

BANK BRADESCO  
Form 6-K  
August 17, 2016

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the month of August, 2016  
Commission File Number 1-15250**

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**BANCO BRADESCO S.A.**  
(Exact name of registrant as specified in its charter)

**BANK BRADESCO**  
(Translation of Registrant's name into English)

**Cidade de Deus, s/n, Vila Yara  
06029-900 - Osasco - SP  
Federative Republic of Brazil  
(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of  
1934.

Yes  No

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## Sumário

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**Bradesco**

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**Sumário**

**Forward-Looking Statements**

This Economic and Financial Analysis Report contains forward-looking statements related to our business. Such statements are based on management's current expectations, estimates and projections concerning future events and financial trends that may affect our business. Words such as "believe", "anticipate", "plan", "expect", "intend", "goal", "estimate", "forecast", "predict", "project", "guidelines", "should" and other similar expressions are used to indicate predicting statements. However, forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that may be beyond our control. In addition, some forward-looking statements are based on assumptions which, depending on future events, may prove not to be accurate. Therefore, actual results may differ significantly from the plans, goals, expectations, projections and intentions expressed or implied in such statements.

The factors that may impact the actual results include, among others, changes in regional, national and international trade and economic policies; inflation; an increased number of defaults by borrowers in loan operations, with a consequent increase in the allowance for losses from loan operations; loss of ability to receive deposits; loss of customers or revenues; our ability to sustain and improve performance; changes in interest rates which may, among other things, adversely affect our margins; competition in the banking industry, financial services, credit card services, insurance, asset management and other related industries; government regulation and fiscal affairs; disputes or adverse legal proceedings or regulations; and credit and other risks involved in lending and investment activities.

As a result, one should not rely excessively on these forward-looking statements. The statements are valid only for the date on which they were drafted. Except as required by applicable law, we do not assume any obligation to update these statements as a result of new information, future developments or any other matters which may arise.

Some numbers included in this Report have been subjected to rounding adjustments.

As a result, some amounts indicated as total amounts in some charts may not be the arithmetic sum of the preceding numbers.

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**Economic and Financial Analysis Report - March 2016**

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**Press Release**

**Highlights**

The main figures obtained by Bradesco in the first semester of 2016 are presented below:

1. Adjusted Net Income<sup>(1)</sup> for the first semester of 2016 stood at R\$8.274 billion (a 5.7% decrease compared to the R\$8.778 billion recorded in the same period of 2015), corresponding to earnings per share of R\$3.14 and Return on Average Adjusted Shareholders' Equity<sup>(2)</sup> of 17.4%<sup>(2)</sup>.

2. As for the source, the Adjusted Net Income is composed of R\$5.730 billion from financial activities, representing 69.3% of the total, and of R\$2.544 billion from insurance, pension plans and capitalization bonds operations, which together account for 30.7%.

3. In June 2016, Bradesco's market capitalization stood at R\$144.366 billion<sup>(3)</sup>.

4. Total Assets, in June 2016, stood at R\$1.105 trillion, an increase of 7.3% over the June 2015 balance. The return on Average Total Assets was 1.5%.

5. In June 2016, the Expanded Loan Portfolio<sup>(4)</sup> reached R\$447.492 billion, a decrease of 3.4% over June 2015. Operations with individuals totaled R\$148.919 billion (an increase of 3.8% over June 2015), while corporate section operations totaled R\$298.573 billion (a 6.7% decrease over June 2015).

6. Assets under Management stood at R\$1.589 trillion, an 10.1% increase over June 2015.

10. The Delinquency Ratio over 90 days stood at 4.6% in June 2016 (3.7% in June 2015).

11. The Operating Efficiency Ratio (ER)<sup>(5)</sup> in June 2016 was 37.4% (37.9% in June 2015), while in the "risk-adjusted" concept, it stood at 48.1% (46.5% in June 2015).

12. Written Insurance Premiums, Pension Plan Contributions and Capitalization Bond Income totaled R\$32.439 billion in the first semester of 2016, up 6.9% when compared with the same period of 2015. Technical Reserves stood at R\$190.649 billion, an increase of 15.8% compared with the balance in June 2015.

13. Investments in infrastructure, information technology and telecommunications amounted to R\$2.993 billion in the first semester of 2016, up 10.6% over the same period of the previous year.

14. Taxes and contributions paid or recorded in provision, including social security, totaled R\$20.155 billion in the first semester of 2016, of which R\$6.527 billion was related to taxes withheld and collected from third parties, and R\$13.628 billion was calculated based on activities developed by the Bradesco Organization, equivalent to 164.7% of the Adjusted Net Income<sup>(1)</sup>.

15. Bradesco has an extensive Customer Service Network in Brazil, with 4,483 Branches and 3,485 Service Points (PAs). Customers of Bradesco can also count on 726 ATMs located on company premises (PAEs), 40,452 Bradesco Espresso

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7. Shareholders' Equity totaled R\$96.358 billion in June 2016, 10.8% higher than in June 2015. The calculated Basel III Ratio, based on the Prudential Conglomerate stood at 17.7% in June 2016, 13.7% of which was classified as Common Equity/Tier I.

8. A total of R\$2.906 billion was paid to shareholders as Interest on Shareholders' Equity for the profit generated in the first semester of 2016, of which R\$1.567 billion was paid in the form of monthly and intermediaries and R\$1.339 billion provisioned.

9. The Interest Earning Portion of the Net Interest Income stood at R\$29.517 billion, an increase of 10.6% compared with the first semester of 2015.

service points, 31,761 Bradesco ATMs, and 19,075 Banco24Horas Network ATMs.

16. Payroll, plus charges and benefits totaled R\$6.497 billion in the first semester of 2016. Social benefits provided to all 89,424 employees of the Bradesco Organization and their dependents amounted to R\$1.634 billion, while investments in education, training and development programs totaled R\$51.124 million.

**Economic and Financial Analysis Report – June 2016**

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***Press Release***

**Highlights**

17. In July 2016, Bradesco informed the market that the acquisition of 100% of the share capital of HSBC Bank Brasil S.A. – Banco Múltiplo and HSBC Serviços e Participações Ltda. (together, known as "HSBC Brasil") had been completed and the amount paid to HSBC Latin America Holdings Limited was R\$16.0 billion. This value is subject to adjustment post-closing based on the balance sheet of HSBC Brasil (IFRS based).

