BANK BRADESCO
Form 20-F
April 30, 2015

Form 20-F

Sumário

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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, 2014, 2013 and 2012, with the corresponding notes, are included under "Item 18. Financial Statements" of this annual report and were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

- global economic conditions;
- economic, political and business conditions in Brazil and in the other markets in which we operate;
- risks of lending, credit, investments and other activities;
- our level of capitalization;
- cost and availability of funds;
- higher levels of delinquency by borrowers, credit delinquency and other delinquency events leading to higher impairment of loans and advances;
- loss of customers or other sources of income;
- our ability to execute our investment strategies and 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 Brazilian government securities; and

- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax matters.

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

We present below our selected financial data derived from our consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. The data as of and for the years ended in 2014, 2013 and 2012 is derived from our consolidated financial statements, which were audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report included in this annual report. The data for the years ended December 31, 2011 and 2010 is derived from our consolidated financial statements, which are not included herein and which were audited by KPMG Auditores Independentes and PricewaterhouseCoopers Auditores Independentes, respectively, both independent registered public accounting firms, as stated in their respective reports that 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				
	2014	2014	2013	2012	2011	2010
Data from the Consolidated Statement of Income						
Interest and similar income	32,385,628	103,893,096	90,682,625	83,031,854	82,152,096	63,772,183
Interest and similar expenses	(16,785,327)	(53,847,329)	(41,382,142)	(39,646,131)	(46,763,775)	(31,000,892)
Net interest income	**15,600,301**	**50,045,767**	**49,300,483**	**43,385,723**	**35,388,321**	**32,771,291**
Fee and commission income	5,224,433	16,759,980	14,535,723	12,757,131	10,932,237	9,421,485
Fee and commission expenses	(6,460)	(20,724)	(36,041)	(36,391)	(33,978)	(26,947)

Net fee and commission income	**5,217,973**	**16,739,256**	**14,499,682**	**12,720,740**	**10,898,259**	**9,394,538**
Net gains/(losses) on financial instruments classified as held for trading	(602,557)	(1,933,003)	(5,790,089)	2,110,112	(608,271)	2,212,733
Net gains/(losses) on financial assets classified as available for sale	(309,194)	(991,894)	(6,100,782)	1,895,974	365,302	754,416
Net gains/(losses) on foreign currency transactions	(387,993)	(1,244,680)	(1,093,597)	(1,087,595)	2,625,816	(682,961)
Income from insurance and pension plans	1,686,984	5,411,845	6,933,680	1,413,016	3,076,175	2,577,730
Impairment of loans and advances	(3,208,038)	(10,291,386)	(9,623,870)	(11,451,383)	(8,239,358)	(5,756,125)
Personnel expenses	(4,260,486)	(13,667,639)	(12,354,418)	(11,559,002)	(11,094,794)	(8,794,017)
Other administrative expenses	(4,043,492)	(12,971,521)	(12,151,537)	(11,803,989)	(11,380,270)	(9,761,445)
Depreciation and amortization	(914,179)	(2,932,687)	(2,740,830)	(2,488,182)	(2,117,666)	(1,966,433)
Other operating income/(expenses)	(3,186,747)	(10,223,083)	(7,622,240)	(8,674,178)	(5,106,092)	(6,002,663)
Income before income taxes and equity in the earnings of associates	**5,592,573**	**17,940,975**	**13,256,482**	**14,461,236**	**13,807,422**	**14,747,064**
Equity in the earnings of associates and joint ventures	433,234	1,389,816	1,062,687	980,212	803,820	577,053
Income before income taxes	**6,025,808**	**19,330,791**	**14,319,169**	**15,441,448**	**14,611,242**	**15,324,117**
Income tax and social contribution	(1,220,172)	(3,914,313)	(1,833,031)	(4,089,754)	(3,521,800)	(5,271,924)
Net income for the year	**4,805,635**	**15,416,478**	**12,486,138**	**11,351,694**	**11,089,442**	**10,052,193**
Attributable to shareholders						
Controlling	4,773,985	15,314,943	12,395,920	11,291,570	10,958,054	9,939,575
Non-controlling interest	31,651	101,535	90,218	60,124	131,388	112,618

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$3.2080 per US$1.00, the Central Bank exchange rate on March 31, 2015. 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.

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Year ended December 31,	R$, except for number of shares				
	2014	2013	2012	2011	2
Data on Earnings and Dividends per Share [1]					
Earnings per share [2] [3] [4] [5] [6]					
Common	3.48	2.81	2.56	2.49	
Preferred	3.82	3.09	2.82	2.74	
Dividends/interest on equity per share [2]					
Common	1.15	0.93	0.88	0.84	
Preferred	1.26	1.02	0.97	0.93	
Weighted average number of outstanding shares					
Common	2,100,738,519	2,100,738,519	2,100,833,147	2,099,843,709	2,068,
Preferred	2,095,584,207	2,096,606,848	2,098,472,511	2,097,504,111	2,069,

[1] Data on earnings and dividends per share reflects: (a) the split of our share capital on January 22, 2010, in which issued to our shareholders one new share for each ten shares held of the same type, which was approved by our shareholders on December 18, 2009; and (b) the split of our share capital on July 13, 2010, in which we issued to o shareholders one new share for each ten shares held of the same type, which was approved by our shareholders o 10, 2010;

[2] Holders of preferred shares are entitled to receive dividends per share in an amount 10.0% greater than the divic per share paid to common shareholders. For purposes of calculating earnings per share according to IFRS, we use same criteria adopted for dividends per share. For a description of our two classes of shares. see "Item 10.B. Memo and Articles of Association;"

[3] None of our outstanding liabilities are exchangeable for or convertible into equity securities. Therefore, our dilute earnings per share do not differ from our earnings per share. Accordingly, our basic and diluted earnings per share equal in all periods presented;

[4] On December 17, 2010, the Special Shareholders´ Meeting voted in favor of a share capital increase of R$1,500 increasing share capital from R$28,500 million to R$30,000 million by issuing 62,344,140 new book-entry registere without par value, of which 31,172,072 were common shares and 31,172,068 preferred shares, at the price per sha R$24.06 through private subscription by shareholders from December 29, 2010 through January 31, 2011, in the pr of 1.657008936% of the shareholder´s holdings as of the date of the meeting, which was paid in cash on February 2011;

[5] The Special Shareholders' Meeting held on March 11, 2013 deliberated on the share capital increase of R$8 thousand, from R$30,100,000 thousand to R$38,100,000 thousand, through the capitalization of a portion of t Reserves – Statutory Reserve" account, in compliance with Article 169 of Law 6,404/76, with a 10% stock bonus, t issue of 382,479,458 new no-par registered, book-entry shares, of which 191,239,739 were common sha 191,239,719 were preferred shares, paid free of charge to shareholders as bonus, at the proportion of one (1) ne for every ten (10) new shares of the same type they hold, benefiting Bradesco's shareholders of record as at M 2013; and

[6] The Special Shareholders' Meeting held on March 10, 2015 deliberated on the share capital increase of R$5 thousand, from R$38,100,000 thousand to R$43,100,000 thousand, through the capitalization of a portion of t Reserves – Statutory Reserve" account, in compliance with Article 169 of Law 6,404/76, with a 20% stock bonus, t issue of 841,454,808 new no-par registered, book-entry shares, of which 420,727,426 were common sha 420,727,382 were preferred shares, paid free of charge to shareholders as bonus, at the proportion of two (2) ne

for every ten (10) new shares of the same type they hold, benefiting Bradesco's shareholders of record as at M
2015.

Year ended December 31,	In US$				
	2014	2013	2012	2011	2010
Dividends/interest on equity per share [1]					
Common	0.43	0.40	0.42	0.45	0.46
Preferred	0.47	0.44	0.47	0.50	0.50

[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.

As of December 31,	US$ in thousands (1)	R$ in thousa		
	2014	2014	2013	2012
Data from the Consolidated Statement of Financial Position				
Assets				
Cash and balances with banks	20,395,979	65,430,300	67,450,363	59,901,56
Financial assets held for trading	24,469,548	78,498,311	96,092,523	111,838,50
Financial assets available for sale	37,706,276	120,961,734	67,838,411	81,522,13
Investments held to maturity	7,815,159	25,071,031	23,069,026	3,715,67
Assets pledged as collateral	47,572,534	152,612,689	117,740,225	106,133,29
Loans and advances to banks	22,747,699	72,974,619	78,719,723	92,459,34
Loans and advances to customers, net of impairment	102,264,340	328,064,004	304,121,334	269,021,32
Non-current assets held for sale	313,735	1,006,461	832,546	532,97
Investments in associated companies and joint ventures	1,241,827	3,983,780	3,392,847	3,121,38
Property and equipment, net of accumulated depreciation	1,465,249	4,700,518	4,501,967	4,524,82
Intangible assets and goodwill, net of accumulated amortization	2,347,230	7,529,915	8,220,739	7,617,87
Taxes to be offset	1,910,907	6,130,191	5,293,116	5,294,56
Deferred income tax assets	8,849,184	28,388,183	25,661,079	17,913,52
Other assets	10,941,172	35,099,280	35,367,715	35,943,63
Total assets	**290,040,840**	**930,451,016**	**838,301,614**	**799,540,62**
Liabilities				
Deposits from banks	87,263,163	279,940,227	243,100,373	220,943,35
Deposits from customers	65,471,167	210,031,505	216,218,057	210,774,26
Financial liabilities held for trading	1,033,533	3,315,573	1,826,382	4,049,98
Funds from securities issued	26,505,735	85,030,399	57,883,068	51,552,09
Subordinated debt	11,166,355	35,821,666	35,885,003	34,851,71
Insurance technical provisions and pension plans	45,685,542	146,559,220	130,329,023	118,768,72
Other provisions	4,321,821	13,864,401	13,752,577	21,021,10
Current income tax liabilities	1,122,922	3,602,333	3,082,976	3,288,68
Deferred income tax liabilities	251,926	808,178	799,824	3,091,66
Other liabilities	21,566,618	69,185,709	63,321,405	59,852,64
Total liabilities	**264,388,781**	**848,159,211**	**766,198,688**	**728,194,23**
Equity				
Share capital	11,876,559	38,100,000	38,100,000	30,100,00
Treasury shares	(92,897)	(298,015)	(269,093)	(197,30
Capital reserves	11,214	35,973	35,973	35,97
Profit reserves	13,642,565	43,765,349	34,122,503	34,189,38
Additional paid-in capital	21,975	70,496	70,496	70,49
Other comprehensive income	(205,580)	(659,501)	(1,102,887)	6,396,73
Retained earnings	359,551	1,153,439	927,314	542,42
Equity attributable to controlling shareholders	**25,613,386**	**82,167,741**	**71,884,306**	**71,137,70**

Non-controlling interest	**38,673**	**124,064**	**218,620**	**208,68**
Total equity	**25,652,059**	**82,291,805**	**72,102,926**	**71,346,39**
Total liabilities and equity	**290,040,840**	**930,451,016**	**838,301,614**	**799,540,62**

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$3.2080 per US exchange rate on March 31, 2015. 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

In the past years, the exchange rate between the *real* and the U.S. dollar has experienced significant variation. In 2010, the *real* appreciated against the U.S. dollar and reached R$1.6662 as of December 31, 2010. 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. On March 31, 2015, the exchange rate was R$3.2080 per US$1.00, a 20.8% depreciation against the U.S. dollar, when compared to December 31, 2014. 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, expressed in *reais* per US$1.00 for the periods and dates indicated:

	Closing Selling Rate for U.S. dollars – R$ per US$1.00			
Period	**Period-End**	**Average** (1)	**High** (1)	**Low** (1)
2010	1.6662	1.7575	1.8748	1.6662
2011	1.8758	1.6705	1.8758	1.5563
2012	2.0435	1.9524	2.1074	1.7092
2013	2.3426	2.1641	2.3725	1.9754
2014				
November	2.5601	2.3338	2.5601	2.2025
December	2.6562	2.3586	2.6562	2.2025
2015				
January	2.6623	2.6593	2.6623	2.6562
February	2.8782	2.7322	2.8782	2.6562
March	3.2080	2.8512	3.2080	2.6562

(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.

In addition to macroeconomic conditions, the perception of risks and uncertainties surrounding Brazil may also adversely affect our business.

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 energy company, were accused of accepting illegal payments in order to influence commercial decisions. During the course of 2014 and 2015, 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. 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 Brazilian companies to obtain financing. We cannot predict how long the anti-corruption investigations may continue, or how significant the effects of the anti-corruption investigations may be for the Brazilian economy. If uncertainty continues or a reduction in investor confidence as a result of these investigations is material, it may adversely affect the results of our operations.

In addition, our subsidiary Banco Bradesco BBI S.A. ("Bradesco BBI") is a party to certain legal proceedings filed against Petrobras and other defendants, due to its role as underwriter in a notes offering of Petrobras. We or our subsidiaries may become a party to other legal 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 results of operations.

Further, adverse hydrological conditions in the south-east of Brazil have led to water shortages in the States of São Paulo, Minas Gerais and Rio de Janeiro. These conditions may be further exacerbated during the dry season which spans the months of April to September. This may lead to water rationing as well as electricity shortages due to the fact that Brazil relies heavily on hydroelectric power plants.

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

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

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

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

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

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

- decreases in wage and income levels;
- increases in unemployment rates;
- macroprudential measures;
- inflation; and
- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

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

Our business is impacted by fluctuations in the value of the *real*. After an extended appreciation process, 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 2013, 2014 and early 2015. 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 Brazilian companies who have U.S. dollar indexed to- and/or denominated debt.

As of December 31, 2014, the net balance of our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 3.5% of our total assets. If the Brazilian currency is devalued 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 original currency. In addition, our lending operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation or depreciation of the U.S. dollar may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

Conversely, when the Brazilian currency appreciates, we incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and experience decreases in our liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currencies significantly exceed our liabilities denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their original currency.

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

Brazil has, in the past, experienced extremely high rates of inflation. Inflation and governmental measures to combat inflation have in the past 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 with the adoption of inflation targeting norms. There are still concerns that inflation levels might rise again in the future. The current system is a monetary regime which the Central Bank oversees in order to assure that the effective rate of inflation keeps in line with a predetermined target, previously announced to the public. Brazil's rates of inflation, as measured by the General Price Index – Domestic Availability or "IGP-DI" (Índice Geral de Preços Disponibilidade Interna), reached 3.8%, 5.5% and 8.1% in 2014, 2013 and 2012, respectively.

Government measures to combat inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the base interest rate (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 Brazilian government actions, including the imposition of taxes, intervention in the foreign exchange market and actions to adjust or fix the value of the real, as well as any GDP growth beyond expected levels may trigger increases in inflation. If Brazil experiences fluctuations in rates of inflation in the future, our costs and net margins may be affected and, if investor confidence lags, the price of our securities may fall. Inflationary pressures may also affect our ability to access foreign financial markets and may lead to counter-inflationary policies that may have an adverse effect on our business, financial condition, results of operations and the market value of our shares, preferred share ADSs and common share ADSs.

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

The COPOM establishes the base interest rates for the Brazilian banking system (SELIC). The base interest rate was 11.75%, 10.0% and 7.25% *per annum* as of December 31, 2014, 2013 and 2012, respectively. Changes in the base interest rate may adversely affect our results of operations because:

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

- low base interest rates may diminish our interest income.

The COPOM adjusts the SELIC rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the SELIC rate set by the COPOM or how often such rate is adjusted.

Developments and the perception of risk in Brazil and other countries, especially emerging market countries, may adversely affect the market price of Brazilian securities, including our shares, preferred share ADSs and common share ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market price of our shares, preferred share ADSs and common share ADSs.

The recent global financial crisis has had significant consequences worldwide, including 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 Brazilian issuers, including ours, and our ability to finance our operations.

Risks relating to Bradesco and the Brazilian banking industry

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

Our loans and advances portfolio has grown substantially over recent years, primarily as a result of the expansion of the Brazilian economy. 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 higher among our individual clients than our corporate clients. From 2012 to 2014, the total of our portfolio of loans and advances to customers increased by 20.9% and our level of impairment of loans and advances increased by 6.1%, principally due to the increase in the individual customer base.

Beginning in mid-2008, weakening economic conditions in Brazil led to increases in our delinquency level, particularly impacting our individual clients as unemployment rates in Brazil began to rise. This trend worsened in 2009. In 2010, as a result of the improvement in Brazilian economic conditions, we experienced a decrease in our delinquency ratios, which led to a slight decrease in our impairment. In 2011, in view of the global economic slowdown, our delinquency ratios increased slightly when compared to 2010. This increase continued in 2012, mainly in operations with individuals and small and medium enterprises. In 2012 delinquency ratios showed a slight increase compared to 2011, mostly for operations with individuals and small and medium enterprises. In 2013, there was a decrease in delinquency ratios, due to the tightening in monetary policy in Brazil in order to control inflation. In 2014, our delinquency ratio, 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, decreased to 3.5% from 4.1% in 2012. This decrease was mainly related to operations with individuals and small and medium enterprises. As of December 31, 2014, our 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.

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 Brazilian and international banks and insurance companies, public and private.

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

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

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

- limiting our ability to increase our customer base and expand our operations;

- reducing our profit margins in the banking, insurance, leasing and other services and products offered by us; and

- increasing competition for foreign investment opportunities.

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

The value of certain of our investments in financial assets may decline significantly due to volatile financial markets and may fluctuate over short periods of time. As of December 31, 2014, investments in financial assets represented 21.4% of our assets, and realized investment gains and losses have had and will continue to have a significant impact on the results of our operations.The amounts of such gains and losses, which we record when investments in financial assets are sold, or in certain limited circumstances where they are marked to market or recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the fair value of the financial assets, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and our management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation in our consolidated investment portfolio or any portion thereof.

We may incur losses associated with counterparty exposures.

We face the possibility that a counterparty will be unable to honor its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in complex markets where the risk of failure of counterparties is higher.

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could materially and adversely affect our future results of operations and cash flow.

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

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

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

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

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

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

As of December 31, 2014, Fundação Bradesco directly and indirectly held 56.5% of our common shares. As a result, Fundação Bradesco has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's by-laws, members of our *Diretoria Executiva*, or of our Board of Executive Officers, and departmental officers that have been working with us for more than ten years serve as members of the Board of Trustees of Fundação Bradesco. The Board of Trustees has no other members.

Our Board of Directors has 10 members, none of whom are regarded as independent. Brazilian Corporate Law provides that only individuals may be appointed to a company's board of directors. Accordingly, there is no legal or statutory provision requiring Bradesco 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 with our other investors' interests.

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Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by Fundação Bradesco and our Board of Directors, which may be contrary to the interests of holders of common shares, and which may have a negative impact on the interests of holders of common shares. For more information on our shareholders, see “Item 7.A. Major Shareholders”.

Changes in regulations regarding reserve and compulsory deposit requirements 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 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".

As of December 31, 2014, our compulsory deposits in connection with demand, savings and time deposits and additional compulsory deposits were R$50.9 billion. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. For further information on compulsory deposits, see "Item 4.B. Business Overview- Deposit - taking activities".

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

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

The Brazilian Constitution used to establish a ceiling on loan interest rates and if the Brazilian 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% *per annum* 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 (Fazenda 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 11.75% per annum as of December 31, 2014 and 12.75% per annum as of March 31, 2015; 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 Brazilian financial institutions, including us.

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

Our losses in connection with insurance claims may vary from time to time, and differences between the losses from actual claims, 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 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 responsible before our policyholders.

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

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We strongly depend on technology and thus become vulnerable 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 and the varying nature of such attacks, that we may not be able to effectively anticipate and prevent such attacks.

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

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

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

Under Brazilian corporate law, holders of preferred shares have limited voting rights, accordingly, holders of preferred share ADSs will have similar limitations on their ability to vote.

Under Brazilian corporate law (Law No. 6,404/76, as amended by Law No. 9,457/97 and Law No. 10,303/01, which we refer to collectively as "Brazilian Corporate Law") and our Bylaws, holders of our preferred shares are not entitled to vote at our shareholders' meetings, except in limited circumstances (see "Item 10.B. Memorandum and Articles of Association – Organization – Voting Rights," for further information on voting rights of our shares). This means that, in contrast to holders of common shares, holders of preferred shares are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies, among other things.

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

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

Investing in securities that trade in emerging markets such as Brazil often involves greater risk than investing in securities of issuers in more developed countries, and these investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller and less liquid than major securities markets, such as the United States, and may be more volatile. Although you are entitled to withdraw our shares underlying the preferred share ADSs and common share ADSs from the depositary bank at any time, your ability to sell our shares underlying the preferred share ADSs and common share ADSs at a price and time acceptable to you may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets such as the United States or other countries. The ten largest companies in terms of market capitalization accounted for 50.7% of the aggregate market capitalization of the Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA) in December 2014.

Our shares, preferred share ADSs and common share ADSs are not entitled to a fixed or minimum dividend.

Holders of our shares and, consequently, our preferred share ADSs and common share ADSs are not entitled to a fixed or minimum dividend. Pursuant to the Deposit Agreements, if the depositary (as holder of the common shares and preferred shares underlying the common share ADSs and preferred share ADSs, respectively) receives any cash dividend or distribution from us, it shall distribute a corresponding U.S. dollar amount, net of depositary fees and certain withholding tax adjustments as described in the Deposit Agreements, to holders of our common share ADSs and preferred share ADSs as promptly as practicable. However, if we do not pay dividends to holders of our common shares or preferred shares then there will be no payment of dividends to holders of our common share ADSs or preferred share ADSs, respectively.

Pursuant to our Bylaws, our preferred shares are entitled to dividends 10.0% 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 specifies the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, Brazilian law provides that a company need not pay dividends if such payment would endanger the existence of the company or harm its normal course of operations.

On March 1, 2013, CMN Resolution No. 4,193/13 was issued in an effort to further implement the Basel III Accord in Brazil. Pursuant to such rule, a restriction of dividend and interest payments on equity may be imposed by the Central Bank in the event of non-compliance with the additional capital requirements established by the Central Bank, as further described in "Item 5.B. Liquidity and Capital Resources - Capital adequacy and leverage."

As a holder of preferred share ADSs and common share ADSs you will have fewer and less well defined shareholders' rights than in the United States and certain other jurisdictions.

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Brazil. Under Brazilian Corporate Law, you and the holders of our shares may have fewer and less well defined rights to protect your interests relative to actions taken by our Board of Directors or the holders of our common shares than under the laws of other jurisdictions outside Brazil.

Although Brazilian Corporate Law imposes restrictions on insider trading and price manipulation, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in certain other jurisdictions. In addition, in Brazil, self dealing and the preservation of shareholder interests may be less heavily regulated and regulations may not be as strictly enforced in Brazil as in the United States, which could potentially disadvantage you as a holder of our shares underlying preferred share ADSs and common share ADSs. For example, compared to Delaware general corporation law, Brazilian Corporate Law and practices have less detailed and well established rules and judicial precedents relating to review of management decisions under duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Delaware companies must hold 5.0% of the outstanding share capital of a corporation to have valid standing to bring shareholder derivative suits, while shareholders in Brazilian companies do not normally have valid standing to bring a class action.

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

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

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

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

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

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.

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

You will not be able to exercise preemptive rights relating to our shares underlying your preferred share ADSs and common share ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available.

Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the preferred share ADSs and common share ADSs unless the rights are either registered under the Securities Act or are subject to an exemption from the registration requirements. We are not obligated to file a registration statement with respect to the shares or other securities relating to these rights, and we cannot assure you that we will file any such registration statement. Accordingly, you may receive only the net proceeds from the sale by the depositary bank of the rights received in respect of the shares represented by your preferred share ADSs and common share ADSs or, if the preemptive rights cannot be sold, they will be allowed to lapse. You may also be unable to participate in rights offerings by us, and your holdings may be diluted as a result.

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

Brazilian law requires that parties obtain registration with the Central Bank in order to remit foreign currencies, including U.S. dollars, abroad. The Brazilian custodian for the shares must obtain the necessary registration with the Central Bank for payment of dividends or other cash distributions relating to the shares or after 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 floor, New York 10022-2605.

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

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

As of December 31, 2014, we had, on a consolidated basis:

- R$930.5 billion in total assets;
- R$349.2 billion in total loans and advances to clients;
- R$211.6 billion in total deposits;
- R$82.3 billion in equity, including non-controlling interest;
- R$146.6 billion in technical reserves for our insurance and pension plan business;
- R$44.0 billion in foreign trading financing;
- 41.1 million insurance policyholders;
- 26.5 million checking account holders;
- 59.1 million savings accounts;
- 3.4 million capitalization bonds holders;

- 2.4 million pension plan holders;

- 1,523 Brazilian corporate groups and multinational companies in Brazil as ”Corporate” customers;

- an average of 26.3 million daily transactions, including 1.9 million in our 4,659 branches and 24.4 million through digital channels, such as Bradesco Celular, Internet, Automatic Teller Machines, or ATMs, and telephone (*Fone Fácil*);

- a nationwide network consisting of 4,659 branches and 4,631 service centers and electronic in-company service centers, 31,089 ATMs of our own network, and 17,593 ATMs under the Banco24Horas brand for cash withdrawals, obtaining statements and account balance information, loans, collections, transfers between accounts and to other banks. As of December 31, 2014, we had 95,520 employees. For more information on our employees, see “Item 6.D. Employees”; and

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

Recent acquisitions

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

In May 2012, Bradesco acquired common and preferred shares issued by Banco BERJ, held by its non-controlling shareholders, by way of the Unified Tender Offer, increasing Bradesco’s stake in Banco BERJ to 100.0%. The Extraordinary General Meeting, held in August 2013, approved the change of the name Banco BERJ S.A. to Banco Bradesco BERJ S.A. (Banco Bradesco BERJ).

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

Other strategic alliances

In July 2014, Bradesco, together with Banco do Brasil, Itaú Unibanco, Banco Santander, HSBC Bank Brasil, Caixa Econômica Federal and Banco Citibank, signed a new shareholders' agreement with Tecban, which establishes the consolidation of their external customer-service network by the Banco24horas Network.

In July 2014, Bradesco 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 Bradesco, which, in turn, will continue to hold the ownership of the Scopus brand.

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

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

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

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

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

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

Divestments

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

Bradesco Expresso – Correspondent Bank

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

The main services we offer through Bradesco Expresso are:

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

As of December 31, 2014, the Bradesco Expresso network totaled 50,006 service points, of which 3,155 were new service points, with an average of 40.4 million monthly transactions or 1.8 million transactions per business day.

Business strategy

The key elements of our strategy are: (i) consolidating and expanding our position as one of the leading financial institutions and insurance providers in Brazil; (ii) maximizing shareholder value; and (iii) maintaining high corporate responsibility and sustainability standards.

We intend to pursue the following strategies to reach these goals:

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

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

Maintain asset quality and operational risk levels.

We are focused on sustainable growth to ensure our standards in relation to our asset quality and risk levels. We intend to maintain the quality of our loan portfolio by continuously improving our delinquency risk models, ensuring better results in credit granting and appropriate provisions for incurred losses. Our strategy involves maintaining our existing policy for our insurance business of careful evaluation of risk spreads through robust actuarial analysis, while entering into reinsurance agreements with well-known reinsurers to reduce exposure to large risks.

With respect to risk management, we intend to continue our integrated approach that utilizes a centralized method for identifying, measuring, controlling, monitoring and mitigating credit, market, liquidity and operational risks. We intend to continue to use specialized risk management committees in relation to the adoption of institutional policies, operational guidelines and the establishment of limits for risk exposure in accordance with best international practices, with the aim of maintaining operational risk levels within adequate boundaries.

Complement organic growth with strategic alliances and pursue selective acquisitions.

To complement our organic growth strategy, we constantly seek opportunities for strategic alliances and selective acquisitions to consolidate our position as one of the leading financial institutions in Brazil and to expand our presence in growth markets such as consumer financing, investment banking, broker dealing and insurance. We believe our partnership with BB and Caixa in relation to credit, debit and pre-paid cards for checking account holders and non-account holders is an example of such a growth opportunity. Similarly, our merger with Odontoprev S.A. has increased our presence in the segment of dental care plans enabling us to cement our leadership position in the insurance market. We will continue to focus on asset quality, potential operating synergies, sale and acquisition of know-how to maximize return for our shareholders.

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

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

4.B. Business Overview

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

The data about these segments was compiled from reports prepared for Management to assess performance and make decisions on allocating funds for investments and other purposes. Management uses various data, including financial data in conformity with 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 segments, see "Item 5.A. Operating Results - Results of operations for the year ended December 31, 2014 compared with the year ended December 31, 2013" and "Item 5.A. Operating Results – Results of operations for the year ended December 31, 2013 compared with the year ended December 31, 2012".

As of December 31, 2014, according to the sources cited in parentheses below, we were:

- one of the leading banks in terms of savings deposits, with R$92.2 billion. In September 30, 2014, saving deposits accounted for 13.5% of Brazil's total savings deposits (Central Bank);

- one of the leaders in BNDES onlending, with R$14.1 billion in disbursements (BNDES);

- the leader in 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 8.5 million INSS retirees, beneficiaries and other pensioners, accounting for 26.4% of the total number of INSS beneficiaries (base month: October 2014 - INSS);

- one of the leaders in leasing operations in Brazil, with an outstanding amount of R$4.3 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 – Bradesco Asset Management, with R$348.5 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$142.0 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 1,061,847 quotas in three segments, including: (i) automobiles, with 802,920 quotas; (ii) real estate, with 213,798 quotas, and (iii) trucks/tractors/machinery and equipment, with 45,129 quotas (Central Bank);

- the leader in fixed income – short term ranking, and number one in ranking by value, and one of the leaders among financial institutions in underwriting debt securities, through our subsidiary Bradesco BBI (ANBIMA); and

- the largest company operating in the Brazilian insurance market, operating in all lines of this segment, with a 24.0% market share (SUSEP/ANS – November/14), 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 2014 were R$56.1 billion in insurance premiums, pension plan contributions and capitalization bond income.

