years up to 10 years**		**Due after 10 years**		**No statec**
	Balance	**Average yield**	**Balance**	**Average yield**	**Balance**	**Average yield**	**Balance**	**Average yield**	**Balance**
Financial assets held for trading									
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 [(1)]	4,798,808	12.0%	1,900,107	11.7%	240,653	11.1%	98,454	10.4%	636,33
Bank debt securities	13,471,328	12.6%	1,851,423	12.4%	-	-	-	-	
Mutual funds [(2)]	-	-	-	-	-	-	-	-	21,711,38
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%	
Total financial assets held for trading	**114,190,918**	**-**	**17,239,116**	**-**	**5,121,876**	**-**	**723,819**	**-**	**22,347,72**
Financial assets available for sale									
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%	
	-	-	-	-	-	-	-	-	9,323,74

Marketable equity securities (2)									
Foreign government securities	1,746,204	13.9%	-	-	-	-	-	-	
Total financial assets available for sale	**45,180,957**	-	**37,119,401**	-	**17,599,486**	-	**8,471,860**	-	**9,323,74**
*	*	*	*	*	*	*	*	*	
Investments held to maturity									
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%	
Total investments held to maturity	**3,004**	-	**4,692,585**	-	**10,343,614**	-	**24,964,357**	**-**	
Overall Total	**159,374,879**	-	**59,051,102**	-	**33,064,976**	-	**34,160,036**	-	**31,671,46**

(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.

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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 %									
	Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Total	
	Balance	Average yield	Balance	Average yield	Balance	Average yield	Balance	Average yield	Balance	A
Financial assets held for trading										
Brazilian government securities	44,828	15.2%	161,105	15.0%	83,912	14.7%	1,653	13.3%	291,498	
Total of financial assets held for trading	**44,828**	**-**	**161,105**	**-**	**83,912**	**-**	**1,653**	**-**	**291,498**	
*	*	*	*	*	*	*	*	*	*	
Financial assets available for sale										
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	
Total of financial assets available for sale	**11,864,672**	**-**	**7,787,764**	**-**	**13,515,860**	**-**	**5,215**	**-**	**33,173,511**	
*	*	*	*	*	*	*	*	*	*	
Loans and advances to banks										
Interbank investments	111,024,912	14.2%	-	-	-	-	-	-	111,024,912	
Total of loans and advances to banks	**111,024,912**	-	-	-	-	-	-	-	**111,024,912**	
*	*	*	*	*	*	*	*	*	*	
Overall Total	**122,934,412**	**-**	**7,948,869**	**-**	**13,599,772**	**-**	**6,868**	**-**	**144,489,921**	

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

[1] Predominantly U.S. dollars.

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

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

Denominated in *reais*	2,924,653	44,667,818	67,750,725	-	115,343,196
Denominated in foreign currency [1]	-	2,392,669	-	4,360	2,397,029

(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**
Type of loans and advances to customers					
Working capital	65,501,431	62,155,974	59,180,627	53,298,176	49,461,882
Personal credit [1]	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
Total portfolio	**370,323,668**	**349,196,681**	**323,979,568**	**288,935,614**	**262,802,921**
Impairment of loans and advances	(25,455,204)	(21,132,677)	(19,858,234)	(19,914,294)	(17,551,042)
Net loans and advances to customers	**344,868,464**	**328,064,004**	**304,121,334**	**269,021,320**	**245,251,879**

(1) Including payroll-dedcutible loans.

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4.B. Business Overview

Form 20-F

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.

Maturities and interest rates of loans and advances to customers

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

	R$ in thousands							
As of December 31, 2015	**Due within 30 days or less**	**Due in 31 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 360 days**	**Due in 1 to 3 years**	**Due after 3 years**	**No stated maturity(1)**	**Tota a adva gr**
Type of loans and advances to customers								
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	38,1
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	48,1
Export financing	1,846,079	2,519,338	1,843,353	5,166,231	4,298,635	22,252,716	254,267	38,1
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
Total loans and advances to customers	**36,723,187**	**24,787,388**	**19,957,406**	**42,725,825**	**47,903,296**	**152,761,725**	**45,464,841**	**370,3**

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

	R$ in thousands							
As of December 31, 2015	**Due within 30 days or less**	**Due in 31 to 90 days**	**Due in 91 to 180 days**	**Due in 181 to 360 days**	**Due in 1 to 3 years**	**Due after 3 years**	**No stated maturity**	**Total loans, gross**

