Bradesco

Risk Management Report

Pillar 3

2Q15

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Introduction

The Organization believes that risk management is essential to ensure the long-term stability of financial institutions and that transparency in the disclosure of information regarding this activity strengthens the Organization, contributing to the solid health of the national financial system and society in general. As a consequence of the continuous risk management process and adoption of the best practices, the Organization was the first[1] financial institution in Brazil authorized by the Brazilian Central Bank (Bacen), since January 2013, to use its internal market risk models to calculate regulatory capital. Those models were already in use for managerial purposes.

This report seeks to provide stakeholders access to information on risk management in the Organization. It presents a detailed picture of the practices and controls of the main risks to which it is exposed, thus allowing market agents to appraise its capital adequacy. Also, this report is in accordance with Basel Committee on Banking Supervision's recommendations, and other Bacen's rules required by the Bacen through Circular Letter 3,678.

This report should be read with other information disclosed by the Organization, such as the Report on Economic and Financial Analysis and the Supplementary Information to the Report on Economic and Financial Analysis, which present information on all Organization's activities. For more information, access our Investor Relations website at www.bradescori.com.br.

Corporate Profile

Incorporated in 1943, Bradesco is today one of the largest financial institutions in Latin America, with R$ 1.03 trillion in consolidated assets and 67.8 million customers, 26.5 million of which are account holders with access to one of the largest service networks in the country, present in every single Brazilian city.

Internationally recognized for its financial solidity and tradition of excellent customer services, the Organization's proposition is to create value for the diverse stakeholders with whom it maintains relations, offering products and services in all business segments in which it operates.

The Organization's vision is to be recognized as the best and most efficient financial institution in Brazil and for its efforts towards banking inclusion and sustainable development. Effective monitoring and control of risks is essential to turn this vision into reality.

Scope of Risk Management

The Organization applies the broadest scope to its risk management, allowing the risks inherent to the Economic-Financial Consolidated (includes the regulatory scope of the Prudential Conglomerate and other companies in the Consolidated) to be duly identified, measured, mitigated, monitored and reported, all in order to support the development of its activities.

[1] As per BIS document named "Regulatory Consistency Assessment Programme (RCAP) – Assessment of Basel III regulations in Brazil", of December 2013.

Risk Appetite

Risk appetite refers to the types and levels of risk that the Organization generally accepts in the process of working towards its business and goals, reflecting in its risk and capital management philosophy, which influences the culture and manner in which the Organization operates.

This appetite is influenced by a number of factors, including, among them, the corporate strategy, solvency goals, liquidity indexes, control of portfolio concentration and definition of types of risk not accepted in the conduction of business.

The Organization’s risk appetite is defined and formalized by the Board of Directors, which is assisted by the Integrated Risk Management and Capital Allocation Committee (COGIRAC), and controlled by several risk limits. Risk appetite is aligned with the Organization’s strategy, proving the engagement of the governance structure in defining and monitoring risks. The risk monitoring process is a corporation-wide activity and starts right from the Organization's budget process.

Risk Map

Given the complexity and variety of products and services offered to its customers in all the market segments, the Organization is exposed to diverse types of risks stemming from both internal and external factors. Thus, it is very important that the Organization constantly monitors all the risks in order to provide all stakeholders with security and comfort. Notable among the main risk types are:

Financial Risks	■ **Credit Risk -** represented by the possibility of losses due to the non-compliance by either borrower or the counterparty of their respective financial obligations under the agreed-upon terms, as well as the depreciation of the credit agreement resulting from the downgrading of the borrower's credit rating, the reduction of gains or remuneration, advantages tranted in renegotiation, recovery costs, and other amounts related to the counterparty's non-compliance with their financial obligations
	■ **Counterparty's Credit Risk -** represented by the possibility of loss due to the non-compliance by the counterparty with the obligations relating to the settlement of operations involving financial asset trading, including the settlement of derivative financial instruments or decrease of the counterparty's credit standing.
	■ **Concentration Risk -** represented by the possibility of loss due to significant exposure to a counterparty, risk factor, product, economic sector or geographic region.
	■ **Market Risk -** represented by the possibility of financial loss due to fluctuating prices and interest rates of the Organization's financial assets as its asset and liability portfolios may show mismatched maturities, currencies and indexes.
	■ **Liquidity Risk -** represented by the possibility of the Organization not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the Organization not being able to trade a position at market price due to its high amount when compared to the usually traded volume or due to some market discontinuation.
	■ **Insurance Risk -** resulting from an adverse economic situation, which is contrary to insurance company's expectations upon the preparation of its insurance policy, as well as the uncertainties in estimated provisions.
Non-Financial Risks	■ **Operational Risk -** represented by the possibility of losses arising from faulty, defficient or inadequate internal processes, people and systems, or external events. This definition includes legal risk associated to activities developed by the Organization.
	■ **Strategic Risk -** represented by the possibility of not accomplishing established objectives due to adverse business environment changes or use of inadequate assumptions in decision making processes.
	■ **Legal or Compliance Risk -** represented by the possibility of the Organization not conducting its business in conformity with laws, rules, regulations and codes of conduct applicable to activities, which may consequently cause damages to its image and financial losses resulting from lawsuits and legal sanctions.
	■ **Legal Unpredictability Risk (Regulatory Risk) -** represented by changes in laws established by government authorities that may impact on private relations and change legally contracted rights and obligations.
	■ **Reputational Risk -** represented by the loss of credibility before customers, competitors, government agencies, market or community, resulting from undue and improper actions, acts and behavior.
	■ **Social and Environmental Risk -** represented by potential damages that a business may cause to the society and environment. Most of social and environmental risks associated to financial institutions are indirect and result from business relations, including those with the supply chain and customers through financing and investing activities.

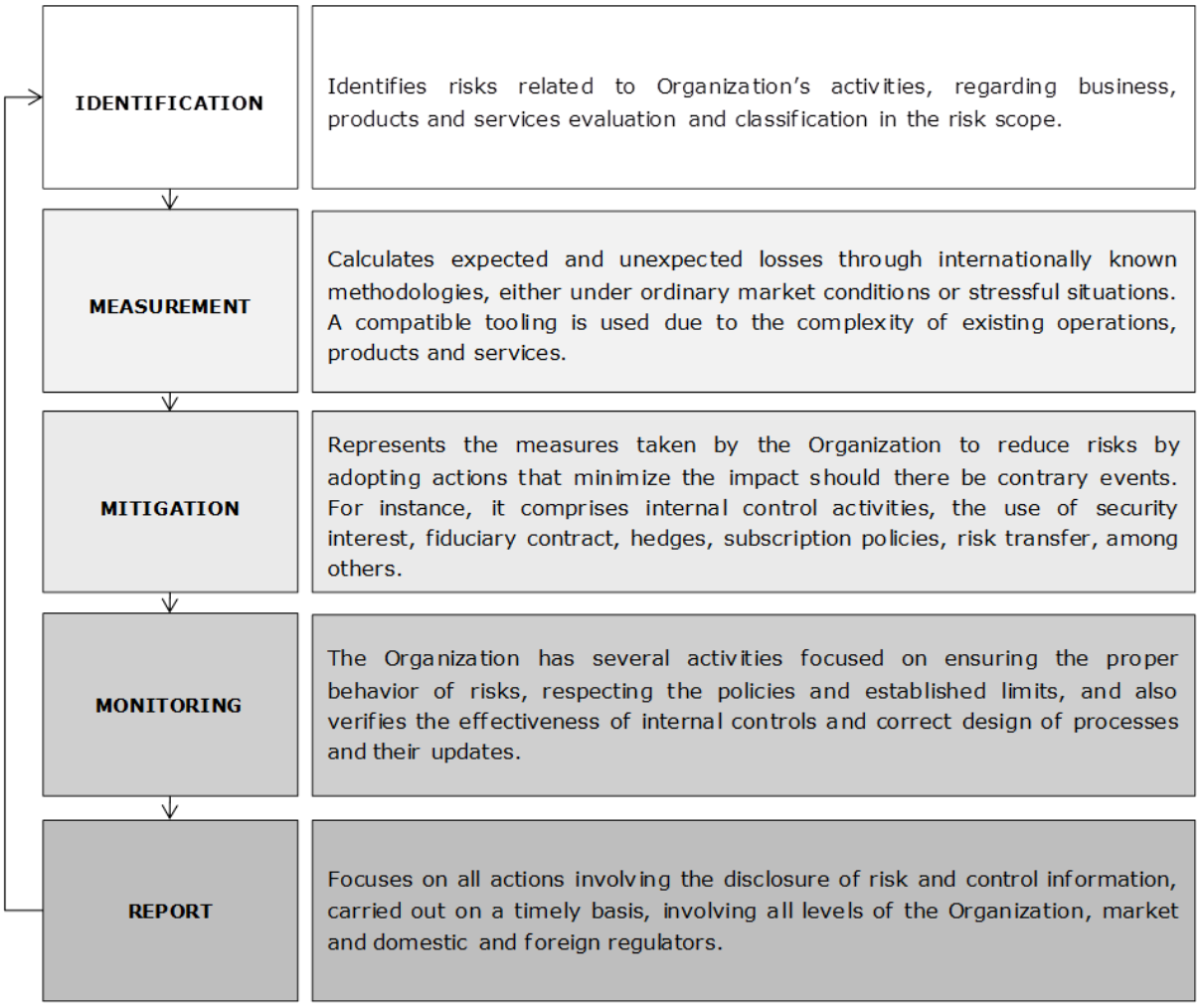
Risk Management Process

Objectives and Strategies

The activity of risk management is of great strategic importance due to the increasing complexity of services and products and the globalization of the Organization's business. The dynamic nature of the market is conducive of constant improvement of risk management activity.

The Organization conducts corporate risk control in an integrated and independent manner, preserving and valuing an environment of collective decision-making in which methodologies, models and tools to measure and control risks are developed. The Organization also works on training its employees at all levels, from business areas to the Board of Directors.

The risk management process allows the proactive identification, measurement, mitigation, monitoring and reporting of risks, which is necessary for the complexity of financial products and the profile of the Organization's activities, is made up of the following stages:



Risk and Capital Management Policies

The Organization has policies, rules and procedures to manage risks and capital. These instruments establish the basic operational guidelines laid out by Senior Management in accordance with the institution's standards of integrity and ethics and cover all the activities performed by the Organization and associated companies.

Policies, standards and procedures ensure that the Organization is structured in accordance with the nature of its operations, the complexity of its products and services, activities, processes, systems and the dimension of its risk exposure.

The risk and capital management policies are in line with the Organization's strategic objectives, the best national and international practices and in compliance with laws and regulations issued by oversight bodies. They are reviewed at least once a year by the Board of Directors and disseminated to all employees and associated companies via the corporate intranet.

Risk and Capital Management Policies	■ Corporate Governance ■ Credit Risk Management ■ Market and Liquidity Risk Management ■ Operational Risk Management ■ Insurance Risk Management ■ Business Continuity Management ■ Hiring and Management of Outsourced Services ■ Corporate Sustainability ■ Strategy Risk Management ■ Capital Management ■ Compliance and Internal Control

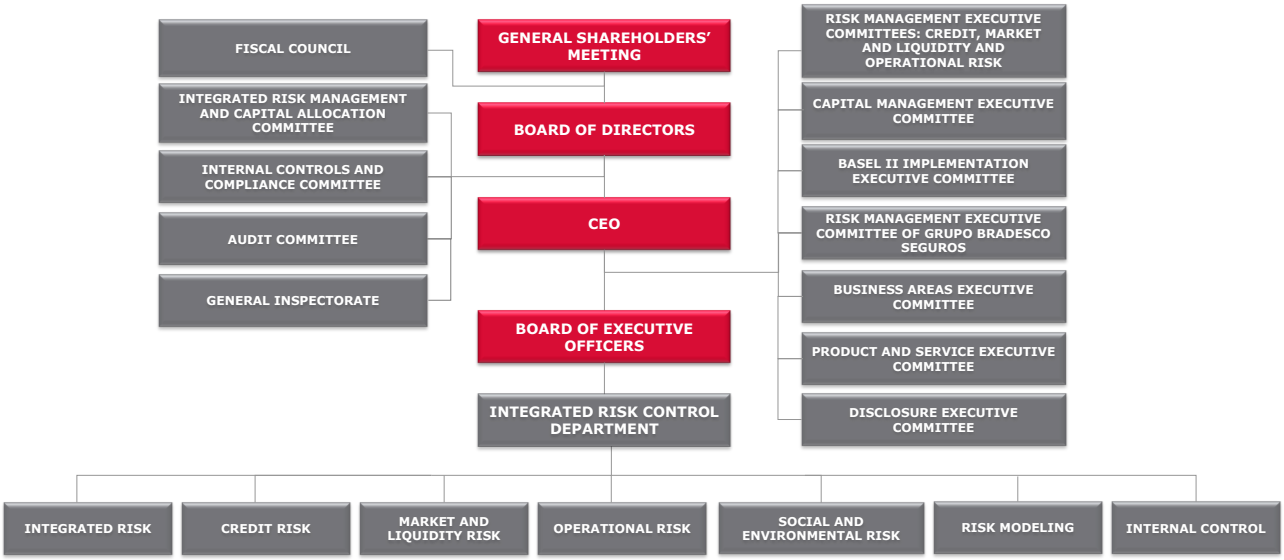
Risk and Capital Management Structure

The risk and capital management structure is made up of committees, which assist the Board of Directors, the CEO and the Board of Executive Officers in their strategic decision-making process.

The Organization has a committee known as the Integrated Risk and Capital Allocation Management Committee, whose duty is to advise the Board of Directors in performing its duties in the capital and risk management and control.

The bodies that assist this committee are Capital Management Executive Committee, and Risk Management Executive Committees for a) Credit, b) Market and Liquidity, c) Operational and Social and Environmental, d) Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários and e) Basel Capital Accord. In addition, it also has the support of the Products and Services Executive Committee and the Executive Committees in business areas, which, among other duties, suggest exposure thresholds to their respective risks and prepare mitigation plans to be submitted to the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

It is worth highlighting the Integrated Risk Control Department (DCIR), responsible for implementing risk control and capital allocation through solid practices and certification of existence, execution and effectiveness of controls which assure acceptable risk levels in the Organization's processes, independently, consistently, on a transparent and integrated manner. This Department is also responsible for complying with the Bacen rules for risk management activities.



Risk and Capital Management Governance

All the levels of the Organization participate in its corporate governance with the aim of optimizing the Company's performance and safeguard stakeholders' interests, also facilitating access to capital, adding value to the Organization and contributing to its sustainability, mainly through transparency, equal treatment and accountability. This framework complies with guidelines laid out by the Board of Directors.

In this context, risk and capital are managed through collective decisions based on specific committees. This process relies on the participation of all corporate governance segments, ranging from Senior Management to the diverse business, operational, product and service areas.

Board of Directors	■ Approves and revises risk management strategies, and risk and capital management structures and policies, including risk appetite and exposure limits by types of risk.
Integrated Risk Management and Capital Allocation Committee	■ Validates and submits exposure appetite and limits by types of risk for approval by the Board of Directors; ■ Validates and submits risk and capital management policies for approval by the Board of Directors; ■ Ensures compliance with risk management policies; ■ Monitors risk profile, performance, capital requirements and sufficiency exposure versus limits and risk control.
Audit Committee	■ Revises the integrity of financial statements; ■ Recommends to the Board of Executive Officers corrections or improvements to policies, practices and procedures identified within the scope of its duties.
Internal Controls and Compliance Committee	■ Evaluates the effectiveness and compliance of the Organization's Internal Controls System; ■ Certifies the compliance of procedures with rules, regulations and applicable laws; ■ Submits Semester Reports on Compliance with Internals Controls on the Organization's companies to the Board of Directors.
Inspectorate/Internal Auditors	■ Certifies the business risk management process; ■ Ensures compliance with policies, rules, standards, procedures and internal and external regulations; ■ Recommends improvements to the internal control environment.
Executive Disclosure Committee	■ Supports Senior Management in evaluating the disclosure of transactions and relevant information related to the Organization; ■ Evaluates reports to ensure they are prepared in accordance with controls and procedures defined for their preparation.
Executive Committees **Market and Liquidity Risks** **Credit Risk** **Operational Risk** **Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários Risks**	■ Guarantee compliance with risk management policies; ■ Ensure the effectiveness of the risk management process; ■ Approve definitions, criteria and procedures to be adopted, in addition to methodologies, models and tools used in management and measurement of risk; ■ Monitor and evaluate information on risk exposure level, both consolidated and by area; ■ Monitor market movements and developments, evaluating the implications and risks thereof.
Capital Management Executive Committee	■ Approves capital management methodologies, definitions, criteria and tools; ■ Evaluates and submits for approval by the Risk Management and Capital Allocation Committee the policy, structure, documents, responsibilities, risk appetite, capital plan and capital adequacy report.
Basel Executive Committee	■ Establish corporate patterns for compliance with the Basel Capital Accord, facilitating the demands required for the Organization's compliance with the rules and for proper monitoring of its implementation.
Product and Service Executive Committee	■ Ensures that all risks have been pointed out and are acceptable, resolving on the creation, change, suspension or discontinuity of products and services.
Collection and Recovery Executive Committee	■ Resolves on proposals for the renegotiation of debts overdue or with potential risk loss; ■ Approves corporate rules, procedures, measures and guidelines related to the Credit Collection and Recovery; ■ Defines limits of authorization to approve debt renegotiation.
Credit Executive Committee	■ Makes collegiate decisions to verify limits or operations involving credit risk, proposed by Bradesco Organization's Premises and Companies.