The main awards and acknowledgments that we received in 2014 are as follows:

-– Best Brazilian Bank, for the third consecutive year, acknowledged by Euromoney Awards for Excellence; Bradesco BBI was chosen as the Best Investment Bank in Brazil, at the same awards event (Euromoney, a British magazine);

-– Most valuable banking brand in Brazil, according to the rankings organized by IstoÉ Dinheiro and the consultancy company BrandAnalytics/Milward Brown Optimor;

-– Bradesco ranks first among Latin America banks, with a brand value of US$12.4 billion, according to Brand Finance, a leader in brand evaluation and management, in partnership with The Banker;

-– Most valuable banking brand in Latin America and 5th in the general rankings, according to a survey conducted by international consultancy company BrandAnalytics and Millward Brown;

-– The largest Brazilian private bank according to the "Valor Grandes Grupos" ("Valor Great Groups") ranking, which ranks the 200 largest groups of Brazil. Bradesco also ranks first in the 20 largest companies of the finance area, and is the number one in terms of shareholders' equity (Valor Econômico newspaper);

-– The winner of the 16th Abrasca Award with the "2013 Annual Report", in the "Publicly-Held Company – Group 1" category;

-– For the 15th time, Bradesco was part of the annual list of the "150 Best Companies to Work for in Brazil" (Você S/A Exame guide);

-– Highlighted in the "The Best in People Management" survey (Valor Carreira magazine - Valor Econômico newspaper);

-– Grupo Bradesco Seguros won first place in the "The Best of Dinheiro" ranking – 2014 edition of IstoÉ Dinheiro magazine, being outstanding in the Insurance and Health categories;

-– Bradesco Private Bank was acknowledged as the best in Brazil, in the Specialized Services category, in the Private Banking Global Survey 2014 special edition (Euromoney magazine); and

-– Bradesco Asset Management (BRAM) was elected Top Gestão 2014 (2014 top management) in variable income, in the ranking published by ValorInvest magazine, as evaluated by Standard & Poor's.

Main subsidiaries

The following is a simplified chart of our principal subsidiaries in the financial and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2014 (all of which are consolidated in our financial statements in "Item 18. Financial Statements"). With the exception of Banco Bradesco Argentina, Banco Bradesco Europa S.A., Banco Bradesco S.A. Grand Cayman Branch and Banco Bradesco New York Branch, all of these principal subsidiaries were incorporated in Brazil. For more information regarding the consolidation of our principal subsidiaries, see Note 2a to our consolidated financial statements in "Item 18. Financial Statements."

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		
	2014	2013	2012
Banking			
Loans and advances [1]	62,634,879	57,561,074	54,433,883
Fees and commissions	17,570,839	15,639,215	13,885,450
Insurance and pension plans			
Premiums retained from insurance and pension plans	50,454,983	44,887,215	40,176,745

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

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

We do not break down our revenues by geographic regions within Brazil, and less than 10.0% of our revenues come from international operations. For more information on our international operations, see "International banking services."

Banking

We have a diverse customer base that includes individuals and small, midsized and large companies in Brazil. Historically, we have cultivated a strong presence among the broadest segment of the Brazilian market, middle- and low-income individuals. For further information, see "Distribution channels" and "Specialized distribution of products and services."

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The following diagram shows the breakdown of our banking activities as of December 31, 2014:

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The following table shows selected financial data for our banking segment for the periods indicated. This segment information is prepared in accordance with 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**		
	2014	**2013**	**2012**
Statement of Income data			
Net interest income	43,034,717	41,600,095	39,181,426
Impairment of loans and advances	(10,432,347)	(9,731,376)	(10,925,404)
Other income/(expenses) [(1)]	(21,285,902)	(24,455,897)	(20,301,375)
Income before income taxes	**11,316,468**	**7,412,822**	**7,954,647**
Income tax and social contribution	(771,896)	789,516	(273,930)
Net income for the year	**10,544,572**	**8,202,338**	**7,680,717**
Net income attributable to controlling shareholders	10,532,724	8,195,099	7,672,233
Net income attributable to non-controlling interest	11,848	7,239	8,484
Statement of Financial Position data			
Total assets	872,867,916	768,059,393	750,410,472
Selected results of operations data			
Interest and similar income			
Loans and advances to banks	8,569,988	8,898,478	6,758,555
Loans and advances to customers	54,064,891	48,662,596	47,675,328
Financial assets	24,899,632	19,225,270	17,013,594
Compulsory deposits with the Central Bank	4,277,351	3,110,877	3,808,229
Other financial interest income	46,598	38,671	37,540
Interest and similar expenses			
Deposits from banks	(26,429,261)	(21,615,019)	(18,563,193)
Deposits from customers	(11,903,447)	(9,941,279)	(11,224,649)
Funds from securities issued	(6,703,975)	(3,646,584)	(3,439,647)
Subordinated debt	(3,787,060)	(3,132,915)	(2,884,331)
Net interest income	**43,034,717**	**41,600,095**	**39,181,426**
Net fee and commission income	**17,570,839**	**15,639,215**	**13,885,450**

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

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

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

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

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

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Deposit-taking with clients

We offer a variety of deposit products and services to our customers 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*) – no-fee checking account for minors (from 11 to 17 years of age), with exclusive website and debit card, automatic pocket money service and free online courses, among other benefits; 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% *per annum* or TR plus 70% of the SELIC rate if the SELIC rate is lower than 8.5% *per annum*;

- time deposits, which are represented by Bank Deposit Certificates (*certificados de depósito bancário* – or "CDBs"), and earn interest at a fixed or floating rate; and

- deposits exclusively from financial institutions, which are represented by Interbank Deposit Certificates *(certificados de depósito interbancário* – or "CDIs"*)*, and earn the interbank deposit rate.

As of December 31, 2014, we had 26.5 million checking account holders, 25.0 million of which were individual account holders and 1.5 million of which were corporate account holders. As of the same date, we had 59.1 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 %					
	2014		2013		2012	
Deposits from customers						
Demand deposits	**32,086,299**	**15.3%**	**39,633,427**	**18.3%**	**37,684,247**	**17.9%**
Reais	31,113,116	14.8%	39,009,598	18.0%	37,216,604	17.7%
Foreign currency	973,183	0.5%	623,829	0.3%	467,643	0.2%
Savings deposits	**92,154,815**	**43.9%**	**80,717,805**	**37.3%**	**69,041,721**	**32.8%**
Reais	92,154,815	43.9%	80,717,805	37.3%	69,041,721	32.8%
Time deposits	**85,790,391**	**40.8%**	**95,866,825**	**44.3%**	**104,048,295**	**49.4%**
Reais	56,998,851	27.1%	71,625,097	33.1%	80,849,230	38.4%

Foreign currency	28,791,540	13.7%	24,241,728	11.2%	23,199,065	11.0%
Total	**210,031,505**	**100.0%**	**216,218,057**	**100.0%**	**210,774,263**	**100.0%**

We offer our customers certain additional services, such as:

- "identified deposits," which allow our customers to identify deposits made in favor of a third party by using a personal identification number; and

- real-time "banking transfers" from a checking or savings account to another checking or savings account, including accounts at other banks.

Loans and advances to customers

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

December 31,	R$ in thousands 2014	2013	2012
Loans and advances to individuals outstanding by type of operation			
Other loans and advances to individuals	79,827,931	77,444,991	69,049,756
Housing loans	40,103,169	27,870,462	22,302,967
Onlending BNDES/Finame	42,168,754	40,543,267	35,703,861
Other corporate loans and advances	102,310,327	99,021,346	90,649,674
Rural loans	17,057,992	13,651,917	11,580,061
Leasing	4,319,149	5,713,481	8,035,454
Credit cards	28,072,447	25,473,079	22,367,978
Import and export financings	35,336,912	34,261,025	29,245,863
Total	**349,196,681**	**323,979,568**	**288,935,614**

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

December 31,	2014	2013	2012
Borrower size			
Largest borrower	2.0%	0.7%	0.9%
10 largest borrowers	6.9%	5.3%	5.2%
20 largest borrowers	10.0%	8.2%	8.1%
50 largest borrowers	14.2%	12.9%	12.9%
100 largest borrowers	17.8%	16.6%	16.9%

Our loans and advances to customers, mostly consumer credit, corporate and agricultural-sector loans, totaled R$349.2 billion as of December 31, 2014.

Loans and advances to consumers

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

- short-term loans, extended through our branches to checking account holders and, within certain limits, through our ATM network. These short-term loans are on average repaid in four months with an average interest rate of 7.8% per month as of December 31, 2014;

- vehicle financings are on average repaid in fourteen months with an average interest rate of 1.6% per month as of December 31, 2014; and

- overdraft loans on checking accounts (or "*Cheque Especial*"), which are on average repaid in one month, at interest rates varying from 9.5% to 10.4% per month as of December 31, 2014.

We also provide revolving credit facilities and traditional term loans. As of December 31, 2014, we had outstanding advances, vehicle financings, consumer loans and revolving credit totaling R$79.8 billion, or 22.9% of our portfolio of loans and advances as of that date. On the basis of loans outstanding on that date, we had a 12.5% share of the Brazilian consumer loan market, according to information published by the Central Bank.

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

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

Real estate financing

As of December 31, 2014, we had 99,221 outstanding real estate loans. The aggregate outstanding amount of our real estate loans amounted to R$40.1 billion, representing 11.5% of our portfolio of loans and advances.

Real estate financing is made through the Housing Finance System – SFH *(Sistema Financeiro Habitacional)*, by the Housing Mortgage Portfolio – CHH *(Carteira Hipotecária Habitacional)* or by the Commercial Mortgage Portfolio – CHC *(Carteira Hipotecária Comercial)*. Loans from SFH or CHH feature variable-installment repayments and annual interest rates ranging from 8.5% to 14.0% plus TR, or 12.0% to 15.0% 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 8.5% to 12.0% *per annum* plus TR variation for real estate falling into the SFH rules, or interest rates of 9.8% to 14.0% *per annum* plus TR variation for real estate falling into the CHH.

We also extend corporate financing for builders under the SFH. These loans are for construction purposes and commonly require up to 36 months for completion of construction work and a maximum 36-month repayment period, which starts after the official registration of the building. These loans are charged the TR plus an annual interest rate of 12.0% during the construction stage for SFH loans, and TR plus an annual interest rate of 14.0% during repayment period for CHH loans.

Central Bank regulations require us to provide at least 65.0% of the balance of our savings accounts in the form of real estate financing. In addition to real estate financing, mortgage notes, charged-off real estate financing, and other financings can be used to satisfy this requirement. We generally do not finance more than 80.0% of the purchase price or the market value of a property, whichever is lower. If the percentage of 65.0% is not reached, the resources that were not applied must be paid to the Central Bank on the 15th day of the subsequent month. These resources will be unavailable for a month and will accrue interest at 80.0% of the interest rate payable on savings accounts.

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. We started providing microcredit loans in August 2003. As of December 31, 2014, we had 1,738 microcredit loans outstanding, totaling R$3.5 million.

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

BNDES onlending

The Brazilian government has a program to provide government-funded long-term loans with below-market interest rates to sectors of the economy that it has targeted for development. We borrow funds under this program from either (i) BNDES, the federal government's development bank, or (ii)*Agência Especial de Financiamento Industrial* (FINAME), or "FINAME," the equipment financing subsidiary of BNDES. We then on-lend these funds to borrowers in targeted sectors of the economy. We determine the spread on 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, we disbursed R$14.1 billion, 66.0% of which was loaned to micro, small and medium-sized companies as of December 31, 2014. Our BNDES onlending portfolio totaled R$42.2 billion as of December 31, 2014, and accounted for 12.1% of our portfolio of loans and advances at that date.

Other local commercial loans

We provide traditional loans for the ongoing needs of our corporate customers. As of December 31, 2014, we had R$102.3 billion of outstanding other local commercial loans, accounting for 29.3% of our portfolio of loans and advances. We offer a range of loans to our Brazilian corporate customers, including:

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

These lending products generally bear interest at a rate of 1.2% to 9.9% per month.

Rural loans

We extend loans to the agricultural sector financed by demand deposits, BNDES onlendings and our own funds, in accordance with Central Bank regulations. As of December 31, 2014, we had R$17.1 billion in outstanding rural loans, representing 4.9% 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 6.5% as of December 31, 2014. Repayment of these loans generally coincides with agricultural harvest and principal is due when a crop is sold. For BNDES onlending for rural investment the term is no more than five years with repayments on a semi-annual or annual basis. As security for such loans, we generally obtain a mortgage on the land where the agricultural activities being financed are conducted.

Since July 2012, Central Bank regulations require us to use at least 34.0% of the annual average (from June through May) of our checking account deposits to provide loans to the agricultural sector.

The Brazilian Monetary Council (CMN) has approved Resolution No. 4,378/14, establishing that any excess funds intended for pecuniary investments set forth in Resolution No. 4,358/14, will be included in the calculation for compliance with required demand deposits in the 2014/2015 agriculture period. This measure provides financial institutions with an additional 12-month period to adjust to the new provisions introduced by said regulation, without undermining their investing the amounts reimbursed from these operations in new cattle-raising investment financing.

Leasing

According to ABEL, as of December 31, 2014, our leasing companies were among the sector leaders, with a 19.3% market share. According to this source, the aggregate discounted present value of the leasing portfolios in Brazil as of December 31, 2014 was R$22.4 billion.

As of December 31, 2014, we had 125,018 outstanding leasing agreements totaling R$4.3 billion, representing 1.2% 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, 2014, 60.5% 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, 2014, Bradesco Leasing had R$82.8 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, 2014, the remaining average maturity of contracts in our lease portfolio was approximately 55 months.

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;
- corporate credit cards accepted nationwide and internationally;

- co-branded credit cards, which we offer through partnerships with companies;

- "affinity" credit cards, which we offer through associations, such as sporting clubs and non-governmental organizations;

- private label credit cards, which we only offer to customers of retailers, designed to increase business and build customer loyalty for the corresponding retailer, which may or may not have a restriction on making purchases elsewhere;

- "CPB" and "EBTA," virtual cards for corporate customers with the management and control of airline ticket expenses;

- Bradesco's card for transportation companies, shippers, risk management companies and truck drivers, with both prepaid and debit card functionalities;

- "Contactless," which enable customers to simply place the card next a scanner to make a payment;

- "MoneyCard – Visa Travel Money and Global Travel Card" are prepaid international cards designed for foreign currency transactions, which target international travel;

- "Agrocard Bradesco" created for farmers and combines the features of a credit card and a debit card. Holders of these cards can use them to buy farm products in stores authorized by Cielo;

- "Prepax Presente prepaid cards" – issued by Alelo, which is a pre loaded card which can be given as a gift to individuals. Purchasers define the credit's value and may opt to choose a commemorative topic or to personalize the card with a personal image;

- "Elo Mais and Elo Exclusive cards" – with bonus points in the Loyalty Program;

- "Exclusive Gold and Prime Platinum cards" – both under the American Express brand;

- "Compras Condomínio card" – focused on the pool purchasing niche for use in Brazil;

- "Bradesco Vale-Cultura card" – a prepaid card which may be used for purchases of books, newspapers, magazines, movie tickets, shows and exhibits, among other options;

- "Elo Food, Meal and Christmas Meal benefit cards" – in addition to reducing operating costs, the value proposal of this business is to enhance the efficiency of payment means, with 100.0% of virtual transactions, by offering more security and convenience to companies and workers;

- Utility Bills and Taxes Payment Services (via bar code) by way of the credit card option, in the internet banking channel. With this service, customers have up to 40 days to concentrate the payment of bills on a single date and also generate points/credits to the Rewards Programs they have with their Bradesco Cards;

- "Meu Dinheiro Claro", a prepaid card related to a Claro mobile telephone line that may be used for purchases in a broad network of stores, transfers between individuals that use this service, withdrawals, balances and statements, in addition to refills of prepaid credits for any Claro customer;

- "Corporate Elo Card" for the E1 public, (individual entrepreneur), developed to assist companies in managing expenses and providing greater flexibility and independence; and

- "b.wallet" mobile portfolio service, which enables Bradesco credit and debit cards to be stored in smartphones for purchases of goods and services in a wide network of commercial establishments.

Bradesco and Banco do Brasil, through its subsidiary Companhia Brasileira de Soluções e Serviços ("CBSS"), incorporated STELO S.A., an online payment service provider that will manage, operate and focus on payment facilitators in the e-commerce and the digital portfolio segments.

With this same partner, Bradesco incorporated LIVELO, a company designed to explore business related to coalition loyalty programs, which enable customers to earn and redeem points with a number of business partners.

Bradesco also has a card business unit abroad, Bradescard Mexico, which has a partnership with C&A and has entered into another partnership with suburbia stores of the Walmex Group and the LOB store chain in Mexico.

As of December 31, 2014, 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		
	2014	**2013**	**2012**
Revenue – R$			
Credit	131,999.9	119,407.0	103,542.5
Number of transactions			
Credit	1,423.4	1,346.7	1,225.6

Debit cards

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

Cash Management Solutions

Management of 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: (i) collection and payment services; and (ii) online resource management enabling our customers to pay suppliers, salaries, and taxes and other levies to governmental or public entities.

These solutions, which can also be customized, facilitate our customers' day-to-day tasks and help to generate more business.

We also earn revenues from fees and investments related to collection and payment processing services and, also by funds in transit received up to its availability to the related recipients.

Global Cash Management

Global Cash Management aims at structuring solutions to foreign companies operating in the Brazilian market and Brazilian companies making business in the international market. By way of customized solutions, partnerships with international banks and access to the SWIFT network, we offer products and services for carrying out the cash management of these companies.

Solutions for receipts and payments

In 2014, we processed 1.5 billion receipts through our collection system, for the payment of taxes~~,~~ and utility bills (such as water, electricity, telephone and gas), among others, checks custody service, identified deposits and credit orders via our teleprocessing system (credit order by teleprocessing or OCT), which was 0.4% more than in the same period of 2013.

In 2014, the volume processed through virtual means (Pag-For Bradesco, Net Empresa and Online Tax Payment) was 713 million documents, which represented a 10.7% increase as compared to the same period of 2013.

Production chain solutions

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

Another relevant feature of this area is to encourage suppliers to use the factoring of receivables through quick electronic credit solutions with preferential conditions, providing the company with alternative payment.

Franchising solutions

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

Market Niches

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

Public authority solutions

Public administration requires agility and technology in its everyday activities. We have a business area specifically to serve this market, which offers specialized services to entities and bodies of the Executive, Legislative and Judiciary branches at federal, state and municipal levels, in addition to independent governmental agencies, public foundations, state-owned and mixed companies, the armed forces (army, navy and air force) and the auxiliary forces (federal and state police forces), identifying business opportunities and structuring customized solutions.

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

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

In 2014, the Bank took part in bidding processes sponsored by the Brazilian government and was successful in over 80.0% of these processes. Furthermore, we became leaders in payments of INSS benefits, with approximately 8.5 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, 2014, we administered or managed 1,697 funds and 237 portfolios, providing services to 2.8 million investors. These funds comprise a wide group of fixed-income, non-fixed income and multimarket funds, among others.

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.

Form 20-F

Distribution of Equity as of December 31,	R$ in thousands 2014	2013
Investment Funds		
Fixed income	419,767,839	373,551,609
Variable income	27,019,024	27,966,814
Third party share funds	5,315,610	6,355,220
Total	**452,102,474**	**407,873,643**
Managed Portfolios		
Fixed income	26,542,111	16,856,215
Variable income	8,130,414	8,389,755
Third party share funds	1,955,085	2,243,831
Total	**36,627,611**	**27,489,801**
Overall Total	**488,730,084**	**435,363,444**

As of December 31,	2014		2013	
Number	Quotaholders	Number	Quotaholders	
Investment Funds	1,697	2,776,357	1,550	2,731,246
Managed Portfolios	237	518	233	430
Overall Total	**1,934**	**2,776,875**	**1,783**	**2,731,676**

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 2014, Bradesco BBI advised customers on 210 transactions across a range of investment banking products, totaling R$179.6 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 2014 with a significant presence in IPOs and follow-ons by Brazilian issuers.

Based on data relating to public offerings registered with the CVM in 2014, Bradesco BBI participated as an underwriter and joint bookrunner in 2 offers totaling R$6.1 billion: Oi S.A. follow-on involving the amount of R$5.7 billion and Ourofino IPO, in the amount of R$418.0 million.

Fixed income

After having been engaged on a number of significant projects during 2014, Bradesco BBI ended the year with a very strong presence in the fixed-income segment. For the year ended December 31, 2014, Bradesco BBI was the leader in terms of value, according to the fixed income ANBIMA ranking. In the period, it coordinated 119 domestic-market offerings totaling more than R$23.7 billion.

In the international broker-dealer market, Bradesco BBI is continuously expanding its presence. In 2014, it acted as "joint bookrunner" for 31 bond issues, which exceeded the amount of US$28.5 billion.

In 2014, Bradesco BBI won The Best Investment Bank in Brazil Award by Euromoney magazine.

Structured operations

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

In 2014, Bradesco BBI also held a leading position in the securitization ranking published by ANBIMA, as a result of structuring 22 operations with a total value of R$6.7 billion.

Mergers and acquisitions

Bradesco BBI provides advisory services to important customers in merger, acquisition and corporate sale transactions, private placements, forming joint ventures, financial and corporate restructuring, and privatizations.

In 2014, Bradesco BBI was rated among the top banks that provided advice for mergers and acquisitions in Brazil. During the year, Bradesco BBI advised on 14 transactions with a disclosed value of R$62.3 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 several project finance awards, among them “Deals of the Year” by Latin Finance magazine: Best Oil&Gas Financing, Best Infrastructure Financing Brasil and Best Airport Financing.

As of December 31, 2014, Bradesco BBI was involved in providing financial advice and structuring for approximately 22 projects totaling R$18.1 billion in investments.

Intermediation and trading services

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

In 2014, Bradesco Corretora traded R$98.9 billion in the BM&FBOVESPA equities market and the exchange ranked it 12th in Brazil in terms of total trading volume.

In addition, in the same period, Bradesco Corretora traded 20,846,177 futures, swaps and options totaling R$1,778 billion on the BM&FBOVESPA. According to the BM&FBOVESPA, in 2014, Bradesco Corretora ranked thirteenth in the Brazilian market, in terms of the number of options, futures and swaps contracts executed.

Bradesco Corretora was awarded by BM&FBOVESPA, within the Operational Qualifying Program (PQO), all of the five excellence seals (Agro Broker, Carrying Broker, Execution Broker, Retail Broker and Web Broker), indicating the high quality of its future market transactions. Bradesco Corretora 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 2014, "Home Broker" trading totaled R$11.6 billion, or 1.6% of all Internet transactions on BM&FBovespa, and Bradesco Corretora was the 17th largest Internet trader in the Brazilian market.

Bradesco Corretora has a full range of services in investment analysis with coverage of the main sectors and companies of the Brazilian market. With a team of 38 analysts, it is composed of sector specialists (senior and assistant analysts), who fairly disclose their opinions to the customers by way of follow-up reports and instruction guides, with a wide range of projections and comparison multiples. Bradesco Corretora also has a team of its own economists dedicated to the customers' specific demands, focused on the stock market. Over 700 reports, in English and Portuguese, are monthly forwarded to the most important investors domiciled in Brazil, the United States, Europe and Asia.

Through our Bradesco Corretora's branches and representative offices, our customers have access to professionals that are able to advise on investments in the BM&FBOVESPA. We currently run 14 branches and 2 representative offices throughout Brazil. This means that Bradesco Corretora provides direct customer service and closer relations with customers. This channel is very profitable and enjoys a high-level of take-up from investors, making for closer relations with our network of branches as loyal customers concentrate their funds with us.

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

Custody, depositary and administrative services

In 2014, we were one of the main providers of capital markets services and retained leadership in the domestic asset custody market, according to the ANBIMA ranking. Our modern infrastructure and specialized team offer a broad range of services such as: asset registration (shares, BDR - Brazilian Depositary Receipts, investment fund shares, Certificates of Real Estate Receivables or CRIs, and debentures); qualified custody for securities; custody of shares underlying Depositary Receipts (DRs); administrative services for investment funds ("CVM Instruction No. 409" Funds and Structured Funds) and managed portfolios; fiduciary administration for investment funds; offshore funds; custody and representation for foreign investors; administrative agent; depositary (escrow account - trustee) and clearing agent.

We have ten 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.

As of December 31, 2014, the main services provided by Bradesco Custódia were:

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

–- R$994.2 billion in assets under custody, as measured by methodology used for the ANBIMA ranking;

-– R$1.4 trillion in total shareholders´ equity of investment funds and managed portfolios which are using our administration services, as measured by methodology used for the ANBIMA ranking;

-– 27 registered DR programs with a market value of R$80.7 billion as measured by methodology used for the ANBIMA ranking; and

-– R$233.9 billion total shareholders´ equity of third-party investment funds under fiduciary administration by BEM DTVM.

• Asset registration:

-– Bradesco's share registration system comprised 242 companies, with a total of 4.5 million shareholders;

-– our debenture registration system contained 326 companies with a total market value of R$271.0 billion;

-– our fund share registration system contained 379 investment funds with a market value of R$67.2 billion; and

-– we managed 25 registered BDR programs, with a market value of R$1.7 billion.

In December 2013, the CVM changed the rules that govern these activities through the issuance of Instructions no. 541, 542 and 543, which address centralized deposit, custody and bookkeeping of securities, respectively. Pursuant to these new instructions, recording agents will be required to maintain records in relation to issuances of registered assets and custodians will be responsible for safeguarding assets that were physically issued or for which they are holders of customers' custody positions in central 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, 2014, our international banking services included:

- in New York City: a branch and our subsidiaries Bradesco Securities Inc., or "Bradesco Securities U.S.," Bradesco North America LLC, or "Bradesco North America;" and BRAM US LLC., or “BRAM US”;

- in London: Bradesco Securities U.K., our subsidiary, or "Bradesco Securities U.K.;"

- in the Cayman Islands: a branch and our subsidiary, Cidade Capital Markets Ltd., or "Cidade Capital Markets;"

- in Argentina: our subsidiary Banco Bradesco Argentina S.A., or "Bradesco Argentina;"

- in Luxembourg: our subsidiary Banco Bradesco Europa S.A. , or "Bradesco Europe;"

- in Japan: our subsidiary Bradesco Services Co. Ltd., or "Bradesco Services Japan;"

- in Hong Kong: our subsidiaries Bradesco Trade Services Ltd., or "Bradesco Trade;" and Bradesco Securities Hong Kong or "Bradesco Hong Kong;" and

- in Mexico: our subsidiary Bradescard México, Sociedad de Responsabilidad Limitada, or "Bradescard México."

Our international transactions are coordinated by our international and foreign exchange department in Brazil with support from 28 operational units specializing in foreign exchange businesses located at major exporting and importing areas nationwide.

Revenues from Brazilian and foreign operations

The table below breaks down revenues (interest and similar income, and fee and commission income) from our Brazilian and foreign operations for the periods shown:

For the years ended December 31,	2014 R$ in thousands	%	2013 R$ in thousands	%	2012 R$ in thousands	%
Brazilian operations	118,500,386	98.2%	103,248,646	98.1%	94,198,281	98.3%
Overseas operations	2,152,690	1.8%	1,969,702	1.9%	1,590,704	1.7%

Total	**120,653,076**	**100.0%**	**105,218,348**	**100.0%**	**95,788,985**	**100.0%**

Foreign branches and subsidiaries

Our foreign branches and subsidiaries are mainly intended for financing in foreign currency (particularly foreign trade finance operations) to Brazilian and non-Brazilian customers. Bradesco Europe also provides additional services to the private banking segment. Total assets of the foreign branches, excluding transactions between related parties, were R$155.9 billion, as of December 31, 2014, denominated in currencies other than the *real*.

Funding required for import and export finance is mainly obtained from the international financial community, through credit lines granted by correspondent banks abroad. As an additional source of funding, we issued debt securities in international capital markets, which amounted to US$10.2 billion in 2014.

Bradesco Argentina – To expand our operations in Latin America, in December 1999, we established our subsidiary in Argentina, Bradesco Argentina, the general purpose of which is to extend financing, largely to Brazilian companies established locally and, to a lesser extent, to Argentinean companies doing business with Brazil. As of December 31, 2014, Bradesco Argentina recorded R$173.1 million in total assets.

Bradesco Europa - In April 2002, we took control of Banque Banespa International S.A., Luxemburg, currently named Banco Bradesco Europa. As of December 31, 2014, its total assets were R$10.2 billion.

Bradesco Services Japan – In October 2001, we incorporated Bradesco Services Japan to provide support and specialized services to the Brazilian community in Japan, including remittances to Brazil and advice regarding investments within Brazil. As of December 31, 2014, its assets totaled R$4.2 million.

Bradesco Trade Services – A non-financial institution and a subsidiary of our branch in the Cayman Islands, which we incorporated in Hong Kong in January 2007, in partnership with the local Standard Chartered Bank.

Bradesco Securities (U.S., U.K. and H.K.) – Bradesco Securities, our wholly owned subsidiary, is a broker dealer in the United States, England and Hong Kong:

- The focus of Bradesco Securities U.S. is on facilitating the purchase and sale of shares, primarily in the form of ADRs and common shares. It is also an authorized dealer in bonds, commercial paper and deposit certificates, among other securities, and may provide investment advisory services. As of December 31, 2014, Bradesco Securities U.S. had assets of R$79.0 million;

- Bradesco Securities U.K. focuses on the intermediation of equities and fixed income operations for Brazilian companies with global institutional investors. On December 31, 2014, Bradesco Securities U.K. had assets of R$23.9 million; and

- Bradesco Securities H.K. focuses on the trading of ADRs and public and private securities issued by Brazilian companies to global institutional investors. On December 31, 2014, Bradesco Securities H.K. had assets of R$13.6 million.

Cidade Capital Markets – In February 2002, Bradesco acquired Cidade Capital Markets in Grand Cayman, due to the acquisition of its parent company in Brazil, Banco Cidade. As of December 31, 2014, Cidade Capital Markets had R$107.8 million in assets.

Bradesco North America LLC was incorporated in August 2011 to be used as a holding company focused on Bradesco's investments in non-bank businesses in the United States. As of December 31, 2014, its total assets was R$6.3 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 PROEX rate equalization program.

Our foreign trade portfolio is funded primarily by credit lines from correspondent banks. We maintain relations with various American, European, Asian and Latin American financial institutions for this purpose, using our network of approximately 1,400 correspondent banks abroad, 59 of which extended lines of credit as of December 31, 2014.

As of December 31, 2014, our international unit had a balance of R$30.7 billion in export financing and R$9.5 billion and R$ 3.9 billion in import financing and international guarantees. The volume of our foreign exchange contracts for exports reached US$39.0 billion in 2014. In the same period, the volume of our foreign exchange contracts for imports reached US$28.4 billion. In 2014, based on Central Bank data, we reached a 17.3% market share of trade finance for Brazilian exports and 13.0% for imports.