18. Major Awards and Acknowledgments in the period:

- Voted, for the fifth consecutive time, as the "Best Bank in the country," and Bradesco BBI was recognized for the second time as the "Best Investment Bank in Brazil" in the edition of "Awards for Excellence 2016" (Euromoney magazine);
- Bradesco was awarded "Best Bank of the Year" in efinance 2016, by *Executivos Financeiros* (Financial Executives magazine), with 14 awards;
- Bradesco Asset Management (Bram) received from Standard & Poor's, the level AMP-1 (very strong), which is the highest in the scale of quality management of S&P Global Ratings; and
- Featured in the "Global Finance 2016" awards, receiving two awards: *Receba Fácil*, in the Trade Finance category and "*Novo Net Empresa*" for cell phones, in the Transaction Services (Global Finance magazine) category.

Bradesco Organization is fully committed to the socio-economic development of the country. We set our business guidelines and strategies with a view to incorporating the best corporate sustainability practices, considering the context and the potential of each region, thus contributing to the generation of shared value in the long-term. To reinforce this positioning, we highlight the adherence to corporate

With a broad social and educational program in place for 59 years, Fundação Bradesco operates 40 schools across Brazil. In 2016, an estimated budget of R\$593.360 million will benefit approximately 101,566 students enrolled in its schools at the following levels: basic education (from kindergarten to high school and higher secondary technical-professional education), youth and adult education; and preliminary and continuing vocational training, which focuses on creating jobs and income. In addition to being guaranteed to be free, quality education, the students enrolled in the Basic Education system, numbering over 43 thousand, also receive uniforms, school supplies, meals, medical and dental assistance. With regard to the distance learning system (EaD), it is estimated that more than 550 thousand students will benefit from it through its e-learning portal "*Escola Virtual*" (Virtual School). These students will conclude at least one of the various courses offered in its schedule, and another 21,490 students will benefit from projects and initiatives carried out in partnership with Centers for Digital Inclusion (CDIs), the *Educa+Ação* Program, and from Technology courses (*Educar e Aprender* – Educating and Learning).

initiatives recognized worldwide, such as the Global Compact, the Equator Principles, CDP, Principles for Responsible Investment (PRI), GHG Protocol Program and *Empresas pelo Clima* (EPC - Business for the Climate Platform). Our governance structure includes the Sustainability Committee, responsible for advising the Board of Directors on establishing guidelines and corporate actions for this area, and with the multi-departmental Committee responsible for coordinating the strategy's implementation.

Excellence in business management is recognized by the main indexes of Sustainability, such as the Dow Jones Sustainability Index (DJSI), of the New York Stock Exchange, the Corporate Sustainability Index (ISE), and the Carbon Efficient Index (ICO2), both of BM&FBOVESPA.

(1) According to the non-recurring events described on page 8 of this Economic and Financial Analysis Report; (2) As of the first quarter of 2016, the annualized profitability has been calculated on a linear basis, (ROAE of 18.1% in the previous criterion, in the first semester of 2016), and also, it excludes mark-to-market effect of Available-for-Sale Securities recorded under Shareholders' Equity; (3) Number of shares (excluding treasury shares) multiplied by the closing price for common and preferred shares on the last trading day of the period; (4) Includes sureties and guarantees, letters of credit, advances of credit card receivables, co-obligations in loan assignments (receivables-backed investment funds and mortgage-backed receivables), co-obligations in rural loan assignments and operations bearing credit risk – commercial portfolio, which includes debentures and promissory notes; and (5) In the last 12 months.

**Bradesco** \_ \_

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Press Release**Main Information**

R\$ million

2Q16

1Q16

4Q15

3Q15

2Q15

1Q15

**Income Statement for the Period**

Book Net Income	<b>4,134</b>	4,121	4,353	4,120	4,473	4,2
Adjusted Net Income	<b>4,161</b>	4,113	4,562	4,533	4,504	4,2
Total Net Interest Income	<b>14,962</b>	14,892	14,512	13,735	13,541	13,5
Gross Credit Intermediation Margin	<b>11,408</b>	11,486	11,313	10,806	10,427	10,2
Net Credit Intermediation Margin	<b>6,384</b>	6,038	7,121	6,954	6,877	6,6
Provision for Loan Losses (ALL) Expenses	<b>(5,024)</b>	(5,448)	(4,192)	(3,852)	(3,550)	(3,5)
Fee and Commission Income	<b>6,624</b>	6,405	6,597	6,380	6,118	5,7
Administrative and Personnel Expenses	<b>(8,152)</b>	(7,870)	(8,413)	(7,997)	(7,544)	(7,0)
Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income	<b>17,253</b>	15,186	19,130	15,125	16,723	13,6

**Statement of Financial Position**

Total Assets <sup>(1)</sup>	<b>1,105,244</b>	1,101,763	1,079,755	1,050,983	1,029,762	1,034,8
Securities	<b>437,580</b>	414,926	407,584	364,472	356,115	344,4
Loan Operations <sup>(2)</sup>	<b>447,492</b>	463,208	474,027	474,488	463,406	463,3
- Individuals	<b>148,919</b>	147,759	147,749	145,234	143,461	142,0
- Corporate	<b>298,573</b>	315,449	326,278	329,253	319,945	321,2
Allowance for Loan Losses (ALL) <sup>(3)</sup>	<b>(31,875)</b>	(30,497)	(29,499)	(28,670)	(23,801)	(23,6
Total Deposits	<b>179,436</b>	189,192	195,760	203,637	195,926	211,7
Technical Reserves	<b>190,649</b>	182,973	177,835	168,629	164,566	157,2
Shareholders' Equity	<b>96,358</b>	93,330	88,907	86,233	86,972	83,9
Assets under Management	<b>1,589,319</b>	1,589,307	1,510,396	1,452,528	1,443,989	1,431,0