Executive Treasury Committee for Asset and Liability Management	■ Define strategies for managing assets and liabilities based on an analysis of the domestic and international political and economic scenarios and for pricing asset, liability and derivative operations with Bradesco Organization customers; ■ Evaluate external asset hedging strategies; ■ Validate the proposed risk exposure tolerance limits and liquidity rule and submit them for approval to the Integrated Risk and Capital Allocation Management Committee.
Treasury Executive Committee	■ Defines Treasury strategies to optimize results based on the analysis of domestic and international economic and political scenarios; ■ Validates and submits for the Integrated Risk Management and Capital Allocation Committee's approval of the proposals for tolerance thresholds of exposure to Treasury risks; ■ Monitors results, behaviors and risks of the Trading Portfolio, the mismatches of assets and liabilities, and the clients' portfolio.
Strategic Planning Executive Committee	■ Evaluates positions on the strategy risk and defines actions for its mitigation.

Credit Risk

Credit risk refers to the possibility of losses associated with the borrower's or counterparty's failure to comply with their financial liabilities under the terms agreed upon, as well as the depreciation of loan agreements resulting from deterioration in the borrower's risk rating, the reduction in gains or remunerations, and also with benefits granted in renegotiations, recovery costs and other amounts related to the counterparty's default with the financial obligations.

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

The Organization carefully controls its exposure to credit risk, which mainly results from credit operations, securities and derivative financial instruments. Credit risk also stems from financial obligations related to credit commitments or financial guarantees.

In order to ensure the quality expected from the portfolio, special attention is paid to all aspects of the lending process, credit concentration, guarantee requirements, maturities, among others.

The Organization continuously maps all the activities that could possibly generate exposure to credit risk, classifying them by their probability and magnitude, identifying their managers, as well as their measurement and mitigation plans.

Counterparty Credit Risk

The counterparty credit risk to which the Organization is exposed is represented by the possibility of loss due to the default by the counterparty with the obligations relating to the settlement of operations involving financial asset trading, including the settlement of derivative financial instruments or decrease of the counterparty's credit standing.

The Organization exercises complete control over its net position (the difference between purchase and sale agreements) and the potential future exposure of operations involving

counterparty risk. All exposure to counterparty risk is part of the general credit limits set for Organization's customers. Normally, guarantees related to this type of operation are margin deposits made by the counterparty to the Organization or other custodial institutions, which also duly assess their own counterparty risks.

Lending Process

In the Credit Department, the lending process is based on the Organization's Credit Policy, which lays emphasis on safety, quality and liquidity while investing in credit assets. The Organization's risk management governance permeates the entire process, which fully complies with Bacen rules.

In the constant pursuit for agility and profitability in the business, the Organization uses the appropriate methodologies for each segment in which it operates, which guide the lending processes and the determination of operational limits.

The assessment and classification of the total risk of customers and economic groups, the Organization considers the quantitative (economic and financial indicators) and qualitative (registration and behavioral data) aspects of the customers' capacity to pay their debts.

All business proposals are subject to operational limits within the Organization, which are included in the Loan Guidelines and Procedures. At branches, the delegation of power to grant a loan depends on its amount, the customer's total exposure to the Organization, the collaterals and guarantees posted, the level of restriction and their credit risk score/rating. Business proposals with risks beyond these limits are submitted to technical analysis and approval by Credit Department.

The Executive Credit Committee was created to decide, within its authority, on queries about assignment of limits or operations proposed by business areas, previously analyzed and with opinion from the Credit Department. According to the financial amount, operations/limits proposed, from this Committee, may be submitted for approval by the Board of Directors, depending on the amounts involved.

Loan proposals pass through an automated system with parameters to provide indispensable information for analysis and granting of loans, in addition to the follow-up of the loans granted, thereby minimizing the risks inherent to the operations.

The Organization has exclusive Credit and Behavior Scoring systems for the assignment of mass loans in the Retail segment, meant to provide greater speed and reliability, while standardizing the procedures for loan analysis and approval.

Business is diversified, wide-spread and aimed at individuals and companies with a proven payment capacity and solvency, always seeking to support them with collaterals and guarantees that are adequate to the risk assumed, considering the credit lines, amounts and the maturities of loan granted.

Credit Risk Mitigation

Potential credit losses are mitigated by the use of a series of collaterals formally stipulated through legal instruments, such as conditional sales, liens, mortgages, by guarantees such as third-party sureties or guarantees, and also by financial instruments such as credit derivatives.

The efficiency of these instruments is evaluated considering the time to recover and realize an asset given as collateral, its market value, the guarantors' counterparty risk and the legal safety of the agreements. The main types of collaterals include: term deposits; financial investments and securities; residential and commercial properties; movable properties such as vehicles, aircraft, machinery and equipment; furthermore, security interest also include commercial bonds such as invoices, checks and credit card bills. Sureties and guarantees may also include bank guarantees and letters of credit.

Credit derivatives are bilateral agreements where one of the counterparties buys hedge against credit risk of a specific financial instrument and its risk is transferred to the selling counterparty. Usually, the later receives a linear remuneration during transaction's effectiveness. In the event of default, the counterparty who bought the hedge will be paid, the purpose of which is to mitigate the financial instrument impairment. In this case, the selling counterparty receives the underlying asset in exchange for referred payment.

Credit Risk Rating

The credit risk assessment methodology, in addition to providing data to establish the minimum parameters for lending and risk management, also enables the definition of special Credit Rules and Procedures according to customer characteristics and size. Thus, the methodology provides the basis not only for the correct pricing of operations, but also for defining the appropriate guarantees.

The methodology used also follows the requirements established by National Monetary Council (CMN) Resolution 4,327 and includes analysis of social and environmental risk in projects, aimed at evaluating customers' compliance with related laws and the Equator Principles, a set of rules that establish the minimum social and environmental criteria which must be met for lending.

In accordance with its commitment to the continuous improvement of methodologies, the credit risk rating of the Organization's economic groups/customers uses a seventeen-level scale, in which thirteen levels represent performing loan operations, ensuring greater compliance with the requirements of the Basel Capital Accord.

The risk ratings for economic groups (companies) are based on statistical analysis and parameterized judgment, using quantitative and qualitative information. Classifications are made on a corporate basis and periodically monitored so as to preserve loan portfolio quality.

With respect to individuals, risk ratings are generally defined based on their registered reference variables, namely: income, equity, restrictions and indebtedness, as well as their past relationship with the Organization, also using statistical models for credit assessment.

The criteria set forth by CMN Resolution 2,682 for recording the necessary provisions were maintained according to the rating equivalence shown in the table below:

Internal Rating Grades	CMN Resolution 2,682 Rating
AA1 AA2 AA3	AA
A1 A2 A3	A
B1 B2 B3	B
C1 C2 C3	C
D	D
E	E
F	F
G	G
H	H

Credit Risk Management Process

The credit risk management process is conducted in a corporation-wide manner. This process involves several areas with specific duties, ensuring an efficient structure. Credit risk measurement and control are conducted in a centralized and independent manner.

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

This area continuously reviews the internal processes, including the roles and responsibilities and IT training and requirements, as well as conducts periodical review of risk evaluation processes to incorporate new practices and methodologies.

Controlling and Monitoring

The Organization's credit risk is controlled and monitored by the credit risk area of the DCIR. The department advises the Executive Credit Risk Management Committee, in which methodologies for credit risk measurement are discussed and formalized. Significant issues discussed in this committee are reported to the Integrated Risk and Capital Allocation Management Committee, which is subordinated to the Board of Directors.

Additionally to the committee, the area holds monthly meetings with all product and segment executives and officers, with a view to informing them about the evolution of the loan portfolio, delinquency, adequacy of allowance for loan losses, loan recoveries, gross and net losses, portfolio limits and concentrations among others. This information is also reported to the Audit Committee on a monthly basis.

The area also monitors any internal or external event that may cause a significant impact on the Organization's credit risk, such as mergers, bankruptcies and crop failure, in addition to monitoring industries in which the company is exposed to significant risks.
Both the governance process and existing limits are sanctioned by the Integrated Risk and Capital Allocation Management Committee, which are submitted for the approval of the Board of Directors, and are revised at least once a year.

Internal Reporting

Credit risk is monitored on a daily basis in order to maintain the risk levels within the limits established by the Organization. Managerial reports on risk control are provided to all levels of business, from branches up to the Senior Management.

Pointing out the risk situations that could impact the liquidity of loans granted to customers, the credit risk monitoring area provides daily reports, through a corporate system, to the branches, business segments, as well as the lending and loan recovery areas. This system provides dynamic information about the loan portfolios and credit bureau information of customers, in addition to enabling comparison of the past and current information, highlighting points requiring a more in-depth analysis by managers.

The Organization also has a corporate system of credit risk indicators to provide the lending and loan recovery areas, business areas, regional managers and branches with information on assets by segment, product, region, risk rating, delinquency and expected and unexpected losses, among others. This system provides both a macro-level and detailed view of the information, and also enables a specific loan operation to be viewed.

The information is viewed and delivered via reports, allowing queries at several levels such as business segment, divisions, managers, regions, products, employees and customers, and under several aspects (asset, delinquency, provision, write-off (loss), restriction levels, use of collaterals, portfolio quality by rating, among others).

Credit Risk Exposure

Total exposure of the Organization's assets for assessment of capital requirements, in the scope of the Prudential Conglomerate, reached R$ 1.3 trillion in June 2015. Cash operations, central bank reserves and federal government bonds totaled R$ 236.3 billion, which accounted for 18.17% of total operations, presenting an extremely low credit risk.

Operations bearing credit risk, mainly composed of loans and discounted receivables, financing, guarantees, debentures, commercial papers and CDI, stood at R$ 525.7 billion (40.42% of total) and other financial assets comprised of securities financing transactions, derivatives, investment fund quotas, unsettled foreign exchange transactions, international treasury, among others, stood at R$ 538.5 billion (41.41% of total).

Asset exposures with credit risk are detailed in the following tables:

By Type of Exposure, Country and Region

R$ million

	Jun-15	%	Mar-15	%
By Type				
Credit Operations (Non-Retail)	150,005	11.5	149,808	11.7
Credit Operations (Retail)	170,379	13.1	168,562	13.2
Guarantees	73,447	5.6	74,702	5.8
Loan Commitments	97,086	7.5	83,764	6.6
Securities, Derivatives and Interbank Investments	671,230	51.6	660,926	51.7
Other Assets[1]	138,441	10.6	140,843	11.0
By Country				
External Market	44,555	3.4	45,857	3.6
Internal Market	929,004	71.4	948,836	74.2
Other Exposures	327,028	25.1	283,913	22.2
By Region				
Southeast	805,484	86.7	825,331	87.0
South	47,452	5.1	48,264	5.1
North	12,365	1.3	12,226	1.3
Northeast	41,100	4.4	40,052	4.2
Midwest	22,602	2.4	22,964	2.4
Total Exposure	**1,300,587**	**-**	**1,278,606**	**-**
Quarter Average	**1,292,231**	**-**	**1,249,343**	**-**

(1) Other Assets refer to Tax Credits and Advances Granted, among other.

By Industry

Following is the evolution of the main credit risk exposures, by industry:

R$ million

By Industry	Jun-15	%	Mar-15	%
Industry	**108,568**	**8.3**	**103,934**	**8.1**
Food and beverage	20,295	1.6	20,119	1.6
Leather products	896	0.1	878	0.1
Rubber products and plastics	3,092	0.2	3,187	0.2
Automotive parts and accessories	2,676	0.2	2,710	0.2
Other industries	4,997	0.4	4,700	0.4
Edition, printing and reproduction	1,458	0.1	1,492	0.1
Electro-electronic	1,524	0.1	1,502	0.1
Metallic and non-metallic mineral extraction	7,374	0.6	6,841	0.5
Non-metallic materials	6,275	0.5	6,337	0.5
Furniture and wooden products	2,268	0.2	2,219	0.2
Paper and pulp	4,878	0.4	5,033	0.4
Chemical	7,139	0.5	7,303	0.6
Oil refining and ethanol production	13,564	1.0	10,604	0.8
Siderurgic, metallurgic and mechanical	16,319	1.3	16,189	1.3
Textile and clothing	3,384	0.3	3,397	0.3
Light and heavy vehicles	12,430	1.0	11,422	0.9
Commerce	**56,850**	**4.4**	**57,931**	**4.5**
Personnal and household products	2,995	0.2	3,058	0.2
Wholesale goods	1,353	0.1	1,369	0.1
Fuel	2,003	0.2	2,096	0.2
Other commerce	5,699	0.4	5,774	0.5
Commerce intermediary	1,091	0.1	1,031	0.1
Agriculture and cattle raising products	2,661	0.2	2,502	0.2
Food, beverages and tobacco	5,723	0.4	6,001	0.5
Products in specialized stores	9,876	0.8	10,205	0.8
Repair, parts and accessories for automotive vehicles	2,928	0.2	3,000	0.2
Waste and scrap	5,325	0.4	5,650	0.4
Non-specialized retailer	9,591	0.7	9,340	0.7
Automotive vehicles	3,775	0.3	4,103	0.3
Clothing and footwear	3,830	0.3	3,804	0.3
Services	**573,974**	**44.1**	**602,712**	**47.1**
Accommodation and feeding	3,363	0.3	3,428	0.3
Associative, recreational, cultural and sporting activities	7,598	0.6	7,058	0.6
Real estate activities, rents and services rendered to companies	19,281	1.5	19,983	1.6
Construction	40,084	3.1	41,587	3.3
Other services	378,612	29.1	420,756	32.9
Holdings, accounting and legal activities and corporate consulting	19,269	1.5	19,358	1.5
Electricity, gas and water production and distribution	13,537	1.0	13,295	1.0
Social services, education, health, defense and social security	58,553	4.5	42,534	3.3
Telecommunications	8,306	0.6	8,304	0.6
Transportations and storages	25,369	2.0	26,409	2.1
Financial Intermediaries	**41,372**	**3.2**	**39,588**	**3.1**
Agriculture, cattle raising, fishing, forestry and forest exploration	**3,662**	**0.3**	**3,785**	**0.3**
Individual	**189,133**	**14.5**	**186,744**	**14.6**
Other Exposures	**327,028**	**25.1**	**283,913**	**22.2**
Total Exposure	**1,300,587**	**100.0**	**1,278,606**	**100.0**

Transactions with Characteristics of Lending Process

In the four charts and graphs below we provide information related to the loan portfolio (concept defined by Bacen), including exposure of individual's credit card limits.

By Type and Industry

R$ million

	Jun-15									Mar-15
	Government		Private Sector						Total	Total
	State	Federal	Agriculture	Commerce	Industry	Financial Intermediaries	Services	Individuals		
Farm Loan	-	-	1,280	1,592	2,259	198	730	9,662	15,721	16,572
BNDES/Finame Onlending	-	-	807	4,504	9,649	0.04	17,132	7,170	39,261	40,915
Imports and Exports	-	5,919	671	4,414	27,395	43	4,218	-	42,660	39,445
Working Capital, Discount of Bills and Overdraft Account	-	6	437	22,789	15,394	1,124	41,397	-	81,148	82,080
Other	14	4,563	287	7,985	5,727	2,444	29,998	139,875	190,894	187,914
Total	**14**	**10,487**	**3,482**	**41,284**	**60,425**	**3,810**	**93,475**	**156,707**	**369,684**	**366,927**

Note: In Individuals, includes the balances of limits in the Credit Card segment.