The following table shows the composition of our foreign trade asset portfolio as of December 31, 2014:

2014	R$ in thousands
Export financing	
Advance on foreign exchange contracts – undelivered bills	6,682,707
Advance on foreign exchange contracts – delivered bills	523,712
Export prepayment	10,145,733
Onlending of funds borrowed from BNDES/EXIM	3,333,776
Proex - Rate Equalization Program	61,213
NCE/CCE (Exports Credit Note/Exports Credit Certificates)	9,954,933
Total export financing	**30,702,074**
Import financing	
Import financing – foreign currency	6,930,003
Exchange discounted in advance for import credit	2,246,552
Import credit opened	304,917
Total import financing	**9,481,472**
International guarantees	**3,851,360**
Total foreign trade portfolio	**44,034,906**

Foreign exchange products

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

- WEB export and import contracts;
- collecting import and export receivables;
- cross border money transfers;
- advance payment for exports;
- accounts abroad in foreign currency;
- domestic currency account for foreign domiciled customers;
- cash holding in other countries;
- structured foreign currency transactions: through our overseas units;
- foreign loans to customers (Decree-Law No. 4,131/62);
- service agreements – receiving funds from individuals abroad via money orders;

- prepaid cards with foreign currency (individual and corporate customers);
- purchasing and selling travelers checks and foreign currency paper money;
- cashing checks denominated in foreign currency;
- international financial clearance certificate; and
- international financial capacity certificate.

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Consortia

In Brazil, persons or entities that wish to acquire certain goods may set up a group known as a "consortium," in which members pool their funds and plan the acquisition.

Our purchasing consortium company (Bradesco Consórcios) manages plans for groups of purchasers buying real estate, automobiles and trucks/tractors/machinery and equipment. In January, 2003, our subsidiary Bradesco Consórcios initiated the sale of consortium quotas, to our customers. According to the Central Bank, in May, 2004, Bradesco Consórcios became the leader in the real estate segment and, in December 2004, it also became the leader in the automobile segment. In October, 2008, Bradesco Consórcios became the leader in the trucks/tractors/machinery and equipment segment. As of December 31, 2014, Bradesco Consórcios registered total sales of 1,061,847 outstanding quotas in the three segments, with total group revenues of over R$42.9 billion and net income of R$616.9 million.

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Insurance, pension plans and capitalization bonds

The following diagram shows the principal elements of our insurance, pension plans and capitalization bonds segment as of December 31, 2014:

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Form 20-F

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		
	2014	2013	2012
Statement of Income data			
Net interest income	4,556,146	5,589,989	3,124,512
Other income and expenses [(1)]	2,742,922	446,117	2,725,672
Income before income taxes	**7,299,068**	**6,036,106**	**5,850,184**
Income tax and social contribution	(2,843,493)	(2,253,451)	(2,196,399)
Net income for the year	**4,455,575**	**3,782,655**	**3,653,785**
Net income attributable to controlling interest	4,354,752	3,692,531	3,591,743
Net income attributable to non-controlling interest	100,823	90,124	62,042
Statement of Financial Position data			
Total assets	181,949,261	160,295,583	153,695,571
Selected results of operations data			
Income from insurance and pension plans			
Written premiums	47,745,885	42,226,410	37,899,360
Pension plan contributions	3,724,762	3,584,290	3,273,485
Coinsurance premiums ceded	(135,728)	(154,125)	(198,281)
Premiums returned	(525,895)	(543,779)	(500,468)
Reinsurance premiums	(354,041)	(225,581)	(297,351)
Premiums retained from insurance and pension plans	**50,454,983**	**44,887,215**	**40,176,745**
Changes in the insurance technical provisions and pension plans	(24,008,174)	(20,001,807)	(23,326,101)
Retained claims	(18,143,687)	(15,484,691)	(13,123,833)
Selling expenses for insurance and pension plans	(2,892,373)	(2,468,101)	(2,314,815)
Income from insurance and pension plans	**5,410,749**	**6,932,616**	**1,411,996**

Note: Data presented above include income from related parties outside the segment.
(1) For additional information, see "Item 5.A. Operational Results".

Insurance products and services

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

Life and personal accident insurance

We offer life and personal accident insurance, as well as insurance against miscellaneous events, such as job loss, through our subsidiary Bradesco Vida e Previdência. As of December 31, 2014, there were 25.8 million life insurance policyholders.

Health insurance

The health insurance policies cover medical/hospital expenses. We offer health insurance policies through Bradesco Saúde and its subsidiaries for small, medium or large companies wishing to provide benefits for their staff.

On December 31, 2014, Bradesco Saúde and its subsidiary Mediservice Administradora de Planos de Saúde S.A (Mediservice) had more than 4.5 million beneficiaries covered by company plans and individual/family plans. Approximately 106 thousand companies in Brazil pay into plans provided by Bradesco Saúde and its subsidiaries, including 52 of the top 100.

Bradesco Saúde currently has one of the largest networks of providers of health services in Brazil. As of December 31, 2014, it included 10,275 laboratories, 13,979 specialized clinics, 16,525 physicians and 2,508 hospitals located throughout the country.

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Automobiles, property/casualty and liability insurance

We provide automobile, property/casualty and liability insurance through our subsidiary Bradesco Auto/RE. Our automobile insurance covers losses arising from vehicle theft, damage to the passenger and third-party injury. Retail property/casualty insurance is for individuals, particularly those with residential and/or equipment related risks and small- and medium-sized companies whose assets are covered by multi-risk business insurance.

Of the mass property/casualty lines for individuals, our residential note ("Bilhete Residencial") is a relatively affordable and highly profitable product. For corporate customers, Bradesco Auto/RE offers Bradesco Seguro Empresarial (business insurance), which is adapted to meet our customers' and business needs. For corporate property/casualty and liability insurance, Bradesco Auto/RE has 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, 2014, Bradesco Auto/RE had 1.7 million insured automobiles and 2.8 million property/casualty policies and notes, making it one of Brazil’s main insurers.

Reinsurance

Insurance companies should 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 (*admitido e 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 100.0%, in the case of nuclear risks.

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

On December 31, 2014 there were 122 reinsurers authorized to operate in the Brazilian market, including IRB-Brasil Re and Lloyd's of London. Twenty-four reinsurance brokerage firms have authorization to intermediate reinsurance and retrocession operations.

In 2014, the Grupo Bradesco Seguros paid approximately R$354.0 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) 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 agreements (proportional and non-proportional) is currently ceded 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 November 30, 2014, Bradesco Vida e Previdência accounted for 27.3% of the pension plan and VGBL market in terms of contributions, according to Fenaprevi. Also according to the same source, managed pension funds accounted for 25.0% of VGBL, 24.4% of PGBL and 44.7% of traditional pension plans in Brazil. As of November 30, 2014, Bradesco Vida e Previdência accounted for 30.4% of all supplementary pension plan assets under management, 28.7% of VGBL, 23.1% of PGBL and 52.5% 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, 63.7% of whom have individual plans, and the remainder of whom are covered by company plans. The company's plans account for 23.8% of technical reserves.

Under VGBL, PGBL and FAPI plans, participants are allowed to make contributions either in installments or in lump-sum payments. Participants in pension plans may deduct the amounts contributed to PGBL up to 12.0% 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 2014, Bradesco Vida e Previdência managed R$87.0 billion in VGBL and R$20.9 billion in PGBL plans. Bradesco Vida e Previdência also managed R$26.4 billion in pension plans.

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

Bradesco Vida e Previdência earns revenues primarily from:

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

Capitalization bonds

Bradesco Capitalização 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$50,000.00), form of payment, contribution period, and periodicity of draws for cash prizes of up to R$2.0 million (gross premiums). Plans are adjusted based on the Reference Rate (TR) plus 0.5% per month over the value of the mathematical provision, which may be redeemed by the shareholder at the end of the grace period. As of December 31, 2014, we had around 8.2 million "traditional" capitalization bonds and around 15.5 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 2014, Bradesco Capitalização had approximately 23.8 million capitalization bonds and 3.4 million customers.

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

Treasury activities

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

Distribution channels

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

By the end of 2014, we had 4,659 branches, 4,631 service centers, electronic in-company service centers and 50,006 banking correspondents (Bradesco Expresso) and 1,344 points of service outside of our own ATM network.

For information on our international branches as of December 31, 2014, see "International banking services."

Specialized distribution of products and services

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

Bradesco Varejo

Bradesco is present in 100.0% of municipalities in Brazil. The Bradesco Varejo service network comprises 4,263 branches, 3,427 service centers, 1,144 electronic service centers and 50,006 Bradesco Expresso banking correspondent units, in addition to thousands of ATMs.

Bradesco Varejo’s focus is on individuals with monthly income of no more than R$10,000 and companies with annual revenues of up to R$30 million. Individual customers with monthly income up to R$3,999.99 or amounts available for investments below R$40,000 are named Classic and individual customers with monthly income from R$4,000 to R$10,000 or amounts available for investments from R$40,000 are known as Exclusive customers, and corporate customers, with annual revenues of up to R$30 million are known as *Empresas e Negócios*. The retail area provides customized services with adequate financial solutions for each profile.

As of December 31, 2014, Bradesco Varejo provided assistance to over 25.5 million account holders.

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

Bradesco Prime

Bradesco Prime operates in the individuals segment and its target audience is customers with monthly income from R$10,000.00 or investable assets from R$100,000.00. Its mission is to be the bank of choice for these customers by focusing on quality relationships, and providing solutions for their needs through well-trained teams, adding shareholder and collaborator value while upholding our ethical and professional standards. Bradesco Prime offers the following value added services:

• **Personalized services provided by relationship managers**: experienced and skilled professionals with certification from ANBIMA, providing full financial advisory services and managing a small client portfolio;

• **Exclusive facilities**: Bradesco Prime customers have access to their own network of exclusive branches offering convenience and privacy to tend to their business affairs and can count on "Bradesco Prime Spaces" - a reserved and distinctive environment at Bradesco Varejo branches that fully maintains the segment's value proposition. Additionally, customers count on a wide network of branches throughout Brazil, including self-service equipment – Bradesco Network and Banco24Horas;

• **Exclusive products and services**: Bradesco Prime has a comprehensive set of differentiated products and services, such as internet banking (bradescoprime.com.br), call center (*Fone Fácil* Bradesco Prime), online advisors and investment funds, credit solutions with distinct rates, a diversified portfolio of insurance, pension plans and credit cards, among others; and

• **Bradesco Prime loyalty program**: introduced to further acknowledge and enhance customer relationships. By purchasing products and services, customers gain points that can be converted into benefits such as 12 days of interest-free overdraft, or up to 40.0% reduced overdraft charges and up to 100.0% off the package of services.

Present in all Brazilian capital cities, Bradesco Prime has been investing in technology, improvement of relationships with customers and training of its professionals throughout its entire history. It has earned an outstanding position in the Brazilian market for banking services for high-income customers and has consolidated as the largest banking services provider for these customers in terms of its service network, with 302 branches and 425 Bradesco Prime Spaces strategically positioned.

Bradesco Private Bank

Bradesco Private Bank has the sole purpose of advising high net-worth individuals, family-owned holding companies and investment companies with funds available for investments exceeding R$3.0 million. Bradesco Private Banking offers a wide range of financial products and services, in the pursuit of the most appropriate solution for each customer profile based on a tailor-made basis. It also offers tax, succession and equity planning advisory, as well as structured operations and non-financial assets advisory.

Bradesco Private Bank has 15 offices located in São Paulo, Rio de Janeiro, Belo Horizonte, Blumenau, Brasília, Campinas, Cuiabá, Curitiba, Fortaleza, Goiânia, Manaus, Porto Alegre, Recife, Ribeirão Preto and Salvador. Bradesco Private Banking is supported by our international units located in the Cayman Islands, New York and Luxemburg.

Bradesco Empresas

Bradesco Empresas serves companies whose annual revenues range from R$30 million to R$250 million through its 70 business units strategically located in state capitals, as follows: Southeast (41), South (17), Mid-West (4), Northeast (6) and North (2). It also has 87 Espaços Empresas (spaces reserved for Bradesco Empresas) in strategic locations not heavily serviced by Bradesco Empresas. These are specially structured places for rendering services to economic groups within the segment.

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

Bradesco Corporate

Our Corporate segment aims to serve companies posting annual revenues of more than R$250 million in most cases, offering both traditional and tailor-made products. As of December 31, 2014, 1,523 corporate groups in Brazil were served by this segment.

Branch Network

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

We sell our insurance products, pension plans and capitalization bonds through our website, through exclusive brokers based in our network of bank branches, and non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis. 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		
	2014	**2013**	**2012**
Insurance products			
Sales through the branches	36.0%	37.9%	38.1%
Sales outside the branches	64.0%	62.1%	61.9%
Pension plans products			
Sales through the branches	86.6%	86.1%	83.7%
Sales outside the branches	13.4%	13.9%	16.3%
Capitalization bonds			
Sales through the branches	83.0%	82.1%	79.6%
Sales outside the branches	17.0%	17.9%	20.4%

Other distribution channels

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 Self-Service, "Fone Fácil" (easy phone) and internet, customers and users have access to us via Bradesco Celular (mobile banking).

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

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

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

In 2014, 91.0% of transactions were carried out through digital channels. The table below shows the number of operations carried out through digital channels:

Year ended December 31,	In millions of transactions 2014	2013	% Change
Internet Individuals + Companies - with WebTA [1]	4,492	4,205	6.8%
ATMs	2,087	2,081	0.3%
Mobile Banking (Bradesco Celular)	1,908	868	119.9%
Telephone Banking (Fone Fácil)	410	473	(13.3)%
Total	**8,897**	**7,627**	**16.7%**

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

Internet

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

The Portal Bradesco has 15 transactional sites for banking transactions and 41 institutional sites, which provide information on the Bank, guidance on security, disclosure of social and environmental actions, and specific investor publications, among others. The institutional sites in turn have been restructured, whereby information and products/services were reorganized, contents simplified and language adapted to digital channels.

Our corporate customers have access to a product called Net Empresa, which allows them to check their account balances online and carry out banking transactions and transfers quickly and safely.

Self-service network

Our self-service network has 31,089 ATMs strategically distributed across Brazil, providing quick and convenient access to products and services. In addition to our ATMs, customers can access the pooled network of 17,593 Banco24Horas machines to effect transactions such as cash withdrawals, statements, balance status queries, loans, payments of payment vouchers, transfers between Bradesco accounts and transfers to other banks. As of December 31, 2014, over 2.0 billion transactions were conducted through ATMs.

We were a pioneer in Brazil in introducing a biometric reading system that identifies customers and authenticates ATM transactions through a sensor/invisible light beam capturing the image of the vascular pattern of the palm of the hand. This technology allows our customers to carry out transactions using only their card and hand palm reading. In addition, for greater convenience, customers may also withdraw cash and check balances without their card, simply using biometry and a six-digit password, so that transactions are carried out more easily and quickly. We believe that the biometric reading system is one of the world's most advanced security technologies. This technology is available in 31,044 of our ATMs and in 10,113 ATMs of the Banco24Horas Network.

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

Bradesco Celular (*Mobile banking*)

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

Additionally, Bradesco Celular also provides the following services:

• Free access: enables individuals to carry out financial transactions and monitor their accounts via Bradesco Celular free of charge, without exhausting their data plans. Available for mobile phone network operators Claro, Oi, Tim, and Vivo (Brazilian mobile phone network operators);

• Depositing checks via mobile phone eliminating the need to deliver physical cheques at the branch or ATMs;

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

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

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

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

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

Telephone services – Fone Fácil

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

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

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

Banking units in retail chains - Bradesco Expresso

We have also entered into partnership agreements (Bradesco Expresso) with retail chains, supermarkets, drugstores, grocery stores, and other retailers. These companies provide basic banking services such as payment of utility bills and others, withdrawal of cash from checking and savings accounts, deposits and pension payments, among others. These services are rendered by the staff of our business partners, but all credit decisions are made by our employees.

Integrated risk control

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

Risk management

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

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

The committee is assisted by the Capital Management Executive Committee, Internal Controls and Compliance Committee and the executive committees for risk management of: (i) Credit; (ii) Market and Liquidity; (iii) Operational; (iv) Grupo Bradesco Seguros; and (v) Basel II Implementation. There are also the Executive Products and Services Committee, and Executive Committees for our business units, whose tasks include suggesting limits for exposure to their related risks and devising mitigation plans to be submitted to the Integrated Risk Management and Capital Allocation Committee and the Board of Directors.

Credit risk

Credit risk is the possibility of losses associated with a borrower's or counterparty's failure to comply with their respective financial obligations under agreed terms, as well as the depreciation of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, including benefits granted in renegotiations, recovery costs and other amounts related to the counterparty's non-compliance with financial obligations.

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

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

In order 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 indepent and centralized credit risk measurement and control.

The 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.

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, losses, credit recovery, gross and net losses, portfolio limits and concentrations, and other items. This information is also monthly reported to the Audit Committee.

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The business area also tracks each internal or external event that may significantly impact credit risk for the organization such as mergers, bankruptcies or crop failures and monitors sectors of economic activity in which the Organization has 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 fluctuating prices and rates 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 the Organization to market risk are mapped, measured and classified according to probability and magnitude, with the whole process approved by the governance structure.

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

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
- hedging.

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.

Market Risk Management Process

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

Definition of limits

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

Trading portfolio: comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in 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, exposures are discussed weekly by the Treasury's and Management of Assets and Liabilities Executive Committee, which assesses results and risks and discusses and validates strategies. Both governance process and limits are validated and reviewed at least once a year by the Integrated Risk and Capital Allocation Committee and submitted for approval by the Board of Directors.

Every limit under the Board of Directors´ management is monitored via an alert system which determines the report recipients and the actions that should be taken according to different levels of market risk limit usage. 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 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.

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

Operational Risk

Operational risk is 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 carried out by the Organization.

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 the Organization's 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, reporting to the Executive Committee of Operational Risk ("CERO"), 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, and assess external data on operational losses by incorporating/adjusting processes and controls, if applicable.

CERO, in turn, is assisted by the Integrated Risk Control Department, and the relevant subjects are reported to the Audit Committee and subsequently the Integrated Risk Management and Capital Allocation

Committee, which reports to the Board of Directors.

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

Internal controls and compliance

The efficacy of Organization's internal controls is supported by trained professionals, well-defined and implemented processes, as well as by technology compatible with business needs.

We highlight that the internal control methodology adopted by Bradesco 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 Organization's processes are certified, 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, and applicable codes of conduct and self-regulation.

Prevention of Money Laundering and Terrorism Financing

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

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

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

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

Prevention and Fight against Corruption

We carry out procedures to prevent and fight any corruption acts on an ongoing and permanent basis. In 2014, we reinforced processes, procedures and training focused on the prevention and fight against corruption.

Our Board of Directors approved the Corporate Anti-Corruption Policy, which establishes guidelines for the prevention and fight against corruption, applicable to management and employees of the Group, comprising Bradesco and its controlled entities in Brazil and abroad.

The Board of Directors also established the Corporate Anti-Corruption Rule, with rules and procedures aimed at preventing and fighting corruption and bribes, in conformity with the legislation and regulations currently in force in Brazil and in the countries in which we have business units.

The Anti-Corruption Program is supported by the Code of Ethics and by the Corporate Anti-Corruption Policy, and the actions developed also comprise managing business partners, contracting products and services and raising awareness in employees and partners through remote and in-person training as well as internal and external communications, thus, providing an effective monitoring of risks and controls.

We also make available reporting channels in which any actions being construed as violations are subject to proper disciplinary measures, regardless of the hierarchy level involved, and without prejudice to any applicable legal penalties.

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.

Corporate security

The Corporate Security Department has as its main mission to prevent and correct fraud in the information and system security that supports the business through the creation, implementation and maintenance of rules, processes and technologies. It is also a focal point for issuing technical opinions, in connection with strategic security issues, in the implementation of products, services or processes of the group. Among the main "Corporate Security Global Vision" responsibilities, we highlight the following:

- defining our “System for Data Security Management”, based on our “Corporate Policy for Information Security” and a set of 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;

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

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

Credit policy

Our credit policy is focused on:

- ensuring the safety, quality, liquidity and diversification of asset allocation;

- pursuing flexibility and profitability in business; and

- minimizing risks inherent to loans and advances.

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

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

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

- is rated less than "acceptable" under our internal credit risk classification system (score and rating);

- has an outdated record; and

- has any 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 shareholder´s equity.

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

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

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

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

Loans and advances to individual customers

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

	R$ in thousands
Total Risk Amount	

	Loan with no bona fide guarantee	Loan with bona fide guarantee
Decision-making authority		
Manager of very small branch (1)	up to 5	up to 10
Manager of small branch (2)	up to 10	up to 20
Manager of average branch (3)	up to 15	up to 30
Manager of large branch (4)	up to 20	up to 50

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

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

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

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

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

Loans and advances to corporate customers

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

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

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

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

Total Risk Amount	**R$ in thousands**
Decision making authority	
Credit department	up to 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, 2014, our total deposits were R$211.6 billion, representing 24.9% 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		
	2014	2014	2013	2012
From customers				
Demand deposits	15.2%	32,086,299	39,633,427	37,684,247
Savings deposits	43.5%	92,154,815	80,717,805	69,041,721
Time deposits	40.5%	85,790,391	95,866,825	104,048,295
Deposits from banks				
Demand deposits	0.4%	940,997	986,310	727,869
Interbank deposits	0.3%	641,205	963,855	382,474
Total	**100.0%**	**211,613,707**	**218,168,222**	**211,884,606**

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 20.0% of the amounts recorded under the following items: (a) time deposits; (b) leasing companies' CDIs; (c) currency exchange acceptance funds; (d) debentures; (e) securities issued by the bank itself; and (f) contracts assuming liabilities related to foreign transactions in excess of R$30.0 million. The amount required is collected in cash and we earn remuneration on the amount deposited at the SELIC rate, although the balance earning remuneration may not exceed the lesser of the following: (a) the amount required less deductions stipulated in rules issued by the Central Bank; and (b) the amount required multiplied by the following percentages: (i) 50.0% for the calculation and compliance period starting on August 4 and 15, 2014; (ii) 40.0% for the calculation and compliance periods starting on August 25 and September 5, 2014; and (iii) 100.0% for the calculation and compliance periods starting on August 10 and 21, 2015. These percentages and dates have been frequently changed by the Central Bank, and may be subject to further changes without prior notice.

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 on August 25, 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.

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$44.0 million, in the Central Bank on a non-interest-bearing basis. 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 is 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 Februrary 2015.

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 in reserves equivalent to 20.0% of the total average balance of our savings account deposits. The account bears interest annually at: (i) ““TR” plus interest of 6.2%; or (ii) Reference Rate (“TR”) plus 70.0% of the SELIC rate for funding carried out from May 4, 2012, when the SELIC rate is lower than 8.5% per annum.

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

In February 2013, the Central Bank defined rules for financial cost collection on non-compliance with compulsory deposit, reserve or compulsory assignment requirements. The financial cost charged to institutions that failed to comply with these requirements was adjusted to the SELIC rate plus 4.0% per annum.

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 real estate financings, mortgage notes, charged-off residential real estate or housing construction loans and certain other financings, all as specified in guidance issued by the Central Bank.

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**		
	2014	**2013**	**2012**
Funding Sources			
Funding in the open market	219,359,890	185,055,358	175,646,854
Financial notes	54,961,063	35,208,325	28,220,510
Onlendings	43,779,544	40,863,996	36,075,056
Subordinated debt	35,821,666	35,885,003	34,851,714
Borrowings	15,218,591	15,230,854	8,111,101
Real estate credit notes	11,862,705	5,995,699	4,229,511
Agribusiness notes	8,570,579	4,371,017	3,894,203
Euronotes	6,276,614	8,412,859	10,761,614
Securities issued through securitization of payment orders	2,694,477	3,291,063	3,619,412
Mortgage notes	404,915	604,105	826,843
Structured Operations Certificates	260,046	-	-
Total	**399,210,090**	**334,918,279**	**306,236,818**

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, 2014, 2013 and 2012, funding in the open market accounted for 54.9%, 55.3% and 57.4%, respectively of our other funding sources. These amounts include securities attached to repurchase agreements mainly comprising Brazilian government securities and corporate debt securities. This type of operation is usually short-term and volatile in terms of volume since they are directly impacted by market liquidity.

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

We conduct onlending operations where we act as the transfer agent for development agency funds, granting credits to third parties, which are in turn funded by development organizations. BNDES, the International Bank for Reconstruction and Development or IBRD and the Inter-American Development Bank or IDB are the principal providers of these funds. The lending criteria, the decision to lend and the credit risk are our responsibility and subject to certain limitations set by the bodies supplying the funds.

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

Data processing

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

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

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

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

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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 programs. We use web server digital certification and HSM 8000 cryptographic and ICSF coprocessor equipment. Periodic assessments of IT environments are made using specific tools for this purpose. Our safety tools monitor software, hardware and share information from stations and servers. In addition, we have a 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.

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, 2014, publicly owned financial institutions held 46.3% of the National Financial System's assets, followed by private sector locally owned financial institutions (taking into consideration financial conglomerates) with a 37.2% share and foreign-controlled financial institutions, with a 16.5% share.

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

As of December 31, 2014, according to Central Bank data, there were 171 financial conglomerates providing a wide range of services including: (i) 130 multiple banks; (ii) 22 commercial banks; (iii) 14 investment banks; (iv) 4 development banks; and (v) 1 savings bank (namely Caixa Econômica Federal). For further information on risks related to competition, see "Item 3.D. Risk Factors-Risks Relating to Bradesco and the Brazilian banking industry-The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects."

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: (a) transfers of ownership control; (b) takeovers; (c) mergers; (d) business transfers; and (e) 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.

Credit cards

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

Leasing

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

Asset management

As of December 31, 2014, the asset management industry in Brazil managed funds worth R$2.7 trillion in shareholders´ equity according to ANBIMA. BRAM held a portion of R$348.5 billion, representing a growth of 14.0% as compared to the 12 previous months or 13.0% of market share. We are the leading institution as measured by the number of investment fund quotaholders with 2.8 million.

Insurance, pension plans and capitalization bonds

Insurance sector

As leader of the Brazilian insurance market, with a 24.0% market share as of November 30, 2014, Grupo Bradesco Seguros faces growing competition from several domestic and multinational companies in all branches of this sector.

Our principal competitors are Brasilprev, Itaú Unibanco Seguros S.A., Sul América Cia. Nacional de Seguros, Grupo Segurador Banco do Brasil, Mapfre, Porto Seguros Cia. de Seguros Gerais, Zurich, Santander and Caixa Seguros, which account for a combined total of approximately 53.0% of all premiums generated in the market, as reported by SUSEP, in November 2014.

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 27.2% of total contributions in the sector (SUSEP – November 2014), Bradesco Vida e Previdência's main competitive advantages are: the brand “Bradesco”, our extensive branch network, our strategy and our record of being in the forefront of product innovation.

Capitalization bonds sector

Bradesco Capitalização holds a 24.7% market share in capitalization bonds income and 22.5% in terms of technical provisions, according to SUSEP (SUSEP – November 2014)Among the competitive factors in the sector, we highlight the offering of low-cost products with a higher number of prize drawings, security, financial stability, and brand recognition by customers.

REGULATION AND SUPERVISION

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

Principal financial institutions

As of December 31, 2014, 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 143 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 is responsible for:

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

- overseeing the Brazilian financial markets.

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

The Central Bank supervises financial institutions by:

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

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

Capital adequacy and leverage

Brazilian financial institutions are subject to capital measurement and standards based on a weighted risk-asset ratio, 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.”

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

Under certain conditions and within certain limits, financial institutions may include 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.

Brazilian financial institutions are required to calculate their capital requirements on a consolidated basis with: (i) institutions that are part of their financial conglomerate up to December 31, 2017; as required by Central Bank Circular nº 3,726/14; and (ii) institutions that are part of their prudential conglomerate, beginning as of January 1, 2015.

The applicable regulation defines a prudential conglomerate as, among others, the following entities located in Brazil or abroad over which the institution has direct or indirect control: (i) financial institutions and other institutions authorized to operate by the Central Bank; (ii) consortium administrators; (iii) payment institutions; (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 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 ratio, see “Item 5.B - Liquidity and Capital Resources– Capital compliance - Basel III”.

Reserve requirements

The Central Bank periodically sets compulsory reserve and related requirements for Brazilian financial institutions. The Central Bank uses reserve requirements as a mechanism to control liquidity in the Brazilian Financial System.

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

The total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its 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 100.0% of its exposure. Since July 2, 2007, the amount internationally offset in opposite exposures (purchases and sales) in Brazil and abroad by institutions of the same conglomerate is required to be added to the respective conglomerate's net consolidated exposure.

Asset composition requirements

According to the Resolution No. 2,844/01, as amended, Brazilian financial institutions 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 regulatory capital (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 backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

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

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

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

Treatment of loans and advances

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

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

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

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

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

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

Doubtful loans are classified according to the loss perspective, as 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 provision for loan losses.

This risk evaluation must be reviewed at least every six months for loans extended to a single customer or economic group whose aggregate loan amount exceeds 5.0% of the financial institution's 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.

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.

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

- a breakdown of the business activities and nature of borrowers;
- maturities of their loans;
- amounts of rescheduled, written-off and recovered loans;
- loan portfolio diversification by the loan classification; and
- non-performing loans.

The Central Bank requires authorized financial institutions to compile and submit their loans and advances portfolio data in accordance with several requirements 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 Brazilian Clearing System was regulated and restructured under legislation enacted in 2001. These regulations are intended to streamline the system by adopting multilateral clearing and boost security and solidity by reducing systemic default risk and financial institutions' credit and liquidity risks.

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

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

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

- maintain and document criteria for measuring liquidity risks and risk management procedures;

- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;

- prepare reports to enable the institution to monitor liquidity risks;

- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;

- adopt system controls and test them periodically;

- promptly provide the institution's management information and analysis for any liquidity risk identified, including any conclusions or measures taken; and

- develop contingency plans for handling liquidity crisis situations.

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

The Central Bank and CVM have the power to regulate and supervise the Brazilian payment and clearing systems.

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

In April 2014, the Central Bank changed the rules regarding any payment institutions and any related arrangements. The main changes were as follows: (a) 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% in 2014 and increasing to 100% in 2019; and (b) it reviewed the definition of arrangements that may be considered an integral part of the SPB.

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 reserves 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 Brazilian financial institutions accepting deposits from customers.

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

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

According to CMN rules, the maximum value of the balance of such deposits is limited (with a maximum 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: (i) 40.0% from January 1, 2013; (ii) 60.0% from January 1, 2014; (iii) 80.0% from January 1, 2015; and (iv) 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. Resolution no. 4,222/13 was changed on February 20, 2014. In August 2013, the Central Bank amended and consolidated the provisions related to the calculation basis and payment of common contributions by the FGC-associated institutions. 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 Brazilian financial institutions only if they have specific authorization from the Brazilian government. However, foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts representing non-voting shares offered abroad. Any investment in common shares would depend on government authorization. In January 2012, the Central Bank authorized Bradesco to create an ADR program for its common shares in the U.S. market. Foreign interest in Bradesco's capital stock is currently limited to 30.0%.