**Performance Indicators (%)**

Adjusted Net Income per Share - R\$ <sup>(4) (5)</sup>	<b>3.14</b>	3.20	3.23	3.15	3.05	2.
Book Value per Common and Preferred Share - R\$ <sup>(5)</sup>	<b>17.42</b>	16.87	16.07	15.59	15.71	15.
Annualized Return on Average Equity <sup>(6) (7)</sup>	<b>17.4</b>	17.5	20.5	20.7	20.8	20.
Annualized Return on Average Assets <sup>(7)</sup>	<b>1.5</b>	1.5	1.7	1.7	1.7	1.
Average Rates - 12 months = (Adjusted Net Interest Income / Total Average Assets - Repos - Permanent Assets) (NIM)	<b>7.5</b>	7.5	7.5	7.6	7.6	7.
Fixed Asset Ratio <sup>(13)</sup>	<b>33.8</b>	34.0	35.2	38.6	39.6	4.
Combined Ratio - Insurance <sup>(8)</sup>	<b>89.6</b>	86.1	86.5	86.9	86.5	8.
Efficiency Ratio (ER) <sup>(4)</sup>	<b>37.4</b>	37.2	37.5	37.9	37.9	3.
Coverage Ratio (Fee and Commission Income/Administrative and Personnel Expenses) <sup>(4)</sup>	<b>80.2</b>	80.1	80.0	79.1	78.7	7.
Market Capitalization - R\$ million <sup>(9)</sup>	<b>144,366</b>	143,720	100,044	113,288	142,098	150,5

**Loan Portfolio Quality % <sup>(10)</sup>**

ALL / Loan Portfolio <sup>(3)</sup>	<b>9.3</b>	8.6	8.0	7.8	6.7	6.
Non-performing Loans (> 60 days <sup>(11)</sup> / Loan Portfolio)	<b>5.8</b>	5.3	5.0	4.7	4.6	4.
Delinquency Ratio (> 90 days <sup>(11)</sup> / Loan Portfolio)	<b>4.6</b>	4.2	4.1	3.8	3.7	3.
Coverage Ratio (> 90 days <sup>(11)</sup> ) <sup>(3)</sup>	<b>201.0</b>	204.2	198.0	205.7	180.4	18.

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Coverage Ratio (> 60 days <sup>(11)</sup> <sup>(3)</sup> )	<b>160.7</b>	162.9	161.7	168.4	146.5	149.5
<b>Operating Limits %</b>						
Basel Ratio - Total <sup>(12)</sup> <sup>(13)</sup>	<b>17.7</b>	16.9	16.8	14.5	16.0	15.5
Tier I Capital	<b>13.7</b>	12.9	12.7	11.4	12.8	12.5
- Common Equity	<b>13.7</b>	12.9	12.7	11.4	12.8	12.5
Tier II Capital	<b>4.0</b>	4.0	4.1	3.0	3.2	3.0

Economic and Financial Analysis Report – June 2016

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Press Release

## Main Information

	Jun16	Mar16	Dec15	Sept15	Jun15	Mar15	Dec14	Sept14	Variation Jun16 Jun x Mar16 Jun
<b>Structural Information - Units</b>									
Service Points <sup>(14)</sup>	61,565	63,552	65,851	71,738	74,270	74,917	75,176	74,028	(3.1)
- Branches	4,483	4,509	4,507	4,593	4,628	4,661	4,659	4,659	(0.6)
- PAs <sup>(15)</sup>	3,485	3,535	3,511	3,496	3,463	3,502	3,486	3,497	(1.4)
- PAEs <sup>(15)</sup>	726	739	736	845	980	1,135	1,145	1,159	(1.8)
- External ATM Network - Bradesco <sup>(16)</sup> <sup>(17)</sup>	342	435	627	874	1,112	1,243	1,344	1,398	(21.4)
- Banco24Horas Network <sup>(16)</sup>	11,127	11,298	11,721	11,917	12,127	12,268	12,450	12,213	(1.5)
- Bradesco Expresso (Correspondent Banks)	40,452	41,953	43,560	48,175	50,042	50,043	50,006	49,020	(3.6)
- Bradesco Promotora de Vendas	936	1,069	1,175	1,824	1,904	2,051	2,073	2,068	(12.4)
- Branches / Subsidiaries Abroad	14	14	14	14	14	14	13	14	-
ATMs	50,836	50,435	50,467	50,113	49,410	48,941	48,682	48,053	0.8
- Bradesco Network	31,761	31,668	31,527	31,495	31,132	31,091	31,089	31,107	0.3
- Banco24Horas Network	19,075	18,767	18,940	18,618	18,278	17,850	17,593	16,946	1.6
Employees <sup>(18)</sup>	89,424	91,395	92,861	93,696	93,902	94,976	95,520	98,849	(2.2)
Outsourced Employees and Interns	12,978	13,009	13,223	13,333	13,111	12,977	12,916	12,896	(0.2)
<b>Customers - in millions</b>									
Active Account Holders <sup>(19)</sup> <sup>(20)</sup>	25.2	25.6	26.0	26.4	26.5	26.6	26.5	26.6	(1.6)
Savings Accounts <sup>(21)</sup>	55.4	55.7	60.1	57.0	57.6	58.1	59.1	52.9	(0.5)
Insurance Group	49.6	50.6	49.8	48.2	47.8	47.8	46.9	46.3	(2.0)
- Policyholders	44.2	45.1	44.2	42.5	42.0	42.0	41.1	40.5	(2.0)
- Pension Plan Participants	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	-
- Capitalization Bond Customers	3.0	3.1	3.2	3.3	3.4	3.4	3.4	3.4	(3.2)
Bradesco Financiamentos <sup>(19)</sup>	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.1	(3.7)

(1) For more information, please check note 4 – Statement of Financial Position and Statement of Managerial Income, in chapter 6 of this report;

(2) Expanded Loan Portfolio: includes sureties and guarantees, letters of credit, advances of credit card receivables, co-obligations in loan assignments (receivables-backed investment funds and mortgage-backed receivables), co-obligations in rural loan assignments and operations bearing credit risk – commercial portfolio, covering debentures and promissory notes;

(3) Includes provision for guarantees provided, encompassing sureties, guarantees, letters of credit, and standby letter of credit, which comprises the concept of “excess” ALL. In the third quarter of 2015, includes an excess ALL/ Ratings Downgrade, considered as an extraordinary event, totaling R\$3,704 million. This way, the balance of the excess ALL went from R\$4,004 million, in June 2015, to R\$6,409 million, in September 2015;