By Type and Region

R$ million

	Jun-15								Mar-15
	Domestic Market					Foreign Market	Total	Average of quarter	Total
	Southeast	South	North	Northeast	Mid-West				
Individuals	**109,050**	**13,664**	**5,509**	**16,364**	**10,972**	**1,146**	**156,707**	**156,037**	**155,367**
Farm Loan	3,881	2,402	390	321	2,668	-	9,662	9,892	10,121
Real Estate Financing	12,662	2,183	584	2,331	1,388	-	19,148	18,689	18,230
Personal Line of Credit (including payroll-deductible loan)	32,186	2,798	2,536	8,756	2,254	0.03	48,529	47,952	47,375
CDC/Vehicle Leasing	20,118	1,010	360	996	682	-	23,166	23,559	23,952
Credit Card	33,110	1,966	854	2,356	1,210	395	39,891	39,689	39,487
BNDES/Finame Onlending	2,132	2,163	343	489	2,043	-	7,170	7,247	7,324
Other	4,960	1,143	444	1,116	728	751	9,142	9,010	8,877
Corporate	**119,485**	**25,839**	**4,415**	**12,944**	**9,204**	**41,090**	**212,977**	**212,268**	**211,560**
Farm Loan	3,281	2,429	8	167	174	-	6,059	6,255	6,451
BNDES/Finame Onlending	18,682	8,017	926	2,283	2,184	-	32,091	32,842	33,592
Imports and Exports	18,360	2,792	83	460	291	20,675	42,660	41,052	39,445
Working Capital, Discount of Bills and Overdraft Account	40,209	8,360	2,104	5,863	4,202	20,411	81,148	81,614	82,080
Other	38,954	4,242	1,294	4,171	2,353	5	51,019	50,505	49,992
Total	**228,536**	**39,503**	**9,924**	**29,309**	**20,176**	**42,236**	**369,684**	**368,305**	**366,927**

Note: In Individuals, includes the balance of limits in the Credit Card segment.

By Type and Remaining Maturity

R$ million

	Jun-15					Mar-15
	Contracts with Remaining Maturity				Total	Total
	Up to 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Above 5 years		
Individuals	**44,558**	**17,066**	**58,414**	**36,669**	**156,707**	**155,367**
Farm Loan	5,487	1,422	2,649	104	9,662	10,121
Real Estate Financing	64	21	541	18,522	19,148	18,230
Personal Line of Credit (includes payroll-deductible loan)	3,725	2,887	26,809	15,108	48,529	47,375
CDC/Vehicle Leasing	674	1,729	20,671	92	23,166	23,952
Credit Card	28,336	10,422	1,132	0.3	39,891	39,487
BNDES/Finame Onlending	161	147	4,195	2,667	7,170	7,324
Other	6,110	437	2,418	176	9,142	8,877
Corporate	**55,528**	**20,834**	**103,392**	**33,224**	**212,977**	**211,560**
Farm Loan	2,589	712	2,321	437	6,059	6,451
BNDES/Finame Onlending	1,422	2,257	19,242	9,171	32,091	33,592
Imports and Exports	12,310	8,292	17,609	4,449	42,660	39,445
Working Capital, Discount of Bills and Overdraft Account	31,945	7,844	37,077	4,281	81,148	82,080
Other	7,261	1,728	27,143	14,886	51,019	49,992
Total	**100,086**	**37,900**	**161,806**	**69,893**	**369,684**	**366,927**

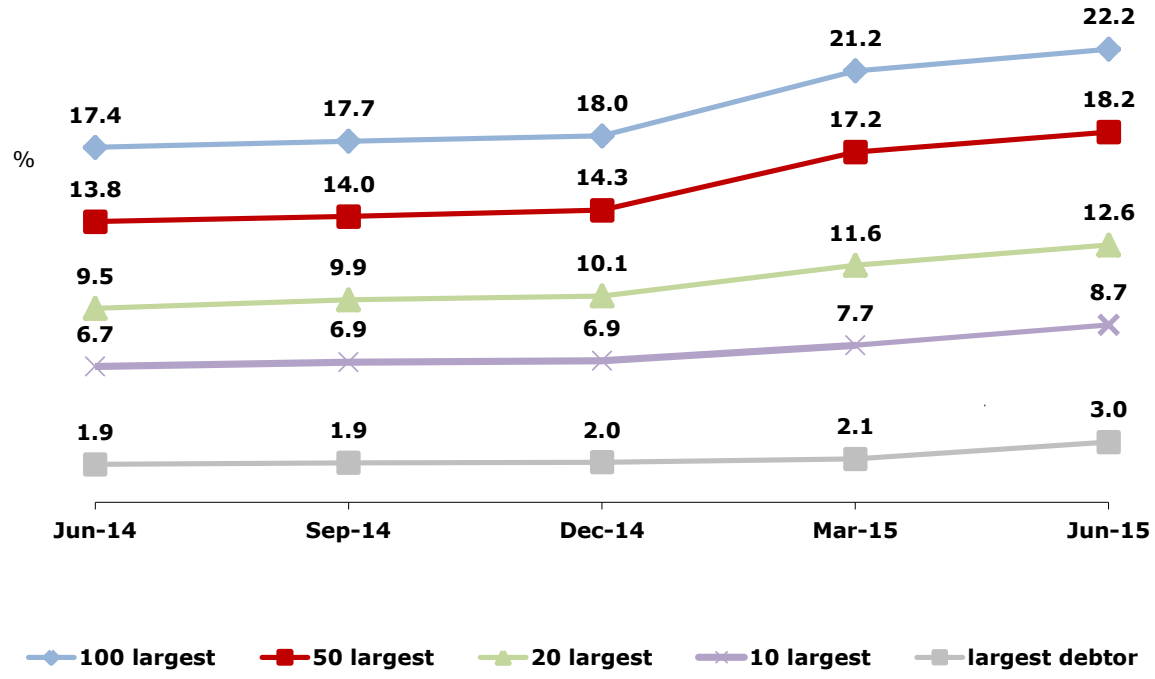
Note: In Individuals, includes the balance of limits in the Credit Card segment.

By Past due loans, Industry and Region

R$ million

	Jun-15						Mar-15
	Past due 15 to 60 days	Past due 61 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due more than 360 days	Total	Total
Sector							
Government	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-
Private Sector	**11,602**	**3,051**	**6,138**	**6,770**	**286**	**27,848**	**26,830**
Agriculture	51	14	19	100	1	186	196
Commerce	1,268	444	839	1,098	37	3,685	3,660
Industry	1,122	287	991	719	136	3,255	2,847
Financial Intermediaries	2	0.5	2	5	25	34	32
Services	2,540	616	1,048	1,075	48	5,327	5,193
Individuals	6,619	1,690	3,239	3,773	39	15,360	14,903
Overall Total	**11,602**	**3,051**	**6,138**	**6,770**	**286**	**27,848**	**26,830**
% Total	**41.7**	**11.0**	**22.0**	**24.3**	**1.0**	**100.0**	
Region							
Domestic Market	**11,255**	**3,015**	**5,864**	**6,545**	**205**	**26,884**	**26,138**
Southeast	7,287	1,970	3,903	4,226	130	17,517	17,010
South	1,447	369	685	832	25	3,357	3,183
North	561	154	264	308	4	1,290	1,208
Northeast	1,194	310	631	707	39	2,881	2,757
Mid-West	767	212	382	472	7	1,840	1,980
Foreign Market	**348**	**36**	**274**	**225**	**81**	**964**	**692**
Overall Total	**11,602**	**3,051**	**6,138**	**6,770**	**286**	**27,848**	**26,830**

By Borrower



Changes in Allowance for Loan Losses (ALL)

The changes in allowance for loan losses, including the flow of write-off of the loan portfolio (concept defined by Bacen) in the quarter, is presented below:

On June 30, 2015 - R$ million

	Government		Private Sector						TOTAL
	State	Federal	Agriculture	Commerce	Industry	Financial Intermediaries	Services	Individuals	
Opening balance - ALL as of Mar-15	**-**	**-**	**197**	**3,364**	**3,376**	**48**	**4,935**	**11,037**	**22,956**
Net Additions	-	-	7	681	527	0.1	600	2,325	4,140
Write-offs	-	-	(13)	(685)	(558)	(0.01)	(553)	(1,998)	(3,807)
Closing Balance - ALL as of Jun-15	**-**	**-**	**190**	**3,360**	**3,345**	**48**	**4,982**	**11,364**	**23,289**

Loan Assignments and Securitization

A loan assignment is a bilateral agreement by which a financial institution transfers its receivables to another institution. The Organization uses these operations to seek opportunities in the financial market. Assignment for real estate financing operations is one of the most used instruments, and is conducted with securitization companies, as well as loan assignments to FIDCs, which create an alternative to raising funds from investors.

Financial assets acquisition, sale or transfer operations

Below, the information related to the acquisition, sale or transfer of financial assets and securitization operations:

R$ million

Operations assigned with co-obligation recorded in memorandum accounts	Jun-15	Mar-15
	1,496	1,410
Exposures assigned with substantial retention of risk and benefits	10,326	9,271
FIDC	-	-
Securitization companies	-	-
Financial institutions	-	-
Special Purpose Entity	7,662	6,578
Other[1]	2,664	2,693

(1) Assignment requirements set forth in CMN Resolution 2,238.

Exposures assigned over the last 12 months which have been honored or repurchased	Apr-15 to Jun-15	Jan-15 to Mar-15	Oct-14 to Dec-14	Jul-14 to Dec-14
	27	20	22	104

R$ million

Exposures acquired - Risk retencion[2]	Jun-15	Mar-15
Type of exposure	**6,755**	**6,761**
Working capital	1,301	1,524
CDC vehicles	-	-
Payroll-deductible loans	2,688	2,100
Credit card	191	111
Real estate credit	-	-
Finame	803	924
Leasing	0	2
Sundry receivables	1,771	2,100
Type of assignor	**6,755**	**6,761**
Financial Institutions	4,793	4,550
Companies	1,962	2,211

Exposures acquired - Without risk retencion[3]	Jun-15	Mar-15
Type of exposure	**2,337**	**2,593**
Working capital	-	-
CDC vehicles	2,227	2,422
Payroll-deductible loans	21	80
Credit card	65	69
Real estate credit	19	14
Finame	-	-
Leasing	-	-
Sundry receivables	5	8
Type of assignor	**2,337**	**2,593**
Financial Institutions	2,248	2,502
Companies	89	91

(2) Risk retention: Operations in which the seller or assignor retains all or substantial part of the risk and transfer the benefits of the underlying financial assets (CMN Resolution 3,533).
(3) Without risk retention: Operations in which the seller or assignor transfers all or substantial part of the risk along with the benefits of the underlying financial assets (CMN Resolution 3,533).

Following is information related to own operations assigned to Special Purpose Entities with substantial risk retention and benefits:

R$ million

Securitized Exposures - Type of underlying asset	Jun-15	Mar-15
	10,326	**9,271**
Mortgage	7,662	6,578
Farm Loan[1]	2,664	2,693

(1) In compliance with requirements of CMN Resolution 2,238.

Following is the total of securitization exposures composed of investments in securities:

R$ million

Type of securitization	Jun-15	Mar-15
Traditional Securitization[1]	**8,720**	**7,598**
Type of securitization bond[2]	**8,720**	**7,598**
FIDC - Without subordination[3]	1,284	1,050
• Sundry Receivables[4]	1,284	1,050
CRI - Without subordination[3]	7,437	6,548
• Mortgage[4]	7,437	6,548

(1) Traditional securitization is the process where the receivables flow associated with a group of underlying assets is used to remunerate securitization bonds.
(2) Securities resulting from securitization process (CRI and FIDC).
(3) Class of security and its subordination to the others for redemption purposes: without subordination. The Organization has no credit exposures assigned without any transfer or substantial retention of risks and benefits on the dates referred to in this report.
(4) Type of underlying asset backing the issue: flow of receivables from customers, rentals, purchase and sale agreements between parties, as well as apartment, house and lot financing agreements.

Counterparty Credit Risk Exposure

Following is the notional value of agreements subject to counterparty credit risk to be settled in the clearing houses where they act as the central counterparty and the amounts related to agreements in which the clearing houses do not act as the central counterparty, classified as secured and unsecured agreements:

R$ million

Agreements in which the clearing house:	Jun-15	Mar-15
Acts as a central counterparty	241,204	213,563
Does not act as a central counterparty (secured agreements)	364,624	402,477
Does not act as a central counterparty (unsecured agreements)	23,414	23,674

Following are the positive gross amount of collaterals received at operations subject to credit risk:

R$ million

	Jun-15	Mar-15
Collaterals amounts	397,128	433,501

Following is the net overall exposure to counterparty credit risk:

R$ million

	Jun-15	Mar-15
Net Global Exposure	7,013	6,468

Following is the notional value of credit derivatives held in the institution's portfolio:

R$ million

	Jun-15	Mar-15
Transferred Risk		
Credit Default Swap (CDS)	1,408	1,343
Received Risk		
Credit Default Swap (CDS)	81	16
Total	**1,489**	**1,359**

Following is the positive gross amount of collaterals received at operations subject to counterparty credit risk:

R$ million

	Jun-15	Mar-15
Gross positive amount of collaterals	364,624	402,477

Risk Mitigation Instruments

In order to calculate capital requirement for credit risk, following is the total mitigated amount pursuant to instruments provided for in Articles 36 to 39 of Bacen Circular Letter 3,644, by type of mitigation instrument and risk weight:

R$ million

Type of Mitigation Instrument	Mitigation Instrument Risk Weight	Jun-15	Mar-15
Demand, time and savings account deposits, gold or government securities	0%	366,531	404,002
Financial Institution Guarantee	50%	30,596	29,399

Market Risk

Market risk is represented by the possibility of financial loss due to fluctuating prices and interest rates of the Organization's financial instruments as its asset and liability transactions may show mismatched maturities, currencies and indexes.

Market risk is carefully identified, measured, mitigated, controlled and reported. The Organization's exposure to market risk profile is in line with the guidelines established by the governance process, with limits duly monitored independently.

All transactions that expose the Organization to market risk are mapped, measured and classified according to probability and magnitude, and the whole process is approved by the governance structure.

The market risk management process relies on the participation of all levels of the Organization from the business areas to the Board of Directors.

In line with the best Corporate Governance practices, to preserve and strengthen the management of market risk in the Organization, as well as to meet the requirements of CMN Resolution 3,464, the Board of Directors approved the Market and Liquidity Risk Management Policy, whole reviewed at least once a year by the competent committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market and liquidity risk. In addition to this policy, the Organization has several specific rules that regulate the market risk management process, as follows:

- Classification of Operations;
- Reclassification of Operations;
- Trading of Government and Private Bonds;
- Use of Derivatives; and
- Hedge.

Market Risk Management Process

The market risk management process is conducted in a corporate manner; it involves diverse areas, with specific duties in the process, thereby ensuring an efficient structure, and the measurement and control of market risk is conducted in a centralized and independent manner. This process allowed the Organization to be the first financial institution in Brazil authorized by Bacen to use, since January 2013, its internal market risk models to calculate regulatory capital requirements. This process, approved by the Board of Directors, is also revised at least once a year by the Committees and the Board itself.

Limit Definition

Market risk limit proposals are validated by specific committees, ratified by the Integrated Risk and Capital Allocation Management Committee and submitted for approval by the Board of Directors, according to the business' characteristics, and are classified as follows:

Trading Book: it comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in the Trading Book, 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 Book is monitored by the following limits:

- Value at Risk (VaR);
- Stress;
- P&L (profit & loss);
- Financial Exposure / Concentration.

Banking Book: it comprises operations not classified in the Trading Book, arising from Organization's other businesses and their respective hedges.

For the Banking Book is monitored by the following limits:

- Interest Rate Risk.

Market Risk Measurement Models

Market risk is measured and controlled using the Stress, VaR, the EVE and Sensitivity Analysis methodologies, as well as limits for the Management of P&L and Financial Exposure. Using several methodologies to measure and evaluate risks is of great importance, because they can complement each other and their combination allows the analysis of different scenarios and situations.

Trading and Regulatory Books

Trading Book risks are controlled using Stress and Value at Risk (VaR) methodologies. The Stress methodology quantifies the negative impact of economic shocks and events that are financially unfavorable to the Organization's positions. The analysis uses stress scenarios prepared by the Market Risk area and the Organization's Economic area based on historical and prospective data for the risk factors in which the Organization holds a position.