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

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

- keep up-to-date records regarding their customers;
- maintain internal controls and records;

- record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money;
- keep records of transactions that exceed R$10,000 in a calendar month or reveal a pattern of activity that suggests a scheme to avoid identification;
- keep records of all check transactions; and
- keep records and inform the Central Bank of any cash deposits or cash withdrawals in amounts above R$100,000.

The financial institution must review transactions or proposals whose characteristics may indicate the existence of a crime and inform the Central Bank of the proposed or executed transaction. Records of transactions involving currency or any asset convertible to money, records of transactions that exceed R$10,000 in a calendar month, and records of check transactions must be kept for at least 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. Circular 3,654/13 expanded such list to include other members of the Judiciary, Legislative and Executive powers, as well as individuals who held or still hold relevant positions in foreign governments. Financial institutions are required to adopt certain mechanisms in order to: (i) identify the final beneficiaries of each transaction; (ii) identify whether these politically exposed individuals are involved; (iii) monitor financial transactions involving politically exposed individuals; and (iv) pay special attention to people from countries with which Brazil maintains a high number of business and financial transactions, shared borders or ethnic, linguistic or political relations.

In 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 COAF (Controlling Council of Financial Activities), including, among them, companies providing advisory or consulting services to operations in the financial and capital markets, under the penalty of fines of up to R$20 million. In June 2013, the CVM enacted an instruction that conformed regulation of this government agency to Law no. 12,638/12, establishing the obligation to send to the regulatory or inspection agency information regarding the non-existence of suspect financial transactions and other situations that generate the need for communications.

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. Additionally, the threshold for the simplified identification of prepaid accounts was also changed, from R$1,500.00 to R$5,000.00, and the list of information to be obtained and kept on individual customers upon the opening of payment accounts was also increased. 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.

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 as the principles of proportionality 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.

In advance of Resolution No. 4,327/14, over the first half of 2013, Bradesco's 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

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

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 accounting practices adopted in Brazil (BR GAAP), applicable to institutions authorized to operate by the Central Bank. Quarterly financial information filed with the CVM is subject to review by our independent auditors. Additionally, as required by CMN Resolution No. 3,786/09, we also are required to publish annual consolidated financial statements prepared in accordance with IFRS, accompanied by the opinion of an independent auditing firm.

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

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

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

Pursuant to this regulation, financial institutions having 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. 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 enacted stricter requirements to be followed by the members of 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 all cases, 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 will become effective on July 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;

- 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 Federal Government. For the purposes of these limits, the same issuer means the parent company, companies directly or indirectly controlled by the parent and its affiliates, or companies under common control with the issuer.

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

In addition, CVM Instruction No. 409/04 states that funds may hold financial assets traded abroad in their portfolios as follows: (i) for foreign-debt funds and qualified investor funds that stipulate this possibility, there is no limit; (ii) for multimarket funds, up to 20.0% of net assets; and (iii) for other funds, up to 10.0% of net assets. Instruction No. 555/14 changes 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 will become effective in July 1, 2015.

Regulation of brokers and dealers

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

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

Broker and dealer firms may not:

- with few exceptions, execute transactions that may be characterized as the granting loans to their customers, including the assignment of rights;
- collect commissions from their customers related to transactions of securities during the primary distribution;
- acquire assets, including real estate properties, which are not for their own utilization; or
- obtain loans from financial institutions, except for: (i) loans for the acquisition of goods for use in connection with the firm's corporate purpose; or (ii) loans for amounts not more than twice the firm's net assets.

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

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.

Form 20-F

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 , 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, 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.

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.

Open pension plans and insurance companies have been allowed to create, trade and operate investment funds with segregated assets since January 2006. Notwithstanding the above, certain provisions of Law No. 11,196/05 will only become effective when SUSEP and CVM issue regulatory texts. In September 2007, CVM issued Instruction No. 459/07, 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.

Taxation

IOF (Tax on Financial Transactions)

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

IOF on foreign exchange transactions

IOF may be levied on a variety of forex transactions, including the conversion of Brazilian currency into any foreign currency for the payment of dividends and repatriation of capital invested in our ADSs. The general IOF rate on forex transactions is 0.38%, but 0.0% on forex transactions of an interbank nature and for the payment of dividends and interest on equity to foreign investors.

An IOF zero rate is to be levied on the settlements of foreign exchange operations in connection with the inflow and outflow of funds in Brazil, related to resources funded by foreign loans and financings, without any restriction as to the funding date. However, since March 2011, the IOF rate was increased to 6% for foreign loans, depending on their payment dates. The minimum average payment period set forth in the rules has been changed several times since 2011. Accordingly, in the period from December 5, 2012 to June 4, 2014, the IOF rate was levied at 6.0% on settlements of foreign exchange operations in connection with the inflow of funds into Brazil, including those operations carried out by way of simultaneous operations related to foreign loans subject to registration with the Central Bank, raised directly or through the issuance of securities in the international market, with the minimum average period of 360 days. If the repayment term of the loan was higher than 360 days the IOF rate of these operations was reduced to 0.0%. As from July 4, 2014, this IOF rate at 6.0% started to be levied for settlement of foreign operations in connection with the inflow of foreign loans with minimum average periods of 180 days. If the payment period is longer than 180 days, the IOF rate will be reduced to 0.0%.

Since June 2013, the IOF rate of foreign exchange operations related to the flow of funds into the country, including through simultaneous operations carried out by foreign investors for investment in the Brazilian financial and capital markets is 0.0%.

The following foreign exchange transactions are also subject to a 0.0% IOF rate:

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

- transfers from and to abroad related to applications of investment funds in the international market, subject to the limits and conditions established by the CVM;

- purchase of foreign currency by an institution authorized to operate in the foreign exchange market, simultaneously carried out with a sales operation, such simultaneous exchange transactions are mandatory under regulatory provisions;

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

- inflow of income from the export of goods and services into Brazil.

In March 2011, Decree No. 7,454/11 increased the tax rate on currency exchange transactions from 2.38% to 6.38% for payments made by credit card administrators or commercial or multiple banks acting as card issuers, when such amounts arise from the purchase of goods and services abroad by their cardholders.

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

IOF on bonds or securities transactions

IOF tax may also be charged on transactions related to acquisition, granting, withdrawal, renegotiation or payment for settlement of securities. Maximum IOF rate in securities is 1.5% per day. IOF rate in transactions with securities is reduced to 0.0% in some cases, including in granting of shares that are admitted to negotiation in stock exchanges located in Brazil, for the specific purpose of backing issuances of depositary receipts traded abroad.

In September 2011, IOF was levied on transactions involving derivative contracts. The tax rate is 1.0% on the notional amount, adjusted in the acquisition, sale or maturity of financial derivative contracts entered into in Brazil that, individually, result in an increase of the sold foreign exchange exposure or reduction of the purchased foreign exchange exposure.

The legislation allows for some deductions from the calculation basis, such as: (i) the sum of the notional value adjusted by the acquisition, sale or maturity of financial derivative contracts entered into in Brazil, on the day, and that, individually, results in an increase of the purchased foreign exchange exposure or reduction of the sold foreign exchange exposure; (ii) the adjusted net foreign exchange exposure purchased, obtained on the previous business day; and (iii) the reduction of the net foreign exchange exposure sold and the increase of the net foreign exchange exposure purchased compared to the previous business day, not resulting from acquisitions, sales or maturities of financial derivatives contracts. Beginning on June 13, 2013, the tax on financial transactions (IOF) rate for these transactions is reduced to zero.

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

IOF on securities operations is also levied on transactions carried out in the fixed income market and at redemption of investment fund shares and investment club shares. IOF is levied on the redemption, granting or renegotiation value, limited to transaction earnings, based on the period. For more information on financial investment funds and equity funds, see "Regulation and Supervision – Asset management regulation." The rate of IOF payable in such cases is 1.0% per day and decreases with the duration of the transactions, reaching zero for transactions with maturities of at least 30 days, except that the rate is currently 0.0% for the following types of transactions:

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

IOF on loan transactions

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

Rate applicable to loan transactions 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 as aforementioned, 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% 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 and for individuals, it will not exceed a 3.373% rate.

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 tax on financial transactions (IOF) is not levied on loan transactions where the lender is located abroad and the borrower is in Brazil.

IOF on insurance transactions

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

- 0.0% on: (i) reinsurance transactions; (ii) transactions related to mandatory insurance, linked to residential real estate financing granted by an agent of the national housing system (SFH); (iii) insurance transactions for 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. Considering the above, the IRPJ is assessed at a combined rate of 25.0% of adjusted net income. Social contribution tax is calculated based on a general rate of 9.0% of adjusted net income. However, since May 2008, financial institutions and affiliated companies have been taxed at a rate of 15.0%. For further information on our income tax expense, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

Due to taxation on universal bases, companies 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 profitson an annual basis.

In accordance with Law No. 12,973/14, income earned through a foreign associate is only taxable in Brazil upon effective availability, provided that the associate is not subject to certain tax regimes and conditions, such as sub-taxation regime and own active income higher than 80.0%, for example. Also in accordance with Law No. 12,973/14, the GAAP adjustments will be formalized through sub-accounts, with tax consolidation rules applicable up to the 2022, in which consolidation of a subsidiary's results deriving from its own active income with the results of its controlling company in Brazil, provided that certain requirements are met.

Since payment of dividends is not tax deductible for the corporation distributing them, Brazilian legislation allows an alternative means of remunerating shareholders in the form of "interest on equity" which may be deducted from taxable income. This deduction is limited to the product of the *pro rata die* variation of the long-term interest rate announced by the Brazilian government, known as the "TJLP," times the corporation's equity calculated in accordance with BR GAAP and Article 9, paragraph 8 of Law No. 9,249/95, not exceeding:

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

- 50.0% of retained earnings, in accordance with BR GAAP, for the year prior to the year in which payment is made.

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

Tax losses of Brazilian companies accrued in prior years may offset income from future years up to 30.0% of annual taxable income, with no time limit.

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

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

- 15.0% for all other transactions.

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

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

Brazilian residents day-trading on stock, commodities or futures exchanges, or similar markets, are also subject to an additional withholding tax similar to the described above, at a rate of 1.0%.

Gains on disposition of shares in Brazil by investors who reside in a jurisdiction deemed to be a "tax haven" under Brazilian law (any country that: (i) does not charge income tax; (ii) charges income tax at a rate of less than 17.0%; or (iii) a country whose corporate law opposes confidentiality on ownership of corporate entities) are subject to the same rates applicable to resident holders in Brazil, as previously described.

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

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

- the foreign investment in shares is registered with the Central Bank pursuant to CMN Resolution No. 4,373/14.

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

There is a zero income tax rate on income from transactions involving Brazilian government bonds purchased as of February 2006, except those for which buyers enter into resell agreements under CMN rules and conditions. This zero income tax rate is also applicable to income of non-residents that invest in shares of investment funds exclusively for non-resident investors, if their portfolio is at least, 98.0% government bonds. This zero tax rate is not applicable if the beneficiary is resident or domiciled in a country deemed a tax haven.

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

Income of Brazilian residents from redemption, sale or amortization of shares in investment funds, private equity funds, funds of funds and emerging markets investment funds, including income resulting from liquidation of the fund, is subject to an income tax rate of 15.0% on the positive difference between redemption or sale value and acquisition cost.

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

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

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

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

PIS and COFINS

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

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

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

Since August 2004 and until the end of June, 2015, PIS and COFINS rates are 0.0% for financial income earned by companies subject to the non-cumulative applicability of these taxes, including financial income arising from hedging operations. In April 2015, Decree Law No. 8,426/15 required that as from July 2015, these rates will return to 0.65% and 4.0%, respectively. However, since 2004, rates and levying of these contributions on income from interest on equity have not been changed and were maintained at 1.65% for PIS and 7.6% for COFINS.

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

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

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

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

Selected Statistical Information

Selected statistical data shown in this section as of and for the years ended December 31, 2014, 2013 and 2012 is derived from our audited consolidated financial statements prepared in accordance with IFRS, included elsewhere in this annual report. The data for the years ended December 31, 2011 and 2010, 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, 2014, 2013, and 2012) in conjunction with "Item 5. Operating and Financial

Review and Prospects" and our consolidated financial statements in "Item 18. Financial Statements."

Average balance sheet and interest rate data

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

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

Interest-earning assets

	R$ in thousands, except %						
	2014			2013			
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	83,791,866	9,357,339	11.2%	80,909,973	7,872,493	9.7%	89,783,4
Financial assets available for sale	84,494,315	9,537,105	11.3%	79,895,464	7,740,512	9.7%	66,875,5
Investments held to maturity	24,024,810	2,870,674	11.9%	3,791,552	603,768	15.9%	3,657,7
Assets pledged as collateral	130,319,525	13,953,796	10.7%	112,404,700	12,770,916	11.4%	94,667,5
Loans and advances to banks	76,830,557	8,709,828	11.3%	104,232,013	8,899,967	8.5%	78,977,3
Loans and advances to customers	317,455,318	55,140,405	17.4%	289,336,399	49,645,420	17.2%	262,228,2
Central Bank compulsory deposits	47,038,434	4,277,351	9.1%	42,757,972	3,110,877	7.3%	48,722,2
Other assets	605,011	46,598	7.7%	575,113	38,671	6.7%	546,9
Total interest earning assets	**764,559,836**	**103,893,096**	**13.6%**	**713,903,186**	**90,682,624**	**12.7%**	**645,459,0**
Non interest earning assets							
Cash and balances with banks	11,795,512	-	-	11,969,749	-	-	14,620,7
Central Bank compulsory deposits	6,203,757	-	-	6,719,354	-	-	8,618,9
Financial assets available for sale (shares)	5,403,709	-	-	6,849,306	-	-	7,690,0
Non performing loans and advances to customers [1]	13,733,170	-	-	11,273,935	-	-	10,588,5
Impairment of loans and advances	(21,602,532)	-	-	(21,305,397)	-	-	(20,501,97
Investments in associated companies and joint ventures	3,519,890	-	-	2,855,127	-	-	2,635,9
	4,441,468	-	-	4,323,084	-	-	4,348,8

Property and equipment, net of accumulated depreciation							
Intangible assets and goodwill, net of accumulated amortization	7,872,367	-	-	8,155,015	-	-	8,562,44
Current and deferred income tax	35,008,119	-	-	32,488,983	-	-	27,815,41
Other assets	41,402,123	-	-	42,512,399	-	-	39,255,03
Total non interest earning assets	**107,777,583**	**-**	**-**	**105,841,555**	**-**	**-**	**103,633,98**
*	*	*	*	*	*	*	
Total assets	**872,337,419**	**103,893,096**	**11.9%**	**819,744,741**	**90,682,624**	**11.1%**	**749,093,04**

(1) Overdue by more than 60 days.

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Interest-bearing liabilities

December 31,				R$ in thousands, except %		
		2014			2013	
Average balance	**Interest and similar expense**	**Average yield/ interest**	**Average balance**	**Interest and similar expense**	**Average yield/ interest**	**Avera balan**
Interest bearing liabilities						
Interbank deposits	695,132	86,232	12.4%	671,404	63,268	9.4
Savings deposits	84,921,694	5,440,263	6.4%	73,307,137	4,112,323	5.6
Time deposits	91,990,788	6,441,317	7.0%	99,565,994	5,828,956	5.9
Funding in the open market	192,967,597	19,161,452	9.9%	182,981,063	16,671,777	9.1
Borrowings and onlendings	56,123,972	1,821,103	3.2%	49,273,352	1,937,991	3.9
Funds from securities issued	69,849,843	6,689,844	9.6%	52,476,783	3,646,584	6.9
Subordinated debt	35,826,626	3,787,060	10.6%	35,560,706	3,132,915	8.8
Insurance technical provisions and pension plans	136,308,516	10,420,058	7.6%	125,179,124	5,988,328	4.8
Total interest-bearing liabilities	**668,684,168**	**53,847,329**	**8.1%**	**619,015,563**	**41,382,142**	**6.7**
Non-interest-bearing liabilities						
Demand deposits	35,138,920	-	-	36,876,193	-	
Other non interest bearing liabilities	91,429,077	-	-	95,039,096	-	
Total non interest bearing liabilities	**126,567,997**	**-**	**-**	**131,915,289**	**-**	
*						
Total liabilities	**795,252,165**	**53,847,329**	**6.8%**	**750,930,852**	**41,382,142**	**5.5**
*						
Equity attributable to controlling shareholders	**76,574,415**	**-**	-	**68,216,774**	**-**	
Non-controlling interest	**510,839**	**-**	**-**	**597,115**	**-**	
Total liabilities and equity	**872,337,419**	**53,847,329**	**6.2%**	**819,744,741**	**41,382,142**	**5.0**

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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 evaluation of average balances during the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive and negative effects.

	R$ in thousands					
December 31,	**2014/2013**			**2013/2012**		
	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	288,454	1,196,391	1,484,845	(813,984)	870,297	56,313
Financial assets available for sale	464,565	1,332,028	1,796,593	1,261,115	44,824	1,305,939
Investments held to maturity	2,453,574	(186,668)	2,266,906	21,373	(7,440)	13,933
Assets pledged as collateral	1,949,309	(766,429)	1,182,880	1,860,942	1,819,740	3,680,682
Loans and advances to banks	(2,680,978)	2,490,839	(190,139)	2,156,723	(48,185)	2,108,538
Loans and advances to customers	4,877,444	617,541	5,494,985	4,798,089	(3,616,502)	1,181,587
Central Bank compulsory deposits	333,685	832,789	1,166,474	(445,577)	(251,775)	(697,352)
Other assets	2,087	5,840	7,927	1,907	(776)	1,131
Total interest earning assets	**7,688,140**	**5,522,331**	**13,210,471**	**8,840,588**	**(1,189,817)**	**7,650,771**
Interest bearing liabilities						
Interbank deposits	2,307	20,657	22,964	19,126	(4,387)	14,739
Savings deposits	700,331	627,609	1,327,940	594,244	(105,856)	488,388
Time deposits	(467,788)	1,080,149	612,361	(1,112,949)	(614,042)	(1,726,991)
Funding in the open market	940,788	1,548,887	2,489,675	2,579,504	2,334,013	4,913,517
Borrowings and onlendings	248,568	(365,456)	(116,888)	89,365	(500,844)	(411,479)
Funds from securities issued	1,420,379	1,622,881	3,043,260	111,750	95,146	206,896
Subordinated debt	23,597	630,548	654,145	289,698	(41,114)	248,584
Insurance technical provisions and pension plans	573,617	3,858,113	4,431,730	1,164,226	(3,161,869)	(1,997,643)
Total interest bearing liabilities	**3,441,799**	**9,023,388**	**12,465,187**	**3,734,964**	**(1,998,953)**	**1,736,011**

Net interest margin and spread

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

December 31,	R$ in thousands, except %		
	2014	2013	2012
Average balance of interest earning assets	764,559,836	713,903,186	645,459,059
Average balance of interest bearing liabilities	668,684,168	619,015,563	571,690,522
Net interest income [1]	**50,045,767**	**49,300,483**	**43,385,723**
*			
Interest rate on the average balance of interest earning assets	13.6%	12.7%	12.9%
Interest rate on the average balance of interest bearing liabilities	8.1%	6.7%	6.9%
Net yield on interest earning assets[2]	**5.5%**	**6.0%**	**5.9%**
*			
Net interest margin [3]	**6.5%**	**6.9%**	**6.7%**

(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:

December 31,	R$ in thousands, except % and per share information		
	2014	2013	2012
Net income attributable to controlling shareholders	15,314,943	12,395,920	11,291,570
Average total assets	872,337,419	819,744,741	749,093,040
Average equity attributable to controlling shareholders	76,574,415	68,216,774	62,463,588
Net income attributable to controlling shareholders as a percentage of average total assets	1.8%	1.5%	1.5%
Net income attributable to controlling shareholders as a percentage of average equity attributable to controlling shareholders	20.0%	18.2%	18.1%
Equity attributable to controlling shareholders as a percentage of average total assets	8.8%	8.3%	8.3%
Dividends payout ratio per class of shares [(1)]	33.0%	33.0%	35.0%

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

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

The following table shows, 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 %		
	2014	2013	2012
Financial assets held for trading			
Brazilian government securities	35,014,906	46,847,468	46,014,522
Corporate debt and marketable equity securities	10,332,717	17,886,442	36,221,243
Bank debt securities	15,905,309	20,187,824	18,485,686
Mutual funds	12,336,964	8,426,678	7,650,252
Derivative financial instruments	4,421,457	2,509,028	3,222,631
Foreign government securities	68,397	235,083	244,168
Brazilian sovereign bonds	418,561	-	-
Total financial assets held for trading	**78,498,311**	**96,092,523**	**111,838,502**
Financial assets held for trading as a percentage of total assets	8.4%	11.5%	14.0%
Financial assets available for sale			

Brazilian government securities	70,149,037	28,985,685	63,965,466
Corporate debt securities	41,366,773	31,058,356	10,895,299
Marketable equity securities	5,829,244	5,880,497	5,524,668
Bank debt securities	3,354,779	1,849,287	862,921
Brazilian sovereign bonds	261,901	64,586	273,776
Total financial assets available for sale	**120,961,734**	**67,838,411**	**81,522,130**
Financial assets available for sale as a percentage of total assets	13.0%	8.1%	10.2%
*			
Investments held to maturity			
Brazilian government securities	25,032,157	23,029,469	3,659,576
Brazilian sovereign bonds	38,874	39,557	56,097
Total investments held to maturity	**25,071,031**	**23,069,026**	**3,715,673**
Investments held to maturity as a percentage of total assets	2.7%	2.8%	0.5%

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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,	**in thousands of R$, except percentages**		
	2014	**2013**	**2012**
Financial assets held for trading			
Brazilian government securities	1,257,413	2,924,653	8,609,468
Total of financial assets held for trading	**1,257,413**	**2,924,653**	**8,609,468**
Financial assets held for trading as a percentage of total assets	0.1%	0.3%	1.1%
Financial assets available for sale			
Brazilian government securities	7,095,516	44,667,819	19,308,061
Brazilian sovereign bonds	-	-	149,284
Corporate debt securities	3,661,955	1,939,437	3,431,710
Bank debt securities	3,858,993	453,231	454,320
Total of financial assets available for sale	**14,616,464**	**47,060,487**	**23,343,375**
Financial assets available for sale as a percentage of total assets	1.6%	5.6%	2.9%
Investments held to maturity			
Brazilian sovereign bonds	-	4,360	267,421
Total of investments held to maturity	**-**	**4,360**	**267,421**
Investments held to maturity as a percentage of total assets	-	-	-
*			
Loans and advances to banks			
Interbank investments	136,738,812	67,750,725	73,913,035
Total of Loans and advances to banks	**136,738,812**	**67,750,725**	**73,913,035**
Loans and advances to banks as a percentage of total assets	14.7%	8.1%	9.2%
Total assets pledged as collateral	**152,612,689**	**117,740,225**	**106,133,299**
Assets pledged as collateral as a % of total assets	16.4%	14.0%	13.3%

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Maturity distribution

The following table shows maturity dates and weighted average yield as of December 31, 2014, for our securities received under resale agreements, financial assets held for trading, financial assets available for sale and investments held to maturity.

	in thousands of R$, except percentages									
December 31, 2014	**Due in 1 year or less**		**Due after 1 year up to 5 years**		**Due after 5 years up to 10 years**		**Due after 10 years**		**No stated m**	
	Average balance	**Average yield**	**Average balance**	**Average yield**	**Average balance**	**Average yield**	**Average balance**	**Average yield**	**Average balance**	**A**
Financial assets held for trading										
Brazilian government securities	17,563,056	11.1%	10,353,740	11.1%	6,375,532	10.4%	722,578	11.1%	-	
Foreign government securities	68,397	9.6%	-	-	-	-	-	-	-	
Corporate debt and marketable equity securities [1]	1,631,794	6.1%	4,589,305	5.4%	1,757,313	6.6%	380,634	6.6%	1,973,671	
Bank debt securities	5,118,914	7.8%	10,553,008	7.2%	204,270	7.2%	29,117	5.0%	-	
Mutual funds [2]	-	-	-	-	-	-	-	-	12,336,964	
Derivative financial instruments	2,289,083	-	1,743,667	-	386,975	-	1,732	-	-	
Brazilian sovereign bonds	8,259	7.9%	152,142	6.0%	19,875	2.9%	238,285	11.0%	-	
Total financial assets held for trading	**26,679,503**	**-**	**27,391,862**	**-**	**8,743,965**	**-**	**1,372,346**	**-**	**14,310,635**	
*										
Financial assets available for sale										
Brazilian government securities	47,664,134	11.1%	8,754,473	10.9%	5,869,031	7.2%	7,861,399	7.7%	-	
Brazilian sovereign bonds	-	-	13,629	8.9%	-	-	248,272	13.3%	-	
Corporate debt securities	3,379,597	10.6%	10,725,511	8.3%	18,312,863	7.9%	8,948,802	9.7%	-	
Bank debt securities	1,479,479	4.4%	998,188	7.9%	876,123	6.2%	989	9.0%	-	
Marketable equity securities [2]	-	-	-	-	-	-	-	-	5,829,244	
	52,523,210	**-**	**20,491,801**	**-**	**25,058,017**	**-**	**17,059,462**	**-**	**5,829,244**	

Total financial assets available for sale									
Investments held to maturity									
Brazilian government securities	251,847	11.1%	2,918,924	15.9%	6,521,620	15.4%	15,339,766	15.7%	-
Brazilian sovereign bonds	-	-	38,874	8.9%	-	-	-	-	-
Total investments held to maturity	**251,847**	-	**2,957,798**	-	**6,521,620**	-	**15,339,766**	**-**	**-**
Overall Total	**79,454,560**	-	**50,841,461**	-	**40,323,602**	-	**33,771,574**	-	**20,139,879**

(1) For no stated maturity, it corresponds to ma

(2) Investments in these assets are redeemable at any time in accordance with our liquidity needs. Average yield is not stated, a quantifiable.

Form 20-F

The following table shows maturity dates and weighted average yield as of December 31, 2014, for our assets pledged as collateral.

December 31, 2014	in thousands of R$, except percentages									
	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	
	Average balance	Average yield	Average balance	Average yield	Average balance	Average yield	Average balance	Average yield	Average balance	Av y
Financial assets held for trading										
Brazilian government securities	7,945	10.2%	1,023,778	9.9%	221,354	8.1%	4,336	6.9%	1,257,413	
Total of financial assets held for trading	**7,945**	**-**	**1,023,778**	**-**	**221,354**	**-**	**4,336**	**-**	**1,257,413**	
*										
Financial assets available for sale										
Brazilian government securities	2,589	10.3%	3,658,325	9.3%	3,434,602	8.1%	-	-	7,095,516	
Corporate debt securities	-	-	2,618,111	7.0%	1,043,844	6.6%	-	-	3,661,955	
Bank debt securities	-	-	1,253,853	6.7%	2,605,140	6.7%	-	-	3,858,993	
Total of financial assets available for sale	**2,589**	**-**	**7,530,289**	**-**	**7,083,586**	**-**	**-**	**-**	**14,616,464**	
*										
Loans and advances to banks										
Interbank investments	136,738,812	11.1%	-	-	-	-	-	-	136,738,812	1
Total of loans and advances to banks	**136,738,812**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**136,738,812**	
*										
Overall Total	**136,749,346**	**-**	**8,554,067**	**-**	**7,304,940**	**-**	**4,336**	**-**	**152,612,689**	

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

	In thousands of R$			
	At fair value		Amortized cost	
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
December 31, 2014				
Indexed to *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				
Indexed to *reais*	95,269,738	60,435,790	23,023,353	178,728,881
Denominated in foreign currency [1]	822,785	7,402,621	45,673	8,271,079
December 31, 2012				
Indexed to *reais*	111,489,760	76,095,967	3,659,576	191,245,303
Denominated in foreign currency [1]	348,742	5,426,163	56,097	5,831,002

[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, 2014					
Indexed to *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					
Indexed to reais	2,924,653	44,667,818	67,750,725	-	115,343,196
Denominated in foreign currency [1]	-	2,392,669	-	4,360	2,397,029
December 31, 2012					
Indexed to reais	8,609,468	19,308,061	73,913,035	-	101,830,564
Denominated in foreign currency [1]	-	4,035,314	-	267,421	4,302,735

[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**				
	2014	**2013**	**2012**	**2011**	**2010**
Type of loans and advances to customers					
Working capital	62,155,974	59,180,627	53,298,176	49,461,882	39,996,835
Personal credit	45,807,489	41,922,683	32,240,786	24,374,640	20,368,434
BNDES/Finame onlendings	42,168,754	40,543,267	35,703,861	35,398,656	29,554,340
Vehicles - Direct Consumer Financing (CDC)	30,354,903	32,209,642	33,820,338	30,651,218	25,193,370
Housing loans	40,103,169	27,870,462	22,302,967	15,930,568	10,186,535
Export financing	26,141,531	25,662,214	22,665,551	20,504,778	16,659,872
Credit cards	28,072,447	25,473,079	22,367,978	19,776,579	18,474,095
Rural loans	17,057,992	13,651,917	11,580,061	11,036,251	10,179,753
Guaranteed account	10,500,353	10,422,370	9,800,968	9,671,487	9,042,191
Import financing	9,195,381	8,598,811	6,580,312	5,072,822	3,834,498
Leasing	4,319,148	5,713,481	8,035,454	11,550,838	16,365,943
Insurance premiums receivable	4,257,787	3,717,227	2,893,506	2,472,923	2,048,186
Overdraft facilities	3,665,539	3,312,666	2,988,632	2,745,695	3,207,207
Others	25,396,213	25,701,122	24,657,024	24,154,584	20,524,659
Total portfolio	**349,196,681**	**323,979,568**	**288,935,614**	**262,802,921**	**225,635,918**
Impairment of loans and advances	(21,132,677)	(19,858,234)	(19,914,294)	(17,551,042)	(15,355,736)
Net loans and advances to customers	**328,064,004**	**304,121,334**	**269,021,320**	**245,251,879**	**210,280,182**

The types of loans and advances presented are as follows:

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

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

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

Personal loans – credit for individuals;

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

Export financing – advances on exchange contracts to customers, individuals and companies, exporting through exchange contracts that are normally short- and medium-term loans, onlending of funds from BNDES-EXIM, export credit notes and bonds, and operations structured by our units abroad;

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

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

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

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

Our criteria for segmenting clients for individual credit analysis purposes include those with transactions involving R$30.0 million or more, which is aligned with our evidence-based credit risk management process.

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

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

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

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

Models used for collective assessment take into consideration Probability of Default, Loss Given Default, as well as the Loss Identification Period factor.

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

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

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

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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."