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- (4) In the last 12 months;
- (5) For comparison purposes, shares were adjusted in accordance with bonuses and stock splits;
- (6) Excluding mark-to-market effect of Available-for-Sale Securities recorded under Shareholders' Equity;
- (7) Year-to-Date Adjusted Net Income. As of the first quarter of 2016, the Annualized Returns have been calculated on a linear basis and for the best effect of comparability, the previous periods have been readjusted;
- (8) Excludes additional reserves;
- (9) Number of shares (excluding treasury shares) multiplied by the closing price for common and preferred shares on the period's last trading day;
- (10) As defined by the Brazilian Central Bank (Bacen);
- (11) Overdue loans;
- (12) Since October 2013, the Basel Ratio calculation has followed regulatory guidelines set forth in CMN Resolutions No. 4,192/13 and No. 4,193/13 (Basel III);
- (13) As of March 2015, the ratio calculated based on the Prudential Conglomerate is included, as set forth in CMN Resolution No. 4,192/13. It is important to note that the Prudential Conglomerate is calculated in accordance with the regulatory guidelines set forth in CMN Resolution No. 4,280/13;
- (14) The decrease as of March 2015 is related to (i) the migration of "External ATM Network– Bradesco" to "Banco24Horas Network"; (ii) the deactivation of ATMs from "Banco24Horas Network"; and (iii) the reduction of Bradesco Expresso correspondents;
- (15) PA (Service Branch): a result of the consolidation of PAB (Banking Service Branch), PAA (Advanced Service Branch) and Exchange Branches, according to CMN Resolution No. 4,072/12; and PAEs – ATMs located on a company's premises;
- (16) Including overlapping ATMs within the Bank's own network and the Banco24Horas Network;
- (17) This decrease is related to the sharing of external network ATMs by the Banco24Horas Network ATMs;
- (18) The decrease in the fourth quarter of 2014 includes, primarily, the transfer of 2,431 employees from Scopus Tecnologia to IBM Brasil;
- (19) Number of individual clients (National Registry of Legal Entities (CNPJ) and Individual Taxpayer Registry (CPF));
- (20) Refers to first and second checking account holders; and
- (21) Number of accounts.



Press Release**Book Net Income vs. Adjusted Net Income**

The main non-recurring events that affected Book Net Income in the periods below are presented in the following comparative chart:

<b>Book Net Income</b>	<b>8,255</b>	<b>8,717</b>	<b>4,134</b>	<b>4,121</b>
<b>Non-recurring events (net of tax effects)</b>	<b>19</b>	<b>61</b>	<b>27</b>	<b>(8)</b>
- Gains in the Partial Sale of Investments	(90)	-	-	(90)
- Contingent Liabilities	52	61	27	25
- Impairment of assets <sup>(1)</sup>	57	-	-	57
<b>Adjusted Net Income</b>	<b>8,274</b>	<b>8,778</b>	<b>4,161</b>	<b>4,113</b>

(1) It refers to the impairment of Shares.

**Summarized Analysis of Adjusted Income**

To provide for better understanding and for comparison purposes, in chapters 1 and 2 of this report we use the Adjusted Income Statement, obtained from adjustments made to the Managerial Income Statement, detailed at the end of this Press Release.

<b>Net Interest Income</b>	<b>29,854</b>	27,140	2,714	10.0	<b>14,962</b>	14,892	70	0.5
NII - Interest Earning Portion	<b>29,517</b>	26,688	2,829	10.6	<b>14,783</b>	14,734	49	0.3
NII - Non-Interest Earning Portion	<b>337</b>	452	(115)	(25.4)	<b>179</b>	158	21	13.3
ALL	<b>(10,472)</b>	(7,130)	(3,342)	46.9	<b>(5,024)</b>	(5,448)	424	(7.8)
<b>Gross Income from Financial Intermediation</b>	<b>19,382</b>	<b>20,010</b>	<b>(628)</b>	<b>(3.1)</b>	<b>9,938</b>	<b>9,444</b>	<b>494</b>	<b>5.2</b>
Income from Insurance Premiums, Pension Plans and Capitalization bonds, minus Variation of Technical Reserves, Retained Claims and others <sup>(1)</sup>	<b>2,709</b>	2,522	187	7.4	<b>1,084</b>	1,625	(541)	(33.3)
Fee and Commission Income	<b>13,029</b>	11,862	1,167	9.8	<b>6,624</b>	6,405	219	3.4
Personnel Expenses	<b>(7,636)</b>	(7,063)	(573)	8.1	<b>(3,882)</b>	(3,754)	(128)	3.4
Other Administrative Expenses	<b>(8,386)</b>	(7,565)	(821)	10.9	<b>(4,270)</b>	(4,116)	(154)	3.7
Tax Expenses	<b>(2,744)</b>	(2,660)	(84)	3.2	<b>(1,326)</b>	(1,418)	92	(6.5)
Equity in the Earnings (Losses) of Unconsolidated Companies	<b>62</b>	13	49	376.9	<b>22</b>	40	(18)	(45.0)
Other Operating Income/ (Expenses)	<b>(3,684)</b>	(3,518)	(166)	4.7	<b>(2,015)</b>	(1,669)	(346)	20.7
<b>Operating Result</b>	<b>12,732</b>	<b>13,601</b>	<b>(869)</b>	<b>(6.4)</b>	<b>6,175</b>	<b>6,557</b>	<b>(382)</b>	<b>(5.8)</b>
Non-Operating Result	<b>(143)</b>	(123)	(20)	16.3	<b>(56)</b>	(87)	31	(35.6)
Income Tax / Social Contribution	<b>(4,232)</b>	(4,626)	394	(8.5)	<b>(1,921)</b>	(2,311)	390	(16.9)

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Non-controlling Interest	(83)	(74)	(9)	12.2	(37)	(46)	9	(19.6)
<b>Adjusted Net Income</b>	<b>8,274</b>	<b>8,778</b>	<b>(504)</b>	<b>(5.7)</b>	<b>4,161</b>	<b>4,113</b>	<b>48</b>	<b>1.2</b>

(1) In "Others", it includes: Capitalization Bond Draws and Redemption; and Insurance and Pension Plan and Capitalization Bond Sales Expenses.