The methodology adopted to calculate VaR is the Delta-Normal, with a confidence level of 99% and considering the number of days necessary to unwind the existing exposures. The methodology is applied to the Trading and Regulatory Books (Trading Book positions plus Banking Book foreign currency and commodities exposures) and includes Gama and Vega risks of transactions carried out with options. A minimum window of 252 business days is adopted to calculate volatilities and correlations.

For regulatory purposes, the capital requirements relating to shares of the Banking Book are determined through the credit risk evaluation, as per Bacen resolution, i.e., they are not considered in assessing market risk.

Interest Rate Risk of the Banking Book

The interest rate risk of the Banking Book is measured and controlled using the EVE methodology, which measures the economic impact on the positions according to scenarios prepared by the Organization's economic area. These scenarios determine the positive and negative movements of interest rate curves that may affect Organization's investments and capital-raising.

The EVE methodology consists of re-pricing the portfolio subject to interest rate variation based on increases or decreases in the rates used to calculate the present value and the total term of assets and liabilities. Thus, the economic value of the portfolio is calculated both based on the market interest rates on the analysis date as well as on scenarios projected within one year. The difference between the amounts obtained for the portfolio will be EVE, i.e., the interest rate risk attributed to the Banking Book.

To measure the Banking Book interest rate risk, the early loan settlement premise is not used as this situation does not represent the total volume of operations. For demand and savings deposits with undetermined maturity, their historical behaviors and the possibility of maintaining them are studied. Thus, after all the deductions from demand and savings deposits, for example, the requirements reserve held at Bacen, the remaining balance (free funds) is considered in accordance with the maturity flows of fixed-rate lending operations.

Financial Instrument Pricing

To adopt the best market prices related to the assessment of financial instruments' market value, the Market and Liquidity Risk Management Executive Committee (CEGRIMEL) established the Mark-to-Market Commission (CMM), which is responsible for approving or submitting mark-to-market models to CEGRIMEL. CMM is composed of business, back-office and risk representatives, and the risks area responsible for the coordination of the Commission and for the submission of the matters assessed to the CEGRIMEL, for reporting or approval, whichever is the case.

Whenever possible, the Bank adopts prices and rates practiced by the Securities, Commodities and Futures Exchanges and the Secondary Markets. Should these market references cannot be found, prices made available by other sources (such as Bloomberg, Reuters and Brokerage Firms) are used. As a last resort, proprietary models are adopted to price instruments, which also follow the Mark-to-Market Commission (CMM) approval procedure and are submitted to the Organization's validation and assessment processes.

Mark-to-market criteria are periodically reviewed, according to the governance process, and may vary due to changes in market conditions, creation of new classes of instruments, establishment of new sources of data or development of models considered more appropriate.

The financial instruments to be included in the Trading Book must be approved by the Treasury Executive Committee or the Product and Service Executive Committee and their pricing criteria must be defined by the CMM.

The following principles for the mark-to-market process are adopted by the Organization:

- Commitment: the Organization is engaged in guaranteeing that the prices used reflect the market value of the operations. Should information cannot be found, Bradesco uses its best efforts to estimate the market value of the financial instruments;
- Frequency: the formalized mark-to-market criteria are applied on a daily basis;
- Formality: the CMM is responsible for ensuring the methodological quality and the formalization of the mark-to-market criteria;
- Consistency: the process to gather and apply prices is carried out consistently, to guarantee equal price to a type of instrument within the Organization;
- Transparence: the methodology must be accessible by the Internal and External Audit and Independent Model Validation areas and by Regulatory Agencies.

In December 2014, the Brazilian National Monetary Council (CMN) published Resolution 4389, which amended Resolution 4277 of 2013. These resolutions set forth the basic procedures that entities must follow in pricing financial instruments to market value and the guidelines to apply prudential adjustments to these instruments. According to the abovementioned procedures, Bradesco is already aligned with these resolutions' guidelines, including applying due prudential adjustments required by the regulation.

Independent Risk Model Validation

Bradesco uses models to manage and measure risks and capital, which are developed based on specialist knowledge or on statistical, economic, financial or mathematical theories, which support and facilitate the structuring of critical issues and enable standardization and fast decision-making.

The independent validation process identifies, mitigates and controls the models' risks, represented by potential adverse consequences arising from decisions based on incorrect or obsolete models, in order to check whether the models work based on the expected objectives, and whether the results obtained are appropriate to be used for the purpose they were created. Validation is carried out through the application of a strict series of tests that addresses the appropriateness of processes, governance and the development of the models and their assumptions and the results are reported to the managers, Internal Audit, and the Internal Control, Compliance and Integrated Risk and Capital Allocation Management Committees.

Therefore, the area carries out activities that allow the development and constant improvement of the tests included in the evidence program. Evidence program tests are specific for each type of model and are classified into six dimensions, grouped into qualitative and quantitative types.

Qualitative

- Scope of the Model: scope of application that includes the objective of each type of risk, the companies exposed to this type of risk, books, products, segments, channels, etc.;
- Applicability of the Model: includes the definition, reasonability in the use of the model's factors, flow and timeliness of information to the decision-making process;
- Technological Environment and Data Consistency: structure of systems and controls involved in the calculations performed by the model and the process in which the model is inserted. It also includes data consistency, taking into consideration the functionalities of version and access controls, backup, traceability, changes in parameters, data quality, system contingency and automated controls.

Quantitative

- Measurement System: risk measurement procedure that includes the definition, application and internal validation of the method, composed of methodology, assumptions, parameters, calculation routine, input data and results;
- Stress Test: measurement procedure to quantify the variations in the amounts estimated by the model in extreme, historical and prospective scenarios, plausible for the variables affecting it;
- Backtesting: statistic procedure used to assess the model by comparing the amounts estimated by the model and the amounts observed within a previously defined period. It includes methodological, formalization and utilization aspects for model improvement.

The responsibility for executing the independent validation process, that includes the analysis and the assessment of models, belongs to the Independent Model Validation Area (AVIM), which uses structures that are already implemented and settled in the Organization to avoid overlapping tasks.

Controlling and Monitoring

Market risk is controlled and monitored by an independent area, the DCIR, which, on a daily basis, measures the risk of outstanding positions, consolidates results and prepares reports required by the existing governance process.

In addition to daily reports, Trading Book positions are discussed once a week by the Treasury Executive Committee, while Banking Book positions and liquidity reports are examined every fifteen days by the Asset and Liability Management Treasury Executive Committee. At both meetings, results and risks are assessed and strategies are discussed. Both the governance process and the existing thresholds are ratified by the Integrated Risk and Capital Allocation Management Committee and submitted to approval of the Board of Directors, and they are revised at least once a year.

Should any threshold controlled by the DCIR be exceeded, the head of the business area responsible for the position is informed that threshold was reached, and the Integrated Risk and Capital Allocation Management Committee is called in timely fashion to make a decision. If the Committee decides to raise the threshold and/or maintain the positions, the Board of Directors is called to approve the new threshold or revise the position strategy.

Internal Reporting

The market risk area provides daily managerial control reports on the positions to the business areas and Senior Management, in addition to weekly reports and periodic presentations to the Board of Directors.

Reporting is conducted through an alert system, which determines the addressees of risk reports as previously determined risk threshold percentage is reached; therefore, the higher the risk threshold consumption, more Senior Management members receive the reports.

Hedge and Use of Derivatives

In order to standardize the use of financial instruments used to hedge the operations and use of derivatives by the Treasury Department, the Organization created specific rules that were approved by the competent Committees.

The hedge operations executed by Bradesco's Treasury Department must necessarily cancel or mitigate risks related to mismatches quantities, terms, currencies or indexes of the positions in Treasury's books, for which they must use assets and derivatives authorized to be traded in each of their books to:

- Control and classify the operations, respecting the exposure and risk limits in effect;
- Alter, modify or revert positions due to changes in the market and operating strategies; and
- Reduce or mitigate exposure of operations in idle markets, under stress or low liquidity conditions.

For derivatives classified under the 'hedge accounting' category, their effectiveness and accounting implications have their effectiveness monitored.

Standardized Derivatives and Continued Use Derivatives

Bradesco's Treasury Department may use standardized derivatives (traded in stock exchanges) and continued use derivatives (traded in over-the-counter markets) to obtain results and create hedges. The derivatives classified as continuous use those usual traded in over-the-counter markets, such as vanilla swaps (interest rates, currencies, CDS, among others), forward contracts (i.e., currencies), vanilla options (currency, Bovespa Index), among others. Non-standardized derivatives not classified as continued use or structured operations depend upon the authorization of the competent Committee.

Market Risk Analysis

The second quarter of 2015 was marked by a reduction in international scenario risks. As a result, US dollar appreciation seen over the past three months had a slight decrease. DXY index, which measures the movements of US dollar against a basket of currencies, indeed dropped 2.9%. After frustration over economic performance from January to March, the USA experienced a recovery, especially in labor market. At the same time, Chinese economy deterioration was arrested by tax and monetary incentives given by the government. Lastly, Europe's recovery path lost speed, remaining steady at an equivalent annual growth of 2.0%. Yet, the deadlock over negotiations between Greece and its European creditors puts such recovery trend at risk for the rest of the year.

Growth stagnation in the USA in the first quarter seemed to be atypical, since GDP resumed a modest growth in the following three months. Labor market in particular resumed to record job openings over 200,000 per month, taking unemployment rate to levels lower than those observed during the 2008/2009 crisis. For this reason, the Federal Reserve (Fed) has increasingly given strong signs that country's monetary conditions are returning to normality. But Fed's president Janet Yelen has reinforced that this process will be very gradual. Chinese economy began to give signs of stabilization after the strong slowdown in the first months of the year, thanks to monetary and tax stimuli adopted by the government since the end of 2014. Growth path, however, is still slow, in fact compatible with GDP growth lower than 7.0%. An additional risk to Chinese growth also appeared at the end of the quarter, with the sharp reduction in Shanghai stock exchange (30% in one month), which may lead the government to give more stimuli throughout the year. At the same time, European economy remained somehow steady in the second quarter. However, given the deadlock over negotiations between Greece and its European creditors, the former is at risk of leaving eurozone.

The less adverse international scenario has benefited asset price in domestic market. The key stock exchange index, Ibovespa, increased 3.8% between March and June, while Brazilian real appreciated 3.3% against US dollar, from R$/US$3.21 to R$/US$3.10. On the other hand, an intensified slowdown in domestic economic activity in the second quarter is hampering the current adjustment to government accounting. Despite the approval of tax measures by the Brazilian Congress and the government's will to control expenses, the slow economic activity has reduced tax revenue. Additionally, inflation was kept under pressure, which reflects the pass-through of managed price adjustments. IPCA over the past 12 months increased from 8.13% in March to 8.89% in June. Thus, the Central Bank of Brazil extended the SELIC rate increase cycle, raising it to 13.75% at the end of June, which had an impact on 360-day fixed rate, which oscillated between 13.52% and 14.27% from March 31 to June 30.

Evolution of Exposure

In this section, we present the evolution of the financial exposure, the VaR calculated using the internal model and its backtesting, the Stress Analysis.

Financial Exposure – Trading Book

R$ million

Risk Factors	Jun-15		Mar-15		Jun-14	
	Asset	Liability	Asset	Liability	Asset	Liability
Fixed Rate	55,390	2,423	51,353	1,925	187,021	67,230
IPCA / IGP-M	3,843	5,125	3,881	3,873	16,045	4,189
Exchange Coupon	1,631	1,559	4,015	3,862	6,501	6,562
Foreign Currency	15,420	15,678	16,419	16,263	7,518	7,415
Equity	7	6	178	-	198	646.8
Sovereign/Eurobonds and Treasuries	13,585	7,683	13,340	7,951	10,236	5,156
Other	265	23	284	17	3,894	221
Total at the End of the Quarter	**90,141**	**32,497**	**89,469**	**33,891**	**231,414**	**91,420**

VaR Internal Model – Trading Book

The one-day VaR of Trading Book net of tax effects in the second quarter of 2015 was R$19.7 million, and the fixed risk factor had the largest share of the book.

R$ million

Risk Factors	Jun-15	Mar-15	Jun-14
Fixed	18.8	17.3	5.9
IPCA / IGP-M	5.0	1.8	22.6
Exchange Coupon	0.5	2.1	4.8
Foreign Currency	3.7	3.8	2.7
Equity	0.1	-	5.8
Sovereign / Eurobonds and Treasury	2.8	3.9	5.1
Other	1.0	1.6	0.9
Correlation / Diversification Effect	**(12.4)**	**(12.3)**	**(22.8)**
VaR at te end of the quarter	**19.7**	**18.2**	**25.0**
Average VaR in the quarter	16.5	23.8	32.1
Minimum VaR in the quarter	11.3	16.9	25.0
Maximum VaR in the quarter	21.5	36.5	44.8

Note: 1-day VaR and net of tax effects.

VaR Internal Model – Regulatory Book

Bradesco Organization was the first financial institution to be authorized by Bacen to use, since January 2013, its internal market risk models, which had already been used in the Organization's management, to assess regulatory capital requirements[2] for all risk factors and Organization's companies. This capital is calculated based on the Regulatory Book, which comprises the Trading Book and the Foreign Exchange Exposure and the Commodities Exposure of the Banking Book, through the Normal-Delta VaR model (complemented by the Gama and Vega risks of options operations). It is worth noting that risk value is extrapolated to the regulatory horizon[3] (at least ten days) by the square root of time method. VaR and Stressed VaR shown below refer to a ten-day horizon and are net of tax effects.

R$ million

Risk Factors	Jun-15		Mar-15	
	VaR	Stressed VaR	VaR	Stressed VaR
Interest rate	54.1	117.8	59.1	158.1
Exchange rate	42.9	78.9	42.1	57.0
Commodity price	2.9	6.2	2.6	6.4
Share prices	0.3	0.3	4.7	4.7
Correlation / Diversification Effect	**(14.6)**	**(30.4)**	**(18.6)**	**(33.0)**
VaR at te end of the quarter	**85.6**	**172.8**	**90.0**	**193.2**
Average VaR in the quarter	68.4	165.8	100.0	216.0
Minimum VaR in the quarter	38.0	120.5	60.5	168.3
Maximum VaR in the quarter	116.6	228.7	155.8	295.6

Note: Ten-day horizon VaR net of tax effects.

To calculate regulatory capital requirement according to the internal model, it is necessary to take into consideration the rules described by Bacen Circular Letters 3,646 and 3,674, such as

[2] For purposes of calculating the Market Risk portion, capital requirement will be the maximum between the internal model and 80% of Bacen's standard model, as per Bacen Circular Letters 3,646 and 3,674.
[3] The maximum amount between the book's holding period and ten days is adopted. This is the minimum regulatory horizon required by Bacen.

the use of VaR and Stressed VaR net of tax effects, the average in the last 60 days and the multiplier.

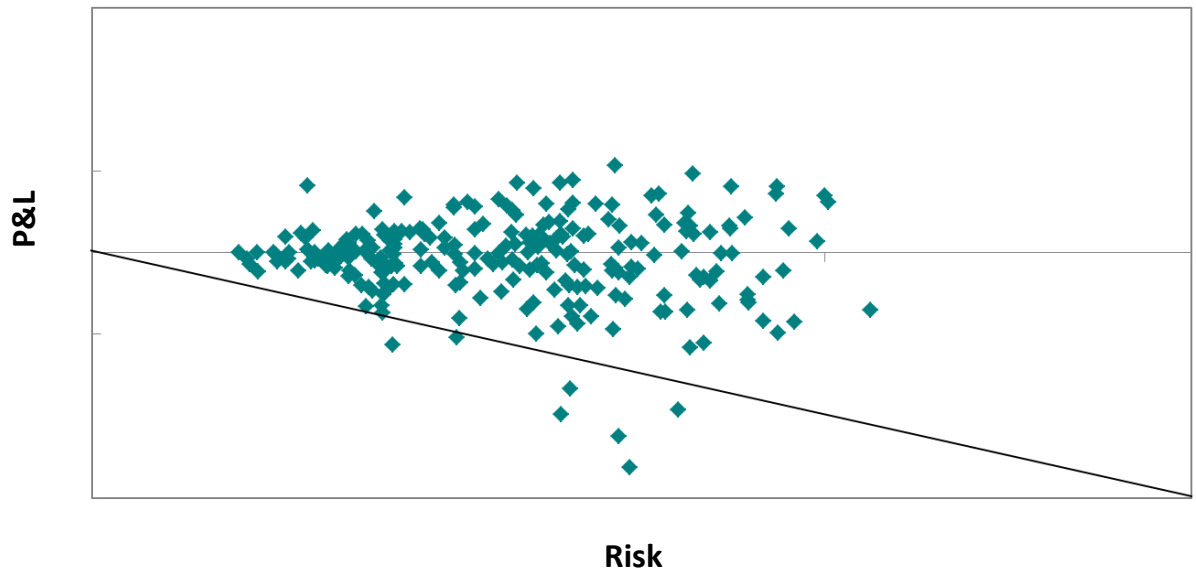
VaR Internal Model – Backtesting

The risk methodology applied is continuously assessed using backtesting techniques, which compare the one-day period VaR with the hypothetic P&L, obtained from the same positions used in the VaR calculation, and with the effective P&L, also considering the intraday operations for which VaR was estimated.