Credit approval process

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

Indexation

The majority of our portfolio of loans and advances is denominated in *reais*. However, a portion of our portfolio of loans and advances is indexed or denominated in foreign currencies, predominantly the U.S. dollar. Our loans and advances indexed to and denominated in foreign currency consist of onlending of Eurobonds and export and import financing, and represented 10.6% in 2014, 10.2% in 2013 and 9.2% in 2012 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, 2014	**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	5,479,254	4,837,898	3,076,666	8,032,822	12,566,411	25,991,681	2,171,242	62,1
Personal credit	3,384,853	2,709,153	2,149,955	5,548,652	8,276,639	21,621,845	2,116,392	45,8
BNDES/Finame onlendings	1,640,095	1,055,203	1,050,930	3,343,847	6,336,954	28,674,452	67,273	42,1
Vehicles - Direct Consumer Financing (CDC)	1,675,735	1,634,243	1,462,471	4,070,269	6,742,605	13,365,476	1,404,104	30,3
Housing loans	170,149	173,515	160,861	633,582	1,791,263	36,787,551	386,248	40,1
Export financing	1,129,642	1,118,504	1,504,578	3,321,039	2,402,980	16,415,041	249,747	26,1
Credit cards	-	-	-	-	-	-	28,072,447	28,0
Rural loans	555,725	1,051,988	580,076	2,623,686	7,891,692	4,106,418	248,407	17,0
Guaranteed account	2,527,824	2,486,848	2,342,526	2,413,594	465,979	8,407	255,175	10,5
Import financing	1,130,113	1,069,408	838,402	1,946,631	2,208,763	1,991,709	10,355	9,1
Leasing	241,323	236,053	196,659	560,831	892,598	2,070,414	121,271	4,3
Insurance premiums receivable	4,102,905	-	-	-	-	154,882	-	4,2
Overdraft facilities	1,178,066	813,693	530,870	139,004	233,109	12,935	757,862	3,6
Others	7,240,022	3,465,485	2,023,244	2,311,670	1,551,101	4,719,869	4,084,822	25,3
Total loans and advances to customers	**30,455,706**	**20,651,991**	**15,917,238**	**34,945,627**	**51,360,094**	**155,920,680**	**39,945,345**	**349,1**

[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, 2014	**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	28,027,004	18,114,894	13,050,316	28,178,214	41,237,735	83,834,032	39,415,213	251,857,408
Floating rates	2,428,702	2,537,097	2,866,922	6,767,413	10,122,359	72,086,648	530,132	97,339,273
Total	**30,455,706**	**20,651,991**	**15,917,238**	**34,945,627**	**51,360,094**	**155,920,680**	**39,945,345**	**349,196,681**

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Outstanding foreign loans

The majority of our outstanding cross-border commercial loans that are denominated in foreign currencies are raised in U.S. dollars by subsidiaries of Brazilian companies through our Cayman branch. These loans represented, on average, 4.0% of our total assets over the last three years. We believe that there are no significant cross-border risks on these transactions, since a substantial part of the related credit risk is guaranteed by the parent company in Brazil. The remainder of our outstanding cross-border transactions mainly includes investments in securities, which represented, on average, 2.0% 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 %					
	2014		2013		2012	
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	**6,849,002**		**2,188,831**		**423,180**	
Federal Government	**6,828,851**		**2,148,497**		**260,544**	
Petrochemicals	6,828,851	2.0%	2,148,497	0.7%	260,544	0.1%
State Government	**20,151**		**40,334**		**162,636**	
Production and distribution of electricity	20,151	0.0%	40,334	0.0%	162,636	0.1%
*						
Private sector	**342,347,679**		**321,790,737**		**288,512,434**	
Manufacturing	**56,651,087**		**58,245,854**		**54,187,104**	
Food and beverages	13,640,472	3.9%	13,195,437	4.1%	12,675,722	4.4%
Steel, metallurgy and mechanics	10,092,318	2.9%	11,378,577	3.5%	9,319,624	3.2%
Chemicals	4,522,057	1.3%	4,484,287	1.4%	4,667,812	1.6%
Pulp and paper	3,886,236	1.1%	3,624,721	1.1%	4,104,273	1.4%
Textile and clothing	3,138,214	0.9%	3,203,296	1.0%	3,118,933	1.1%
Oil refining and production of alcohol	1,816,990	0.5%	2,732,785	0.8%	3,915,587	1.4%
Rubber and plastic articles	2,810,322	0.8%	2,876,366	0.9%	2,630,216	0.9%
Extraction of metallic and non-metallic minerals	1,166,969	0.3%	1,707,413	0.5%	1,691,074	0.6%
Light and heavy vehicles	5,353,212	1.5%	4,630,370	1.4%	2,994,134	1.0%

Furniture and wood products	2,205,048	0.6%	2,332,805	0.7%	2,100,539	0.7%
Electro and electronic products	1,237,075	0.4%	1,915,767	0.6%	1,927,052	0.7%
Non-metallic materials	2,081,481	0.6%	2,161,609	0.7%	1,669,913	0.6%
Automotive parts and accessories	1,998,093	0.6%	1,296,869	0.4%	1,096,739	0.4%
Leather articles	791,083	0.2%	818,542	0.3%	793,081	0.3%
Publishing, printing and reproduction	578,718	0.2%	769,280	0.2%	725,450	0.3%
Other industries	1,332,799	0.4%	1,117,730	0.3%	756,955	0.3%
Commercial	**43,024,256**		**45,979,578**		**45,315,607**	
Specialty stores	8,317,266	2.4%	11,093,681	3.4%	12,155,901	4.2%
Food, beverages and tobbaco	5,553,398	1.6%	5,490,367	1.7%	5,350,015	1.9%
Non-specialized retailer	5,332,616	1.5%	5,046,434	1.6%	4,329,860	1.5%
Motor vehicles	3,604,046	1.0%	4,195,342	1.3%	3,925,530	1.4%
Parts, acessories and motor vehicle repairing	3,066,004	0.9%	3,402,385	1.1%	3,205,393	1.1%
Clothing and footwear	3,079,345	0.9%	3,522,719	1.1%	3,336,304	1.2%
Personal and household goods	2,211,096	0.6%	2,788,145	0.9%	2,780,625	1.0%
Waste and scrap	3,680,167	1.1%	2,366,354	0.7%	2,136,467	0.7%
Fuel	1,970,667	0.6%	1,901,922	0.6%	1,916,698	0.7%
Trade intermediaries	967,833	0.3%	1,533,412	0.5%	1,581,767	0.5%
Wholesale of goods in general	942,695	0.3%	1,716,400	0.5%	1,624,754	0.6%
Agricultural products	2,292,274	0.7%	1,352,744	0.4%	1,499,320	0.5%
Other commercial activities	2,006,849	0.6%	1,569,673	0.5%	1,472,973	0.5%
Services	**97,987,989**		**84,554,012**		**72,446,408**	
Transportation and storage	18,319,498	5.2%	16,825,914	5.2%	15,412,301	5.3%
Real estate activities, rentals and corporate services	13,802,102	4.0%	14,504,420	4.5%	12,561,211	4.3%
Civil construction	24,557,530	7.0%	20,475,364	6.3%	17,453,598	6.0%
Production and distribution of electricity, gas and water	4,616,014	1.3%	4,408,326	1.4%	4,633,717	1.6%
Holding companies, legal, accounting and business advisory services	6,758,970	1.9%	5,386,952	1.7%	3,186,663	1.1%
Social services, education, health, defense and social security	4,778,628	1.4%	4,007,990	1.2%	2,381,784	0.8%
Lodging and catering services	2,919,739	0.8%	2,824,681	0.9%	2,653,359	0.9%
Club, leisure, cultural and sport activities	4,826,010	1.4%	2,234,255	0.7%	2,116,085	0.7%

Telecommunications	774,953	0.2%	484,397	0.1%	540,476	0.2%
Other services	16,634,545	4.8%	13,401,713	4.1%	11,507,214	4.0%
Individuals	**141,219,983**	**40.4%**	**128,635,645**	**39.7%**	**112,989,410**	**39.1%**
Agribusiness	**3,464,364**	**1.0%**	**4,375,648**	**1.4%**	**3,573,905**	**1.2%**
*						
Total	**349,196,681**	**100.0%**	**323,979,568**	**100.0%**	**288,935,614**	**100.0%**
*						
Impairment of loans and advances	**(21,132,677)**		**(19,858,234)**		**(19,914,294)**	

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

The following table summarizes our non-performing loans and advances, 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 %**				
	2014	**2013**	**2012**	**2011**	**2010**
Non performing loans and advances to customers, over 60 days	14,779,382	13,650,513	14,455,265	12,968,613	10,014,909
Foreclosed assets	1,006,461	832,546	532,973	445,328	412,142
Total non-performing loans and advances to customers and foreclosed assets	**15,785,843**	**14,483,059**	**14,988,238**	**13,413,941**	**10,427,051**
Total loans and advances to customers	**349,196,681**	**323,979,568**	**288,935,614**	**262,802,921**	**225,635,918**
Impairment of loans and advances	**21,132,677**	**19,858,234**	**19,914,294**	**17,551,042**	**15,355,736**
Non performing loans and advances as a percentage of total loans and advances to customers	4.2%	4.2%	5.0%	4.9%	4.4%
Non performing loans ad advances and foreclosed assets as a percentage of total loans and advances to customers	4.5%	4.5%	5.2%	5.1%	4.6%
Impairment of loans and advances as a percentage of total loans and advances	6.1%	6.1%	6.9%	6.7%	6.8%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers	143.0%	145.5%	137.8%	135.3%	153.3%
Impairment of loans and advances as a percentage of non-performing loans and advances to customers and foreclosed assets	133.9%	137.1%	132.9%	130.8%	147.3%
Net charge offs for the period as a percentage of the average balance of loans and advances to customers (including non performing loans and advances)	3.2%	3.2%	3.3%	2.5%	2.6%

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

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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 %				
	2014	2013	2012	2011	2010
Balance at the beginning of the period	**19,858,234**	**19,914,294**	**17,551,042**	**15,245,205**	**14,925,145**
*					
Charge–off from assets					
Working capital	(1,507,974)	(1,447,051)	(1,368,689)	(700,164)	(743,329)
BNDES/Finame onlendings	(272,469)	(232,101)	(152,070)	(117,580)	(172,608)
Personal credit	(1,633,867)	(1,447,057)	(1,111,746)	(872,786)	(805,975)
Credit cards	(1,410,131)	(1,626,581)	(1,578,143)	(1,293,047)	(778,644)
Export financing	(35,501)	(58,366)	(27,148)	(86,792)	(80,564)
Leasing	(252,447)	(381,582)	(477,859)	(627,566)	(529,041)
Housing loans	(154,943)	(94,700)	(67,803)	(66,270)	(45,838)
Rural loans	(60,724)	(69,683)	(56,723)	(54,155)	(72,472)
Guaranteed account	(250,973)	(252,838)	(255,157)	(159,945)	(252,400)
Import financing	(45,435)	(6,910)	(2,543)	(54)	(1,415)
Overdraft facilities	(692,735)	(676,805)	(593,045)	(436,984)	(367,394)
Others (1)	(6,624,258)	(7,026,270)	(6,383,844)	(4,317,347)	(4,152,737)
Total charge–off from assets	**(12,941,457)**	**(13,319,944)**	**(12,074,770)**	**(8,732,690)**	**(8,002,417)**
Recoveries					
Working capital	308,980	294,657	209,557	627	477
BNDES/Finame onlendings	101,297	69,533	58,937	92,432	80,879
Personal credit	519,378	492,383	388,535	379,973	376,857
Credit cards	504,319	370,184	614,381	436,625	363,039
Export financing	14,972	7,139	1,400	28,254	81,650
Leasing	95,361	83,813	126,208	105,887	68,772
Housing loans	736	720	1,492	107,562	31,551
Rural loans	35,380	42,177	33,778	59,040	42,480
Guaranteed account	46,621	36,268	35,092	45,314	41,003
Import financing	1,120	1,500	12	176	1,265
Overdraft facilities	164,864	162,306	143,548	125,122	127,937
Others (1)	2,131,486	2,079,334	1,373,699	1,418,157	1,460,973
Total recoveries	**3,924,514**	**3,640,014**	**2,986,639**	**2,799,169**	**2,676,883**
*					
Net charge–offs	**(9,016,943)**	**(9,679,930)**	**(9,088,131)**	**(5,933,521)**	**(5,325,534)**
*					
	10,291,386	9,623,870	11,451,383	8,239,358	5,756,125

Net impairment losses on loans and advances					
*					
Balance at the end of the period	**21,132,677**	**19,858,234**	**19,914,294**	**17,551,042**	**15,355,736**
Net charge offs for the period as a percentage of the average balance of loans and advances to customers (including non-performing loans and advances, over 60 days)	3.2%	3.2%	3.3%	2.5%	2.6%

(1) Including basically the renegotiating portfolio.

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.

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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, 2014	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	2,512,775	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	Loan and advances category as a percentage of total loans and advances [(1)]

		customers [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.

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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.

December 31, 2011	R$ in thousands, except % Allocated impairment of loans and advances	Allocated impairment of loans and advances as a percentage of total loans and advances to customers (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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December 31, 2010	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]
	R$ in thousands, except %		
Type of loans and advances to customers			
Working capital	2,003,554	0.9%	18.1%
BNDES/Finame onlendings	786,083	0.4%	13.5%
Vehicles - Direct Consumer Financing (CDC)	857,750	0.4%	11.1%
Personal credit	1,318,487	0.6%	9.0%
Credit cards	1,751,911	0.8%	7.6%
Export financing	309,876	0.1%	7.7%
Leasing	1,719,095	0.8%	7.1%
Housing loans	385,751	0.2%	4.7%
Rural loans	520,209	0.2%	4.6%
Guaranteed account	250,072	0.1%	4.1%
Import financing	23,725	-	1.8%
Overdraft facilities	235,361	0.1%	1.3%
Insurance premiums receivable	131,124	0.1%	1.0%
Others	5,062,738	2.3%	8.4%
Total	**15,355,736**	**7.0%**	**100.0%**

[1] Excludes non-performing loans and advances.

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,	in thousands of R$		
	2014	**2013**	**2012**
Repurchase agreements			
Own portfolio position			
Financial treasury bills	8,750,847	17,661	226,140
National treasury bills	11,876,655	18,755,345	39,918,804
National treasury notes	35,890,277	33,173,862	17,835,940
Debentures	-	-	35,981
Others	60,497	58,692	10,182

Short position			
Brazilian government securities	860,065	5,216,744	10,641,422
Total of repurchase agreements	**57,438,342**	**57,222,304**	**68,668,469**
Loans and advances to banks			
Interbank deposits	7,652,396	7,278,913	7,832,607
Foreign currency transactions	681,573	3,290,687	1,540,422
Bank deposit certificates	4,398,294	6,391,631	7,862,591
Credit acquisition with co-obligation	2,848,280	4,579,430	6,589,190
Impairment of loans and advances	(44,265)	(43,242)	(33,932)
Total of loans and advances to banks	**15,536,277**	**21,497,419**	**23,790,878**
Total	**72,974,619**	**78,719,723**	**92,459,347**

December, 31	**in thousands of R$**		
	2014	**2013**	**2012**
Balance at the beginning of the year	**43,242**	**33,932**	**53,759**
Additions/Reductions	1,023	9,310	(19,827)
Balance at the end of the year	**44,265**	**43,242**	**33,932**

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:

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Year ended December 31,	R$ in thousands, except %					
	2014		2013		2012	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
Deposits						
Non–interest–bearing deposits						
Demand deposits	35,138,920	-	36,876,193	-	33,138,109	
Total non-interest-bearing deposits	**35,138,920**	**-**	**36,876,193**	**-**	**33,138,109**	
Interest–bearing deposits						
Interbank deposits	695,132	12.4%	671,404	9.4%	471,502	10.3
Savings deposits	84,921,694	6.4%	73,307,137	5.6%	62,758,934	5.8
Time deposits	91,990,788	7.0%	99,565,994	5.9%	117,960,891	6.4
Total interest–bearing deposits	**177,607,614**		**173,544,535**		**181,191,327**	
Total deposits	**212,746,534**		**210,420,728**		**214,329,436**	

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Maturity of deposits

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

	R$ in thousands				
December 31, 2014	**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]	31,959,524	-	-	-	31,959,524
Total non-interest-bearing deposits					
Interest–bearing deposits					
Interbank deposits	267,190	66,829	53,599	245,285	632,903
Savings deposits [1]	92,154,815	-	-	-	92,154,815
Time deposits	4,376,972	3,776,174	5,023,862	43,821,843	56,998,851
Total interest–bearing deposits	**96,798,977**	**3,843,003**	**5,077,461**	**44,067,128**	**149,786,569**
Total domestic deposits	**128,758,501**	**3,843,003**	**5,077,461**	**44,067,128**	**181,746,093**
International deposits [2]					
Non–interest–bearing deposits					
Demand deposits	1,067,772	-	-	-	1,067,772
Total non-interest-bearing deposits					
Interest–bearing deposits					
Interbank deposits	8,224	78	-	-	8,302
Time deposits	22,835,206	4,298,331	631,741	1,026,262	28,791,540
Total interest–bearing deposits	**22,843,430**	**4,298,409**	**631,741**	**1,026,262**	**28,799,842**
Total international deposits	**23,911,202**	**4,298,409**	**631,741**	**1,026,262**	**29,867,614**
Total deposits	**152,669,703**	**8,141,412**	**5,709,202**	**45,093,390**	**211,613,707**

(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, 2014	R$ in thousands	
	Domestic currency	**International currency**
Maturity within 3 months	3,891,382	22,830,715
Maturity after 3 months but within 6 months	3,524,579	4,282,048
Maturity after 6 months but within 12 months	4,971,329	628,082
Maturity after 12 months	42,123,848	1,026,262
Total deposits in excess of US$100,000	**54,511,138**	**28,767,107**

Funding in the open market

Funding in the open market amounted to R$219,360 million as of December 31, 2014, R$185,055 million as of December 31, 2013 and R$175,646 million as of December 31, 2012.

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

Year ended December 31,	R$ in thousands, except % 2014	2013	2012
Funding in the open market			
Amount outstanding	219,359,890	185,055,358	175,646,854
Maximum amount outstanding during the period	219,359,890	185,055,358	175,646,854
Weighted average interest rate at period end [1]	9.7%	7.2%	5.3%
Average amount during period	192,967,597	182,981,063	152,443,947
Weighted average interest rate	9.9%	9.1%	7.7%

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

4.C. Organizational Structure

We are a publicly-held company controlled by Cidade de Deus Participações, a holding company owned by the Aguiar Family, *Fundação Bradesco* and another holding company, Nova Cidade de Deus Participações S.A., or "Nova Cidade de Deus." Nova Cidade de Deus is owned by Fundação Bradesco and by BBD Participações. See "Item 7.A. Major Shareholders." Our list of significant subsidiaries as of December 31, 2014, can be found in Exhibit 8.1 to this document.

4.D. Property, Plants and Equipment

As of December 31, 2014, we owned 819 properties and leased 3,728 properties throughout Brazil and 10 properties abroad, all of which we used for the operation of our network of branches and our business. We own the buildings where our headquarters are located in Cidade de Deus, Osasco, São Paulo metropolitan region, State of São Paulo. Rental agreements have an average duration of 10 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.

The Brazilian Institute of Geography and Statistics (IBGE) reviewed the results of the GDP for 2012, which was revised from a growth of 1.0% to a growth of 1.8% compared to 2011. The *real* depreciated to R$2.0435 per U.S. dollar as of December 31, 2012, as compared to R$1.8758 as of December 31, 2011. The COPOM reduced the base interest rate from 11.0% as of December 31, 2011 to 7.25% as of December 31, 2012, leading SELIC to its lower level in the history. Inflation, as measured by the IGP-DI, was 8.1% for the year ended December 31, 2012.

In 2013, GDP grew by 2.7%. The *real* depreciated to R$2.3426 per U.S. dollar as of December 31, 2013, as compared to R$2.0435 as of December 31, 2012. The COPOM increased the base interest rate from 7.25% as of December 31, 2012 to 10.0% as of December 31, 2013. Inflation, as measured by IGP-DI, was 5.5% for the year ended December 31, 2013.

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In 2014, GDP grew by 0.1%. 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 IGP-DI index, was 3.78% for the fiscal year ended December 31, 2014.

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

December 31,	**In R$, except %**		
	2014	**2013**	**2012**
Inflation (IGP DI)	3.8%	5.5%	8.1%
Depreciation of the real against the U.S. dollar	(13.4)%	(14.6)%	(8.9)%
Period-end exchange rate-US$1.00	2.6562	2.3426	2.0435
Average exchange rate US$1.00 [1]	2.3586	2.1641	1.9524

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

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

December 31,	**2014**	**2013**	**2012**
Change in *real* GDP [1]	0.1%	2.7%	1.8%
Average base interest rates [2]	10.9%	8.2%	8.5%
Average interbank interest rates [3]	10.8%	8.1%	8.4%

[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 2014 the Federal Reserve decision to taper and eventually terminate its monetary incentives as well as temporary interruption of the U.S. economic recovery during the winter months (due to climate factors) raised new concerns about emerging economies, particularly those with more fragile fundamentals. However, it was in the second half of the year that the volatility of international markets increased more significantly. Geopolitical concerns and epidemics added to the dramatic increase of uncertainties in relation to the pace of the world economy recovery and to the steep drop in the price of commodities, particularly oil. Growth projections were decreased in the major regions of the world, but not for the USA. The growth of the Chinese economy proceeded to slow down, whereas in the Eurozone there was the increased risk that the consistently low inflation rates would curtail the recovery of that block, which led the European Central Bank to strengthen its monetary incentive measures over the year. Concurrently, the drop in oil prices, started in the middle of the year, was given fresh impetus with the decision by the OPEC ("Organization of the Petroleum Exporting Countries") countries not to reduce their production.

As a result of the differences between the monetary policies of the USA and of other countries, the U.S. dollar held to its appreciation trend. On the other hand, the decreased interest rates in the Eurozone prevented the U.S. long-term rates reaching the rates that might be expected in view of the expected normalization of incentives by the Federal Reserve. Such behavior offered some respite for emerging countries. However, the deepening of the crisis in Russia and the steep drop in the prices of commodities ended up placing pressure on these markets, particularly in the second half of the year. Therefore, the interest and exchange rates in Brazil were adversely impacted, with a less favorable scenario of public accounts, low economy growth, persistent inflation, and a monetary squeeze by the Central Bank.

The greatest surprise in 2014 was probably the variation in the prices of commodities, which dropped more intensively than expected by the majority of analysts in the beginning of the previous year. The highlight was certainly the sharp and fast fall in oil prices. Even though it may benefit world economic growth in the medium term, it brought about more volatility to financial assets in the fourth quarter, since such behavior tends to upset the economies of exporting countries and place additional deflationary pressure on some developed countries, particularly in the Eurozone. Concurrently, the sustainable recovery of the U.S. economy and the increase in its interest rates contributed to the U.S. currency appreciation in a global scale, gradually redirecting international capital flows and strengthening the depreciation trends of currencies of most emerging countries.

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In summary, the risks to the global economy are still in place, in spite of the outlook for an upturn in the U.S. economy and the gradual recovery of the world GDP. With reduced tail risks in the worldwide economy right after the crisis, such as the Eurozone disruption and China´s hard landing, concerns are nowadays focused on: (i) when the Federal Reserve will start the tapering process and its impact on international liquidity; (ii) the deflation risk in the Eurozone and the European Central Bank’s response to such threat; (iii) the risks associated with the Chinese economy slowdown; and (iv) the behavior of commodity prices and related effects on the world economy, particularly for exporting countries.

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

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

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

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

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

December 31,	R$ in thousands		
	2014	2013	2012
Assets			
Cash and balances with banks	3,843,397	3,050,450	3,151,043
Financial assets held for trading	2,038,386	822,785	348,742
Financial assets available for sale	3,785,493	7,402,621	5,426,163
Investments held to maturity	38,874	45,673	56,097
Assets pledged as collateral	7,520,948	2,397,029	4,302,735
Loans and advances to banks	830,812	3,582,833	2,171,236
Loans and advances to customers	37,038,632	33,037,149	26,557,416
Investments in associated companies and joint ventures	-	-	4,976
Property and equipment, net of accumulated depreciation	15,570	14,570	15,801
Intangible assets and goodwill, net of accumulated amortization	25,425	28,477	25,942
Taxes to be offset	32,732	31,339	25,867
Deferred income tax assets	241,203	106,057	15,842
Other assets	9,073,892	8,924,365	8,120,292
Total assets	**64,485,364**	**59,443,348**	**50,222,152**
Off balance sheet accounts – notional value			
Derivatives			
Futures	25,844,968	30,196,878	27,408,058
Forward	7,590,571	12,274,295	11,095,747
Options	1,246,097	610,496	1,420,300
Swaps	50,280,914	45,167,298	39,595,426
Total assets with derivatives (a)	**149,447,914**	**147,692,315**	**129,741,683**

December 31,	R$ in thousands		
	2014	2013	2012
Liabilities			
Deposits from banks	24,081,365	18,213,248	12,416,316
Deposits from customers	29,834,903	24,865,557	23,666,709
Financial liabilities held for trading	820,843	346,724	298,041
Funds from securities issued	8,766,126	11,474,847	14,188,239
Subordinated debt	9,321,576	8,951,638	8,806,973
Insurance technical provisions and pension plans	845	1,075	1,100
Other provisions	10,946	7,099	4,367
Current income tax liabilities	22,691	30,694	19,791
Deferred income tax liabilities	-	22,794	229,536

Other liabilities	5,792,368	8,002,170	5,880,489
Total liabilities	**78,651,663**	**71,915,846**	**65,511,561**
Off balance sheet accounts – notional value			
Derivatives			
Futures	41,542,624	41,515,506	37,422,501
Forward	7,324,830	12,826,691	9,869,571
Options	2,258,312	781,401	1,467,968
Swap	52,176,186	44,851,978	36,451,019
Total liabilities with derivative (b)	**181,953,615**	**171,891,422**	**150,722,620**
Net exposure (a-b)	**(32,505,701)**	**(24,199,107)**	**(20,980,937)**

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

Our net exposure in relation to our total assets amounted to 3.5% as of December 31, 2014, 2.9% as of December 31, 2013 and 2.6% as of December 31, 2012.

Taxes

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

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

Brazilian corporations may pay shareholders interest on equity as an alternative form of making a portion of dividend distributions, which are deductible from taxable income. We intend to maximize the amount of dividends we pay in the form of interest on equity. For further information on our tax expenses, see "Item 4.B. Business Overview - Regulation and Supervision - Taxation" and "Item 10.B Memorandum and Articles of 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 discussion describes the areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates we make in these contexts involve making assumptions about highly uncertain matters. In each case, other estimates or changes in the estimates between periods could have had a material impact on our financial condition and results of operations, as shown in our financial statements.

Impairment of loans and advances

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

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

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

- general economic conditions and conditions in the relevant industry;
- past experience with the relevant debtor or industry, including recent loss experience;
- trends affecting quality of loans;
- value of collateral for loans and advances;
- volume, composition and growth of our loans and advances;
- the Brazilian government's monetary policy; and
- any delays in receiving information needed to value loans and advances or confirm existing impairment.

We use models to analyze portfolio of loans and advances and determine the extent of impairment. Statistical loss factors and other risk indicators are applied to loan and advances pools with similar risk characteristics in arriving at an estimate of incurred losses in the portfolio to calculate the models. Although models are often monitored and reviewed, by their nature, they depend on judgments made in relation to information and/or forecasts used. The volatility of the 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, 2014, would have increased the impairment by approximately R$247.7 million. This sensitivity analysis is hypothetical, and is only meant to illustrate the impact that the delinquency has on determining impairment.

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

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

Fair value of financial instruments

The financial instruments recorded at fair value in our consolidated financial statements consist primarily of financial assets 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, 2014, R$48,980 million, or 14.0%, 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 within Level 2 of the valuation hierarchy and are determined by using quantitative models that require the use of multiple inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, including the period to maturity. These inputs are used to value the position. Most market inputs are observable and can be obtained mainly from BM&FBOVESPA and the secondary market. As of December 31, 2014, we did not have derivatives assets and liabilities classified as Level 3.

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

Impairment of financial assets available for sale

Periodically, we assess the existence of impairment of financial assets available for sale if there is a prolonged or significant decrease in their fair value, see Note 2(e)(viii)(b).

Determining a prolonged or significant decrease in value requires the use of judgment, as to what normal volatility is for asset prices, among other factors.

In addition, valuations use market prices or 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. The resulting adjustments are recognized in earnings for the respective period. 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 damage, life and health insurance, we assessed the impacts of both an increase and a decrease in claims. In this assessment, an increase (1.0%) or a decrease (1.0%) in claims in the 12 months prior to calculation base date would represent an impact of R$122.9 million in expenses or revenues, respectively, on income and shareholders' equity after taxes and contributions.

In relation to life insurance with living benefits and pension plan and individual life insurance, we assessed the impact of decreasing interest rates, 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 a R$298.9 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$89.0 million on income and shareholders' equity after taxes and contributions, while an increase of 5.0% in the conversion into income would represent a negative impact of R$59.3 million on income and shareholders' equity after taxes and contributions.

Use of estimates

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

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, 2014				
	Less than 1 year [1]	1 to 3 years	3 to 5 years	More than 5 years	Total
Time deposits	40,942,286	44,465,151	382,954	-	85,790,391
Funding in the open market	197,205,055	21,361,408	520,228	273,199	219,359,890
Borrowings	13,123,330	2,094,966	295	-	15,218,591
Onlendings	14,618,594	17,550,109	6,934,029	4,676,812	43,779,544
Funds from securities issued	46,702,008	34,354,609	2,616,371	1,357,411	85,030,399
Subordinated debt	2,862,116	10,131,928	13,639,566	9,188,056	35,821,666
Other obligations [2]	191,922,933	23,501,394	63,692	256,910	215,744,929
Total	**507,376,322**	**153,459,565**	**24,157,135**	**15,752,388**	**700,745,410**

[1] Based on our historical experience, we expect that most of our obligations that are contractually due within one year will be rolled over; and

[2] Includes insurance technical provisions and pension plans.

Off-balance sheet financial guarantees

In addition to our loans and advances, we have credit-related transactions with our customers for attending to their financing needs. In accordance with IFRS, these transactions are not recorded on our balance sheet. The following table summarizes these off-balance sheet financial arrangements as of December 31, 2014:

Contractual Obligations	**R$ in thousands Payments due as of December 31, 2014**				
	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Financial guarantees	18,446,998	14,511,148	3,837,425	35,273,976	72,069,547
Letters of credit	304,917	-	-	-	304,917
Total	**18,751,915**	**14,511,148**	**3,837,425**	**35,273,976**	**72,374,464**

We guarantee our customers' performance in obligations with third parties. We have the right to seek reimbursement from our customers for any amounts paid under these guarantees. Additionally, we may hold cash or other collateral with 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. Letters of credit 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 segment

We operate and manage our business through two operating 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."