Types of loans and advances to customer by maturity								
Fixed rates	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
Total	**36,723,187**	**24,787,388**	**19,957,406**	**42,725,825**	**47,903,296**	**152,761,725**	**45,464,841**	**370,323,668**

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**	
Public sector	**10,250,375**	**2.8%**	**6,849,002**	**2.0%**	**2,188,831**	**0.7%**
Federal Government	**10,241,594**	**2.8%**	**6,828,851**	**2.0%**	**2,148,497**	0.7%
Petrochemicals	10,241,594	2.8%	6,828,851	2.0%	2,148,497	0.7%
State Government	**8,781**	**0.0%**	**20,151**	**0.0%**	**40,334**	**0.0%**
Production and distribution of electricity	8,781	0.0%	20,151	0.0%	40,334	0.0%
*	*	*	*	*	*	*
Private sector	**360,073,293**	**97.2%**	**342,347,679**	**98.0%**	**321,790,737**	**99.3%**
Manufacturing	**65,158,837**	**17.6%**	**56,651,087**	**16.2%**	**58,245,854**	**18.0%**
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%

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%
Commercial	**41,267,638**	**11.1%**	**43,024,256**	**12.3%**	**45,979,578**	**14.2%**
Specialty stores	7,562,545	2.0%	8,317,266	2.4%	11,093,681	3.4%
Food, beverages and tobbaco	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, acessories 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%
Services	**102,629,056**	**27.7%**	**97,987,989**	**28.1%**	**84,554,012**	**26.1%**
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%

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%
Individuals	**147,859,789**	**39.9%**	**141,219,983**	**40.4%**	**128,635,645**	**39.7%**
Agribusiness	**3,157,973**	**0.9%**	**3,464,364**	**1.0%**	**4,375,648**	**1.4%**
Total	**370,323,668**	**100.0%**	**349,196,681**	**100.0%**	**323,979,568**	**100.0%**
Impairment of loans and advances	**(25,455,204)**		**(21,132,677)**		**(19,858,234)**	

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.":

December 31,	**R$ in thousands, except %**				
	2015	**2014**	**2013**	**2012**	**2011**
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
Total non-performing loans and advances to customers and foreclosed assets	**19,485,258**	**15,785,843**	**14,483,059**	**14,988,238**	**13,413,941**
Total loans and advances to customers	**370,323,668**	**349,196,681**	**323,979,568**	**288,935,614**	**262,802,921**
Impairment of loans and advances	**25,455,204**	**21,132,677**	**19,858,234**	**19,914,294**	**17,551,042**
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**
Balance at the beginning of the period	**21,132,677**	**19,858,234**	**19,914,294**	**17,551,042**	**15,245,205**
Charge–off from assets					
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 [1]	(6,489,564)	(6,624,258)	(7,026,270)	(6,383,844)	(4,317,347)
Total charge–off from assets	**(14,543,504)**	**(12,941,457)**	**(13,319,944)**	**(12,074,770)**	**(8,732,690)**
Recoveries					
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 [1]	2,263,303	2,131,486	2,079,334	1,373,699	1,418,157
Total recoveries	**4,144,879**	**3,924,514**	**3,640,014**	**2,986,639**	**2,799,169**
Net charge–offs	**(10,398,625)**	**(9,016,943)**	**(9,679,930)**	**(9,088,131)**	**(5,933,521)**
Net impairment losses on loans and advances	14,721,152	10,291,386	9,623,870	11,451,383	8,239,358
Balance at the end of the period	**25,455,204**	**21,132,677**	**19,858,234**	**19,914,294**	**17,551,042**
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	R$ in thousands, except %		
	Allocated impairment of loans and advances	**Allocated impairment of loans and advances as a percentage of total loans and advances to customers (1)**	**Loan and advances category as a percentage of total loans and advances (1)**
Type of loans and advances to customers			
Working capital	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%
Total	**25,455,204**	**7.2%**	**100.0%**

(1) Excludes non-performing loans and advances.

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**

Type of loans and advances to customers		loans and advances to customers [1]	advances [1]
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%
Total	**21,132,677**	**6.4%**	**100.0%**

[1] Excludes non-performing loans and advances.