**Economic and Financial Analysis Report – June 2016**

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***Press Release***

**Summarized Analysis of Adjusted Income**

**Adjusted Net Income and Profitability**

The return on the Average Adjusted Shareholders' Equity (ROAE), which is calculated on a linear basis, registered 17.4% in June 2016. The adjusted net income decreased 5.7% in the comparative study between semesters, impacted, largely, by the increase in allowance for loan losses expenses, as a result of: (i) the leveling of provisioning for certain corporate client operations, particularly a specific case, whose downgraded rating had an impact of R\$1,201 million; and (ii) the increase in delinquency due to the escalating economic slowdown.

The main events that affected adjusted net income are detailed below.

Adjusted net income reached R\$4,161 million in the second quarter of 2016, an increase of R\$48 million, or 1.2%, compared to the previous quarter, mainly due to: (i) the decrease in allowance for loan losses expenses due to the impact produced by the downgraded rating in the particular case of a corporate client, whose effect in the second quarter of 2016 was R\$365 million whereas in the first quarter of 2016 it was R\$836 million; (ii) the increase in (a) fee and commission income and (b) the "interest-earning portion of the NII" and the "non-interest-earning portion of the NII", partly offset by: (iii) a decrease in the income of insurance premiums, pension and capitalization bonds; (iv) higher other net operating expenses; and (v) higher personnel and administrative expenses.

In the comparison between the first semester of 2016 and the same period in the previous year, the adjusted net income decreased R\$504 million, which reflects an increase in (i) allowance for loan losses expenses, for the reasons detailed above; and (ii) personnel and administrative expenses. However, it's important to highlight the increase in: (i) the interest-earning portion of the NII; (ii) fee and

Shareholders' Equity totaled R\$96,358 million in June 2016, up 10.8% over June 2015. Based on the Prudential Conglomerate, the Basel III Ratio was calculated at 17.7%, 13.7% of which is classified as Common Equity/ Tier I.

Total Assets registered R\$1.105 trillion in June 2016, a 7.3% increase over June 2015, driven by the increased turnover. Return on Average Assets (ROAA) reached 1.5%, calculated on a linear basis.



commission income; and (iii) income from Insurance Premiums, Pension Plans and Capitalization Bonds, net of technical reserves, retained claims and others.

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Press Release

**Summarized Analysis of Adjusted Income**

The 12-month ER<sup>(1)</sup> recorded 37.4%, a 0.2 p.p. increase as compared with the previous quarter, partially impacted by: (i) higher operating expenses, mainly administrative expenses, originated from: (a) advertising and marketing; and (b) outsourced services; partially offset by: (ii) the growth of (a) the fee and commission income, originated by the increase in the volume of business and services provided; and (b) the net interest income. In the annual comparison, such indicator showed and improvement of 0.5 p.p. mainly due to the increase in (i) the interest-earning portion of the NII; (ii) fee and commission income; and (iii) income from Insurance Premiums, Pension Plans and Capitalization Bonds, net of technical reserves, retained claims and others; offset, largely, by: (iv) the increase in operating expenses during the period.

In the ER – quarterly, the indicator was partially impacted by: (i) higher administrative expenses, largely, due to the same reason detailed above; (ii) lower income from Insurance Premiums, Pension Plans and Capitalization Bonds, net of technical reserves, retained claims and others; (iii) higher net operating expenses of other operating revenues; and offset by: (iv) the growth of the fee and commission income, originated by the increase in the volume of business and services provided.

The risk adjusted ER reflects the impact of the risk associated with loan operations<sup>(2)</sup> and reached 48.1%, impacted primarily by the leveling of provisions for corporate clients carried out in the first semester of 2016.

(1)  $ER = (\text{Personnel Expenses} - \text{Employee Profit Sharing} + \text{Administrative Expenses}) / (\text{Net Interest Income} + \text{Fee and Commission Income} + \text{Income from Insurance} + \text{Equity in the Earnings (Losses) of Unconsolidated Companies} + \text{Other Operating Income} - \text{Other Operating Expenses})$ ; and

(2) Including ALL expenses, adjusted for discounts granted, loan recovery and sale of foreclosed assets, among others.

It is important to mention that the ER performance reflects the strategy of sustainable growth, which includes, among other things, (i) the availability of appropriate products and services for clients through the segmentation of the base and of digital channels, (ii) the optimization of points of service, and (iii) the strict control of operating expenses, arising from the actions of the Efficiency Committee and of investments in Information Technology, to the amount of R\$2.993 billion in the first semester of 2016.

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Press Release**Summarized Analysis of Adjusted Income****NII (Net Interest Income)**

In the quarterly comparison, the R\$70 million, or 0.5%, increase was, mainly, due to: (i) the higher interest-earning portion of the NII, to the value of R\$49 million, with emphasis on “Securities/ Other”, a result of an improved management in investment resources and funding operations; and (ii) non-interest-earning portion of the NII, in the amount of R\$21 million.

In the comparison between the first semester of 2016 and the same period in the previous year, net interest income increased by R\$2,714 million, or 10.0%, due to: (i) a higher interest-earning portion of the NII, to the amount of R\$2,829 million, particularly in “Credit Intermediation”; and offset by: (ii) the non-interest-earning portion of the NII, to the amount of R\$115 million.

**Interest-Earning Portion of the NII – Average Rates in the last 12 months**

Credit Intermediation	22,894	363,302	12.3%	20,669	362,088	11.5%
Insurance	2,890	184,336	3.2%	2,685	158,943	3.2%
Securities/Other	3,733	420,766	1.6%	3,334	384,467	1.7%
<b>NII - Interest Earning Portion</b>	<b>29,517</b>	<b>-</b>	<b>7.4%</b>	<b>26,688</b>	<b>-</b>	<b>7.4%</b>

Credit Intermediation	11,408	356,190	12.3%	11,486	370,414	12.0%
Insurance	1,415	187,701	3.2%	1,475	180,970	3.3%
Securities/Other	1,960	429,540	1.6%	1,773	411,992	1.6%
<b>NII - Interest Earning Portion</b>	<b>14,783</b>	<b>-</b>	<b>7.4%</b>	<b>14,734</b>	<b>-</b>	<b>7.5%</b>

The average rate of the NII – interest-earning portion in the last 12 months was 7.4% in the second quarter of 2016 and in the first semester of 2016, remaining stable in the comparison between semesters and decreasing by 0.1 p.p. in the comparison between quarters.