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

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

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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 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,		
	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%

	R$ in thousands, except %					
	For the year ended December 31,					
Segment	**Banking**			**Insurance, Pension Plans and Capitalization Bonds**		
	2014	**2013**	**% Change**	**2014**	**2013**	**% Change**
Net interest income	43,034,717	41,600,095	3.4%	4,556,146	5,589,989	(18.5)%
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	22.7%
Non interest expense	(40,227,400)	(38,318,914)	5.0%	(55,611,405)	(47,113,728)	18.0%
Income before income taxes	**11,316,468**	**7,412,822**	**52.7%**	**7,299,068**	**6,036,106**	**20.9%**
Income tax and social contribution	(771,896)	789,516	-	(2,843,493)	(2,253,451)	26.2%
Net income	**10,544,572**	**8,202,338**	**28.6%**	**4,455,575**	**3,782,655**	**17.8%**
Net income attributable to controlling shareholders	10,532,724	8,195,099	28.5%	4,354,752	3,692,531	17.9%
Net income attributable to non-controlling interest	11,848	7,239	63.7%	100,823	90,124	11.9%

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 expenses	(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 expenses	(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 expenses	(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, and how much was attributable to changes in average interest rates (including the effects of the appreciation/depreciation of the *real*) in each case for 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	(3,501,057)	(1,880,979)	(1,471,876)
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$1,881 million, mainly due to an increase in the average interest rate paid, from 7.0% in 2013 to 8.2% in 2014.

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.

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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:

Consolidated	R$ in thousands, except % As of 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			Insurance, Pension Plans and Capitalization Bonds		
	2014	2013	% Change	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 earned	**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, and how much was attributable to changes in average interest rates (including the effects of the floating of the *real*), in each case comparing 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	7,688,140	7,052,627	1,011,650
Due to changes in average interest rates	5,522,331	4,869,941	2,386,237
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; (c) assets pledged as collateral; and (ii) changes in the average interest rates earned, increasing our income by R$4,870 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.

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 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.

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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 % As of 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%**	

Segment	R$ in thousands, except %					
	Banking			**Insurance, Pension Plans and Capitalization Bonds**		
	2014	**2013**	**% Change**	**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	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	8.9%
Total	**598,086,203**	**548,724,291**	**9.0%**	**136,308,516**	**125,179,124**	**8.9%**
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 and how much was attributable to changes in average interest rates (including the effects of the fluctuations in the *real*/U.S. dollar rate), in each case, for 2014 as compared to 2013:

	R$ in thousands		
	Consolidated	**Banking**	**Insurance, Pension Plans and Capitalization Bonds**
	2014/2013 Increase/(decrease)		
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	9,023,388	6,750,919	3,858,113
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$6,751 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; and (ii) 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”.

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:

As of December 31,	**R$ in thousands, except %**		
	2014	**2013**	**% Change**
Impairment 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 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 outstanding	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.

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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: (i) an individual analysis of impaired loans and advances to customers; and (ii) an analysis of losses on loans and advances to customers not individually relevant, as follows:

As of December 31,	**R$ in thousands, except %**		
	2014	**2013**	**% Change**
Impaired loans and advances to customers	1,589,280	774,795	105.1%
Losses on 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 3.2% in 2014, remaining stable when compared to 2013. 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 the following products: (i) housing loans; and (ii) personal credit.

Loans and advances to corporate customers increased by 6.5%, from R$195,344 million in 2013 to R$207,977 million in 2014, mainly due to the following products: (i) housing loans – company plan; and (ii) rural loans.

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

Non-interest income

The following tables show, on a consolidated basis and by segment, the principal components of our non-interest income for 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, Pension Plar Capitalization Bond		
	2014	2013	% Change	2014	2013	Cl
Net fee and commission income	17,570,839	15,639,215	12.4%	1,557,352	1,264,869	
Net gains/(losses) on financial assets and liabilities held for trading	(1,833,589)	(4,100,749)	(55.3)%	(255,485)	(1,914,579)	(8
Net gains/(losses) on financial assets available for sale	(296,545)	(3,880,575)	(92.4)%	(728,720)	(2,526,016)	(7
Premiums retained from insurance and pension plans	-	-	-	50,454,983	44,887,215	
Equity in the earnings of associates and joint ventures	1,220,810	1,031,280	18.4%	169,431	31,151	4
Other non-interest income	2,279,983	5,173,846	(55.9)%	7,156,766	5,817,205	
Total	**18,941,498**	**13,863,017**	**36.6%**	**58,354,327**	**47,559,845**	

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 affiliated company 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. This increase was 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, basically due to the income obtained from fixed income securities.

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: (i) the effective interest rate method in the amount of R$1,462 million; and (ii) 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.

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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, basically 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 letter 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, according to this Circular, to the amount of R$754 million; and (ii) 17.2% in retained claims, mainly due to the increase in claims in the health segment.

Income tax and social contribution

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

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.

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; (ii) an adjustment of the net non-deductible expenses in non-taxable income, in the amount of R$468 million; and (iii) 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$472 million in foreign exchange gains, due to the devaluation of the *real* against the U.S. dollar within the period; and (ii) R$148 million in interests on the shareholders' equity. For more information on Income and social contribution taxes, see Note 17 to our consolidated financial statements in "Item 18. Financial Statements."

The effective rate of taxation as a percentage of our income before income and social contribution taxes, varied from an expense of 12.8% in 2013 to an expense of 20.2% in 2014.

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.

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

The following tables set forth the principal components of our net income for 2013 and 2012, on a consolidated basis and by segment. This segment information is prepared in accordance with BR GAAP, which are the accounting practices on which the reports used by Management to assess performance and make decisions are based.

	R$ in thousands, except %
Consolidated	**For the year ended December 31,**

	2013	2012	% Change
Net interest income	49,300,483	43,385,723	13.6%
Net Impairment losses on loans and advances	(9,623,870)	(11,451,383)	(16.0)%
Non interest income	59,102,884	66,396,380	(11.0)%
Non interest expense	(84,460,328)	(82,889,272)	1.9%
Income before income taxes	**14,319,169**	**15,441,448**	**(7.3)%**
Income tax and social contribution	(1,833,031)	(4,089,754)	(55.2)%
Net income for the year	**12,486,138**	**11,351,694**	**10.0%**
Net income attributable to controlling shareholders	12,395,920	11,291,570	9.8%
Net income attributable to non-controlling interest	90,218	60,124	50.1%

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

Net interest income

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

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

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

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

Banking

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

Insurance, pension plans and capitalization bonds

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

Interest and similar income

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

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

Segment	R$ in thousands, except %	
	Banking	**Insurance, Pension Plans and Capitalization Bonds**

	2013	2012	% Change	2013	2012	% Change
Average balance of interest–earning assets						
Financial assets held for trading	40,282,390	58,372,486	(31.0)%	40,215,667	31,055,915	29.5%
Financial assets available for sale	41,194,576	32,788,082	25.6%	38,700,888	34,127,161	13.4%
Investments held to maturity	61,905	93,368	(33.7)%	3,729,647	3,564,395	4.6%
Assets pledged as collateral	112,404,700	94,667,517	18.7%	-	-	
Loans and advances to banks	103,829,578	76,013,965	36.6%	55,112,417	48,154,198	14.4%
Loans and advances to customers	289,305,361	262,825,554	10.1%	-	-	
Compulsory deposits with the Central Bank	42,757,972	48,722,266	(12.2)%	-	-	
Other interest–earning assets	575,113	546,918	5.2%	-	-	
Total	**630,411,595**	**574,030,156**	**9.8%**	**137,758,619**	**116,901,669**	**17.8%**
Average interest rate	**12.7%**	**13.1%**		**8.4%**	**9.5%**	

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

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

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

Banking

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

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

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

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

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

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

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

Insurance, pension plans and capitalization bonds

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

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Interest and similar expense

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

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

Segment	R$ in thousands, except % Banking			Insurance, Pension Plans ar Capitalization Bonds		
	2013	2012	% Change	2013	2012	% Chan
Average balance of interest–bearing liabilities						
Interbank deposits	671,404	471,574	42.4%	-	-	
Savings deposits	73,307,137	62,758,934	16.8%	-	-	
Time deposits	99,584,128	117,825,606	(15.5)%	-	-	
Funding in the open market	237,777,033	197,363,060	20.5%	-	-	
Borrowings and onlendings	49,273,352	47,408,499	3.9%	-	-	
Funds from securities issued	52,550,531	50,848,755	3.3%	-	-	
Subordinated debt	35,560,706	32,278,136	10.2%	-	-	
Insurance technical provisions and pension plans	-	-	-	125,179,124	107,519,858	16.
Total	**548,724,291**	**508,954,564**	**7.8%**	**125,179,124**	**107,519,858**	**16.**
Average interest rate paid	**7.0%**	**7.1%**		**4.8%**	**7.4%**	

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

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

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

Banking

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

Insurance, pension plans and capitalization bonds

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

Net impairment losses on loans and advances to customers – consolidated

In view of conceptual differences between net impairment losses on loans and advances to customers under BR GAAP and IFRS, and also for a better understanding of information presented, we present below a reconciliation of those accounting practice differences, as well as the related analysis of the net impairment losses on loans and advances to customers under IFRS.

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

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 the note 3.1 to our 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 2013 and 2012, as well as our ratio of net impairment losses on loans and advances to loans and advances to customers (shown as a percentage of the average balance of our loans and advances to customers) in all cases based on consolidated financial information prepared in accordance with IFRS:

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

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

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

Calculations of impairment of loans and advances include: (i) an individual analysis of impaired loans and advances to customers; and (ii) an analysis of losses on loans and advances to customers not individually relevant, as follows:

As of December 31,	R$ in thousands, except %

	2013	2012	% Change
Impaired loans and advances to customers	774,795	1,122,674	(31.0)%
Losses on loans and advances to customers not individually relevant	19,083,439	18,791,620	1.6%
Total	**19,858,234**	**19,914,294**	**(0.3)%**

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

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

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

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

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

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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 2013 and 2012.

Consolidated	R$ in thousands, except % For the year ended December 31, 2013	2012	% Change
Net fee and commission income	14,499,682	12,720,740	14.0%
Net gains/(losses) on financial assets and liabilities held for trading	(5,790,089)	2,110,112	-
Net gains/(losses) on financial assets available for sale	(6,100,782)	1,895,974	-
Premiums retained from insurance and pension plans	44,887,215	40,176,745	11.7%
Equity in the earnings of associates and joint ventures	1,062,687	980,212	8.4%
Other non-interest income	10,544,171	8,512,597	23.9%
Total	**59,102,884**	**66,396,380**	**(11.0)%**

Segment	R$ in thousands, except %				
	Banking			Insurance, P Capitaliz	
	2013	2012	% Change	2013	
Net fee and commission income	15,639,215	13,885,450	12.6%	1,264,869	1
Net gains/(losses) on financial assets and liabilities held for trading	(4,100,749)	1,095,588	-	(1,914,579)	
Net gains/(losses) on financial assets available for sale	(3,880,575)	(455,476)	752.0%	(2,526,016)	2
Premiums retained from insurance and pension plans	-	-	-	44,887,215	40
Equity in the earnings of associates and joint ventures	1,031,280	752,353	37.1%	31,151	
Other non-interest income	5,173,846	3,876,321	33.5%	5,817,205	4
Total	**13,863,017**	**19,154,236**	**(27.6)%**	**47,559,845**	**48**

Banking

Our non-interest income decreased by 27.6%, from R$19,154 million in 2012 to R$ 13,863 million in 2013. This decrease was mainly due to: (i) net losses from financial assets and liabilities available for sale, from R$455 million as of December 31, 2012 to R$3,881 million as of December 31, 2013, which was principally due to the adjustment of rates to market value of the available-for-sale NTNs (National Treasury Notes), by trading these securities in the market; and (ii) net losses from financial assets and liabilities held for trading, from gains of R$1,096 million as of December 31, 2012 to losses of R$4,101 million as of December 31, 2013, largely due to the income obtained from fixed income securities. These effects were partially offset by the increase of: (i) 12.6% in net fee and commission income, driven by an increase of: (a) 21.7% in revenues from credit cards, with an increase of 15.4% in billings, which reached R$119,407 million in 2013;

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

Insurance, pension plans and capitalization bonds

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

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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, 2013:

- ***Net fee and commission income:*** the difference of R$2,404 million refers to: (i) the effective interest rate method in the amount of R$1,242 million; and (ii) eliminations and adjustments of other operations in the amount of R$1,162 million;

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

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

Non-interest expense

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

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

R$ in thousands, except %

Segment

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

Banking

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

Insurance, pension plans and capitalization bonds

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

Income tax and social contribution

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

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 presentation by segment. Management's decisions for tax purposes, are based on an analysis by legal entity and on a consolidated basis; accordingly, management considered the consolidated data, which was discussed and analyzed, as the relevant disclosure for their decision-making.

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

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

Net Income

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

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, 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 position in accordance with Central Bank requirements and guidelines. Our management's Treasury Committee meets on a weekly basis to:

- present and discuss our transactions conducted during the previous week;
- present exposure for each item of our portfolio, to factors such as fixed rates, variable rates, foreign currency and exchange rates;
- set exposure limits based on our evaluation of the risks presented by our currency, term and rate gap positions and current market volatility levels;
- determine asset allocation and funding policies; and
- make decisions on the maturity term structure of our assets and liabilities.

In making such decisions, our Senior 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 committee holds special meetings as required in response to unexpected macroeconomic changes.

In addition, our senior management receive daily reports on our mismatched and open positions, while the Treasury Committee assesses our risk position weekly.

Liquidity and funding

We have policies, procedures, metrics and limits in place aimed at controlling liquidity risks. The components of our Minimum Liquidity Reserve 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 %	2014			2013			2012		
	Average balance	**% of total**	**Average rate**	**Average balance**	**% of total**	**Average rate**	**Average balance**	**% of total**	**Average rate**
Interest bearing liabilities									
Interbank deposits	695,132	0.1%	12.4%	671,404	0.1%	9.4%	471,502	0.1%	10.3%
Savings deposits	84,921,694	10.7%	6.4%	73,307,137	9.8%	5.6%	62,758,934	9.1%	5.8%
Time deposits	91,990,788	11.6%	7.0%	99,565,994	13.3%	5.9%	117,960,891	17.2%	6.4%
Funding in the open market	192,967,597	24.3%	9.9%	182,981,063	24.4%	9.1%	152,443,947	22.2%	7.7%
Borrowings and onlendings	56,123,972	7.1%	3.2%	49,273,352	6.6%	3.9%	47,408,499	6.9%	5.0%
Funds from securities issued	69,849,843	8.8%	9.6%	52,476,783	7.0%	6.9%	50,848,755	7.4%	6.8%
Subordinated debt	35,826,626	4.5%	10.6%	35,560,706	4.7%	8.8%	32,278,136	4.7%	8.9%
Insurance technical provisions and pension plans	136,308,516	17.1%	7.6%	125,179,124	16.7%	4.8%	107,519,858	15.7%	7.4%
Total interest bearing liabilities	**668,684,168**	**84.1%**	**8.1%**	**619,015,563**	**82.4%**	**6.7%**	**571,690,522**	**83.3%**	**6.9%**
Non interest bearing liabilities									
Demand deposits	35,138,920	4.4%	-	36,876,193	4.9%	-	33,138,109	4.8%	-
Other non interest bearing liabilities	91,429,077	11.5%	-	95,039,096	12.7%	-	81,203,950	11.8%	-
Total non interest bearing liabilities	**126,567,997**	**15.9%**		**131,915,289**	**17.6%**		**114,342,059**	**16.7%**	
Total liabilities	**795,252,165**	**100.0%**	**6.8%**	**750,930,852**	**100.0%**	**5.5%**	**686,032,581**	**100.0%**	**5.8%**

Deposits are our most important source of funding, accounting for 26.8% of average total liabilities in 2014, compared to 28.0% in 2013 and 31.2% in 2012. Our deposits balance over these years progressed in the following manner:

• In 2013, the average balance of our deposits decreased by 1.8% against 2012 primarily due to a 15.6% drop in the average balance of our time deposits, which was partially offset by an increase of 16.8% in the average balance of our savings deposits; and

• 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: (i) a 7.6% decrease in the average balance of our time deposits; and (ii) a 4.7% decrease in the average balance of our demand deposits.

Funding in the open market, borrowings and onlendings and funds from securities issued are the main sources of funding, accounting for 40.1% of total average liabilities in 2014, compared to 37.9% in 2013 and 36.5% in 2012.

The following table shows our sources of funding and liquidity as of December 31, 2014:

December 31, 2014	**R$ in thousands**	**% of total**
Interbank deposits	641,205	0.1%
Savings deposits	92,154,815	10.9%
Time deposits	85,790,391	10.1%
Funding in the open market	219,359,890	25.9%
Borrowings and onlendings	58,998,135	7.0%
Funds from securities issued	85,030,399	10.0%
Subordinated debt	35,821,666	4.2%
Insurance technical provisions and pension plans	146,559,220	17.3%
Total interest-bearing liabilities	**724,355,721**	**85.4%**
Demand deposits	33,027,296	3.9%
Other non interest bearing liabilities	90,776,194	10.7%
Total non interest bearing liabilities	**123,803,490**	**14.6%**
Total liabilities	**848,159,211**	**100.0%**

Deposits

Deposits accounted for 24.9% of total liabilities as of December 31, 2014. 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 2013 to 2014 was mainly due to the larger volume of funding, 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-Maturity of deposits."

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, 2013, we had funding in the open market in the amount of R$185,055 million, an increase of R$9,409 million compared to December 31, 2012. 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. Growth shown for these periods reflects the increases in our business volume.

Borrowings

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.

Our credit facilities could be impacted by various factors, including rating downgrades, fluctuations in Brazilian exchange rates and base interest rates, increased rates of inflation, currency devaluations and adverse developments in the Brazilian and world economies. For a further discussion of risks that could have an adverse effect on our credit facilities, see "Item 3.D. Risk Factors-Macroeconomic risks" and "Item 3.D. Risk Factors-Risks relating to Bradesco and the Brazilian banking industry."

As of December 31, 2013, we had borrowings amounting to R$15,231 million, an increase of R$7,120 million in relation to December 31, 2012. Borrowings increased due to a higher volume of transactions and the depreciation of 14.6% of the Brazilian *real* against the U.S. dollar.

As of December 31, 2014, we had borrowings amounting to R$15,219 million, which remained stable when compared to 2013. For additional information on our borrowings, see "Item 4.B. Business Overview-Selected Statistical Information."

Onlendings

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, 2013, the amount of our onlendings totaled R$40,864 million and reflected an increase of R$4,789 million compared to December 31, 2012. The increase in our onlendings was mainly due to an increase of R$4,896 million in our funding for FINAME onlendings in Brazil partially offset by the balance of funding related to BNDES operations, in the amount of R$125 million.

As of December 31, 2014, the amount of our onlending totaled R$43,780 million and reflected an increase of R$2,916 million compared to December 31, 2013. The increase in our onlendings was mainly due to an increase of: (i) R$1,566 million in our FINAME onlendings in Brazil; and (ii) R$1,301 miliion in the volume of our onlendings abroad.

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*); and (iv) Euronotes.

As of December 31, 2013, our funds from securities issued totaled R$57,883 million reflecting an increase of R$6,331 million from December 31, 2012. The increase in our funds from securities issued was mainly due to increases: (i) of R$6,979 million in funds from the issue of financial notes; (ii) of R$1,766 million in real estate credit notes; partially offset by (iii) a lower volume of operations abroad, in the amount of R$2,677 million.

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 issue of financial notes; (ii) R$5,867 million in real estate credit notes; (iii) R$4,200 million from issue of agribusiness notes and; partially offset by (iv) a lower volume of operations abroad, in the amount of R$2,733 million.

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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, 2013, the balance of our compulsory deposits increased 15.5%, from R$47,952 million as of December 31, 2012 to R$55,381 million as of December 31, 2013, mainly due to an increase of our average volume of savings deposits.

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 of our average volume of time and demand 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 Brazilian government securities owned by the financial institution. The amount of federal 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, 2014, we had R$35,015 million available in Brazilian government securities as financial assets held for trading that could be used for this purpose.

Cash flow

In 2014, 2013 and 2012, our cash flow was basically affected by our business strategy and alterations in the Brazilian economic environment. The following table shows the principal variations in cash outflows during the periods indicated:

For the year ended December 31,	R$ in thousands		
	2014	**2013**	**2012**
Net cash provided by (used in) operating activities	81,417,349	99,832,509	51,474,601
Net cash provided by (used in) investing activities	(3,443,356)	(23,186,678)	(44,750,648)

Net cash provided by (used in) financing activities	8,999,501	(6,375,062)	3,850,139
Net increase (decrease) in cash and cash equivalents	**86,973,494**	**70,270,769**	**10,574,092**

2014

In 2014, we had a net increase of R$86,973 million in cash and cash equivalents due to net cash from operating activities, in the amount of R$81,417 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 basically 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 basically resulted from (i) 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$70,271 million in cash and cash equivalents due to net cash from operating activities, in the amount of R$99,833 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$22,468 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 basically 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 basically 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.

2012

In 2012, we had a net increase of R$10,574 million in cash and cash equivalents due to net cash from: (i) operating activities, in the amount of R$51,474 million; and (ii) financing activities, in the amount of R$3,850 million. These increases in our net cash were impacted by net cash being used for our investing activities, in the amount of R$44,751 million.

In 2012, cash from our operating activities resulted primarily from: (i) decrease in compulsory deposits in the Central Bank, in the amount of R$23,203 million; (ii) interest received in the amount of R$66,905 million; (iii) net increase in funds from financial institutions and customers, in the amount of R$37,598 million; and (iv) decrease in financial assets held for trading, in the amount of R$23,176 million. The aforementioned events were basically impacted by the growth in loans and advances to customers and banks, in the amount of R$132,388 million.

The cash generated by our financing activities basically resulted from an increase of: (i) R$24,448 million in funds from securities issued; and (ii) R$12,998 million from issue of subordinated debt. These events were partially offset by: (i) the payment of funds from securities issued in the amount of R$19,956 million; (ii) the payment of subordinated debt, in the amount of R$4,494 million; (iii) interest paid in the amount of R$5,261 million; and (iv) payments of interest on equity and dividends, in the amount of R$3,839 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 basically 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%; and (iii) a minimum total capital ratio of 8%.

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.

In addition to new definitions of capital and minimum requirements, two more requirements were introduced: "conservation capital" and "countercyclical capital." Conservation capital will be supplementary to the regulatory minimum requirements and consist of components accepted for calculating common equity. Its purpose is to have financial institutions upgrade their ability to absorb losses above the minimum required in favorable periods of the economic cycle, so that the added capital may be used as a buffer in times of stress.

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 of January 1, 2018 there is to be a minimum requirement for the leverage ratio, which was originally set at 3%.

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 (1) for the LCR as of January 1, 2015 and the NSFR as of January 1, 2018.

In January, 2011, the Basel Committee on Banking Supervision 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 will be gradually deducted from capital measurement for a period of ten years as of 2013.

Brazil has been a member of the Basel Committee on Banking Supervision 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.

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 schedule that was originally proposed by the Central Bank began on January 1, 2013. However, this was postponed to March 1, 2013 and its final application remained on January 1, 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.

In March 2013 the Central Bank published four (4) Resolutions and fifteen (15) Circulars, by way of which it implemented the recommendations from the Basel Committee on Banking Supervision. In line with international recommendations and current practice, the minimum capital level was determined as a percentage of risk-weighted assets.

In accordance with the rules set forth by the Central Bank Resolution No. 4,192/13, amended by Resolution No. 4,311/14, the RC of a financial institution consists of Tier I Capital plus Tier II Capital and is used when setting is 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 a conservation capital buffer, called Additional Common Equity by the aforementioned ruling, which must be set up from January to December 2016, by when it should have the lower limit of 0.625% and the upper limit of 1.25% of risk-weighted assets. In December 2014, the Central Bank established the value of the counter-cyclical portion of the “AdditionalCommon Equity” that will be required as from January 1, 2016 at zero.

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By the end of the transitional period in 2019, additional Common Equity will have to be 2.5% to 5% of risk-weighted assets, with the amount to be determined by the Central Bank depending on economic conditions. In 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 11.0% or more of total RWA (Basel ratio) 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. On December 31, 2014, our Basel ratio was 16.5% of total RWA, which is higher than the 11.0% level required by the Central Bank.

The following table shows our capital positions as a percentage of total risk-weighted assets.

	In %		
As of December 31,	**Basel III [1] Financial Consolidated**		**Basel II Economic-Financial Consolidated**
	2014	**2013**	**2012**
Tier I Capital	12.9%	12.3%	11.0%
Common Equity	12.9%	12.3%	-
Tier II Capital	3.6%	4.3%	5.1%
Total Ratio	**16.5%**	**16.6%**	**16.1%**

[1] As of October 2013, capital is calculated based on 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 and 2014, 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 2012 have been maintained but are not directly comparable due to the change in criteria under new resolution.

In February 2015, the CMN issued a resolution addressing the definition and minimum limits of the Liquidity Coverage Ratio (LCR), which is defined as the ratio of the reserve of high liquidity assets to the total cash outflows foreseen for a 30-day period, under stress conditions. The major purpose of this ratio is to provide for the set-up and maintenance of a minimum reserve of net assets in normal market conditions, to be used to maintain the continuity of business and the stability of the financial system in periods of higher shortage or needed liquidity.

The LCR will be applied to financial institutions with total assets over R$100.0 billion or which are part of a prudential conglomerate with total assets higher than said amount. The minimum limit needs to be supervised on a daily basis by the financial institutions in periods of lack of financial stress, with a monthly calculation being admitted up to December 31, 2016.

Also in February 2015, the Central Bank issued a Circular addressing the Leverage Ratio (LR) calculation methodology, remittance to the Central Bank and disclosure of this respective information. This Circular, which will become effective on October 1, 2015, is in line with Basel III recommendations. The LR is defined as the ratio between Tier I capital and the total exposure of the institution. The LR is primarily aimed at preventing the excessive leverage of financial institutions, and the resulting increase of the systemic risk. For Prudential Conglomerate institutions, the LR should be calculated on a consolidated basis.

Capital Management

The Capital Management structure aims at providing conditions to the follow-up and control of capital, thus contributing to the achievement of the strategic goals established by the Organization, through the accurate planning of the capital sufficiency. This structure comprises Executive Committees and a Non-Statutory Committee, which support the Board of Directors and the *Diretoria Executiva* in the decision- making process.

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In addition to these Committees, the Organization has an area responsible for centralizing the capital management, named Capital Management and ICAAP, reporting to the Planning, Budget and Control Department, which operates together with the Integrated Risk Control Department, affiliated companies, business areas and a number of supporting areas of the Organization.

The capital plan is prepared on an annual basis, and is approved by the *Diretoria Executiva* and the Board of Directors. The capital plan is aligned with the strategic planning and comprehends a prospective vision of at least three years. Any threats and opportunities, growth and market share targets, as well as projected capital needs, are included in the preparation of the plan to cover risks, as well as the capital held by the Organization. These projections are continually monitored and controlled by the capital management area.

With the implementation of the capital management structure, an internal capital adequacy assessment process (ICAAP) was also established, providing conditions for assessing capital sufficiency. It takes into account base and stress scenarios, with a prospective vision to identify capital and contingency measures to be adopted for the respective scenarios. Information on capital sufficiency and adequacy is an important management and support tool in the decision-making process.

Interest rate sensitivity

Management of interest rate sensitivity is a key component of our asset and liability policy. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is considered balanced when an equal amount of these assets or liabilities matures or re-prices in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a negative effect on net interest income. Conversely, a positive gap denotes asset sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income. These relationships can change significantly from day to day as a result of both market forces and management decisions.

Our interest rate sensitivity strategy takes into account:

- rates of return;

- the underlying degree of risk; and

- liquidity requirements, including minimum regulatory banking reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds.

We monitor our maturity mismatches and positions and manage them within established limits. Our Treasury Committee reviews our positions at least weekly and changes our positions as market outlooks change.

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The following table shows the maturities of our interest-earning assets and interest-bearing liabilities as of December 31, 2014 and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the re-pricing periods presented due to differing re-pricing dates. Variations may also arise among the different currencies in which interest rate positions are held.

				R$ in thousands, except %	
December 31, 2014	**Up to 30 days**	**31 – 180 days**	**181 – 360 days**	**1 – 5 years**	**C**
Interest earning assets					
Financial assets held for trading	10,748,585	10,068,200	3,573,648	25,648,186	9
Financial assets available for sale	48,622,441	2,805,961	1,094,808	20,491,801	42
Investments held to maturity	251,847	-	-	2,957,798	21
Assets pledged as collateral	134,356,223	2,348,240	44,883	8,554,067	7
Loans and advances to banks	59,578,452	5,994,985	1,922,751	5,478,431	
Loans and advances to customers [(1)]	30,455,706	36,569,229	34,945,627	51,360,094	155
Central Bank compulsory deposits	44,261,807	-	-	-	
Other assets	-	-	-	-	
Total interest earning assets	**328,275,061**	**57,786,615**	**41,581,717**	**114,490,377**	**237**
Interest bearing liabilities					
Deposits from banks [(2)]	155,149,151	51,898,510	18,295,238	48,706,320	4
Savings deposits [(3)]	92,154,815	-	-	-	
Time deposits	15,764,153	19,522,530	5,655,603	44,848,105	
Funds from securities issued	3,193,907	25,211,737	18,296,364	36,970,980	1
Subordinated debt	182,774	773,767	1,905,575	23,771,494	9
Insurance technical provisions and pension plans [(3)]	119,595,531	2,731,627	887,115	23,344,947	
Total interest bearing liabilities	**386,040,331**	**100,138,171**	**45,039,895**	**177,641,846**	**15**
Asset/liability gap	(57,765,270)	(42,351,556)	(3,458,178)	(63,151,469)	222
Cumulative gap	(57,765,270)	(100,116,826)	(103,575,004)	(166,726,473)	55
Ratio of cumulative gap to total interest earning assets	(7.1)%	(12.3)%	(12.7)%	(20.4)%	

[(1)] For indefinite operations, it refers to credit card operations;

[(2)] including: funding in the open market, borrowings, onlendings and interbank deposits; and

[(3)] Savings deposits and insurance technical provisions and pension plans are classified as up to 30 days, without c turnover.