December 31, 2013	R$ in thousands, except %		
	Allocated impairment of loans and advances	**Allocated impairment of loans and advances as a percentage of total loans and advances to customers [1]**	**Loan and advances category as a percentage of total loans and advances [1]**
Type of loans and advances to customers			
Working capital	2,018,116	0.7%	18.5%
BNDES/Finame onlendings	862,551	0.3%	13.0%
Vehicles - Direct Consumer Financing (CDC)	2,298,898	0.7%	9.8%
Personal credit	2,893,310	0.9%	12.9%
Credit cards	3,072,543	1.0%	7.4%
Export financing	453,652	0.1%	8.2%
Leasing	463,771	0.1%	1.8%
Housing loans	796,768	0.3%	8.9%
Rural loans	314,732	0.1%	4.2%
Guaranteed account	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%
Total	**19,858,234**	**6.4%**	**100.0%**

[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 [1]**	**Loan and advances category as a percentage of total loans and advances [1]**
Type of loans and advances to customers			
Working capital	2,132,210	0.8%	18.8%
BNDES/Finame onlendings	933,707	0.3%	12.8%
Vehicles - Direct Consumer Financing (CDC)	3,230,958	1.2%	11.3%

Personal credit	3,409,864	1.2%	11.1%
Credit cards	3,113,122	1.2%	7.2%
Export financing	289,968	0.1%	8.2%
Leasing	951,000	0.3%	2.8%
Housing loans	557,365	0.2%	8.0%
Rural loans	292,928	0.1%	4.1%
Guaranteed account	257,990	0.1%	3.5%
Import financing	30,255	-	2.4%
Overdraft facilities	538,749	0.2%	0.9%
Insurance premiums receivable	182,561	0.1%	1.1%
Others	3,993,617	1.5%	7.8%
Total	**19,914,294**	**7.3%**	**100.0%**

(1) Excludes non-performing loans and advances.

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

(1) Excludes non-performing loans and advances.

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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
Repurchase agreements			
Own portfolio position			
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
Short position			
Brazilian government securities	370,759	860,065	5,216,744
Total of repurchase agreements	**29,633,112**	**57,438,341**	**57,222,304**
Loans and advances to banks			
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)
Total of loans and advances to banks	**5,987,298**	**15,536,278**	**21,497,419**
Total	**35,620,410**	**72,974,619**	**78,719,723**

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

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	201

	Average balance	Average rate	Average balance	Average rate	Average balance	Average ra
Deposits						
Non–interest–bearing deposits						
Demand deposits	26,969,963	-	35,138,920	-	36,876,1	
Total non-interest-bearing deposits	**26,969,963**	**-**	**35,138,920**	**-**	**36,876,1**	
*						
Interest–bearing deposits						
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	
Total interest–bearing deposits	**175,675,560**		**177,607,614**		**173,544,5**	
Total deposits	**202,645,523**	**-**	**212,746,534**	**-**	**210,420,7**	

Maturity of deposits

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

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

[1] Demand deposits and savings deposits are classified as due in up to three months, without taking into account the average turnaround history; and

[2] Denominated in currencies other than *reais*, primarily U.S. dollars.

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

December 31, 2015	R$ in thousands	
	Domestic currency	**International currency**
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
Total deposits in excess of US$100,000	**50,343,514**	**25,550,605**

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:

For the year ended December 31,	R$ in thousands, except %		
	2015	**2014**	**2013**
Funding in the open market			
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 [1]	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%

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

4.C. Organizational Structure

We are a publicly-held company controlled by Cidade de Deus Participações, a holding company owned by the Aguiar Family, Fundação Bradesco and another holding company, Nova Cidade de Deus Participações S.A., or "Nova Cidade de Deus." Nova Cidade de Deus is owned by Fundação Bradesco and by BBD Participações. 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.

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[1]	3.3314	2.3586	2.1641

(1) 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 *real* GDP [1]	(3.8)%	0.1%	3.0%
Average base interest rates [2]	13.3%	10.9%	8.2%
Average interbank interest rates [3]	13.2%	10.8%	8.1%

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

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

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

Form 20-F

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.

