BANK BRADESCO
Form 20-F
April 18, 2016

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

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

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

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

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

References in this annual report to the “common shares” and “preferred shares” are to our common shares and preferred shares, respectively, and together our "shares." References to “preferred share ADSs” in this annual report are to preferred share American Depositary Shares, each representing one preferred share. The preferred share ADSs are evidenced by preferred share American Depositary Receipts, or preferred share ADRs, issued pursuant to an Amended and Restated Deposit Agreement, dated as of July 22, 2009, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of preferred share ADSs evidenced by preferred share ADRs issued thereunder (the "Preferred Share ADS Deposit Agreement").

References to "common share ADSs" in this annual report are related to common share American Depositary Shares, with each common share ADS representing one common share. The common share ADSs are evidenced by common share American Depositary Receipts, or common share ADRs, issued pursuant to a Deposit Agreement dated as of March 13, 2012, by and among us, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of common share ADSs evidenced by common share ADRs issued thereunder (the "Common Share ADS Deposit Agreement" and, together with the "Preferred Share ADS Deposit Agreement", the "Deposit Agreements").

References throughout this annual report to "ADSs" are to our preferred share ADSs and common share ADSs, together.

Throughout this annual report, we may indicate that certain information is available at different websites operated by us. None of the information on the websites referred to or mentioned in this annual report is part of or is incorporated by reference herein.

FORWARD LOOKING STATEMENTS

This annual report contains forward looking statements as defined in Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." These statements are based mainly on our current expectations and projections of future events and financial trends that affect or might affect our business. In addition to the items discussed in other sections of this annual report, there are many significant factors that could cause our financial condition and results of operation to differ materially from those set out in our forward-looking statements, including, but not limited to, the following:

- current weakness in Brazilian macroeconomic conditions;
- global economic conditions;
- economic, political and business conditions in Brazil and in the other markets in which we operate;
- risks of lending, credit, investments and other activities;
- our level of capitalization;
- cost and availability of funds;
- higher levels of delinquency by borrowers, credit delinquency and other delinquency events leading to higher impairment of loans and advances;
- authorization from Brazilian anti-trust authorities for our acquisition of HSBC Brasil and the integration of the acquired business;
- loss of customers or other sources of income;
- our ability to execute our investment strategies and plans as well as to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse claims, legal or regulatory disputes or proceedings;
- inflation, fluctuations in the value of the *real* and/or interest rates, which could adversely affect our margins;
- competitive conditions in the banking, financial services, credit card, asset management, insurance sectors and related industries;
- the market value of securities, particularly government securities; and
- changes by the Central Bank and others in laws and regulations, applicable to us and our activities, including, but not limited to, those affecting tax matters.

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

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3.A. Selected Financial Data

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3.A. Selected Financial Data

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

The following selected financial data should be read together with the "Presentation of Financial and Other Information" and "Item 5. Operating and Financial Review and Prospects."

Selected Financial Data

Year ended December 31,	US$ in thousands (1)	R$ in thousands				
2015	**2015**	**2014**	**2013**	**2012**	**2011**	
Data from the Consolidated Statement of Income						
Interest and similar income	35,698,742	127,048,252	103,893,096	90,682,625	83,031,854	82,152,096
Interest and similar expenses	(20,065,810)	(71,412,210)	(53,847,329)	(41,382,142)	(39,646,131)	(46,763,775)
Net interest income	**15,632,932**	**55,636,042**	**50,045,767**	**49,300,483**	**43,385,723**	**35,388,321**
Fee and commission income	5,017,526	17,856,873	16,759,980	14,535,723	12,757,131	10,932,237
Fee and commission expenses	(10,173)	(36,203)	(20,724)	(36,041)	(36,391)	(33,978)
Net fee and commission income	**5,007,353**	**17,820,670**	**16,739,256**	**14,499,682**	**12,720,740**	**10,898,259**
Net gains/(losses) on financial instruments classified as held for trading	(2,318,709)	(8,252,055)	(1,933,003)	(5,790,089)	2,110,112	(608,271)
Net gains/(losses) on financial assets classified as available for sale	(188,769)	(671,810)	(991,894)	(6,100,782)	1,895,974	365,302
Net gains/(losses) on foreign currency transactions	(989,939)	(3,523,095)	(1,244,680)	(1,093,597)	(1,087,595)	2,625,816

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

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

Year ended December 31,	R$, except for number of shares				
	2015	2014	2013	2012	
Data on Earnings and Dividends per Share (1)					
Earnings per share (2)					
Common	3.43	2.90	2.34	2.13	
Preferred	3.78	3.19	2.58	2.35	
Dividends/interest on equity per share (3)					
Common	1.15	0.96	0.78	0.73	
Preferred	1.27	1.05	0.85	0.81	
Weighted average number of outstanding shares (1)					
Common	2,520,790,423	2,520,886,223	2,520,886,223	2,520,999,776	2,5
Preferred	2,510,675,124	2,514,701,048	2,515,928,218	2,518,167,013	2,5

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

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

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

Articles of Association."