Exchange rate sensitivity

Most of our operations are denominated in *reais*. Our policy is to avoid material exchange rate mismatches. However, at any given time, we generally have outstanding long-term debt denominated in and indexed to foreign currencies, principally the U.S. dollar. As of December 31, 2014 our net foreign currency liability exposure, considering off-balance-sheet derivative financial instruments, was R$32,506 million, or 39.5% of shareholders´ equity. Consolidated net foreign currency exposure is the difference between total foreign currency-indexed or -denominated assets and total foreign currency-indexed or -denominated liabilities, including off-balance-sheet derivative financial instruments.

Our foreign currency position arises mainly through our purchases and sales of foreign currencies (primarily U.S. dollars) from Brazilian exporters and importers, from other financial institutions on the interbank market, and on the spot and forward currency markets. The Central Bank regulates our maximum outstanding long and short foreign currency positions.

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As of December 31, 2014, the composition of our assets, liabilities and equity by currency and term was as set out in the table below. Our foreign currency assets are largely denominated in *reais* but are indexed to foreign currencies, principally the U.S. dollar. Most of our foreign currency liabilities are denominated in foreign currencies, principally the U.S. dollar.

December 31, 2014	R$ in thousands, except %			
	R$	**Foreign currency**	**Total**	**Foreign currency as % of total**
Assets				
Cash and balances with banks	61,586,903	3,843,397	65,430,300	5.9%
Financial assets held for trading				
Less than one year	25,329,036	1,350,467	26,679,503	5.1%
From one to five years	26,971,398	420,464	27,391,862	1.5%
More than five years	9,848,856	267,455	10,116,311	2.6%
Indefinite	14,310,635	-	14,310,635	-
Financial assets available for sale				
Less than one year	50,768,793	1,754,417	52,523,210	3.3%
From one to five years	19,857,160	634,641	20,491,801	3.1%
More than five years	40,721,044	1,396,435	42,117,479	3.3%
Indefinite	5,829,244	-	5,829,244	-
Investments held to maturity				
Less than one year	251,847	-	251,847	-
From one to five years	2,918,924	38,874	2,957,798	1.3%
More than five years	21,861,386	-	21,861,386	-
Assets pledged as collateral	**145,091,741**	**7,520,948**	**152,612,689**	**4.9%**
Loans and advances to banks	**72,143,807**	**830,812**	**72,974,619**	**1.1%**
Loans and advances to customers				
Less than one year	155,593,295	18,564,820	174,158,115	10.7%
From one to five years	114,744,746	14,231,416	128,976,162	11.0%
More than five years	20,687,331	4,242,396	24,929,727	17.0%
Non-current assets available for sale	**1,006,461**	**-**	**1,006,461**	**-**
Investments in associated companies and joint ventures	**3,983,780**	**-**	**3,983,780**	**-**
Property and equipment, net of accumulated depreciation	**4,684,948**	**15,570**	**4,700,518**	**0.3%**
Intangible assets and goodwill, net of accumulated amortization	**7,504,490**	**25,425**	**7,529,915**	**0.3%**
Taxes to be offset	**6,097,459**	**32,732**	**6,130,191**	**0.5%**
Deferred income tax assets	**28,146,980**	**241,203**	**28,388,183**	**0.8%**
Other assets				
Less than one year	14,948,966	8,675,801	23,624,767	36.7%

From one to five years	10,104,348	25,074	10,129,422	0.2%
More than five years	972,078	373,013	1,345,091	27.7%
Total	**865,965,656**	**64,485,360**	**930,451,016**	**6.9%**
Percentage of total assets	**93.1%**	**6.9%**	**100.0%**	

December 31, 2014	R$ in thousands, except %			
	R$	Foreign currency	Total	Foreign currency as % of total
Liabilities and Shareholders' Equity				
Deposits from banks [(1)]				
Less than one year	205,311,710	20,972,186	226,283,896	9.3%
From one to five years	45,954,341	2,751,979	48,706,320	5.7%
More than five years	4,592,811	357,200	4,950,011	7.2%
Deposits from customers				
Less than one year	136,374,759	28,808,641	165,183,400	17.4%
From one to five years	43,821,843	1,026,262	44,848,105	2.3%
More than five years	-	-	-	-
Financial liabilities held for trading				
Less than one year	1,350,984	820,843	2,171,827	37.8%
From one to five years	910,999	-	910,999	-
More than five years	232,747	-	232,747	-
Funds from securities issued				
Less than one year	43,519,671	3,182,337	46,702,008	6.8%
From one to five years	31,470,248	5,500,732	36,970,980	14.9%
More than five years	1,274,354	83,057	1,357,411	6.1%
Subordinated debt				
Less than one year	2,679,513	182,603	2,862,116	6.4%
From one to five years	21,779,344	1,992,150	23,771,494	8.4%
More than five years	2,041,233	7,146,823	9,188,056	77.8%
Insurance technical provisions and pension plans	**146,558,375**	**845**	**146,559,220**	**0.0%**
Other provisions	**13,853,455**	**10,946**	**13,864,401**	**0.1%**
Current income tax liabilities	**3,579,642**	**22,691**	**3,602,333**	**0.6%**
Deferred income tax liabilities	**808,178**	**-**	**808,178**	**-**
Other liabilities [(2)]				
Less than one year	63,127,754	5,580,906	68,708,660	8.1%
From one to five years	195,538	24,601	220,139	11.2%
More than five years	70,049	186,861	256,910	72.7%
Shareholders' Equity	**82,291,805**	**-**	**82,291,805**	**-**
Total	**851,799,353**	**78,651,663**	**930,451,016**	**8.5%**
Percentage of total liabilities and equity	**91.5%**	**8.5%**	**100.0%**	

[(1)] including: funding in the open market, borrowings, onlendings and interbank deposits; and

[(2)] Other non-interest bearing liabilities, whose primary components are technical provisions for insurance and pension plans and provision for contingent liabilities, are not a source of funding.

Derivative financial instruments are presented in the table below on the same basis as presented in the consolidated financial statements in "Item 18. Financial Statements."

Our cash and cash equivalents in foreign currency are represented principally by U.S. dollars. Amounts denominated in other currencies, which include Euros and Yen, are indexed to the U.S. dollar through currency swaps, effectively limiting our foreign currency exposure to U.S. dollars only.

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We enter into short-term derivative contracts with selected counterparties to manage our overall exposure, as well as to assist customers in managing their exposures. These transactions involve a variety of derivatives, including interest rate swaps, currency swaps, futures and options. For more information regarding these derivative contracts, see Note 20(c) to our consolidated financial statements in "Item 18. Financial Statements." As of December 31, 2014, the composition of notional reference and/or contracted values and fair values of trading derivatives held by us is presented below:

December 31, 2014	**R$ in thousands Reference amounts**		
	R$	**Foreign currency**	**Total**
Derivatives			
Interest rate futures contracts			
Purchases	59,298,642	-	59,298,642
Sales	110,759,701	-	110,759,701
Foreign currency futures contracts			
Purchases	-	16,145,870	16,145,870
Sales	-	26,041,747	26,041,747
Futures contracts - other			
Purchases	3,222,294	-	3,222,294
Sales	238,235	-	238,235
Interest rate option contracts			
Purchases	23,409,200	-	23,409,200
Sales	30,594,004	-	30,594,004
Foreign currency option contracts			
Purchases	-	2,190,621	2,190,621
Sales	-	1,711,374	1,711,374
Option contracts - other			
Purchases	438,498	-	438,498
Sales	123,697	-	123,697
Foreign currency forward contracts			
Purchases	-	8,372,687	8,372,687
Sales	-	9,280,704	9,280,704
Forward contracts - other			
Purchases	111,559	-	111,559
Sales	416,503	-	416,503
Swap contracts			
Asset position			
Interest rate swaps	24,918,940	-	24,918,940
Currency swaps	-	29,305,345	29,305,345
Liability position			
Interest rate swaps	24,218,645	-	24,218,645

Currency swaps	-	29,267,749	29,267,749

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Capital expenditures

In the past three years, we have made, and expect to continue to make, significant capital expenditures related to improvements and innovations in technology and the Internet designed to maintain and expand our technology infrastructure in order to increase our productivity, accessibility, cost efficiency and our reputation as a leader in technological innovation in the financial services sector. We have made significant capital expenditures for systems development, data processing equipment and other technology designed to further these goals. These expenditures are for systems and technology for use both in our own operations and by customers.

The following table shows our capital expenditures accounted for as fixed assets in the periods shown:

	R$ in thousands		
	2014	**2013**	**2012**
Infrastructure			
Land and buildings	36,893	65,708	81,392
Installations, properties and equipment for use	981,472	430,477	554,157
Security and communications systems	10,539	12,134	12,512
Transportation systems	30,150	4,421	2,146
SubTotal	**1,059,054**	**512,740**	**650,207**
Information Technology			
Data processing systems	1,537,012	1,803,014	1,543,801
Financial leasing of data processing systems	519,697	615,791	418,108
SubTotal	**2,056,709**	**2,418,805**	**1,961,909**
Total	**3,115,763**	**2,931,545**	**2,612,116**

During 2014, we made R$3,116 million investments in capital expenditures, R$1,059 million of which were related to the acquisition of assets and R$2,057 million to telecommunications services and data processing expenses.

We believe that capital expenditures in 2015 through 2017 will not be substantially greater than historical expenditure levels and anticipate that in accordance with our practice during recent years, our capital expenditures in 2015 through 2017 will be funded from our own resources. No assurance can be given, however, that the capital expenditures will be made and, if made, that such expenditures will be made in the amounts currently expected.

5.C. Research and Development, Patents and Licenses

Not applicable.

5.D. Trend Information

The following factors may affect our commercial activities, our operating results and our liquidity:

- macroeconomic conditions worldwide and in Brazil;
- foreign exchange variation; and
- inflation and interest rate effects on the results of our operations.

For more information, see "Item 3.D. Risk Factors," where we present the risks we face in our business that may affect our commercial activities, operating results or liquidity.

5.E. Off-balance sheet arrangements

See "Item 5.A. Operating Results-Critical accounting policies-off-balance sheet financial guarantees."

5.F. Tabular Disclosure of Contractual Obligations

See "Item 5.A. Operating Results-Critical accounting policies-Commitments and contingencies."

5.G. Safe Harbor

Not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Board of Directors and Board of Executive Officers

We are managed by our *Conselho de Administração*, or the Board of Directors, and the Board of Executive Officers. The Board of Directors establishes our corporate strategy and policies and supervises and monitors the Board of Executive Officers. In turn, the Board of Executive Officers implements the strategy and policies set by the Board of Directors and is responsible for our day-to-day management.

Our Board of Executive Officers currently comprises (i) the *Diretoria Executiva* and (ii) our Officers, Department Officers and Regional Officers. The *Diretoria Executiva* consists of one Chief Executive Officer, seven Vice-Presidents, nine Managing Officers and five Deputy Officers.

Our ten-member Board of Directors meets on a regular basis every 90 days and meets on an extraordinary basis whenever necessary. It is responsible for:

- approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us;
- establishing our corporate strategy;
- reviewing our business plans and policies; and
- supervising and monitoring the activities of our Board of Executive Officers.

As specified in Section 3(a)(58) of the Securities Exchange Act of 1934, our Board of Directors acts as our Audit Committee for purposes of approving the engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

The *Diretoria Executiva* meets weekly and is responsible for:

- implementing the strategy and policies established by our Board of Directors; and
- our day-to-day management.

Several members of our Board of Directors and the *Diretoria Exe*cutiva also perform senior management functions at our subsidiaries, including BRAM, Bradesco Financiamentos, Bradesco Consórcios, Bradesco BBI, Bradesco Leasing, BEM DTVM, Bradesco Cartões, Bradesco Seguros and subsidiaries. Each of these subsidiaries has an independent management structure.

Pursuant to Brazilian law, all members of our Board of Directors and Board of Executive Officers are subject to approval by the Central Bank.

The following are biographies of the current members of our Board of Directors and *Diretoria Executiva*.

Members of the Board of Directors:

Lázaro de Mello Brandão, Chairman: Born on June 15, 1926. Degree in Business Administration and Economics. In September 1942, Mr. Brandão was hired as a bookkeeper by *Casa Bancária Almeida & Cia*., the financial institution that became *Banco Brasileiro de Descontos S.A.* on March 10, 1943, and later became *Banco Bradesco S.A*. He has held a variety of positions during his banking career. In January 1963, he was elected as an Officer, and in September 1977, he was elected Vice-President. In January 1981, he assumed the position of CEO, succeeding Mr. Amador Aguiar, the founder of Bradesco. Since February 1990, he has served as the Chairman of our Board of Directors. In March 1999, he decided to step down as CEO, but has remained the Chairman of our Board of Directors. He also holds a variety of positions within Bradesco, such as Chairman of the Board of Trustees and CEO of *Fundação Bradesco*; and Chairman of the Board of Directors and CEO of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). In addition, he is the Chairman of the Board of Directors of Bradespar S.A. He has also served as CEO of the Banking Associations of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima, as Vice-President of the National Federation of Banks, known as "FENABAN," as a Member of the Board of "FEBRABAN" and as Chairman of the Board of Directors of FGC and CIBRASEC - *Companhia Brasileira de Securitização* and a member of the Consulting Committee of *VBC Participações S.A.*.

Luiz Carlos Trabuco Cappi, Vice-Chairman: Born on October 6, 1951. Graduated from *Faculdade de Filosofia, Ciências e Letras de São Paulo*, with a graduate degree in Social Psychology at *Fundação Escola de Sociologia e Política de São Paulo*. He began his career at Bradesco in April 1969 and has held a variety of positions within the banking sector, being elected as Officer in 1984. On March 10, 2009 he became Chief Executive Officer. He is also Chief Executive Officer of the other Bradesco Group companies. In addition to these activities, he is Vice-Chairman of Banco Bradesco S.A., President of the Council of Representatives and Executive Board of the National Confederation of Financial Institutions (CNF), Vice-Chairman of the Board of Directors of Elo Participações S.A. and Member of the Managing Council of FEBRABAN. He was the Chief Executive Officer of Bradesco Vida *e Previdência*, of *Grupo Segurador* and Chairman of the Board of Odontoprev S.A. He was also Chief Executive Officer of the Marketing and Funding Committee of the *Associação Brasileira das Entidades de Crédito Imobiliário e Poupança* (ABECIP), of ANAPP - *Associação Nacional da Previdência Privada*, of the *Federação Nacional de Saúde Suplementar* - FENASAÚDE, Vice-Chairman of the Board of Representatives of the National Confederation of the Financial Institutions (*Confederação Nacional das Instituições Financeiras* – CNF), Member of the Managing Council of ABRASCA, Member of the Board of Directors of ArcelorMittal Brasil (former Companhia Siderúrgica Belgo-Mineira), Member of the Superior Board and Vice-President of the *Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização* - CNSeg and Full Member of the *Association Internationale pour l'Etude de l'Economie de l'Assurance - Association de Genève*, Geneva, Switzerland, and Member of the Honorable Council of ANSP - *Academia Nacional de Seguros e Previdência*.

Antônio Bornia, Director: Born on November 22, 1935. High school graduate. Mr. Bornia started his career at Banco Bradesco S.A. in May 1952. Since then, he has held a variety of positions within Bradesco. In September 1975, he became a Deputy Officer; in April 1979, he was appointed to an Executive Officer position; in June 1981, he became Vice-President; in March 1999 he became the Vice-Chairman of our Board of Directors, in March 2014 he was elected Member of the Board of Directors. He is Chairman of the Board of Directors of the following companies: Bradesco Securities, Inc. (USA), Bradesco Securities UK Limited, Bradesco Securities Hong Kong Limited and Banco Bradesco Europa S.A.; Member of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil, BSP Empreendimentos Imobiliários S.A. and BSP Park Estacionamentos e Participações S.A.; Officer of NCF Participações S.A., Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social, and Manager of Bradport-S.G.P.S. Sociedade Unipessoal, Ltda, Member of the Board of Trustees and Managing Officer of Fundação Bradesco; Member of the Board of Directors and Managing Officer of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN); and Member of the Board of Directors and Officer of BBD Participações S.A. and of Cidade de Deus – Companhia Comercial de Participações. He is also the Chairman of the Board of the ABEL, Vice-Chairman of the Board of Directors of Bradespar S.A., and Member of the Brazilian Sector of the Brazil-United States Business Council. He was Vice-Chairman of the Board of Directors of Banco Bradesco BERJ S.A., he has also served as an Alternate Member of the Board of Resources of the National Financial System, an agency related to the Treasury Ministry, as representative of the ABEL. He was also the Chairman of the Board of Directors of the FGC, Vice-Chairman of the Executive Board of the Latin American Leasing Federation - Felalease, CEO of the National Union of Leasing Companies, Vice-President and Vice-Chairman of the Board of Representatives of the National Confederation of the Financial System-CONSIF and in CNF, he held the positions of Chairman, Vice-Chairman, Member of Board of Representatives and Vice-President.

<u>Mário da Silveira Teixeira Júnior, Director</u>: Born on March 4, 1946. Mr. Teixeira received a degree in Civil Engineering and Business Administration from Mackenzie Presbyterian University. In July 1971, Mr. Teixeira joined *Bradesco S.A Corretora de Títulos e Valores Mobiliários*, having served as an Officer from March 1983 until January 1984, when he was transferred to *Banco Bradesco de Investimento S.A.* and *Banco Bradesco S.A.* There, he was appointed Department Officer in January 1984, Managing Officer in March 1992 and Vice-President in March 1998. From March 1999 to July 2001, he served as a Member of our Board of Directors, when he resigned to manage Bradespar S.A., a company incorporated by our partial spin-off. In March 2002, he returned to his position as a Member of our Board of Directors, where he remains until today.He is also a Member of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil; Member of the Board of Directors of BSP Empreendimentos Imobiliários S.A. Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*, Officer of NCF Participações S.A., Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social; Member of the Board of Trustees and Managing Officer of Fundação Bradesco, and Member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, Mr. Teixeira is a Member of the Board of Directors of *Bradespar S.A.*, Vice-Chairman of the Board of Directors and Member of the Strategic Committee of *Vale S.A.;* and Vice-Chairman of the Board of Directors of *Valepar S.A.* He has also served as Vice-President of ANBID - *Associação Nacional dos Bancos de Investimento*, Member of the Management Board of ABRASCA, Member of the Board of Directors of *Banco Bradesco BERJ S.A*., Member of the Board of Directors of *Companhia Paulista de Força e Luz - CPFL*, *Companhia Piratininga de Força e Luz*, *Companhia Siderúrgica Nacional - CSN*, *CPFL Energia S.A*., *CPFL Geração de Energia S.A*., *Latasa S.A*., *Alpargatas S.A*., *Tigre S.A. Tubos e Conexões*, *VBC Energia S.A.* and *VBC Participações S.A.*

João Aguiar Alvarez, Director: Born on August 11, 1960. Mr. Alvarez received a degree in Agronomy from the Pinhalense Education Foundation - Manuel Carlos Gonçalves College of Agronomy and Animal Husbandry. In April 1986, he was elected to the Board of Directors of *Cidade de Deus-Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and since April 1988, he has served as an Officer. Since February 1990, Mr. Alvarez has been a Member of our Board of Directors and a Member of the Board of Directors of Bradespar S.A. since March 2000. He is a Member of the Board of Trustees and Deputy Officer of Fundação Bradesco and Member of the Board of Directors and Deputy Officer of FIMADEN.

Denise Aguiar Alvarez, Director: Born on January 24, 1958. Ms. Alvarez received a degree in Education from São Paulo Pontific Catholic University and received a Masters in Education from New York University, U.S.. In April 1986, she was appointed to the Board of Directors of *Cidade de Deus-Companhia Comercial de Participações*, one of the holding companies of Banco Bradesco S.A., and since July 1988, she has also been serving as an Officer. Since February 1990, Ms. Alvarez has served as a Member of our Board of Directors, and since March 2000, she has also served as a Member of the Board of Directors of Bradespar S.A. She is also a Member of the Board of Trustees and Deputy Officer of *Fundação Bradesco*, Member of the Board of Directors and Deputy Officer of FIMADEN and CEO of ADC Bradesco – Sports Association. In addition to these activities, she is Member of the Consulting Board of the Associação Pinacoteca Arte e Cultura – APAC, having previously held the position of Member of the Board of Directors. He is also a member of the Deliberative Board of *Museu de Arte Moderna de São Paulo* - MAM, Member of the Board of Trustees of *Fundação Dorina Nowill para Cegos* and *Fundação Roberto Marinho*, Member of the Consulting Board of Canal Futura; member of the General Board of *Comunitas: Parcerias para o Desenvolvimento Solidário*; and Effective Member of *Associação de Apoio ao Programa Alfabetização Solidária* - AAPAS. She was member of the Deliberative Board of *Fundo Social de Solidariedade do Estado de São Paulo* – FUSSESP and Chairman of the Board of Governance of the Group of Institutes, Foundations and Enterprises (GIFE), having previously held the position of Member.

Carlos Alberto Rodrigues Guilherme, Director: Born on December 21, 1943. Mr. Guilherme received a Law degree from Pinhalense Education Foundation. He began his career in December 1957. Mr. Guilherme has held a variety of positions within the banking sector, such as Department Officer in March 1986, Deputy Officer in March 1998, Managing Officer in March 1999 and Member of the Board of Directors since March 2009. He is a Member of the Board of Directors of Bradesco Leasing S.A. – *Arrendamento Mercantil*; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Officer of NCF *Participações S.A., Nova Cidade de Deus Participações S.A.* and *Top Clube Bradesco*, *Segurança*, *Educação e Assistência Social*. He is also a Member of the Board of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN and Member of the Board of Directors of Bradespar S.A. He was Member of the Board of Directors of *Banco Bradesco BERJ S.A.*, Member of the Governing Board of Bradesco Employees Beneficent Fund (*Caixa Beneficente dos Funcionários do Bradesco*); Officer of Banco de Crédito Real de Minas Gerais S.A. and of Credireal Leasing S.A. - Arrendamento Mercantil.

Milton Matsumoto, Director: Born on April 24, 1945. Mr. Matsumoto received a degree in Business Administration from UNIFIEO-University Center FIEO of Osasco. He began at Bradesco in September

1957. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as Department Officer in March 1985, Deputy Officer in March 1998, a Managing Officer since March 1999 and he has been a Member of the Board of Directors since March 2011. He is a Member of the Board of Directors of Bradesco Leasing S.A. - Arrendamento Mercantil; Member of the Board of Directors and Strategy Committee of BSP Empreendimentos Imobiliários S.A..; Member of the Board of Directors of *Cidade de Deus - Companhia Comercial de Participações*; Officer of NCF Participações S.A.; Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social. He is also a Member of the Board of Trustees and Managing Officer of Fundação Bradesco. Member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he is a Member of the Board of Directors of Bradespar S.A.; and Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A. He was Member of the Board of Directors of *Banco Bradesco* BERJ S.A. and an Officer of Bradesco S.A. Corretora de Títulos e Valores Mobiliários; the first Secretary Director of the Bank Union in the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima; Alternate Member of the Board of Directors of CPM Braxis S.A. and CPM Holdings Ltd.; and Secretary Officer of the union of the credit, financing and investing companies of the State of São Paulo of FENACREFI - Interstate Federation of Loan, Financing and Investment Institutions.

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<u>José Alcides Munhoz, Director</u>: Born on July 23, 1948. Technical education in accounting. Mr. Munhoz began at Bradesco in October 1970, at the Santa Maria branch - RS. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as Officer in March 1989, Department Officer in January 1995, Deputy Officer in March 1998, Managing Officer in March 1999, Vice-President in January 2012 and Member of the Board of Directors in March 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of *Bradespar S.A., BBD Participações S.A*, *Bradesco Leasing S.A. – Arrendamento Mercantil*; *BSP Empreendimentos Imobiliários S.A*. and *Cidade de Deus - Companhia Comercial de Participações,* Officer of *NCF Participações S.A.* and *Nova Cidade de Deus Participações S*.A.; and Member of Consulting Board of the Brazilian National Chapter of the International Real Estate Federation (FIABCI/BRASIL).

<u>Aurélio Conrado Boni, Vice-President</u>: Born on July 19, 1951. Business Administration technician from the Technical Trade School Campos Salles. He began at Bradesco in February 1971. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in December 1997, Managing Officer in December 2001, Vice-President in January 2012, and Member of the Board of Directors, position he currently holds, in March 2015. Mr. Boni is also a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, Member of the Board of Directors and Managing Officer of FIMADEN. He is also Member of the Board of Directors of *BBD Participações S.A.,* Vice-President of Banco Bradesco BERJ S.A. and Bradesco Leasing S.A. – Arrendamento *Mercantil*; Managing Officer of *Bradesco Seguros S.A.*; and Officer of *NCF Participações S.A.* and *Nova Cidade de Deus Participações S.A.* He was a Member of the Board of Directors of CPM Holdings Limited and IT Partners Ltd.

Members of the Diretoria Executiva:

<u>Luiz Carlos Trabuco Cappi, CEO</u>: Mr. Trabuco also holds the position of CEO. His experience is described in "Members of the Board of Directors."

<u>Domingos Figueiredo de Abreu, Vice-President</u>: Born on January 8, 1959. He received a degree in Economics from College of Economic Sciences of Mogi das Cruzes and a degree in Accounting from College of Economic Sciences and Administration of Osasco – FAC-FITO, with a postgraduate degree in Financial Administration (CEAG) from Fundação Getulio Vargas and an Executive MBA in Finance from IBMEC (Capital Markets Brazilian Institute) – *Instituto Brasileiro de Mercado de Capitais*. Mr. Abreu began at Banco Bradesco S.A. in December 1981. He has held a variety of positions within the banking sector, such as being appointed in Bradesco as a Department Officer in June 2001, a Managing Officer in March 2002 and Vice-President in June 2009, the position he currently holds. Mr. Abreu is also a Member of the Board of Trustees and a Managing Officer of *Fundação Bradesco*, Member of the Board of Directors and a Managing Officer of FIMADEN. He is also the Chairman of the Board of Directors of Cielo S.A., and Member of CPM Holdings Limited and Elo Participações S.A.'s Board of Directors. He was Officer of Banco BCN S.A. and Alternate Member of CPM Braxis S.A.'s Board of Directors, where he was also a Member of the Board of Technical Administration; Member of the Board of Directors of IBRI – Brazilian Institute of

Investor Relations, where he was formerly Vice-President and Regional Officer in São Paulo and Member of the Management Board of ABRASCA.

Sérgio Alexandre Figueiredo Clemente, Vice-President: Born on June 7, 1959. Graduated in Mechanical Engineering from PUC - *Pontifícia Universidade Católica de Minas Gerais* (Catholic University of Minas Gerais), with an executive MBA in Finance from IBMEC (Capital Markets Brazilian Institute) and Specialization in Finance through the Executive Management Development Program (PDG), administered by the Business Development Corporation. He attended the Advanced Management Program (PGA), administered by *Fundação Dom Cabral* and INSEAD. Mr. Clemente joined Banco BCN S.A. in May 1996 as Deputy Officer. In December 1997, he was elected Officer. With the acquisition of BCN, he joined the *Banco Bradesco S.A*. staff, having been elected Department Officer in March 2000, as the person responsible for the Corporate Department. In December 2006, he became Managing Officer, and Vice-President, in January 2012, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco; Member of the Board of Directors and Managing Officer of FIMADEN. Also, he is an Effective Member of the Board of Directors of Vale S.A. and of Valepar S.A. He was an Effetive Member of the Listing Advisory Chamber of BM&FBOVESPA S.A. and an Alternate Member of the Board of Directors of Sete Brasil Participações S.A.

Marco Antonio Rossi, Vice-President: Born on March 7, 1961. He holds a degree in Marketing Management Technology, a *lato sensu* postgraduate qualification in Client Management from Universidade Paulista (UNIP) and a *lato sensu* postgraduate qualification in Advanced Strategic and Geopolitical Studies from Fundação Armando Alvares Penteado (FAAP). He joined Bradesco Vida e Previdência S.A. in July 1981, where he rose through all career levels and was elected to the position of Officer in January 1999, Managing Officer in May 2001 and CEO in August 2002, where he remained until March 2010. In January 2012 he was elected Vice-President of Banco Bradesco S.A. He is a member of the Board of Trustees and Managing Officer of Fundação Bradesco; and Member of the Board of Directors and Managing Officer of FIMADEN. He is also Chief Executive Officer of Bradesco Seguros S.A., and BSP Affinity Ltda., since March 2009; Bradseg Participações S.A., since April 2009; and Vice-President of *BP Promotora de Vendas Ltda*., since January 2012. In addition to these activities, he is Member of the Board of Directors of *Europ Assistance Brasil Serviços de Assistência S.A.*, having formerly been the Chairman. He is the Vice-Chairman of the Board of Directors of *Odontoprev S.A.*, President of the National Federation of Private Insurance and Capitalization bonds (Fenaseg); Effective Member of the Board of Directors of *Companhia Brasileira de Gestão de Serviços*; Benefactor of the Higher Council of *Associação Comercial do Rio de Janeiro*, having formerly been a Member of the Board of Directors. He is also President of the Board of Directors of CNseg - *Confederação Nacional das Empresas de Seguros Gerais*, having formerly been Vice-President and Member of the Higher Council and President of FIDES - *Federación Interamericana de Empresas de Seguros*. He was once the President of FENAPREVI and President of Atlântica Companhia de Seguros.

Alexandre da Silva Glüher, Vice-President: Born on August 14, 1960. Graduated in Accounting from Universidade Federal do Rio Grande do Sul, and in Business Administration from Universidade Luterana do Brasil (ULBRA). He attended the International Executive Program at the Wharton School - Advanced Management Program - University of Pennsylvania, U.S. He joined Banco Bradesco S.A. in March, 1976 and has held a variety of positions within the banking sector, being elected Regional Officer in August 2001, Department Officer in March 2005, Deputy Officer in December, 2010, Managing Officer in January, 2012, and Vice-President in January, 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Officer of Fundação Bradesco, and Member of the Board of Directors and Managing Officer of FIMADEN. He is also Vice-President and a Member of the Banking Self-Regulation Board of FEBRABAN, Vice-President and Alternate Delegate at CONSIF - FENABAN, Vice-President of Instituto Brasileiro de Ciência Bancária (IBCB), Treasury Officer of the Association of Banks of the States of São Paulo, Paraná, Mato Grosso, Mato Grosso do Sul, Acre, Amazonas, Pará, Amapá, Rondônia and Roraima, Vice-Chairman of the Board of Directors of Central de Exposição a Derivativos - CED, Effective Member of the Board of Directors of Fidelity Processadora e Serviços S.A., and Member of the Board of Directors of Instituto BRAiN - Brasil Investimentos & Negócios. He was an Alternate Member of the Deliberative Council of ABECIP.