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Press Release

**Summarized Analysis of Adjusted Income**

**Expanded Loan Portfolio<sup>(1)</sup>**

In June 2016, the expanded loan portfolio of Bradesco totaled R\$447.5 billion, a 3.4% decrease in comparison with the previous quarter, impacted, partially, by the exchange rate variation. Micro, Small and Medium-sized Companies and Large Companies presented a reduction of 5.7% and 5.2%, respectively, while the loans to individuals increased 0.8% during the period.

In relation to the last 12 months, the portfolio also decreased 3.4%. The Legal Entities registered a decline of 6.7%, impacted mainly by the segment of Micro, Small and Medium-sized Companies, but credits allocated to Individuals grew 3.8%.

For Individuals, the products that had the strongest growth in the last 12 months were: (i) real estate financing; and (ii) credit card. For the Legal Entity, the notable products were: (i) export financing; and (ii) operations bearing credit risk – commercial portfolio (debentures and promissory notes).

(1) In addition to Bacen loan portfolio, it includes sureties, guarantees, letters of credit, advances of credit card receivables, debentures, promissory notes, co-obligation in mortgage-backed receivables, and farm loans.

For more information, see Chapter 2 of this Report.

**Allowance for Loan Losses (ALL) Expenses <sup>(1)</sup>**

In the first semester of 2016, allowance for loan losses expenses totaled R\$10,472 million, registering a variation of 46.9%, or R\$3,342 million, over the same period of the previous year, mainly impacted by: (i) the levelling of provisions for certain corporate clients, particularly a specific case, whose downgraded rating had an impact of R\$1,201 million in the first semester (this operation is 100% provisioned); and (ii) by the higher delinquency rate, mainly due to the

It is important to note the balance in credit operations – the Bacen concept, presented a 3.7% decrease in the annual comparison and a 3.4% decrease in the quarterly comparison.

The effect in the growth of delinquency rates was mitigated by the reinforcement of the credit granting policies, quality of guarantees, as well as the improvement of the credit recovery processes.

escalating economic slowdown in the period. In the second quarter of 2016, this expenditure was reduced by 7.8%, or R\$424 million, primarily due to the lower impact produced by the specific case, stated above, the effect of which, during the second quarter of 2016, was of R\$365 million and, in the first quarter of 2016, in which it was R\$836 million. For more information, see Chapter 2 of this Report.

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***Press Release***

**Summarized Analysis of Adjusted Income**

**Delinquency Ratio<sup>(1) (2)</sup>**

**Delinquency over 90 days**

The total delinquency ratio, which refers to operations that are over 90 days past due, maintained its increase in the quarter, mainly due: (i) to the continuity of the unfavorable economic situation, which impacted the quality of the credit portfolio, mainly for the Individual and Micro, Small and Medium-sized Companies; and (ii) by the reduction of the credit portfolio for both segments of Legal Entities, in the second quarter of 2016.

**Delinquency from 15 to 90 days**

In the quarter, short-term delinquency, including operations between 15 and 90 days overdue presented growth due to a specific client from the Large Companies section, as mentioned beforehand.

We highlight the positive performance of the Individual portfolio.

- (1) As defined by Bacen; and
- (2) Portfolios were not sold.

**Provisioning, Delinquency, ALL and Effective Coverage Ratio**

The assertiveness of the provisioning criteria adopted must be mentioned, which is proven by: (i) analyzing historical data on recorded allowances for loan losses; and (ii) effective losses in the subsequent 12-month period. When analyzed in terms of net loss of recovery, for an existing provision of 6.7% of the portfolio<sup>(1)</sup> in June 2015, the net loss in the subsequent 12 months was 3.3%, this represents an effective coverage of 200.6%.

It should be highlighted that, considering the losses expected for one year (dotted part), which has a high correlation with E-H non-performing ratings, there is an effective coverage of 233.9% for June 2016, which compares well with excess ALL.

Bradesco \_ \_

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Press Release**Summarized Analysis of Adjusted Income****Income from Insurance, Pension Plans and Capitalization Bonds**

Net Income for the second quarter of 2016 totaled R\$1.164 billion (R\$1.380 billion in the first quarter of 2016), a decrease of 15.7% in comparison with the previous quarter, presenting an annualized return on Adjusted Shareholder's Equity of 20.5%<sup>(1)</sup>.

In the first semester of 2016, the Net Income totaled R\$2.544 billion, in line with the result presented in the same period of the previous year (R\$2.566 billion), with an annualized return on the Adjusted Shareholders' Equity of 22.4%<sup>(1)</sup>.

<b>Net Income</b>	<b>1,164</b>	1,380	1,405	1,317	1,284	1,283	1,283
Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income	<b>17,253</b>	15,186	19,130	15,125	16,723	13,634	17,800
Technical Reserves	<b>190,649</b>	182,973	177,835	168,629	164,566	157,295	153,200
Financial Assets	<b>205,230</b>	200,016	191,921	182,391	179,129	170,395	166,000
Claims Ratio (%)	<b>76.8</b>	72.1	71.9	73.1	71.4	71.7	71.7
Combined Ratio (%)	<b>89.6</b>	86.1	86.5	86.9	86.5	86.8	86.8
Policyholders / Participants and Customers (in thousands)	<b>49,576</b>	50,570	49,806	48,185	47,758	47,789	46,900
Employees	<b>6,713</b>	6,959	7,023	7,052	7,074	7,082	7,100
Market Share of Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income (%) <sup>(3)</sup>	<b>24.3</b>	24.8	25.5	24.7	24.8	23.5	23.5

(1) Calculated on linear basis;

(2) Excluding additional provisions; and

(3) The second quarter of 2016 includes the latest data released by SUSEP (May/16).

Note: For comparability between the indexes in the periods demonstrated above, we disregarded extraordinary effects from the calculation.



Press Release

**Summarized Analysis of Adjusted Income**

**Income from Insurance, Pension Plans and Capitalization Bonds**

In the second quarter of 2016, in comparison with the previous quarter, revenue showed an increase of 13.6%, driven by the "Life and Pension", "Auto/RE", "Capitalization" and "Health" products, which grew by 22.0%, 16.6%, 6.1% and 4.2%, respectively.

In the first semester of 2016, this section registered an increase of 6.9% in comparison with the same period of the previous year, influenced by the "Health" and "Capitalization" products, which increased by 16.7% and 4.0%, respectively.