Year ended December 31,	**In US$**				
	2015	**2014**	**2013**	**2012**	**2011**
Dividends/interest on equity per share [1]					
Common	0.29	0.36	0.33	0.36	0.37
Preferred	0.33	0.40	0.36	0.40	0.41

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

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

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

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

Exchange Rate Information

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

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

On March 31, 2016, the exchange rate was R$3.5589 per US$1.00, a 8.9% appreciation against the U.S. dollar, when compared to December 31, 2015. Under the current floating exchange-rate system, the *real* may be subject to fluctuations and depreciation or appreciation against the U.S. dollar and other currencies.

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

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

(1) Average, high and low month end rates from December of the previous period.
Source: Central Bank.

3.B. Capitalization and Indebtedness
Not applicable.

3.C. Reasons for the Offer and Use of Proceeds
Not applicable.

3.D. Risk Factors
Macroeconomic risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.D. Risk Factors

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

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

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

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

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

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

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

Government measures to combat inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the base interest rate (SELIC) set by the Central Bank Committee on Monetary Policy (*Comitê de Política Monetária* - COPOM) may have an adverse effect on us by reducing demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on us by decreasing the interest income we earn on our interest-earning assets and lowering our revenues and margins.

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

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

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

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

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

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

The global financial crisis has had significant consequences worldwide, including in Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy and volatile exchange rates, among others, which had, and may continue to have in the future, directly or indirectly, an adverse effect on our business, financial condition, results of operations, the market price of securities of issuers based in Brazil, including ours, and our ability to finance our operations.

Risks relating to us and the Brazilian banking industry

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

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

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

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

- in integrating new networks, information systems, personnel, financial and accounting systems, risk and other management systems, financial planning and reporting, products and customer bases into our existing business, we may run into difficulties or unexpected costs and place additional demands on our Senior Management, information systems, head office and back office operations and marketing resources;

- unexpected events may occur, such as asset losses and/or recognition of liabilities or contingencies relating to the acquired business;

- antitrust and other regulatory authorities may impose restrictions or limitations on the terms of the acquisition, require disposition of certain assets or businesses or withhold their approval of the transaction; and

- delays in the integration process may cause us to incur greater operating expenses than expected with respect to the acquired business.

3.D. Risk Factors

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

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

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

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

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

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

Rapid loan growth may also reduce our ratio of non-performing loans to total loans until growth slows or the portfolio becomes more seasoned. Adverse economic conditions and a slower growth rate for our loans and advances to customers may result in increases in our impairment of loans and advances, charge-offs and our ratio of non-performing loans and advances to total loans and advances, which may have an adverse effect on our business, financial condition and results of operations.

Adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner.

Volatility and uncertainties in the credit and capital markets have generally decreased liquidity, with increased costs of funding for financial institutions and corporations. These conditions may impact our ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute our growth strategy. If we are forced to delay raising capital or pay unattractive interest rates in order to obtain capital, our financial condition and results of operations may be adversely affected.

The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects.

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our principal areas of operation from other large banks and insurance companies, both public and private based in Brazil and internationally.

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

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

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

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

- increasing competition for foreign investment opportunities.

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

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

The value of certain of our investments in financial assets may decline significantly due to volatile financial markets and may fluctuate over short periods of time. As of December 31, 2015, investments in financial assets held for trading and available for sale represented 27.0% of our assets, and realized gains and losses or unrealized gains and losses for financial assets held for trading and available for sale have had and may continue to have a significant impact on the results of our operations.The amounts of such gains and losses, which we record when investments in financial assets are sold, or in certain limited circumstances when they are recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the fair value of the financial assets, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and our Management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods, and we may not successfully realize the appreciation in our consolidated investment portfolio or any portion thereof.

We may incur losses associated with counterparty exposures.

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

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases or decreases in exchange rates or interest rates.

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

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

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

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

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

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

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

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

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3.D. Risk Factors

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

As of December 31, 2015, Fundação Bradesco directly and indirectly held 56.7% of our common shares. As a result, Fundação Bradesco has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's by-laws, members of our *Diretoria Executiva*, or of our Board of Executive Officers that have been working with us for more than ten years serve as members of the Board of Trustees of Fundação Bradesco. The Board of Trustees has no other members.

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

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

Changes in regulations regarding reserve and compulsory deposit requirements may reduce operating margins.

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

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

- a portion of our compulsory deposits with the Central Bank do not bear interest; and

- a portion of our compulsory deposits must finance a federal housing program, the Brazilian rural sector, low income customers and small enterprises under a program referred to as a "microcredit program."

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

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

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

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

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

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

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