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
Assets			
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
Total assets	**91,101,883**	**64,485,364**	**59,443,348**
Off balance sheet accounts – notional value			
Derivatives			
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
Total assets with derivatives (a)	**431,959,509**	**149,447,914**	**147,692,315**

December 31,	R$ in thousands 2015	2014	2013
Liabilities			
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
Total liabilities	**95,801,186**	**78,651,663**	**71,915,846**

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
Swap	181,459,003	52,176,186	44,851,978
Total liabilities with derivative (b)	**465,587,838**	**181,953,615**	**171,891,422**
Net exposure (a-b)	**(33,628,329)**	**(32,505,701)**	**(24,199,107)**

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 – TaxationIncome 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;

- 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 transactionbetween willing parties, without any forced sale and settlement.

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

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 Payments due as of December 31, 2015				
	Less than 1 year [1]	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
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

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
Total	**540,426,895**	**185,292,197**	**20,029,930**	**35,611,474**	**781,360,496**

(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 Payments due as of December 31, 2015 Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial guarantees	19,410,165	19,055,903	4,937,620	26,479,205	69,882,893
Letters of credit	245,751	-	-	-	245,751
Total	**19,655,916**	**19,055,903**	**4,937,620**	**26,479,205**	**70,128,644**

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:

Consolidated	**R$ in thousands, except %**		
	For the year ended December 31,		
	2015	**2014**	**% change**
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%
Income before income taxes	**9,603,583**	**19,330,791**	**(50.3)%**
Income tax and social contribution	8,634,322	(3,914,313)	-
Net income for the year	**18,237,905**	**15,416,478**	**18.3%**
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%

Segment	**R$ in thousands, except %**					
	For the year ended December 31,					
	Banking			**Insurance, Pension Plans and Capitalization Bonds**		
	2015	**2014**	**% Change**	**2015**	**2014**	**% Change**
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%
Income before income taxes	**(745,286)**	**11,316,468**	**-**	**8,513,670**	**7,299,068**	**16.6%**
Income tax and social contribution	12,621,169	(771,896)	-	(3,192,918)	(2,843,493)	12.3%
Net income	**11,875,883**	**10,544,572**	**12.6%**	**5,320,752**	**4,455,575**	**19.4%**
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:

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

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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)
Net change	**5,590,275**	**3,900,132**	**1,417,548**

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:

Consolidated	**R$ in thousands, except %**		
	For the year ended December 31,		
	2015	**2014**	**% Change**
Average balance of interest earning assets			
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%
Total	**830,573,056**	**764,559,836**	**8.6%**
Average interest rate earned	**15.3%**	**13.6%**	

Segment	R$ in thousands, except %					
	Banking			Insurance, Pension Plans and Capitalization Bonds		
	2015	2014	% Change	2015	2014	% Change
Average balance of interest–earning assets						
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%	-	-	
Total	**702,536,332**	**678,404,893**	**3.6%**	**175,291,820**	**150,756,145**	**16.3%**
Average interest rate earned	**15.2%**	**13.5%**		**12.6%**	**9.9%**	

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)
Net change	**23,155,156**	**14,948,567**	**7,099,837**

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:

Consolidated	**R$ in thousands, except %**		
	For the year ended December 31,		
	2015	**2014**	**% Change**
Average balance of interest bearing liabilities			
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%
Total	**744,656,465**	**668,684,168**	**11.4%**
Average interest rate paid	**9.6%**	**8.1%**	

	R$ in thousands, except %
Segment	

	Banking			Insurance, Pension Plans and Capitalization Bonds		
	2015	**2014**	**% Change**	**2015**	**2014**	**% Change**
Average balance of interest bearing liabilities						
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%
Total	**636,368,578**	**598,086,203**	**6.4%**	**156,922,463**	**136,308,516**	**15.1%**
Average interest rate paid	**9.4%**	**8.2%**		**10.3%**	**7.6%**	

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

The following table shows, on a consolidated basis and by segment, how much of the increase in our interest and similar expenses was attributable to changes in the average volume of interest-bearing liabilities; 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:

	R$ in thousands		
	Consolidated	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
		2015/2014 Increase/(decrease)	
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	-
Net change	**17,564,881**	**11,048,435**	**5,682,289**

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.