Net earnings for the second quarter of 2016 were 15.7% lower than the results presented in the previous quarter, largely due to: (i) the introduction of a supplemental coverage provision, whose methodology of calculation takes into account the discount of the projected cash flow of the insurance contracts in force, based on the interest rates' fixed-term structure (ETTJ). These curves present approximately 1.0 p.p. of variation between the dates of the calculation base, resulting in an increase of R\$144 million, the SCP (Supplemental Coverage Provision), with the other compensations, net of tax, of R\$79.2 million; (ii) the increase of 4.7 p.p. in the claims ratio index; partially offset by: (iii) the increase of 13.6% in revenue; (iv) by the maintenance of the commercialization index; (v) by the improvement in the administrative efficiency index; and (vi) by the increase in financial and equity earnings.

**Minimum Capital Required – Grupo Bradesco Seguros**

According to CNSP Resolution No. 321/15, corporations should adjust shareholder's equity

Net income for the first semester of 2016 remained in line with the earnings presented in the same semester of the previous year, largely due to: (i) the turnover growth of 6.9%; (ii) maintenance of the commercialization index and of the administrative efficiency index, considering the collective bargaining of the category in January 2016; (iii) the increase in financial and equity results, offset by (iv) the constitution of a supplemental coverage provision, as previously mentioned in the preceding paragraph (v) by the increase of 3.0 p.p. in the claims ratio index; and (vi) by the increase in the Social Contribution rate (CSLL).

The capital adjustment and management process is continuously monitored and aims to ensure that Grupo Bradesco Seguros keeps a solid capital base to support the development of activities and cope with the risks in any market situation, in compliance

(ASE) equal to or higher than the minimum capital required (MCR). MCR is equivalent to the highest value between the base capital and the risk capital. For companies regulated by the ANS, Normative Resolution No. 373/15 establishes that corporations should adjust shareholder's equity (ASE) equal to or higher than the Solvency Margin.

with regulatory requirements and/or Corporate Governance principles. Companies must permanently maintain capital compatible with the risks for their activities and operations, according to the characteristics and peculiarities of each company belonging to Grupo Bradesco Seguros, represented by adequate capital levels. Grupo Bradesco Seguros permanently observes the limits required by the respective regulatory entities. The Minimum Capital Required in May 2016 was R\$8.684 billion.

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Press Release

**Summarized Analysis of Adjusted Income**

**Fee and Commission Income**

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$1,167 million, or 9.8%, in the revenues of provision of services, was mainly due to: (i) an increase in the volume of operations arising from continuous investment in service channels and in technology; and (ii) an advance in the client segmentation process improving the ability to offer products and services. It must be noted that the sources that have significantly contributed to this result derived from: (i) an increase in checking account income, mainly due to an improvement in the client segmentation process; (ii) the good performance of the card business, as a result of (a) the increase in financial volume traded; and (b) the highest volume of transactions performed; and increase in revenue in the areas of: (iii) fund management; (iv) consortium management; (v) underwriting / financial advisory services; and (vi) custody and brokerage services.

In the second quarter of 2016, fee and commission income totaled R\$6,624 million, showing an increase of R\$219 million, or 3.4%, in comparison with the previous quarter, primarily due to the increase in the volume of operations and the higher number of business days, with emphasis on the performance of revenue generated with: (i) loan operations, particularly income from collaterals; (ii) checking accounts; (iii) underwriting / financial advisory services; (iv) cards; (v) fund management; and (vi) custody and brokerage services.

**Personnel Expenses**

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$573 million, or 8.1%, in personnel expenses, a figure below the levels of salary readjustments deriving from the collective agreement, is mainly due to the variations in the following expenses: (i) "structural portion" due to the increase in expenses with payroll, social charges and benefits, impacted by higher salaries, in accordance with the 2015 collective bargaining agreement; and (ii) "non-structural", mainly due to higher expenses with (a) costs deriving from the termination of employment contracts and (b) profit sharing between management and employees (EPS).

In the second quarter of 2016, the increase of R\$128 million, or 3.4%, compared to the previous quarter is mainly composed of the variation of R\$137 million, or 19.0%, in the "non-structural" portion, mainly due to higher expenses with: (i) costs deriving from the termination of employment contracts; and (ii) provision for labor lawsuits.

Note: Structural Expenses = Salaries + Social Charges + Benefits + Pension Plans.

Non-Structural Expenses = Employee and Management Profit Sharing + Training + Labor Provision + Costs with termination of employment contracts.

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Press Release

**Summarized Analysis of Adjusted Income**

**Administrative Expenses**

In the comparison between the first semester of 2016 and the same period of the previous year, the 10.9%, or R\$821 million increase in administrative expenses, was primarily due to an increase in expenses originated from: (i) higher business volume in the period; (ii) the effect of advertising and marketing actions; (iii) contractual adjustments; and offset by: (iv) the optimization of service channels.

In the second quarter of 2016, the increase of 3.7%, or R\$154 million, in administrative expenses over the previous quarter, was mainly due to: the increase in the business volume occurred in the period, consequently, impacting in higher expenses with: (i) outsourced services; (ii) advertising and marketing; (iii) asset maintenance and conservation; and (iv) communications; being offset, in part, by: (v) less expenses involving data processing, affected by the devaluation of the dollar in the period.

(1) The decrease as of March 2015 is related to: (i) the migration of “External ATM Network – Bradesco” to “Banco24Horas Network”; (ii) the deactivation of ATMs from “Banco24Horas Network”; and (iii) the decrease of Bradesco Expresso correspondents.

**Other Operating Income and Expenses**

In the first semester of 2016, other net operating expenses totaled R\$3,684 million, a R\$166 million increase, or 4.7%, over the same period of the previous year, primarily due to: (i) the constitution of the expense allowance for tax contingency, net of reversal, in the first half of 2016, in the amount of R\$485 million; (ii) the constitution of the expense allowance for contingent liabilities, originating from the obligation through assignment of claims (FCVS), in the first half of 2016, in the amount of R\$200 million; (iii) increased expenditure on civil provisions; offset by: (iv) the constitution of the provision expense for tax contingency, in the first semester of 2015, in the amount of R\$571 million.