Josué Augusto Pancini, Vice-President: Born on April 14, 1960. Mr. Pancini received a degree in Mathematics from Centro Universitário da Fundação de Ensino Octávio Bastos – Feob - UNIFEOB, with a lato sensu postgraduate degree in Business Economics - Finance from Pontifícia Universidade Católica de Campinas - PUC - Campinas. He attended the AMP - Advanced Management Program taught at the IESE Business School - University of Navarra, São Paulo. He joined *Banco Bradesco S.A.* in July 1976, and has held a variety of positions within the banking sector. He was elected Regional Officer in July 1997, Department Officer in July 2003, Deputy Officer in December 2010, Managing Officer in January 2012 and Vice- President in January 2014, the position he currently holds. He is a Member of the Board of Trustees and Managing Director of Fundação Bradesco and Member of the Board of Directors and Managing Director of FIMADEN. Formerly Alternate Member of the Deliberative Board of ABECIP.

Maurício Machado de Minas, Vice-President: Born on July 1, 1959. He holds a degree in Electrical Engineering from Escola Politécnica da Universidade de São Paulo – Poli/USP, and specialization in Data Communications and Software Development, and a university extension course in Finance at Wharton Business School, both in the United States. He went to the Executive Development Program at Columbia University in New York, United States. He joined Banco Bradesco S.A. in July 2009 as Managing Officer. In January 2014 he was elected Vice-President. He is a Member of the Board of Trustees and Managing Director of Fundação Bradesco and Member of the Board of Directors and Managing Director of FIMADEN, Member of the Board of Directors of Fidelity Processadora e Serviços S.A.; an Alternate Member of the Board of Directors of MPO - Processadora de Pagamentos Móveis S.A.; and Member of the Board of Directors of NCR Brasil - Indústria de Equipamentos para Automação S.A. He is also an Alternate Member of the Board of Directors of CPM Braxis S.A., having previously held the position of Executive Vice-President and COO (Chief Operations Officer). He was formerly Senior Analyst with Banco Itaú, Officer of Support Services of a group of Brazilian IT companies (Eletrodigi, Flexidisk and Polymax) and President of Scopus.

Marcelo de Araújo Noronha, Managing Officer: Born on August 10, 1965. Graduated in Business Administration from Universidade Federal de Pernambuco (UFPE), with a Specialization in Finance from IBMEC and the Advanced Management Program AMP at the Instituto de Estudios Empresariales (IESE), Universidade de Navarra in Barcelona. Mr. Noronha started his career in 1985 at Banco Banorte, where he worked until 1996 when he started to work as Commercial Officer with Banco Bilbao Vizcaya Argentaria Brasil S.A, current Banco Alvorada S.A. and was promoted to Vice-President for products, trade finance, middle market and retail. In February 2004, he was elected Department Officer of Banco Bradesco S.A. He was elected Deputy Officer in December 2010 and Managing Officer in January 2012. In February 2015, he was elected Vice-President, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is Vice-Chairman of the Board of Companhia Brasileira de Soluções e Serviços ("CBSS"), where he was previously the CEO; Effective Member of the Board of Directors of Cielo S.A.; Elo Participações S.A., Elo Serviços (the ELO card flag) and of MPO - Processadora de Pagamentos Móveis S.A.; President of ABECS, where he was previously President of the Council of Ethics and Self-Regulation and Member of the Latin America and Caribbean Advisory Council of Visa International.

André Rodrigues Cano, Managing Officer: Born on July 22, 1958. Graduated in Business Administration from Faculdades Metropolitanas Unidas (FMU), MBA-Controller from the Institute of Accounting, Finance and Actuarial Research (FIPECAFI, FEA-USP), and the Advanced Management Program - Harvard Business School in Boston, U.S.. Mr. Cano joined Bradesco in April 1977 and was elected Department Officer in December 2001. He was elected Officer of Banco Bradesco Financiamentos S.A. in September 2008, remaining in this position until his return to Bradesco as Department Officer in December 2009. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of *Fundação Bradesco* and the Board of Directors of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). He is also a Member of the Curator Council of the National Quality Foundation (FNQ). He also is an Alternate Vice-Chairman of the Board of Directors of Fidelity Processadora e Serviços S.A. and Effective Officer of CONSIF. He was an Effective Member and Officer of the Board of Directors of TECBAN - Tecnologia Bancária S.A.; Effective Member of the Fiscal Council of Tele Celular Sul Participações S.A.; Alternate Member of the Fiscal Council of Tele Nordeste Celular Participações S.A.; and Officer of ACREFI - *Associação Nacional das Instituições de Crédito, Financiamento e Investimento*.

Luiz Carlos Angelotti, Managing Officer: Born on November 16, 1964. Mr. Angelotti received a degree in Accounting and Actuarial Sciences from the School of Economics and Business Administration, Universidade de São Paulo and in Law from UNIFIEO - Centro Universitário FIEO, with an MBA in Finance from Insper – Instituto de Ensino e Pesquisa. He also attended the EDP – Executive Development Program and the AMP – Advanced Management Program at the University of Chicago Booth School of Business. He joined *Banco Bradesco S.A.* in November 1987, and was elected Department Officer in March 2002, Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is also Investor Relations Officer. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He is a Member of the Management Board of ABRASCA and an Alternate Member of the Board of Directors of Integritas Participações S.A. Formerly Alternate

Member of the Fiscal Council of Top Clube Bradesco, Segurança, Educação e Assistência Social.

Nilton Pelegrino Nogueira, Managing Officer: Born on May 7, 1954. Degree in Business Administration from Universidade Presbiteriana Mackenzie. Mr. Nogueira joined Banco Bradesco S.A. in July 1973. He was elected Regional Officer in February 1995, remained in the position until September 2000, when he was elected Officer of Banco BCN S.A., a financial institution acquired by Bradesco in December 1997, and remained in the position until March 2002, when he returned to Bradesco and was elected Department Officer. He was elected Deputy Officer in December 2010 and Managing Officer, the position he currently holds, in January 2012. He is a Member of the Board of Trustees of Fundação Bradesco; Member of the Board of Directors of FIMADEN. He was formerly Officer of Banco Boavista S.A, and of Banco das Nações S.A.; Effective Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado and Top Clube Bradesco, Segurança, Educação e Assistência Social; Superintendent of Bradesco Administradora de Consórcios Ltda.; Member of the Business Development Committee of BSP Empreendimentos Imobiliários S.A and Alternate Member of the Deliberative Council of ABECIP.

André Marcelo da Silva Prado, Managing Officer: Born on December 6, 1961. Graduated in Production Engineering from Universidade Federal do Rio de Janeiro and holds an MBA in Finance from IBMEC. He attended the Senior International Bankers Course, at The International Centre for Banking and Financial Services (Manchester Business School) in Manchester, England, the Wharton Executive Development Program, at The Wharton School (University of Pennsylvania) in Philadelphia, U.S. and the Advanced Management Programme, at INSEAD, in Fointainebleau, France. He joined Banco Boavista Interatlântico S.A. in May 1997 as Executive Manager and reached the position of Officer there. He moved to Banco Bradesco S.A. as Executive Superintendent of Bradesco Corporate Department in March 2001. He was elected Department Officer in December 2009, Deputy Officer in January 2012 and Managing Officer in January 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN).

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Luiz Fernando Peres, Managing Officer: Born on September 30, 1950. Degree in Economics from Faculdade de Ciências Econômicas e Administrativas de Osasco (FAC-FITO). He started his career in November 1971 as Assistant II in the Economic Research Department of Banco BCN S.A., where he reached the position of Officer in July 1990. When BCN was taken over, he joined the staff of Bradesco and was elected Department Officer in June 1999 as head of Credit Department, Deputy Officer in January 2012 and Managing Officer in January 2014, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of the Institute of Diseases of the Digestive System and Nutrition (FIMADEN). Formerly Executive Officer of Fundação Francisco Conde, Member of the Fiscal Council of Instituto Assistencial Alvorada, Alternate Member of the Fiscal Council of Finasa Sports Association (ADC Finasa), Full Member of the Board of Directors of Estruturadora Brasileira de Projetos S.A. - EBP, Member of the Board of Directors of Aço Minas Gerais S.A. – Açominas and Serasa S.A., Member of the Board of Directors of the Special Agency for Industrial Financing (FINAME/BNDES) representing commercial banks; Officer for the Credit Policy sector of FEBRABAN and Full Member of the Investment Committee of the Investment Fund of the Length of Service Guarantee Fund (FI-FGTS).

Altair Antônio de Souza, Managing Officer: Born on March 26, 1961. Degree in Law from Universidade Bandeirante de São Paulo (UNIBAN). He started his career with Banco Bradesco S.A. in July 1975, was elected Officer in August 1998, and Department Officer in January 2009, responsible for Products and Services Marketing Department and subsequently Bradesco Varejo Department. He was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and a Member of the Board of Directors of FIMADEN. He is also Full Member of the Board of the São Paulo Industrial Employers Association (Centro das Indústrias do Estado de São Paulo, CIESP). Former CEO and Vice-President of the Association of Banks of the State of Bahia.

Denise Pauli Pavarina, Managing Officer: Born on April 14, 1963. Degree in Economics from Faculdade Armando Alvares Penteado (FAAP) and Law from Universidade Paulista (UNIP), with an Executive MBA in Finance from Insper – Instituto de Ensino e Pesquisa. She started her career in March 1985, with Banco Bradesco de Investimento S.A. a financial institution that was absorbed by Banco Bradesco S.A. in November 1992. At Bradesco, she held the positions of Underwriting Manager and Department Manager of Portfolio Management. She was promoted to the position of Executive Superintendent in September 1996, and elected Department Officer in January 2001. She was elected Officer of Banco Bradesco BBI S.A. in June 2006, and Managing Officer in January 2007, remaining until December 2009, when she returned to Bradesco, and was elected Department Officer. She was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position she currently holds. She is also a Managing Officer of BRAM, having previously held the position of Superintendent Officer. She is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. In addition to these activities, she is the President of ANBIMA - *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*, Member of the Board of Directors of 2bCapital S.A., Member of the Investment Committee of NEO Capital Mezanino Fundo de Investimento em Participações, Member of Comitê Nacional de Educação *Financeira* - CONEF, Member of the Council of Representatives of *Confederação Nacional das Instituições Financeiras* - CNF, Member of the Board of Directors of Instituto BRAiN - *Brasil Investimentos & Negócios*, and Alternate Member of the Board of Directors of *Sete Brasil Participações S.A*. She was formerly Member of the Board of Directors of *Cielo S.A.*, *Bica de Pedra Industrial S.A.*, *Companhia*

Siderúrgica Belgo-Mineira, CPM Braxis S.A., Latasa S.A., and São Paulo Alpargatas S.A.; Alternate Member of the Board of ABRASCA; Member of the Consulting Board of the Brazilian Association of Brokers and Dealers in Securities, Foreign Exchange and Commodities (ANCORD); Officer of UGB Participações *S.A.*; and Officer for Institutional Relations and Director of the Association of Capital Market Investment Analysts (APIMEC) in São Paulo.

Moacir Nachbar Junior, Managing Officer: Born on April 5, 1965. Holds a degree in Accounting with a lato sensu postgraduate degree in Financial Management from Faculdade Campos Salles, and an MBA - Controller from Universidade de São Paulo and Tuck Executive Program from Tuck School of Business at Dartmouth, in Hanover, Nova Hampshire – EUAHe began his career with Banco Bradesco S.A. in June 1979. In March 2005, in the General Accounting Department, he was elected Department Officer and started reporting to the Operational Control Department in November 2009, and to the Internal Auditing Department in July 2010. He was elected Deputy Officer in January 2012 and Managing Officer in February 2015, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco and Member of the Board of Directors of FIMADEN. He also is an Alternate Member of the Board of Directors of Fidelity Processadora e Serviços S.A. Alternate Member of the Board of Directors of ABRASCA and Alternate Member of the Consulting Board of FGC. He was an Officer and Effective Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado, a multi-sponsor pension fund. He was also Alternate Member of the Fiscal Council of Top Clube Bradesco, Segurança, Educação e Assistência Social.

Octávio de Lazari Junior, Managing Officer: Born on July 18, 1963. Degree in Economics from *Faculdade de Ciências Econômicas e Administrativas de Osasco* and took a specialization course in Financial and Marketing Strategies at *Fundação Instituto de Administração* (FEA/USP), Financial Management from *Fundação Getulio Vargas* - FGV, Strategies in Finance from *Fundação Dom Cabral*. He attended the AMP - Advanced Management Program taught at the IESE Business School - University of Navarra, São Paulo. He joined *Banco Bradesco S.A.* in September 1978. He was promoted to the position of Executive Deputy Officer, in January 2012 and Managing Officer in February 2015, the position he currently holds. He is also Chairman of the Board of the ABECIP; Full Member of the Board of Directors of CIBRASEC; Member of the Council of Representatives of the Brazilian Confederation of Financial Institutions - CNF; Officer of Real Estate Credit and Savings and Vice-Chairman of the Committee on Governance of Portability of Credit Operations of FEBRABAN; Full Member of the Board of Directors of *Câmara Interbancária de Pagamentos* – CIPand Member of the Consulting Board of the Brazilian chapter of the International Federation of Real Estate Professions (FIABCI / BRASIL).

Cassiano Ricardo Scarpelli, Deputy Officer: Born on July 28, 1968, Mr. Scarpelli holds a degree in Economics from Faculdade de Ciências Econômicas e Administrativas de Osasco and attended the International Executive Program at Queen's School of Business - Queen's Executive Program, in Ontario, Canada. He joined Bradesco in June, 1984, as an office boy. In February, 2001, he was promoted to Executive Superintendent. In March, 2007, he was elected Department Officer and, in February, 2015, Deputy Officer, the position he currently holds. He is a Member of the Board of Trustees of Fundação Bradesco. He was Vice-President of the Regulation and Best Practices Board for Qualified Services to the Capital Market, and Alternate Member of ANBIMA’s Qualified Services to the Capital Market Commission, Member of the Board of Directors of Bica de Pedra Industrial S.A., CP Cimento e Participações S.A., Iochpe-Maxion S.A., Latasa S.A., Tecnologia Bancária S.A. and Tigre S.A. - Tubos e Conexões, Effective Member of the Fiscal Council of Bradespar S.A., First Alternate Member of the Fiscal Council of Boavista Prev - Fundo de Pensão Multipatrocinado, Alternate Member of the Board of Directors of São Paulo Alpargatas S.A., Officer of BEM - Distribuidora de Títulos e Valores Mobiliários Ltda., BMC Asset Management - Distribuidora de Títulos e Valores Mobiliários Ltda and of UGB Participações S.A.

Eurico Ramos Fabri, Deputy Officer: Born on September 29, 1972, Mr. Fabri holds a degree in Economic Sciences from UNICAMP - Universidade Estadual de Campinas, with an Executive MBA in Finance from Insper - Instituto de Ensino e Pesquisa, STC Executive from Fundação Dom Cabral in partnership with Kellogg Graduate School of Management and attended the Advanced Management Program at Harvard Business School - Boston – U.S.. In February 2008, he joined Banco Finasa S.A., a financial institution acquired by Banco Finasa BMC S.A. (currently Banco Bradesco Financiamentos S.A.), as an Officer, remaining until December, 2009. In December, 2010, he was elected Officer of Banco Bradesco S.A., in January, 2012, Department Officer and, in February, 2015, Deputy Officer, the position he currently holds. He was an Officer at Finasa Promotora de Vendas Ltda. from July, 2008 to April, 2011.

Marlene Morán Millan, Deputy Officer: Born on September 14, 1963, Ms. Milan holds a degree in Social Sciences from Faculdade de Filosofia Nossa Senhora Medianeira with an MBA in Financial and Marketing Strategies from Fundação Instituto de Administração - FIA/USP and a lato sensu postgraduate degree - MBA in Finance from Insper - Instituto de Ensino e Pesquisa. He attended the Advanced Management Program at Fundação Dom Cabral, the Advanced Management Program (AMP) at IESE Business School -

University of Navarra - São Paulo, SP, and the following International Executive Programs: Executive Education Program from New York Trend Consulting - New York, U.S.; Authentic Leadership Development from Harvard Business School - Boston, U.S.; AMP - Advanced Management Program from Harvard Business School - Boston, U.S.; Macroeconomics for Executives from Massachusetts Institute of Technology - Boston, U.S.; Strategy in a Global World from Massachusetts Institute of Technology - Boston, U.S.; and Leadership at the Peak from Center for Creative Leadership - Colorado Springs, U.S.. She joined Banco Bradesco S.A. in September, 1979, and in February, 2001, she was promoted to the position of Executive Superintendent. In March, 2007, she was elected Department Officer and, in February, 2015, Deputy Officer, the position she currently holds. She is a Member of the Board of Trustees of Fundação Bradesco. She is also a Sector Officer of International Operations of FEBRABAN.

Renato Ejnisman, Deputy Officer: Born on February 12, 1970, Mr. Ejnisman holds a degree in Physics from Universidade São Paulo - USP. He obtained a Master's degree in Nuclear Physics from Universidade São Paulo - USP and a Doctoral degree in Physics from the University of Rochester, New York, USA. After his academic career, he joined McKinsey&Company, from 1998 to 1999. In April, 1999, he began his career in the financial market at Bank of America, where he worked until February, 2007, with a short spell at Bank Boston during this period. In February, 2007, he joined Banco Bradesco BBI S.A., as an Executive Superintendent. In April, 2008, he was elected Officer and, in February, 2011, Managing Officer. Since February, 2015, he has been a Deputy Officer of Banco Bradesco S.A. He was: Chief Executive Officer of Bradesco S.A. Corretora de Títulos e Valores Mobiliários, Ágora Corretora de Títulos e Valores Mobiliários S.A. and Ágora Educacional Ltda., a Member of the Board of Directors of Bradesco Securities Hong Kong Limited., Bradesco Securities UK Limited and Bradesco Securities, Inc. In addition to these activities, he is the President of ANBIMA's Regulation and Best Practices Board for the Capital Market, President of the Regulation and Best Practices Board for the Capital Market and an Effective Member of the Listing Advisory Chamber of BM&FBOVESPA S.A. He was an Alternate Member of the Board of Directors of ABRASCA.

Walkiria Schirrmeister Marchetti, Deputy Officer: Born on November 1, 1960, Ms. Marchetti holds a degree in Mathematics from Faculdade de Ciências e Letras Teresa Martin, with a specialization in System Analysis from Instituto Presbiteriano Mackenzie and a lato sensu postgraduate degree - MBA Banking from Fundação Instituto de Administração - FIA. He attended International Executive Programs at the Wharton School - Strategic Thinking and Management for Competitive Advantage Program - Pennsylvania - U.S.; Columbia Business School - Columbia Senior Executive Program - New York - U.S.; and Harvard Business School - Negotiation and Competitive Decision Making - Boston - U.S.. She joined Banco Bradesco S.A. in May, 1981. In September, 1998, she was promoted to the position of Executive Superintendent. In March, 2007, she was elected Department Officer and, in February, 2015, Deputy Officer, the position she currently holds. She is a Member of the Board of Trustees of Fundação Bradesco.

6.B. Compensation

At annual general shareholders' meetings, the shareholders of Bradesco and its subsidiaries establish the maximum global compensation of the members of the Board of Directors and Board of Executive Officers, constituted by the Executive Officers, Department Officers, Officers and Regional Officers of Bradesco and its subsidiaries for the ensuing year. In 2014, our shareholders set the global compensation for the Board of Directors and Board of Executive Officers of Bradesco and its subsidiaries at R$355.1 million.

In 2014, the Directors and the Board of Executive Officers of Bradesco and its subsidiaries received aggregate compensation of R$319.7 million for their services. Part of the management´s compensation is variable. The current compensation policy sets forth that 50.0% of the net variable compensation amount is meant for the acquisition of Bradesco´s preferred shares to be paid in three annual sequential installments. The first installment is due a year after the payment date. This policy complies with CMN Resolution No. 3,921/10, which regulates compensation policies for senior management of financial institutions.

The Directors and the Board of Executive Officers of Bradesco and its subsidiaries have the right to participate in the same pension plans available to all our employees. In 2014, we contributed R$322.7 million to pension plans on behalf of the Directors and the Board of Executive Officers of Bradesco and its subsidiaries.

6.C. Board of Directors Practices

Our shareholders elect the members of our Board of Directors at the annual general shareholders’ meeting for one-year terms and members may be reelected for consecutive terms. The Board of Directors appoints the members of our Board of Executive Officers for one-year terms, which can also be extended for consecutive terms.

In addition to this requirement, another condition, included in our Bylaws, remains in force to become a member of our *Diretoria Executiva*, a person must have worked for us or our affiliates for a minimum of 10 consecutive years. The Board of Executive Officers, besides the Executive Officers, consists of 42 Department Officers, 7 Officers and 16 Regional Officers. Department Officers, Officers and Regional Officers direct the business of each of our various divisions and branches and report to the *Diretoria Executiva*. To become a Department Officer, Officer or Regional Officer, a person must be an employee or manager at Bradesco or one of our affiliates. Our Board of Directors may, for up to 25.0% of the members of our Board of Executive Officers, waive the fulfillment of certain requirements for their appointment, as follows:

- Executive Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee of Bradesco or any of its affiliates for at least 10 years. Notwithstanding the above, such requirement cannot be waived for persons to be appointed as Chief Executive Officers or Vice-Presidents; and

• Department Officers, Officers and Regional Officers – the Board of Directors can waive the requirement pursuant to which the person should be an employee or member of the management of Bradesco or any of its affiliates.

The members of our Board of Directors are required to work exclusively for us, unless an exception is granted by the Board of Directors. Notwithstanding the above, the members of our Board of Directors are not required to be or to have been our employees, and service as a member of our Board of Directors does not constitute employment with us.

Fiscal Council

Under Brazilian law, corporations may have a "*Conselho Fiscal*," or Fiscal Council, an independent corporate body with general monitoring and supervision powers and shall have from three to five effective members and the same number for alternates. As from the Annual Shareholders´ Meeting held on March 10, 2015, our Bylaws require our Fiscal Council to be a permanent corporate body.

Our Fiscal Council has five full members (João Carlos de Oliveira, Nelson Lopes de Oliveira, José Maria Soares Nunes, Domingos Aparecido Maia and Luiz Carlos de Freitas) and five alternates (Renaud Roberto Teixeira, Jorge Tadeu Pinto de Figueiredo, Nilson Pinhal, João Batistela Biazon and Oswaldo de Moura Silveira) all of whom were elected in March 2015 for a one-year period and their terms will expire on the annual general shareholders' meeting to be held in March 2016. In accordance with Brazilian Corporate Law, our Fiscal Council has the right and obligation to, among other things:

• supervise, through any of its members, the actions of our managers and to verify their fulfillment of their duties;

• review and issue opinions regarding our financial statements prior to their disclosure, including the Notes to the financial statements, the independent auditor's report and any management reports;

• opine on any management proposals to be submitted to the shareholders' meeting related to:

-– changes in our social capital;

-– issuances of debentures or rights offerings entitling the holder to subscribe for equity;

-– investment plans and capital expenditure budgets;

-– distributions of dividends; and

-– transformation of our corporate form and corporate restructuring, as takeovers, mergers and spin-offs.

- inform our management of any error, fraud, or misdemeanor detected and suggest measures management should take in order to protect our main interests. If our management fails to take the measures required to protect the company's interests, inform the shareholders’ meeting of these facts; and

- call general shareholders' meetings if management delays the general shareholders' meeting for more than one month and call special shareholders' meetings in case of material or important matters.

Board Advisory Committees

Board Committees

Our shareholders approved, at the special shareholders' meeting held on December 17, 2003, the creation of the Audit Committee, the Internal Control and Compliance Committee and the Compensation Committee. At the special shareholders' meeting held on March 27, 2006, our shareholders approved the transformation of the Ethics Committee into a statutory committee. At the special shareholders' meeting held on March 24, 2008, our shareholders approved the creation of the Integrated Risk Management and Capital Allocation Committee. At the Special Shareholders’ Meeting held on March 11, 2013, the Shareholders resolved to exclude from the Bylaws Articles 22, 24 and 25, which dealt, respectively, with organizational components of the Internal Controls and Compliance Committee, the Ethics Committee and Integrated Risk Management and Capital Allocation Committee, reflecting the proposal presented by the Executive Committee of Corporate Governance, assessed by the Board of Directors, to maintain in the Bylaws only those committees whose characterization as statutory is required by legal norms, giving greater speed to the process of managing the committees subordinated to the Board of Directors. Thus, only the Audit Committee and the Compensation Committee remain as statutory, which should not be construed as a weakening of the corporate governance structure, as the Board of Directors will maintain these committees under its structure, which removal from the Bylaws was approved.

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Audit Committee – Pursuant to our Bylaws and to Central Bank regulations since April 2004, we have appointed members of the Audit Committee, which may comprise three (3) to five (5) members, each of whom serves a term that can be renewed, in successive appointments, up to a limit of five (5) years, as of the date the member first takes office. Up to one third of the Audit Committee's members may be re-elected for a further five other terms of office. Our Audit Committee members are appointed by, and may be replaced by, the Board of Directors. The current members of the committee are Carlos Alberto Rodrigues Guilherme, who acts as coordinator, Milton Matsumoto and Osvaldo Watanabe, both acting as members with no specific designation and Paulo Roberto Simões da Cunha, who is the Audit Committee financial expert. Carlos Alberto Rodrigues Guilherme and Milton Matsumoto are also members of the Board of Directors.

In addition, under Brazilian law, the function of hiring independent auditors is reserved for the Board of Directors of a company. As a result, as specified in Section 3(a)(58) of the Exchange Act, our Board of Directors functions as our Audit Committee for purposes of approving the engagement of our independent auditors for audit services. Except in these respects, our Audit Committee is comparable to and performs the functions of audit committees of U.S. companies. Since our Audit Committee cannot be compared to the audit committees of American companies in terms of engagement of our independent auditors in audit and non-audit services, we have relied on the exemption set forth in Exchange Act Rule 10A - 3(c)(3) in this regard. For more information see "Item 16.D. Exemptions from the listing standards for Audit Committees."

The responsibilities of the Audit Committee include:

- establishing its own rules of operation;

- recommending to the Board of Directors, which outside firm should be hired to provide independent audit services, the amount of compensation such firm should receive and providing recommendations as to substitute auditors;

- previously analyze plans to retain our independent auditor for services other than auditing financial statements, from the point of view of compliance with rules on independent status;

- reviewing financial statements prior to their disclosure, including the notes to the financial statements, the independent auditor's report and management reports;

- establishing and disclosing procedures for responding to any reports or allegations of a failure to comply with applicable legal requirements or internal codes and regulations, including procedures to ensure the confidentiality and protection of any persons providing information regarding such failures;

- evaluating the effectiveness of the work of both the internal and the independent auditors, including their compliance with applicable legal obligations and internal regulations and codes;

- meeting with the senior management and both the independent and the internal auditors at least quarterly;

- assessing the senior management´s responsiveness to any recommendations made by both the independent and internal auditors;

- advising the Board of Directors regarding any conflicts between the independent auditors and the Board of Executive Officers;

- recommending to the senior management, the correction or improvement of policies, practices and procedures identified when performing their activities; and

- following up by occasion of its meetings, on its recommendations and requests for information, including the planning of the respective auditing works in order to turn into minutes the content of such meetings.

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Compensation Committee –The Compensation Committee has three (3) to seven (7) members, all of whom are members of Bradesco's Board of Directors with terms of office of one (1) year, and according to the provisions set forth in CMN Resolution No. 3,921/10, should have at least one (1) non-management member. Members are appointed by and may be replaced by the Board of Directors. The committee's primary responsibility is to advise the Board of Directors in the coordination of the management compensation policy.

Other Board Advisory Committees

Internal Control and Compliance Committee – The Internal Control and Compliance Committee is composed of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The committee's primary responsibility is to assist the Board of Directors with the performance of its duties related to the adoption of strategies, policies and measures governing internal controls, mitigation of risks, and compliance with the rules applicable to our group.

Ethics Committee – The Ethics Committee is composed of at least five members. All members are formally appointed and may be replaced by the Board of Directors, including its Coordinator. The committee's primary responsibility is to propose actions to ensure the enforcement of our group´s Corporate and Sector Codes of Ethics, and of the corporate policies, especially the Corporate Anticorruption Policy.

Integrated Risk Management and Capital Allocation Committee – The Integrated Risk Management and Capital Allocation Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. This committee's primary responsibility is to advise the Board of Directors in the performance of its duties in the management and control of risks and capital in the sense of the consolidated economic financial entity.

Sustainability Committee – The Sustainability Committee is composed of at least five members, all formally nominated and may be replaced by the Board of Directors, including its Coordinator. The committee's purpose is to advise the Board of Directors in the performance its tasks related to fostering sustainability strategies, including the establishment of corporate guidelines and actions and reconciling economic development issues with those of social responsibility.

Ombudsman

At the special shareholders' meeting held on August 24, 2007, our shareholders formalized the creation of the Ombudsman. Previously the Company had an informal Ombudsman. The Ombudsman works on behalf of all the institutions within the Organization, authorized to operate by the Central Bank. There is one (1) Ombudsman, with a one-year (1) term. The Ombudsman is appointed and may be dismissed by the Board of Directors.

The Ombudsman is responsible for:

- checking strict compliance with legal and regulatory rules related to consumer's rights and acting as a communication channel among the institutions comprising the Bradesco Group authorized to operate by the Central Bank and customers and users of its products and services, including mediating conflicts;

- receiving, registering, instructing, analyzing and formally and properly dealing with complaints of customers and users of products and services of the abovementioned institutions, not resolved by the usual services offered by the branches or by any other service station;

- giving necessary clarifications and replying to claimants regarding the status of complaints and the solutions offered;

- informing claimants of the term for the final answer, which should not exceed 15 days;

- sending a conclusive answer to the claimant's demand until expiration of the term;

- proposing to the Board of Directors corrective or improvement measures to procedures and routines based on the analysis of the complaints received; and

- preparing and sending to the Board of Directors, the Audit Committee and the Internal Audit, at the end of each semester, a qualitative report regarding the Ombudsman's performance, comprising the proposals addressed in the prior item, if any.

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In March 2010, the Central Bank issued new rules related to the implementation and operation of Ombudsman's Offices in financial institutions with specific procedures regarding service to individual and corporate customers classified as micro companies. The rules for our Ombudsman's duties comply with those provisions.

According to our Bylaws and in order to comply with the rules of the Central Bank, in March 2015, Nairo José Martinelli Vidal Júnior was appointed by the Board of Directors as an Ombudsman, until the first Extraordinary Meeting of the Board of Directors to be held after the Annual Shareholders' Meeting of 2016.