	R$ in thousands, except %		
	2015	**2014**	**% Change**
Net Impairment losses on loans and advances			
Banking - BR GAAP	(16,479,985)	(10,432,347)	58.0%
Accounting Pratices Diferences (IFRS x BR GAAP)	**1,758,833**	**140,961**	**-**
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:

	R$ in thousands, except %		
	2015	**2014**	**% Change**
Impairment provision of loans and advances at the beginning of the year	**21,132,677**	**19,858,234**	**6.4%**
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%
Impairment provision of loans and advances at the end of the year	**25,455,204**	**21,132,677**	**20.5%**
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%
Total	**25,455,204**	**21,132,677**	**20.5%**

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:

Consolidated	R$ in thousands, except % For the year ended December 31, 2015	2014	% Change
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)%
Total	**77,043,849**	**74,714,867**	**3.1%**

Segment	R$ in thousands, except % Banking			Insurance, Pension Plans and Capitalization Bonds		
	2015	2014	% Change	2015	2014	% Change
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)%
Total	**15,639,366**	**18,941,498**	**(17.4)%**	**66,345,008**	**58,354,327**	**13.7%**

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%
Total	**(108,355,156)**	**(95,138,457)**	**13.9%**

Segment	R$ in thousands, except %			
	Banking			Insurance, Capita
	2015	**2014**	**% Change**	**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)
Total	**(46,839,516)**	**(40,227,400)**	**16.4%**	**(63,805,032)**

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.

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:

Consolidated	R$ in thousa except % 2015	2
Income before income tax and social contribution	**9,603,583**	**19,3**
Total income tax and social contribution charges at rates of 25% and 15%, respectively [1]	**(4,321,612)**	**(7,7**
Effect of additions and exclusions in the tax calculation:		
Equity in the earnings of associates and joint ventures	687,623	5
Interest on equity (paid and payable)	2,305,695	1,4
Net tax credit of deferred liabilities [2]	2,341,220	
Other [3]	7,621,396	1,8
Income tax and social contribution for the period	**8,634,322**	**(3,9**
Effective rate	(89.9)%	

[1] 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 nº 13,169/ (iii) of 9.0% for the other companies;

[2] In 2015, refers to, constitution of deferred tax assets, net of deferred liabilities, related to the increase in the socia contribution tax rate, according to Law nº 13,169/15; and

[3] Basically, includes: (i) the exchange rate variation of assets and liabilities, derived from investments abroad; (ii) t equalization of the effective rate of social contribution in relation to the rate (45.0% in 2015 and 40.0% in 2014) as s 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.

Consolidated	R$ in thousands, except % For the year ended December 31, 2014	2013	% Change
	2014	**2013**	**% Change**
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%
Income before income taxes	**19,330,791**	**14,319,169**	**35.0%**
Income tax and social contribution	(3,914,313)	(1,833,031)	113.5%
Net income for the year	**15,416,478**	**12,486,138**	**23.5%**
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%

Segment	Banking			Insurance, Pension Pl Capitalization Bo	
	2014	**2013**	**% Change**	**2014**	**2013**
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)
Income before income taxes	**11,316,468**	**7,412,822**	**52.7%**	**7,299,068**	**6,036,106**
Income tax and social contribution	(771,896)	789,516	-	(2,843,493)	(2,253,451)
Net income for the year	**10,544,572**	**8,202,338**	**28.6%**	**4,455,575**	**3,782,655**
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:

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

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
Net change	**745,284**	**1,434,621**	**(1,033,843)**

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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Consolidated	R$ in thousands, except % For the year ended December 31, 2014	2013	% Change
Average balance of interest earning assets			
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%
Total	**764,559,836**	**713,903,186**	**7.1%**
Average interest rate earned	**13.6%**	**12.7%**	

Segment	R$ in thousands, except % Banking 2014	2013	% Change	Insurance, Pension Plans and Capitalization Bonds 2014	2013	% Change
Average balance of interest–earning assets						
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%	-	-	
Total	**678,404,893**	**630,411,595**	**7.6%**	**150,756,145**	**137,758,619**	**9.4%**
Average interest rate	**13.5%**	**12.7%**		**9.9%**	**8.4%**	

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
Net change	**13,210,471**	**11,922,568**	**3,397,887**

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.

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%
Total	**668,684,168**	**619,015,563**	**8.0%**
Average interest rate paid	**8.1%**	**6.7%**	

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Segment	R$ in thousands, except %					
	Banking			Insurance, Pension Plans ar Capitalization Bonds		
	2014	2013	% Change	2014	2013	% Chan
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	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.
Total	**598,086,203**	**548,724,291**	**9.0%**	**136,308,516**	**125,179,124**	**8.**
Average interest rate paid	**8.2%**	**7.0%**		**7.6%**	**4.8%**	

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

The following table shows, on a consolidated basis and by segment, how much of the increase in our interest and similar expenses was attributable to changes in the average volume of interest-bearing liabilities, 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	-
Net change	**12,465,187**	**10,487,946**	**4,431,730**

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.