The main purpose is to monitor, validate and assess the adherence of the VaR model, and the number of disruptions occurred must be compatible with the number of disruptions accepted by the statistical tests conducted for the confidence level established. Another objective is to improve the models used by the Organization through analyses carried out for different periods and VaR confidence levels, both for Total VaR and risk factor.

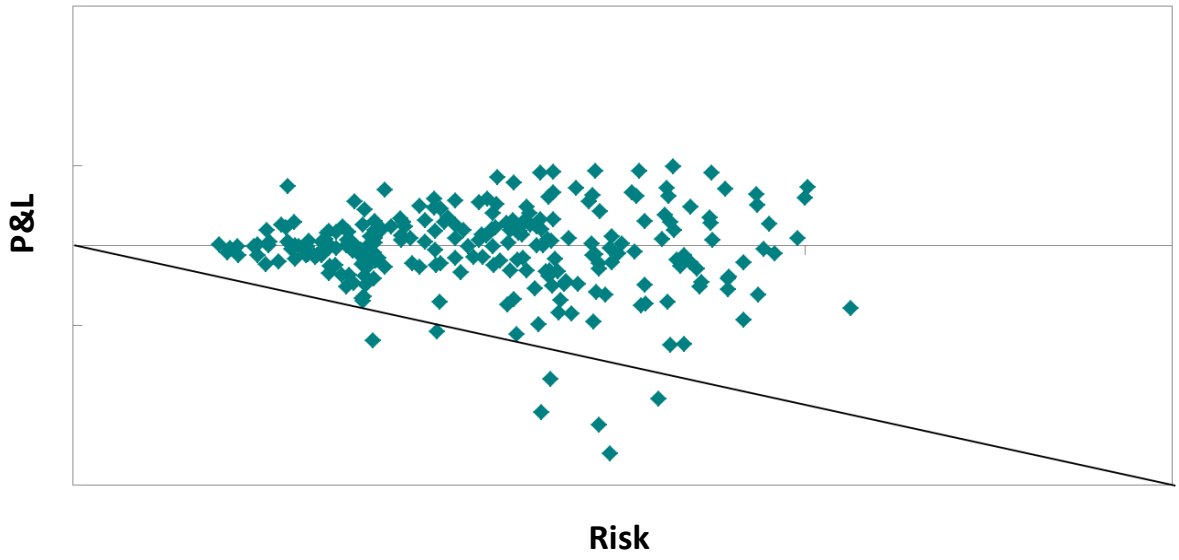
The disruptions were mainly due to the increase in volatility in the domestic and foreign markets during the second half of 2014. According to the document published by the Basel Committee on Banking Supervision[4], *disruptions are classified as "either bad luck or the markets did not behave as expected by the model", i.e. volatility was significantly higher than expected and, in certain situations, the correlations differed from those forecasted by the model.*

Graph I – VaR vs. Hypothetical P&L



Note: points located below the line represent disruptions of the VaR statistical model used.

Graph II – VaR vs. Effective P&L



Note: points located below the line represent disruptions of the VaR statistical model used.

Stress Analysis – Trading Book

The Organization assesses every day the possible impacts on positions in stress scenarios for the next 20 days, with the limit established in the governance process. Thus, considering the effect of the diverse risk factors and amounts net of tax effects, the possibility of average loss estimated in a stress situation would be R$ 171 million in the second quarter of 2015, and the maximum estimated loss would be R$ 254 million.

R$ million

	Jun-15	Mar-15	Jun-14
At the end of the quarter	168	196	255
Average in the quarter	171	258	253
Minimum in the quarter	125	186	179
Maximum in the quarter	254	434	349

Note: Amounts net of taxes.

Derivatives

The three charts below show the Organization's exposure on derivatives, segregated by risk factor (interest rates, exchange rate, stock and commodity prices), market (over-the-counter and stock exchange) and place of operation (Brazil or Abroad):

On June 30, 2015 - R$ million

Risk Factor	Market	Brazil		Abroad	
		Long Position	Short Position	Long Position	Short Position
Interest Rate	OTC	26,366	29,204	13,705	10,504
	Exchange	86,481	38,974	9,310	8,771
Exchange Rate	OTC	10,816	17,876	6,509	6,302
	Exchange	10,824	30,043	260	321
Stock Price	OTC	105	-	-	-
	Exchange	112	215	-	-
Commodity Prices	OTC	23	89	-	-
	Exchange	-	-	86	71

On March 31, 2015 - R$ million

Risk Factor	Market	Brazil		Abroad	
		Long Position	Short Position	Long Position	Short Position
Interest Rate	OTC	24,063	22,767	19,679	16,640
	Exchange	85,530	37,464	5,479	4,748
Exchange Rate	OTC	11,443	13,999	6,352	12,599
	Exchange	14,448	26,563	258	299
Stock Price	OTC	76	-	-	-
	Exchange	-	199	1	1
Commodity Prices	OTC	15	130	-	-
	Exchange	-	-	125	41

Liquidity Risk

The Liquidity Risk is represented by the possibility of the institution not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the institution not being able to trade a position at market price due to its high amount when compared to the usually traded volume or due to some market discontinuation.

The understanding and monitoring of this risk are crucial to enable the Organization to settle operations in an agile and safe manner.

Liquidity Risk Management Process

The liquidity risk management is conducted in a corporate manner. This process involves several areas with specific attributions that guarantee an efficient structure. The measurement and control of liquidity risk are conducted in a centralized and independent manner, including the daily monitoring of available funds, the compliance with the minimum liquidity level and the contingency plan for stress situations.

One of the objectives of the Organization's Policy on Market and Liquidity Risk Management, approved by the Board of Directors, is to lay down the rules, criteria and procedures that guarantee the establishment of the Minimum Liquidity Reserve (RML) for the Organization, as well as the strategy and action plans for liquidity crisis situations. The policy and controls established fully comply with CMN Resolution 4,090.

As part of the criteria and procedures approved, the Organization establishes the minimum daily liquidity reserve and the types of assets eligible for making up the resources available. It

also establishes the instruments for managing liquidity in a normal scenario and in a crisis scenario and the strategies to be implemented in each case.

Controlling and Monitoring

The liquidity risk management process is conducted by the Treasury Department following the positions determined by the back-office area, which is responsible for providing all the necessary information to the management process and for monitoring the compliance with the established limits. The DCIR is responsible for the methodology for measuring minimum liquidity reserve; controlling the established limits for each entity of the Group, including non-financial firms, and for each type of currency; reviewing the policies, rules, criteria and procedures; and conducting studies for new recommendations.

Liquidity risk is monitored in meetings of the Treasury Asset and Liability Management Executive Committee, which manages liquidity reserves, with term and currency mismatches. Monitoring is also handled by the Integrated Risk and Capital Allocation Management Committee and the Board of Directors.

Internal Reporting

The liquidity risk management process submits reports on a daily basis to the areas involved in its management and control, as well as the Senior Management. This process comprises several analysis instruments used to monitor liquidity, such as:

- Daily distribution of liquidity control instruments;
- Automatic intra-day update of the liquidity reports for appropriate management by the Treasury Department;
- Preparation of reports with past behavior and future simulations based on scenarios;
- Daily verification of compliance with minimum liquidity levels; and
- Weekly reports to the Senior Management, showing the behavior and expectations related to the liquidity situation.

The liquidity risk management process also has an alert system that selects the appropriate reporting level according to the percentage of use of the established limits. Thus, the lower the liquidity reserve in relation to the minimum required level for stress situations, the higher the number and echelon of Senior Management members who receive the reports.

Operational Risk

Operational risk is represented by the possibility of losses resulting from faulty, deficient or inadequate internal processes, people, systems, or external events. This definition includes the legal risk associated to activities performed by the Organization.

Operational Risk Management Process

The operational risk management is conducted in a corporate manner. It involves several areas with specific duties, ensuring an efficient structure. Operational risk measurement and control are conducted in a centralized and independent manner. Therefore, the following procedures are carried out:

- Identification, evaluation and monitoring of operational risks inherent to the Organization's activities, as well as new products/services and their conformity with procedures and controls;
- Mapping and treatment of operational losses recorded to comprise an internal database;
- Measurement, control and report of the evolution of operational losses with the assessment of effective mitigation initiatives with the business areas/premises;
- Assessment and calculation of the capital necessary for operational risk;
- Preparation of reports on operational risk to the areas related to the management process, including Committees and Senior Management.

These procedures are supported by several internal controls, independently certified as to their efficacy and execution, aiming at ensuring acceptable risk levels in the Organization's processes.

Methodology to Measure the Operational Risk

Pursuant to Bacen Circular Letter 3,640, the Organization adopted the Alternative Standardized Methodology to calculate the risk-weighted assets corresponding to the Operational Risk.

Moreover, the Organization uses the operational loss internal data, which are used to measure the operational risk based on internal model (AMA – Advanced Measurement Approach). In this context, the Organization classifies the operational risk events as follows:

Loss Events	
Internal Fraud	External Events
External Fraud	Information Technology
Human Resources	Processes
Commercial Relations	Regulatory

The Organization is a member of the worldwide consortium of operational losses database named Operational Riskdata Exchange (ORX) and uses its information to analyze scenarios and compare operational losses events with major global banks.

Controlling and Monitoring

The operational risk is mainly controlled and monitored by the DCIR, an independent area supported by several areas composing the risk management process.

The DCIR coordinates the Internal Control and Operational Risk Commission (CIRO). The purpose of this commission, which reports to the Operational and Social and Environmental Risk Management Executive Committee (CEROS), is to analyze the behavior of operational losses of the business areas/premises, the efficiency and efficacy of the processes and controls adopted, and indicators and scenarios, as well as assess external data regarding operational losses by occasionally incorporating/adjusting processes and controls.

CEROS in turn is advised by the DCIR, and significant issues are reported to the Audit Committee and to the Integrated Risk and Capital Allocation Management Committee, which is subordinated to the Board of Directors.

The Board of Directors approves the governance process, which is revised at least once a year.

Internal Reporting

Issues related to operational losses, as well as controls and initiatives adopted for their mitigation, are presented and discussed periodically with the areas involved in the operational risk management process, including the Senior Management.

Business Continuity Management

The Organization endeavors to adopt the best market practices in all its activities, including the Organization's Business Continuity. Always in line with its internal policies, Bacen rules, and recommendations of the Basel Committee on Banking Supervision has an action plan for the entire Organization so that, in case of interruption, its activities may be resumed with preset timelines, customer service level and work place, with minimum impact for our customers.

In order to ensure a single policy and standardized processes and tools, all Business Continuity Management activities are the responsibility of the DCIR, specifically the Business Continuity Management Area (GCN).

Corporate Methodology

The working methodology was developed internally based on the best practices disclosed by the main international bodies in the sector such as the International DRI (USA), the Business Continuity Institute – BCI (England), and ISO 220301. Domestic rules and frameworks, such as NBR 15999, were also considered.

Bradesco's methodology for executing a Business Continuity Plan project and implementation of the business continuity management process consists of actions divided into six phases:

Phase 1: Presentation – Building awareness;
Phase 2: Planning – Definition of scope, work proposal and persons responsible;
Phase 3: Setting the Scope and Development – Application of the impact analysis to business, vulnerability analysis and decision-making reports;
Phase 4: Implementation – Preparation of the environment, validation tests and documentation of the continuity plan;
Phase 5: Maintenance – Maintenance of the plan already implemented;
Phase 6: Non-Scheduled Tests – Preparation and execution of non-scheduled tests.

All the phases described above are executed through a set of activities, tools, deliverables and frameworks that define the conclusion of each of them, which always count on the support and knowledge of the GCN area.

Business Continuity Management Process

The business continuity management process is supported by the Risk Policies and Risk Corporate Governance already described in the Risk Management Process item and consists of monitoring all activities involving the Organization's Business Continuity Plan projects, from the drafting of policies and the definition of corporate methodologies and tools to appraisals of the adequacy of the Plans of each of the Organization's premises through scheduled and unscheduled tests.

Such tests for each Business Continuity Plan are conducted at least once a year, based on an established annual calendar, and are conducted by the person in charge of the premise's Business Continuity Plan, under advisory of the business continuity management technical responsible from the DCIR. During the tests, evidences are collected and a validation report is filled in at the end. Should any improvement and/or correction need to be made, an action plan is required indicating a limit date to implement the updated Business Continuity Plan.

The report is validated by the Premise together with DCIR and is made available for assessment of the premise's Internal Controls Agent, as well as of the internal and external audit companies, as applicable.

Internal Reporting

Communication initiatives are carried out through online training accessible to all the Premises through the corporate intranet. On-site awareness-raising lectures are conducted before the annual tests. Participation is monitored annually through qualitative evaluations from random samples, with the purpose of measuring the knowledge obtained and identifying improvement opportunities.

Social and Environmental Risk

Social and environmental risk is defined by CMN Resolution 4,327 as the possibility of incurring losses as a result of social and environmental damage. Most social and environmental risks associated with financial institutions are indirect and result from business transactions, including those with the supply chain and customers, through financing and investing activities.

As part of its constant pursuit of an improved corporate structure, in 2014 the Organization centralized control of social and environmental risk in the DCIR.

Social and Environmental Risk Management Process

The social and environmental risk management process allows the proactive identification, measurement, mitigation, monitoring and reporting of risks, given the complexity of financial products and the profile of the Organization's activities.

In addition to the Risk Policies and Risk Corporate Governance already described in the Risk Management Process item, it is worth highlighting the Social and Environmental Risk Standard, which determines the scope of the loan operations that must undergo social and environmental risk analysis. Said standard internalizes Organization's commitment to implementing the Equator Principles III, presenting the situations in which loan operations or financial consulting activities must comply with its requirements.

Equator Principles

A signatory to the Equator Principles since 2004, the Organization adopted version III of these principles at the beginning of 2014, which, among other changes, expanded the application scope of the commitment. The requirements evaluated include working conditions, the impacts of the projects financed by the Organization on the surrounding community and environment, pursuant to Brazilian law and the standards and guidelines of the International Finance Corporation (IFC). During the credit analysis process, these projects undergo a detailed Social

and Environmental Risk analysis through the appraisal of studies, licenses, authorizations, project information and other data, such as the georeferencing of the undertaking.

When granting financing for large projects, the Organization follows the guidelines set forth in Equator Principles III, and evaluates and monitors projects posing significant risks that conform to these principles.

Social and Environmental Risk Management Process Flow



Implementation of Equator Principles III

The Organization's Financial Consulting Service for Project Finance is structured through Banco Bradesco de Investimentos - BBI, which has the support of the Social and Environmental Risk Control area of the DCIR when presenting the content, application and benefits of complying with the Equator Principles in future projects.

Operations involving Project Finance, Corporate Loans for Projects and Bridge Loan are mainly designed for customers in the Corporate segment, which is responsible for attracting and registering businesses through credit proposals. These proposals are analyzed by the Credit Department from a financial and economic point of view, and by the Social and Environmental Risk and Control area from a social and environmental risk perspective.

This area is responsible for evaluating the proposals, analyzing the documents, ensuring that the projects are compatible with Equator Principles III, classifying risk as Category A (High),

Category B (Medium) or Category C (Low) and issuing a social and environmental risk report, in compliance with the guidelines established in the Principles:

Category A (high risk) – Projects with potentially substantial risks and/or negative social and environmental impacts that may be multiple, irreversible or unprecedented;

Category B (medium risk) – Projects with a small number of potentially limited risks and/or negative social and environmental impacts, which are generally localized, largely reversible and rapidly controlled by mitigating measures;

Category C (low risk) – Projects without risks and/or negative social and environmental impacts, or with risks that are minimal, reversible and capable of mitigation.

Additionally, the area is responsible for issuing the opinion of environmental risk, following the guidelines established in those Principles.