	R$ in thousands, except %		
	2014	**2013**	**% Change**
Net Impairment losses on loans and advances			
Banking - BR GAAP	(10,432,347)	(9,731,376)	7.2%
Accounting Pratices Diferences (IFRS x BR GAAP)	**140,961**	**107,506**	**31.1%**
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:

	R$ in thousands, except %		
	2014	**2013**	**% Change**
Impairment provision of loans and advances at the beginning of the year	**19,858,234**	**19,914,294**	**(0.3)%**
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)%
Impairment provision of loans and advances at the end of the year	**21,132,677**	**19,858,234**	**6.4%**
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%
Total	**21,132,677**	**19,858,234**	**6.4%**

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.

Consolidated	R$ in thousands, except % For the year ended December 31,		
	2014	**2013**	**% Change**
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)%
Total	**74,714,867**	**59,102,884**	**26.4%**

Segment	R$ in thousands, except %				
	Banking			Insurance, P Capitaliz	
	2014	**2013**	**% Change**	**2014**	
Net fee and commission income	17,570,839	15,639,215	12.4%	1,557,352	1
Net gains/(losses) on financial assets and liabilities held for trading	(1,833,589)	(4,100,749)	(55.3)%	(255,485)	(1
Net gains/(losses) on financial assets available for sale	(296,545)	(3,880,575)	(92.4)%	(728,720)	(2
Premiums retained from insurance and pension plans	-	-	-	50,454,983	44
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	5
Total	**18,941,498**	**13,863,017**	**36.6%**	**58,354,327**	**47**

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 NTNs 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 NTNs (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.

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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%
Total	**(95,138,457)**	**(84,460,328)**	**12.6%**

Segment	R$ in thousands, except			
	Banking			Insurance, Capita
	2014	**2013**	**% Change**	**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)
Total	**(40,227,400)**	**(38,318,914)**	**5.0%**	**(55,611,405)**

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 Expresso; (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:

Consolidated	**R$ in thousa except %**	
	2014	**2**
Income before income tax and social contribution	**19,330,791**	**14,3**
Total income tax and social contribution charges at rates of 25% and 15%, respectively [1]	**(7,732,316)**	**(5,7**
Effect of additions and exclusions in the tax calculation:		
Equity in the earnings of associates and joint ventures	555,926	4
Interest on equity (paid and payable)	1,438,003	1,2
Net tax credit of deferred liabilities	-	4
Other [2]	1,824,074	1,7
Income tax and social contribution for the period	**(3,914,313)**	**(1,8**
Effective rate	20.2%	

[1] Current rates: (i) 25% for income tax; (ii) of 15% for the social contribution; and

[2] 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**	
Interest bearing liabilities									
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%
Total interest bearing liabilities	**744,656,465**	**85.4%**	**9.6%**	**668,684,168**	**84.1%**	**8.1%**	**619,015,563**	**82.4%**	**6.7%**
Non interest bearing liabilities									
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%	-
Total non interest bearing liabilities	**126,965,157**	**14.6%**	**-**	**126,567,997**	**15.9%**	**-**	**131,915,289**	**17.6%**	**-**
Total liabilities	**871,621,622**	**100.0%**	**8.2%**	**795,252,165**	**100.0%**	**6.8%**	**750,930,852**	**100.0%**	**5.5%**

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
Total interest-bearing liabilities	**795,667,651**	**724,355,721**	**642,795,787**
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
Total non interest bearing liabilities	**140,121,109**	**123,803,490**	**123,402,901**
Total liabilities	**935,788,760**	**848,159,211**	**766,198,688**

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 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)
Net increase (decrease) in cash and cash equivalents	**(60,321,202)**	**86,355,268**	**68,931,058**

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.

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 controling 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	Basel III Financial Consolidated	
	2015	**2014**	**2013**
Tier I Capital	12.7%	12.9%	12.3%
Common Equity	12.7%	12.9%	12.3%
Tier II Capital	4.1%	3.6%	4.3%
Total Ratio	**16.8%**	**16.5%**	**16.6%**

(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 Oct