To enable a better contextualization of the potential impacts of the projects, the Bank also uses satellite images that indicate the location of Brazilian biomes, conservation units, indigenous land, caves, mining activities, biodiversity, towns and other information that contribute to a detailed analysis of the area where the projects are to be implanted. These analyses therefore help identify potential social and environmental risks to be addressed together with the customers.

The operations approved in accordance with the established internal flow established are contracted with social and environmental obligations and monitored periodically.

In relation to lessons learned, having a grace period between the publication of the principles and their implementation was extremely important, enabling the signatory Brazilian banks to hold joint meetings in order to align issues related to the implementation of the Equator Principles III.

Internally, the Organization was able to plan the necessary initiatives to adjust the processes, from training the areas that work with this issue to the involvement of executive forums that are part of the Organization's social and environmental risk management process.

In regard to training in the new processes and procedures involving the Equator Principles III, we held a series of internal meetings with the analysts and managers of the areas involved with the issue.

Aiming to add value to the analysis and control of social and environmental risks and improve the team performance, analysts take part in working groups with specific themes, including: Contaminated Areas, Sustainable Finance and Biodiversity. They also participate in the Latin America Outreach Working Group and in meetings with other signatory Brazilian banks in order to align and exchange their experiences with the aim of improving the Equator Principles III guidelines.

Operations Contracted in Brazil within the Scope of the Equator Principles III (January to December 2014)

Project Finance

Quantity

	Breakdown By Category		
	Category A	Category B	Category C
	-	1	-
Detailed Breakdown By Category	**Category A**	**Category B**	**Category C**
By Sector			
Mining	-	-	-
Infrastructure	-	1	-
Oil & Gas	-	-	-
Power	-	-	-
Other	-	-	-
By Region			
Americas	-	1	-
Europe, Middle East & Africa	-	-	-
Asia and Oceania	-	-	-
By Country Designation			
Designated	-	-	-
Non-Designated	-	1	-
Independent Review			
Yes	-	1	-
No	-	-	-

Note: Category A (High risk), Category B (Medium risk) and Category C (Low risk).

R$ million

	2014
Project Value	297.8
Bradesco's participation	89.3

Corporate Loans for Projects

Quantity

	Breakdown By Category		
	Category A	Category B	Category C
	-	-	1
Detailed Breakdown By Category	**Category A**	**Category B**	**Category C**
By Sector			
Mining	-	-	-
Infrastructure	-	-	-
Oil & Gas	-	-	-
Power	-	-	1
Other	-	-	-
By Region			
Americas	-	-	1
Europe, Middle East & Africa	-	-	-
Asia and Oceania	-	-	-
By Country Designation			
Designated	-	-	-
Non-Designated	-	-	1
Independent Review			
Yes	-	-	-
No	-	-	1

Note: Category A (High risk), Category B (Medium risk) and Category C (Low risk).

R$ million

	2014
Project Value	229.5
Bradesco's participation	229.5

Project Finance Consulting Services

Classification by Sector and Region

Sector	Quantity
Mining	1
Infrastructure	0
Oil & Gas	0
Energy	0
Other	0
Region	
Americas	1
Europe, Middle East & Africa	0
Asia and Oceania	0

Controlling and Monitoring

Credit Operations

Organization monitors the process of analysis, approval, contracting and follow-up of operations classified under the Equator Principles.

In 2013, a new version of the commitment was launched, effective as of 2014. Among the main changes brought by Equator Principles III is the expanded adoption scope, which now includes Corporate Finance of Projects and Bridge Loans. The categories are as follows:

- Advisory services to Project Finance whose cost of capital is equal to or higher than US$10 million.
- Project Finance whose cost of capital is equal to or higher than US$10 million.
- Corporate Finance of Projects in which:
  a) most of the loan is allocated to one sole Project, over which the customer has effective operational control;
  b) total financing amount is equal to or higher than US$100 million;
  c) Bradesco's individual commitment in a union situation is of at least US$50 million; and
  d) financing term is equal to or longer than two years.
- Bridge Loans with duration shorter than two years, to be refinanced by Project Finance or Corporate Finance of Project.

In addition to complying with the Equator Principles in the aforementioned situations, the Organization also follows a number of its own social and environmental-related criteria and procedures in the credit analysis of operations involving projects with potential social and environmental risk.

These analyses include the verification of contaminated land and other areas covered by IBAMA, licenses, certifications, archeology reports, environmental impact report and other environmental studies, in addition to technical visits, when necessary. To provide a better context of the potential impacts of the projects, the Bank also uses satellite images that indicate the location of Brazilian biomes, preservation units, Indian lands, caves, mining activities, biodiversity, towns and several other information that contribute to a detailed analysis of the area where the project is to be done. Thus, these analyses help identifying potential social and environmental risks to be dealt with customers.

The Credit Executive Committee's decision making takes social and environmental risks into consideration, in addition to other economic and financial aspects and, since the lending is approved, the operations are contracted upon negotiation and inclusion of social and environmental obligations in financing agreements. Hence, the projects with potential social and environmental risks are monitored, with a view to reaching the said obligations.

The Sustainability Committee is responsible for the validation of social and environmental responsibility policy. This Committee operates jointly with the Senior Management to define strategies involving organizational sustainability and is subordinate to the Board of Directors.

Supply Chain

Bradesco has a program for the Social and Environmental Monitoring and Evaluation of its Suppliers, which seeks to mitigate the social and environmental risks of its supply chain. Within this program, suppliers are evaluated in a continuous and permanent process, covering: effective environmental, labor and occupational health and safety legislation and international standards and internal guidelines adopted by Organization.

Basel Capital Accord - Basel II

The Basel Committee on Banking Supervision announced the Basel Capital Accord – Basel I in 1988, creating the minimum capital requirements in relation to credit risk. Although the application of this accord is not mandatory, several countries (including Brazil) noticing its prudential aspects, spontaneously adhered to it. In 1996, the Basel Committee on Banking Supervision added market risk as another risk factor to be considered in the determination of capital requirements.

The evolution of the global banking scenario and the acceleration of the pace of integration of several financial markets through complex and sophisticated instruments resulted in the need to improve the capital requirement rules. In 2004, the Basel Committee on Banking Supervision published the New Basel Capital Accord – Basel II, in 2004, whose main characteristic is the introduction of the concept and importance of using the best risk management practices in organizations, recommending a framework of processes, structures and methodologies necessary for the effective management of risks in the operations of companies. This accord is based on a structure known as the "three pillars":

Pillar I – Regulatory Capital: it proposes improvements to risk measurement rules, enabling the use of internal models (advanced approach) to determine them, besides introducing capital requirements to cover operational risk.

Pillar II - Supervision: it sets forth the principles of banking supervision, the criteria for handling the risks not covered by the Pillar I and the management definitions and procedures.

Pillar III – Market Discipline: it recommends that banks disclose a minimum set of information, increasing the transparency of the institutions so that the market may better evaluate them based on the risks incurred.

Basel II at the Organization

Grounded in the knowledge that risk management is important for achieving its objectives, the Organization has always believed that the implementation of the Basel Capital Accord and of the best market practices would significantly improve its risk management process. Therefore, since 2003, based on the consulting documents disclosed by the Basel Committee on Banking Supervision and on Quantitative Impact Studies (QIS) for the implementation of this accord, the Organization prepared itself in an integrated manner for its adaptation to the requirements proposed by the aforementioned documents.

In 2004, with the publication of the final document on the Basel Capital Accord (International Convergence of Capital Measurement and Capital Standards), revised in 2005, an internal implementation plan was drawn up. Coordinated by the DCIR, the plan involves several areas of the Organization and is monitored by a Project Management Office (PMO) structure, under the responsibility of the Organization and Methods Department.

All these tasks follow guidance from a specific Executive Committee appointed by the Board of Directors, showing our management's full commitment to the implementation of the Basel Capital Accord.

According to the Capital Accord, financial institutions may employ internal models to assess risks. Thus, in order to continuously perfect its risk management process and follow best practices, the Organization was the first financial institution in Brazil authorized by Bacen, since January 2013, to use its internal market risk models to calculate regulatory capital. Those models were already in use for managerial purposes.

Basel Capital Accord - Basel III

In June 2011, the Basel Committee published the document "Basel III: a global regulatory framework for more resilient banks and banking system – revised", known as Basel III, an international regulatory response to the financial and banking crisis in 2008. Basel III seeks to improve financial institutions' capital quality and amount, for a more resilient financial system and cost and risk reduction. This accord is an ongoing improvement of prudential structure applicable to financial institutions, having as primary elements the definition of regulatory capital and the amount of allocated capital. The new accord is quite ample and proposes, among other measures:

- A more rigorous definition of capital, mainly in order to increase the capability of absorbing losses;
- International standardization of capital definition;
- More transparency as to capital breakdown;
- Creation of two additional capital buffers which stimulate the financial institutions to accumulate additional capital reserves for periods of fast economic cycle expansion, to be used in stress situations;
- Expansion of scope of risks derived from capital structure;

- Introduction of the Leverage Ratio, to be applied as a supplementary measure to minimum capital requirement;
- Adoption of minimum quantitative risk liquidity requirements; and
- Creation of additional capital rules applied to systemically important banks.

In March and October 2013, CMN established the regulatory capital definition and requirement rules for Basel III in Brazil through the following resolution:

- Resolutions 4,192 and 4,278, which provide for the methodology to calculate financial institutions' capital;
- Resolutions 4,193 and 4,281 which provide for the calculation of minimum capital requirements as Capital, Tier I Capital and Common Equity Tier I, as well as establish the additional Common Equity Tier I and the measures to be adopted in case of non-compliance;
- Resolution 4,194, which provides for a simplified calculation of capital requirements by credit cooperatives; and
- Resolution 4,280, which provide for the new consolidated calculation base for capital and minimum capital requirements for institutions that compose Prudential Conglomerate.

In addition, Bacen created a set of circular letters that determine the procedures to calculate the weighted-risk assets for Credit, Market and Operational Risk (standard and internal approach).

Basel III rules came into effect in October 2013 and will be gradually implemented up until 2019.

Capital Management

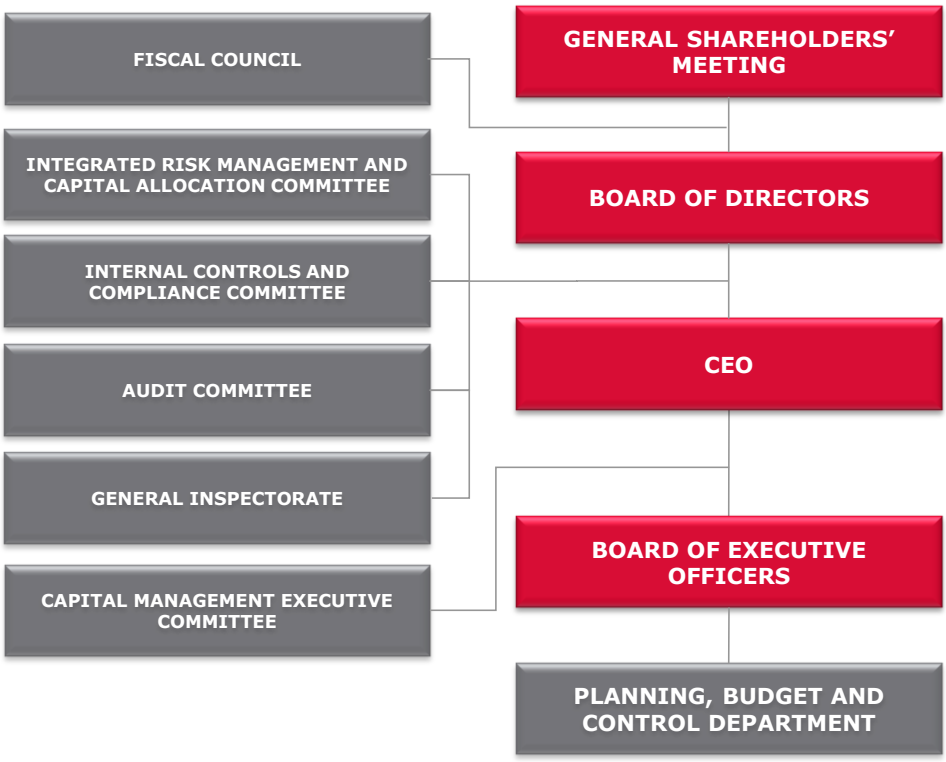
Corporate Capital Management Process

The purpose of Capital Management is to provide the conditions required to meet the Organization's strategic goals. This process is compatible with the nature of the operations, complexity of products and services, and the dimension of the Organization's exposure to risks, taking into consideration the business environment.

The Organization manages capital involving the control and business areas in accordance with the guidelines laid down by the Board of Executive Officers and the Board of Directors. In line with the strategic guidelines, the Bank draws up a capital plan and identifies contingency measures to be taken into consideration in stress scenarios in order to ensure a suitable level of capital to deal with the risks faced by the Organization and which are sufficient to maintain the managerial limits and margins approved by the Board of Directors.

The governance of capital management and internal capital adequacy assessment process (ICAAP) structures are composed of the Committees and has the Board of Directors as the maximum deliberative body. Within this structure, it is particularly worth noting the Planning, Budget and Control Department (DPOC), whose mission is to provide support and prepare and execute corporate strategy, manage the financial performance model and monitor the Organization's efficiency and efficacy. It provides senior management with capital needs analysis and projections, identifying threats and opportunities that contribute to sufficiency

planning, optimizing the efficient use and allocation of capital, in addition to being responsible for complying with the provisions of the Bacen regarding capital management activities.



Capital Adequacy

This process is followed up daily to ensure that the Organization maintains a solid capital base to support its operations and to cover the risks incurred, either in normal situations or in extreme market conditions, besides complying with regulatory requirements.

According to Bacen, financial institutions are required to permanently maintain capital and additional Common Equity Tier I compatible with the risks from their activities, represented by Risk-Weighted Asset (RWA), which is calculated taking into consideration, at least, the sum of the following portions:

$$\textbf{RWA} = RWA_{CPAD} + Max\,(RWA_{MPAD}*80\%;\ RWA_{MINT}) + RWA_{OPAD}$$

Credit Risk | Market Risk | Operational Risk

RWA_{CPAD}: portion referring to exposures to credit risk;
RWA_{MPAD}: portion referring to exposures to market risk subject to calculation of capital requirement upon standardized approach, through the addition of the following portions:

- RWA_{JUR}: portion referring to exposures subject to interest rate variation;
- RWA_{ACS}: portion referring to exposures subject to share price variation;
- RWA_{COM}: portion referring to exposures subject to commodity price variation; and
- RWA_{CAM}: portion referring to exposures of gold, in foreign currency and assets subject to foreign exchange variation;

RWAMINT: portion referring to market risk exposures subject to calculation of capital requirement upon internal model;
RWAOPAD: portion referring to calculation of required capital to operational risk.

Additionally, the Organization must maintain enough capital to meet the interest rate risk from operations not included in the Trading Book (Banking Book's interest rate risk), calculated using the EVE method.

Capital Breakdown

Following is the detailed information on the Organization's Capital, in compliance with the Prudential Conglomerate.

R$ million

	Jun-15	Mar-15
Tier I Capital	**77,502**	**74,095**
Common Equity Tier I	**77,502**	**74,095**
Shareholders' Equity	86,971	83,937
Non-controlling Interest	-	4
Reduction of Deferred Assets	-	-
Reduction of gains/losses from adjustments to market value in DPV and derivatives	-	-
Prudential adjustments[1]	(9,469)	(9,846)
Tier II Capital	**19,513**	**19,513**
Sum of gains/losses from adjustments to market value in DPV and derivatives	-	-
Subordinated Debt[1]	19,513	19,513
Deduction of Funding Instruments	**-**	**-**
Total Capital	**97,015**	**93,608**

(1) According CMN resolution 4,192.

The Organization's Capital increased due to the growth of shareholders' equity. For more information on Capital and details of subordinated debts, see "Exhibit 1 – Breakdown of Regulatory Capital and information on adjustments to Capital" and "Exhibit 2 – Main Characteristics of Regulatory Capital", available on the website www.bradescori.com.br.

Breakdown of Risk-Weighted Assets (RWA)

Below is the evolution of risk-weighted assets (RWA) for the Prudential Conglomerate, regulatory approach:

R$ million

Risk Weight Asset	Jun-15	Mar-15
Credit Risk	**552.851**	**557.015**
Risk Weight of 0%	-	-
Risk Weight of 2%	242	235
Risk Weight of 20%	2.174	2.430
Risk Weight of 35%	5.495	5.245
Risk Weight of 50%	9.274	8.605
Risk Weight of 75%	122.335	124.354
Risk Weight of 85%	103.566	98.870
Risk Weight of 100%	273.184	278.950
Risk Weight of 250%	29.063	27.786
Risk Weight of 300%	7.268	10.301
Risk Weight of 909,09%	250	239
Market Risk[1]	**15.257**	**18.442**
Fixed Rate in Reais	5.813	8.428
Foreign Currency Coupon	4.534	8.188
Price Index Coupon	2.958	1.691
Interest Rate Coupon	-	-
Shares	1	757
Commodities	364	219
Exposure to Gold, Foreign Currencies and Exchange	5.401	6.251
Operational Risk	**39.117**	**39.117**
Corporate Finance	1.068	1.068
Trading and Sales	1.733	1.733
Retail	6.340	6.340
Commercial	18.996	18.996
Payment and Settlement	7.391	7.391
Financial Agent Services	2.256	2.256
Asset Management	1.237	1.237
Retail Brokerage	97	97
Total Risk Weight Asset	**607.226**	**614.574**
Total Capital Requirement	**66.795**	**67.603**
Banking Book's Interest Rate Risk	**3.277**	**3.501**

(1) To calculate the portion concerning Market Risk, capital requirements will be the maximum amount between the internal model and 80% the standard model, according to Bacen Circular Letters 3,646 and 3,674.

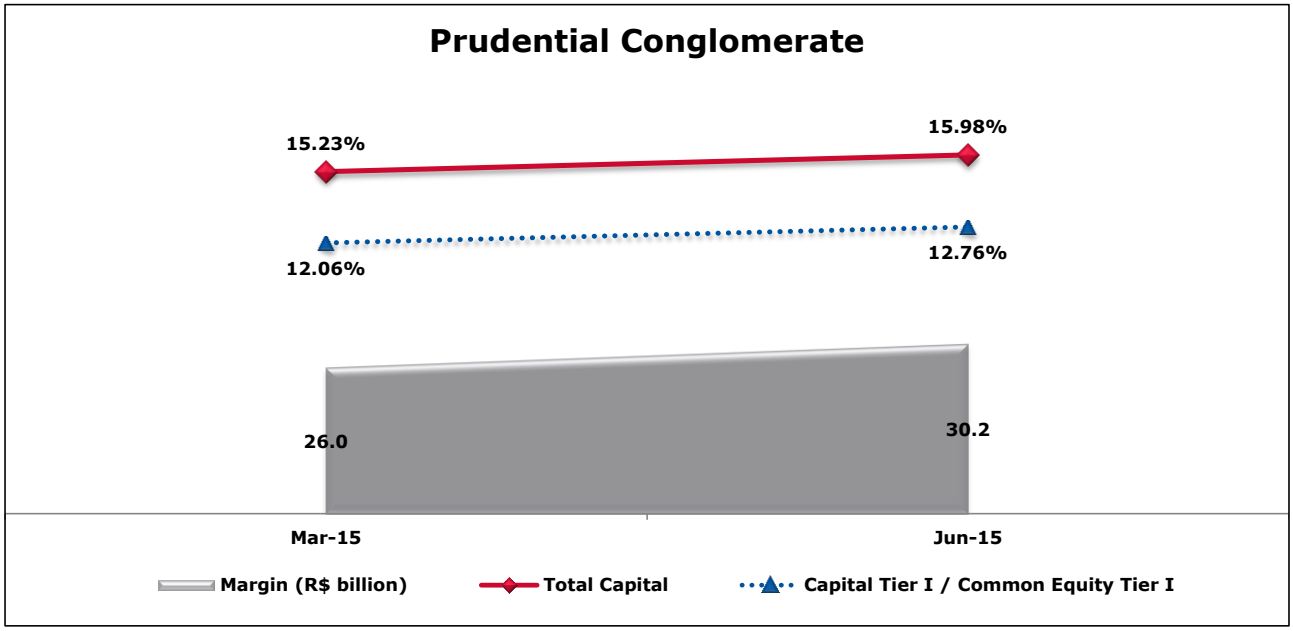
The Organization ended the second quarter of 2015 with total Risk-Weighted Assets (RWA) of R$607.2 billion, 1.2%, or R$7.3 billion, down on 1Q15.

Credit risk RWA totaled R$552.9 billion, down by 0.75%, or R$4.2 billion, on the previous quarter, while market risk RWA totaled R$15.3 billion, down by 17.27%, or R$3.2 billion. For the regulatory capital requirement we used 80% of the standard model, as established by Central Bank Circular Letter 3,674, while the internal model RWA stood at R$14.3 billion. Operational risk RWA amounted to R$39.1 billion.

The Total Capital Requirement (PRE) came to R$66.8 billion, down by R$808.3 million, while the capital required interest rate risk in the Banking portfolio totaled R$3.3 billion.

Monitoring of Indices and Margin

The Capital Adequacy Ratio (Basel) is an international indicator defined by the Basel Committee on Bank Supervision, which recommends a minimum ratio of 8% between capital and risk-weighted assets. In Brazil, in June 2015, the current minimum required ratio was 11% for Total Capital, 6% for Tier I Capital and 4.5% for Common Equity Tier I, according to effective regulations (CMN Resolutions 4,192 and 4,193).



Capital Sufficiency

The capital management is in line with the strategic planning and considers an outlook, anticipating any changes in the economic and commercial environment conditions where we operate.

The Organization's capital management methodology aims to ensure, in a permanently way, a capital solid composition to support the development in its activities and ensure appropriate coverage of all risks involved. An important component of this methodology is the managerial capital margin (management buffer), which is added to the minimum regulatory requirements (Total Capital, Tier I and Common Equity Tier I).

The management buffer is defined according to the leading practices and regulatory requirements, observing aspects such as additional impacts generated by stress scenarios, qualitative risks and risks not captured by the regulatory model. The management buffer is

approved by the Board of Directors as part of the Organization's risk appetite and presently, it corresponds approximately to 27% of the minimum regulatory capital (11%).

The Organization's regulatory capital sufficiency can be seen by calculating the total capital adequacy ratio which in this period was 15.98%, of which 12.76% under Tier I and Common Equity Tier I. In terms of margin, the amount totaled R$ 30.2 billion, allowing for an increase of up to R$ 327 billion in loan operations (Retail).

It is important highlighting that since January 2015, according to the CMN's Resolution 4192 which deals with the methodology for calculating the ratios of Common Equity Tier 1, Tier 1 and Total Capital, the regulatory scope became the Conglomerate Prudential, the Prudential adjustments rose from 20 % to 40% and the use of subordinated debt eligible for capital issued under the previous rules of the Basel III fell from 80% to 70% of the stock of these debts.

Capital Forecast

The capital management and Internal Capital Adequacy Assessment Process (ICAAP) area is responsible for carrying out the Organization's capital simulations and forecasts, considering prospective variations and trends that are aligned with strategic guidelines, business environment and the impacts arising from the regulations. The results obtained are submitted to the assessment of Senior Management, as established governance.

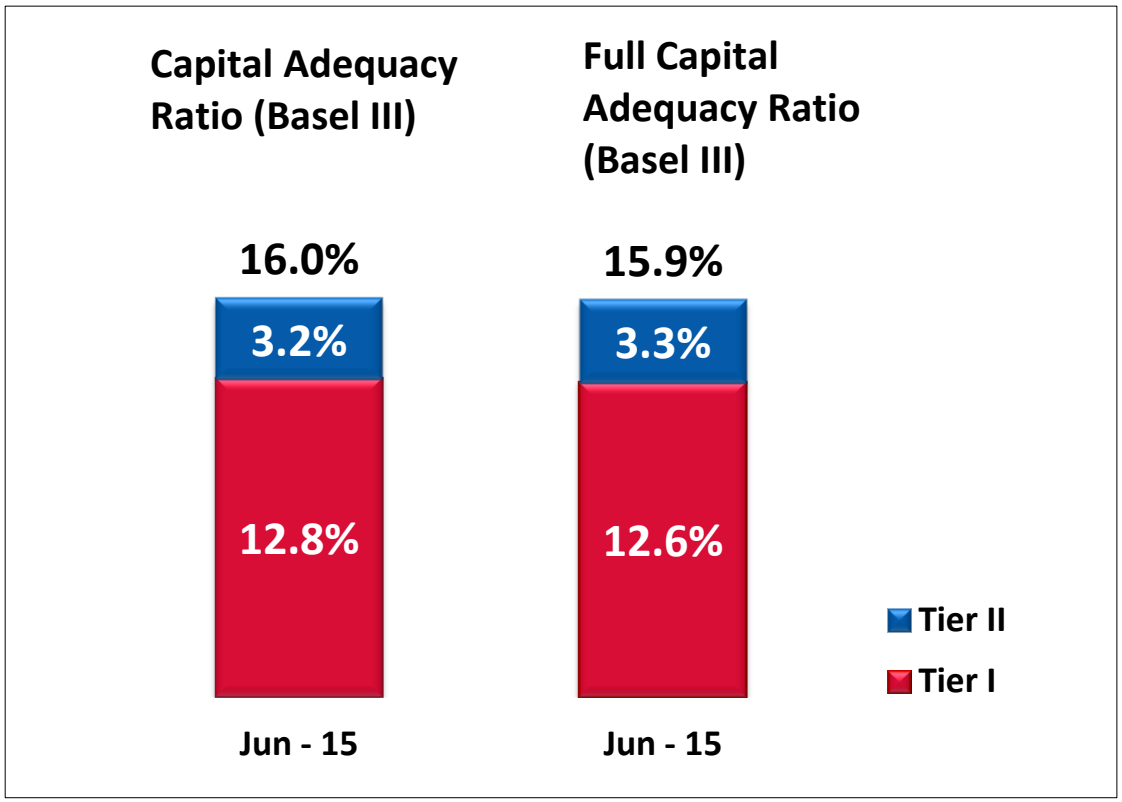
Projections indicate positive changes in Tier I and Common Equity Tier I ratios. This upturn is explained basically by increased retained earnings in relation to the rise in prudential adjustments given by the factors set out in forth by Art. 11 of CMN's Resolution 4,192.

The Capital ratios projected for the next three years are above the minimum regulatory and managerial requirements, thus providing enough security to cope with any material risks incurred.

Simulation - Basel III

Based on Basel III rules published by Bacen in March and October 2013, which include the definition of capital and the expansion of risk scope and are being gradually implemented up to 2019, below is the simulation based in strategic assumptions for the Prudential Conglomerate, taking into consideration the full compliance with the rules on the reference date of June 2015, i.e., anticipating all the impacts expected throughout the implementation schedule, according to CMN Resolution 4,192.

Basel III – Quantitative Impact Study



Statement of Financial Position

Below, a comparison between the statement of financial position of the Prudential Conglomerate and the statement of financial position published on the complete financial statements:

R$ million

Consolidated Statement of Financial Position	Jun-15	
ASSETS	**Prudential**	**Publication**
Current and long-term assets	**792,620**	**1,010,599**
Cash Equivalents	11,509	11,677
Interbank investments	176,260	176,268
Securities and derivative financial instruments	149,651	356,115
Interbank accounts and Interdepartmental accounts	50,877	50,800
Credit operations and Leasing	300,198	303,795
Other credits and Other assets	104,125	111,944
Permanent assets	**52,149**	**19,163**
Investments	33,024	1,669
Premises and equipment and Leased fixed assets	9,730	4,940
Deferred assets **(a)**	187	-
Intangible assets	9,208	12,554
- Acquired as of October 1, 2013 **(b)**	3,774	5,031
- Goodwill based on expected future profitability **(c)**	1,955	2,775
- Other intangible assets	3,479	4,748
Total	**844,769**	**1,029,762**

R$ million

LIABILITIES	Prudential	Publication
Current and long-term liabilities	**757,411**	**940,911**
Deposits	197,135	195,926
Open Market	270,472	293,730
Funds from issuance of securities	99,537	95,387
Interbank accounts and Interdepartmental accounts	4,656	4,578
Borrowing	61,352	61,369
Derivative financial instruments	5,583	4,832
Technical reserves for insurance, pension plans and capitalization bonds	-	164,566
Other liabilities	118,676	120,523
Provision for deferred income tax **(d)**	2,203	3,322
Subordinated debt **(e)**	37447	37,426
Sundry	79,026	79,775
Deferred income	373	399
Non-controlling interests in subsidiaries authorized by Bacen (f)	14	1,481
Shareholders' Equity	86,971	86,971
Capital (h)	**43,100**	**43,100**
Capital reserves (i)	**11**	**11**
Profit reserves (j)	**44,995**	**44,995**
Asset valuation adjustment (k)	**-764**	**-764**
Treasury shares **(l)**	-371	-371
Attributable to equity holders of the Parent Company	86,985	88,452
Total	**844,769**	**1,029,762**

R$ million

Off-balance-sheet accounts	Prudential
Interests higher than 10% of the capital stock of controlling entities not subject to authorization of the Brazilian Central Bank **(m)**	16,112
Investments in funding instruments eligible to principal capital of the investee **(n)**	131
Tax credits from temporary difference **(o)**	10,754
Tax credits from accumulated tax loss **(p)**	4,038

Note: Letters in parenthesis refer to data presented in Exhibit 1.

Institutions participating in the Prudential Conglomerate

Consolidated Institutions	
Ágora Corretora De Títulos E Valores Mobiliários S.A.	Bradesco Leasing S.A. Arrendamento Mercantil
Alvorada Administradora De Cartões Ltda.	Bradesco Private Fic Fi Rf Irf-M Ativo
Alvorada Cia. Securitizadora De Créditos Financeiros	Bradesco S.A. Corretora De Títulos E Valores Mobiliários
Alvorada Serviços E Negócios Ltda.	Bradesco Securities Hong Kong Ltda.
Banco Alvorada S.A.	Bradesco Securities Uk Limited
Banco Boavista Interatlântico S.A.	Bradesco Securities, Inc.
Banco Bradescard S.A.	Bram Bradesco Asset Management S.A. D.T.V.M.
Banco Bradesco Argentina S.A.	Braspag -Tecnologia Em Pagamento Ltda.
Banco Bradesco Bbi S.A.	Cateno Gestão De Contas De Pagamento S.A.
Banco Bradesco Berj S.A.	Cia. Brasileiras De Soluções E Serviços - Alelo
Banco Bradesco Cartões S.A.	Cia. Securitizadora De Crédito Financiamento Rubi
Banco Bradesco Europa S.A.	Cidade Capital Markets Limited
Banco Bradesco Financiamentos S.A.	Cielo Inc. (Usa)
Banco Bradesco S.A.	Cielo S.A.
Banco Cbss S.A.	Crediare S.A. Crédito, Financiamento E Investimento
Bcn Consultoria, Administração De Bens, Serviços E Publicidade Ltda.	Elo Holding Financeira S.A.
Bec Distribuidora De Títulos E Valores Mobiliários Ltda.	Everest Leasing S.A. Arrendamento Mercantil
Bem Distribuidora De Títulos E Valores Mobiliários Ltda.	F Ii - Fundo De Investimento Rf Cred Privado
Bmc Asset Management - Distribuidora De Títulos E Valores Mobiliários Ltda.	Farly Participações Ltda.
Brad Fi Mult Cred Priv Inv Exterior Andromeda	Fip Multisetorial Plus
Bradescard México, Sociedad De Responsabilidad Limitada	Fundo Inv Em Participacoes Multisetorial Plus Ii
Bradesco - Agência Grand Cayman	Ibi Promotora De Vendas Ltda.
Bradesco - Agência New York	Leader S.A. Administradora De Cartões De Crédito
Bradesco Administradora De Consórcios Ltda.	Livelo S.A.
Bradesco F.I. Referenciado Di Performance	Merchant E-Solutions
Bradesco F.I.C. F.I. Referenciado Di Galáxia	Mpo Processadora De Pagamentos Móveis S.A.
Bradesco Fi Mult Cred Priv Inv Exterior Pioneiro	Paggo Soluções E Meios De Pagamento S.A.
Bradesco Fi Multimercado Cred Privado Apolo	Promosec Cia. Securitizadora De Creditos Financeiros
Bradesco Fi Referenciado Di Uniao	Stelo S.A.
Bradesco Fic Fi Multimercado Cristal Ii	Strong Fundo De Inv. Renda Em Cotas Fim
Bradesco Fic Fi Multimercado Performance Liquidez	Tempo Serviços Ltda.
Bradesco Fic Fundo Invest Referenciado Di Carnauba	Tibre Distribuidora De Títulos E Valores Mobiliários Ltda.

For the scope of the publication, in addition to the Prudential Conglomerate's institutions, the following companies are also part of the consolidation:

Other Consolidated Institutions - published	
Ágora Educacional Ltda.	Companhia Leader De Promoção De Vendas
Aicare Holdings Ltda.	Cpm Holdings Limited
Aliança Pagamentos E Participações Ltda.	Danúbio Empreendimentos E Participações Ltda.
Alpha Serviços De Rede De Auto Atendimento S.A.	Dental Partner Comércio De Produtos Equip. Odontológicos Ltda.
Amapari Holdings S.A.	Eabs Serviços De Assistência E Partcipações S.A.
Andorra Holdings S.A.	Easy Software S.A.
Apore Holdings S.A.	Elba Holding Ltda.
Aquarius Holdings Ltda.	Elo Participações S.A.
Aranau Holdings S.A.	Elo Serviços S.A.
Atlântica Companhia De Seguros	Elvas Holdings Ltda.
Baíra Holding Ltda.	Embauba Holdings S.A.
Baneb Corretora De Seguros S.A.	Europ Assistance Brasil Serviços De Assistência S.A.
Bankpar Brasil Ltda.	Everest Empreendimentos E Participações Ltda.
Bankpar Consultoria E Serviços Ltda.	Ferrara Participações Ltda.
Barinas Holdings S.A.	Fidelity Processadora E Serviços S.A.
Belak Participações Ltda.	Ganant Corretora De Seguros Ltda.
Bf Promotora De Vendas Ltda.	Garcia Pedrosa Ltda.
Bmc Previdência Privada S.A.	Guilher Comércio, Importação, Exportação E Distribuição De Medicamentos E Tecnologia Para Saúde Ltda.
Bpar Corretagem De Seguros Ltda.	Ibi Corretora De Seguros Ltda.
Bps Participações E Serviços Ltda.	Imagra Imobiliária E Agrícola Ltda.
Bradescard Elo Participações S.A.	Ipe Holding Ltda.
Bradesco Argentina De Seguros S.A.	It Partners Ltd.
Bradesco Auto-Re Companhia De Seguros	Itaúna Holdings Ltda.
Bradesco Capitalização S.A.	Japira Holdings S.A.
Bradesco North America Llc-Delaware-Usa	Kartra Participações Ltda.
Bradesco Overseas Funchal - Consulting Services, Sociedade Unipessoal Ltda.	Lecce Holdings S.A.
Bradesco Overseas Salzburg Service Gmbh	Lyon Holdings Ltda.
Bradesco Saúde S.A.	M4 Produtos E Serviços S.A.
Bradesco Segprev Investimentos Ltda.	Malibu Holdings Ltda.
Bradesco Seguros	Manacás Holdings Ltda.
Bradesco Seguros S.A.	Maracay Holdings Ltda.
Bradesco Service Co. Ltd.	Marília Reflorestamento E Agropecuária Ltda.
Bradesco Vida E Previdência S.A.	Marselha Holdings Ltda.
Bradescor Corretora De Seguros Ltda.	Mediservice Administradora De Planos De Saúde S.A.
Bradeseg Participaciones S.A.	Miramar Holdings S.A.
Bradesplan Participações Ltda.	Mississipi Empreendimentos E Participações Ltda.
Bradport - Sgps Sociedade Unipessoal, Lda	Modulo Assessoria Em Seguros Ltda. - Me
Bradseg Participações S.A.	Multidisplay Com E Serviços Tecnologicos S.A.
Bradseg Promotora De Vendas S.A.	Neon Holding Ltda.

Bram Us Llc	Nova Marília Administração De Bens Móveis E Imóveis Ltda.
Brasília Cayman Investments Ii Limited	Nova Paiol Participações S.A.
Brasília Cayman Investments Iii Limited	Novamed Gestão De Clinicas
Bréscia Empreendimentos E Participações Ltda.	Odontoprev S.A.
Bsp D108	Odontoprev Serviços Ltda.
Bsp - D159	Prevsaúde Comercial De Produtos E De Benefícios De Farmácia Ltda.
Bsp Affinity Ltda.	Pts Viagens E Turismo Ltda.
Bsp Empreendimento Imobiliário D166 Ltda.	Quixaba Empreendimentos E Participações Ltda.
Bsp Empreendimento Imobiliário D167 Ltda.	Quixaba Investimentos S.A.
Bsp Empreendimentos Imobiliários D102 Ltda.	Reno Empreendimentos E Participações Ltda.
Bsp Empreendimentos Imobiliários R1 Ltda.	Rfs Human Management, Sociedad De Responsabilidad Limitada
Bsp Empreendimentos Imobiliários R14 Ltda.	Rubi Holdings Ltda.
Bsp Empreendimentos Imobiliários R15 Ltda.	Scopus Industrial S.A.
Bsp Empreendimentos Imobiliários R2 Ltda.	Scopus Soluções Em Ti S.A.
Bsp Empreendimentos Imobiliários R20 Ltda.	Serel Participações Em Imóveis S.A.
Bsp Empreendimentos Imobiliários R4 Ltda.	Servinet Serviços Ltda.
Bsp Empreendimentos Imobiliários R5 Ltda.	Settle Consultoria, Assessoria E Sistemas Ltda.
Bsp Empreendimentos Imobiliários R6 Ltda.	Shopfácil Soluções Em Comércio Eletrônico S.A.
Bsp Empreendimentos Imobiliários R7 Ltda.	Stvd Holding S.A.
Bsp Empreendimentos Imobiliários S.A.	Taiba Holdings Ltda.
Bsp Park Estacionamentos E Participações S.A.	Tandil Holdings Ltda.
Bvp Promotora De Vendas Ltda.	Tapajós Holdings Ltda.
Caetê Holding Ltda.	Tibre Holding Ltda.
Carson Holdings Ltda.	Trenton Holdings Ltda
Ceabs Serviços S.A.	Treviglio Holdings Ltda.
Celta Holding S.A.	União Participações Ltda.
Clidec - Clínica Dentária Especializada Cura D Ars Ltda.	Varese Holdings Ltda.
Clidec Participações S.A.	Veneza Empreendimentos E Participações S.A.
Columbus Holdings S.A.	Viareggio Holdings Ltda.
Companhia Brasileira De Gestão De Serviços	

The regulatory scope to measure capital sufficiency since January 2015 is the Prudential Conglomerate, according to Bacen's rules. However, it is worth noting that other companies of the Economic and Financial Consolidated, reported in the previous table, also participate in the Organization's risk management process. For these companies, all the risks inherent to their activities are evaluated, especially Bradesco's Insurance Group companies, which also comply with regulatory capital rules, either through the rules of Susep or ANS, depending on their operating segment.

At Bradesco's Insurance Group, besides market, credit, operational, liquidity risk, among others, we point out the insurance risk, which is the main risk an insurance company is exposed to. This risk results from an adverse economic situation that would go against the insurance company's expectations, at the time of preparing the insurance policy, with regard

to existing uncertainties, both in terms of definition of actuarial premises and the creation of technical provisions and calculation of premiums and contributions. Thus, it is the risk that the frequency or severity of claims or benefits is greater than those estimated by the company.

Insurance risks are managed by the Department of Actuarial Studies and Risk Management, Bradesco's Insurance Group, which also belongs to the Organization's risk management structure. One of its main duties is to develop an internal model for the calculation of economic capital based on insurance risks. The management process complies with all policies, rules and procedures of the Organization and seeks to diversify insurance operations in order to ensure a balanced portfolio sustained by the grouping of risks with similar characteristics, thereby reducing the impact of isolated risks.

Relevant Institutions

Following are the main companies that hold direct and indirect equity interests, included in the financial statements:

R$ million

	Jun-15		Description of the Activity
	Total Assets	Total Shareholders' Equity	
Financial Segment - Brazil			
Banco Alvorada S.A.	18,594	17,740	Bank
Banco Bradesco Financiamentos S.A.	52,609	9,888	Bank
Banco Bradesco BBI S.A.	7,349	6,786	Investment Bank
Banco Boavista Interatlântico S.A.	2,461	2,306	Bank
Banco CBSS S.A.	573	146	Bank
Banco Bradesco Cartões S.A.	79,054	43,590	Cards
Bradesco Administradora de Consórcios Ltda.	3,078	2,700	Consortium Management
Banco Bradesco BERJ S.A.	77,923	53,292	Bank
Bradesco Leasing S.A. Arrendamento Mercantil	81,910	3,041	Leasing
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	1,762	698	Brokerage Firm
BRAM - Bradesco Asset Management S.A. D.T.V.M.	347	314	Asset Management
Ágora Corretora de Títulos e Valores Mobiliários S.A.	895	443	Brokerage Firm
Banco Bradescard S.A.	6,645	2,535	Cards
Cielo S.A.	6,726	1,645	Service Provider
Cia. Brasileiras de Soluções E Serviços - Alelo	1,932	626	Service Provider
Tempo Serviços Ltda.	2,765	2,366	Service Provider
Financial Segment - Abroad			
Banco Bradesco Argentina S.A.	183	175	Bank
Banco Bradesco Europa S.A.	13,436	1,313	Bank
Bradesco - Agência Grand Cayman Branch	115,251	39,154	Bank
Bradesco - Agência New York Branch	55,956	1,385	Bank
Bradesco Securities, Inc.	90	90	Brokerage Firm
Bradesco Secutities, Uk	30	24	Brokerage Firm
Insurance, Pension Plans and Capitalization Bonds			
Bradesco Argentina de Seguros S.A.	3	2	Insurance Company
Bradesco Auto/Re Companhia de Seguros	8,641	2,295	Insurance Company
Bradesco Capitalização S.A.	7,903	725	Capitalization Bonds
Bradesco Saúde S.A.	12,930	3,991	Insurance Company/Dental
Odontoprev S.A.	15	10	Dental Health
Bradesco Seguros S.A.	20,003	16,112	Insurance Company
Bradesco Vida e Previdência S.A.	153,911	7,238	Pension Plans/Insurance Company
Atlântica Companhia de Seguros	1,288	593	Insurance Company
Other Activities			
Andorra Holdings S.A.	341	341	*Holding*
Bradseg Participações S.A	24,512	22,483	*Holding*
Bradescor Corretora de Seguros Ltda.	79	42	Brokerage Firm
Bradesplan Participações Ltda.	10,292	9,609	*Holding*
BSP Empreendimentos Imobiliários S.A.	1,484	1,376	Real Estate
Cia. Securitizadora de Crédito Financiamento Rubi	1,508	1,487	Credit Acquisition
Columbus Holdings S.A.	6,632	6,610	*Holding*
Nova Paiol Participações S.A.	1,485	1,484	*Holding*
União Participações Ltda.	1,920	1,604	*Holding*

Equity Interests

Equity interest accounting policy

The equity interests are measured by the equity method or by the cost method. The equity interests abroad are recorded by the original amount in foreign currency, converted into reais, by the conversion rate on the investment acquisition date. The foreign exchange rate is

updated by the variation of PTAX selling rate released by Bacen for related foreign currencies of the countries where investments are made.

The selection of method to be used observes prevailing laws, namely:

- Equity method: the investment measured by the equity method is calculated monthly based on the statement of financial position or interim statement of financial position drawn up on the same date, or until, at most, two months before, and in this assumption, the necessary adjustments are made to consider the non-recurring and/or relevant facts effects in the period. The statement of financial position or interim statement of financial position of investments abroad are adjusted to the accounting criteria effective in Brazil and converted into Real (by the closing quote), and its effects recognized in the net income for the period.
- Cost method: investments in equity instruments of other entities are measured by cost, when classified in the sub-group Non-Current Asset Investments, provided that these entities are not considered associated companies or subsidiaries (including jointly-controlled entities). Through this method, the investments are recorded by acquisition cost, less provisions for losses.

Following is a list of the Prudential Conglomerate's equity interests:

R$ million

Equity Interests[1,2]	Book Value	Nature of the Activity
Bradseg Participações Ltda.	21,578	*Holding*
Rubi Holdings Ltda.	7,080	*Holding*
Tibre Holdings Ltda.	475	*Holding*
Bankpar Brasil	412	*services*
Serel Participações em Imóveis S.A.	385	*Holding*
Finasa Promotora de Vendas Ltda.	332	*services*
Ganant Corretora de Seguros	311	*Insurance Brokerage*
Brasília Cayman Investiments II Limited	247	*Holding*
Miramar Holdings S.A.	243	*Holding*
Embaúba Holdings Ltda.	218	*Holding*
Imagra Imobiliária e Agrícola Ltda.	216	*Real Estate*
Neon Holdings S.A.	186	*Holding*
Kartra Participações	175	*services*
Bankpar Consultoria e Serviços Ltda.	174	*services*
Tapajós Holdings	163	*services*
2B Capital	148	*services*
Bes Investimento do Brasil S.A. – Banco de Investimento	131	*Investment Bank*
Caetê Holding Ltda.	92	*Holding*
Cielo	77	*services*
Tapajós Holdings	52	*Holding*
Bradescor Corretora de Seguros Ltda.	42	*Insurance Brokerage*
Marselha Holdings Ltda.	40	*Holding*
STVD Holdings S.A.	38	*Holding*

Cia. Securitizadora de Créditos Financeiros Rubi	37	*Credit Acquisition*
Empresa Brasileira de Soldas Elétricas S.A.	36	*Other activities*
Manacás Holdings Ltda.	33	*Holding*
Bradescard Elo Participações S.A.	26	*Holding*
Investimentos BSP EMP IMOB D159	24	*services*
CBGS	20	*services*
Investimentos BSP EMP IMOB D108	16	*services*
Aquarius Holdings S.A.	15	*Holding*
Aliança Pagamentos e Participações Ltda.	10	*Other activities*
Baneb Corretora de Seguros S.A.	10	*Insurance Brokerage*
Belak Participações	10	*services*
M4U-Multidisplay	9	*services*
Bradport SGPS Sociedade Unipessoal Ltda.	8	*Holding*
Servinet Serviços S/C Ltda.	5	*services*
Bradesco North America LLC Delaware - USA	4	*services*
Bradesco Service Co. Ltda	3	*Holding*
Shopfácil Soluções em Comércio Eletrônico S.A.	3	*services*
Ágora Educacional Ltda.	2	*services*
RFS Human	1	*services*
Leader S.A. Administradora de Cartões de Crédito	1	*services*
Promosec Cia. Securitizadora de Créditos Financeiros	1	*Credit Acquisition*
Stelo S.A. Companhia Brasileira de Pagamentos Eletrônicos	-5	*services*
Nova Paiol Participações S.A.	-116	*Holding*

(1)The companies listed are closely-held companies whose shares are not traded at the stock exchange; no price quoted in the market, and without any gain/loss on the sale/liquidation, unrealized, recognized or unrecognized.
(2) In the second quarter 2015, the Capital Requirement for Equity Interest totaled R$ 4.4 billion, according to CMN Resolution 4,192 and Bacen Circular 3,644.

Abbreviations

A

ANS - National Regulatory Agency for Private Health Insurance and Plans
AMA - Advanced Measuarement Approch

B

Bacen - Brazilian Central Bank
BIS - Bank for International Settlements
BNDES - Brazilian Development Bank

C

CDI - Certificated of Interbank Deposit
CDC - Consumer Credit
CDS - Credit Default Swap
CMN - National Monetary Council
CRI - Real Estate Receivable Certificates

D

DCIR - Integrated Risk Control Department
DI - Interbank Deposit
DPV - Available for sale

E

ECB - European Central Bank
EVE - Economic Value Equity

F

FED - Federal Reserve
FIDC - Receivables Backed Investment Funds
Finame - BNDES program to finance machinery and equipment
FPR - Risk Weighting Factor

I

IBAMA - Brazilian Institute of the Environment and Natural Renewable Resources
ICAAP - Internal Capital Adequacy Assessment Process
IGP-M - General Market Price Index
IFC - International Finance Corporation
IPCA - Consumer Price Index

O

ORX - Operational Riskdata exchange Association

P

P&L - Profit & Loss
PIB - Gross Domestic Product (GDP)
PRI - Principles for Responsible Investment
PTAX - Average reference exchange rate published by Bacen

R

RML - Minimum Liquidity Reserve
RWA - Risk Weighted Assets

S

SELIC - Basic Interest Rate
SUSEP - Insurance Superintendence

T

TVM - Marketable Securities

V

VaR - Value at Risk
VIX - Derivative contract based on the future volatility of the S&P 500 index