In the comparison between the second quarter of 2016 and the previous quarter, other operating expenses increased R\$346 million, or 20.7%, partially due to: (i) the constitution of the expense allowance for tax contingency, net of reversal, in the first half of 2016, in the amount of R\$485 million; (ii) the constitution of the expense allowance for contingent liabilities, originating from the obligation through assignment of claims (FCVS), in the first half of 2016, in the amount of R\$200 million; offset by: (iii) lower operating expenses related to activities of cards and insurance, in the period.

**Bradesco** \_ \_

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***Press Release***

**Summarized Analysis of Adjusted Income**

**Income Tax and Social Contribution**

In the comparison between the first semester of 2016 and the same period of the previous year, the 8.5%, or R\$394 million, decrease is related to: (i) an increase in provisioning/payment of interest on shareholder's equity, due to the increase in the Long-Term Interest Rate (TJLP) in the period (from 5.7% in the first semester of 2015 to 7.5% in the first semester of 2016); (ii) a lower taxable income, being partially offset by: (iii) the increase in the Social Contribution (CSLL) rate.

Income tax and social contribution expenses in the quarterly comparison showed a decrease of 16.9%, or R\$390 million, mainly due to the reduction of the taxable income, impacted by higher nontaxable income.

**Unrealized Gains**

Unrealized gains totaled R\$18,175 million at the end of the second quarter of 2016, an R\$5,078 million increase over the previous quarter. Such variation was mainly due to the market valuation in: (i) investments, particularly being the shares of Cielo, which appreciated 16.2%; and (ii) securities indexed to fixed income.

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Press Release

**Capital Ratios - Basel III**

**Basel Ratio**

In June 2016, the Capital of the Prudential Conglomerate stood at R\$102,548 million, against risk-weighted assets totaling R\$580,568 million. The Basel Ratio showed an increase of 0.8 p.p., from 16.9%, in March 2016, to 17.7%, in June 2016, and the Common Equity Tier I ratio from 12.9%, in March 2016, to 13.7%, in June 2016.

The table below shows the main events that impacted the Common Equity Tier I ratio in this quarter:

Additionally, it is worth stating that in the second quarter of 2016, the Brazilian Central Bank authorized the Subordinated Letters of Credit to compose Tier II, whose restated total, on June 30, 2016, reached R\$1,107 million.

**Full Impact – Basel III**

We calculated a Basel III simulation, considering some of the main future adjustments, which include:

(i) deductions of 100% according to the schedule of phase-in arrangements; (ii) the allocation of resources, obtained via payment of dividends, by our Insurance Group; (iii) the use of tax credits; (iv) the decrease in the market and operational risk multiplier (early adoption), from 9.875% to 8%; and (v) the impact of the acquisition of HSBC Brasil, reaching a Common Equity ratio of 11.3%, which, added to funding obtained via subordinated debt, may reach a Common Equity Tier I ratio of approximately 12.8% at the end of 2018.

- (1) Published (Schedule 60%);
- (2) Effect of the full impact. Includes the allocation of resources, obtained via payment of dividends, by the Insurance Group;
- (3) Considers the decrease in the market and operational risks multiplier (early adoption), from 9.875% to 8% in 2019;
- (4) Refers to the minimum required. It is important to highlight that Bacen fixed at 0% the tranche of countercyclical capital required, which could reach up to 2.5% in 2019; and
- (5) Considering a possible issuance of additional capital by 2018, according to the Management, depending on market conditions.



Press Release

**Economic Environment**

The risks related to the international environment remain present, however it can be said that there is a certain moderation in them. On the one hand the loss of the Chinese foreign exchange reserves stagnated, which had brought uncertainties regarding the economic conditions of this country in the first quarter. On the other hand, it is worth acknowledging the continuity of timely actions by the main central banks worldwide, mainly, the European Central Bank (ECB), Bank of Japan and the Federal Reserve (Fed). The Brexit episode can contribute to the continuity of these actions, bearing in mind that its main consequence will be the moderation of growth in the UK and Europe.

In the Euro area, the ECB, in addition to expanding its balance sheet with the purchase of sovereign bonds, added assets from private companies to its purchase program. In the same direction, the Bank of Japan, as well as adopting negative nominal interest rates, continues to be committed to expanding its stimulus package. The Fed, in turn, indicated a more piecemeal posture to the rhythm of monetary normalization, in response to the moderation of economic activity. As a result, the dollar lost strength in comparison with other currencies and the price of commodities showed recovery, with emphasis on the prices of agriculture, which reacted more specifically to the prospects of an unfavorable climate and the possibility of a smaller harvest in the USA.

With regards to the domestic economy we highlight the increasing confidence of consumers and business, favoring the likelihood of economic stabilization and potential recovery in subsequent quarters. The labor market's performance is notable, with a reduction in the rate of lay-offs of formal jobs.

However, in the short term the slowdown in economic activity continues to hinder ongoing fiscal adjustment. Thus, actions to ensure fiscal sustainability in the medium term, and progress on the reform agenda have become even more

With the macroeconomic adjustments made, additional actions of a structural nature that can affect potential future growth continue to be essential. The constant search for excellence in education is Brazil's front line in its struggle to become more competitive and to expedite its efforts to upgrade infrastructure. It should be remembered that, in the long term, the main source of economic growth is productivity, a theme that is even more relevant in a global context characterized by increased competition and an economic growth that is still fragile.

Investments will tend to play an increasingly important role in the composition of growth in coming years, especially in the process of the recovery of economic activity. This would benefit more from greater participation of the capital market in financing these projects. At the same time, despite the cyclical retraction of the consumer market in some sectors, structurally, the potential of the domestic demand for goods and services is not exhausted.

Bradesco maintains a positive outlook towards Brazil, with favorable perspectives for its operating sections. Credit volume is evolving at sustainable and risk-compatible rates, even when faced with a cyclical upswing in delinquency rates, due to the reduction of activity and the increase of the employment rate this year. The circumstances are still very promising for Brazilian banking and insurance sectors in the medium and long term.

relevant. Efforts in this direction are necessary to maintain the economic predictability and to increase families' and entrepreneurs' trust, enabling the trend of increases in actual income and productive investments to resume. At the same time, moderation in the economy will allow the inflation to reach the set target more quickly, enabling the conditions to initiate a process of flexibility in monetary policy this year.

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Press Release**Main Economic Indicators**

Interbank Deposit Certificate (CDI)	<b>3.37</b>	3.27	3.37	3.43	3.03	2.81	2.76	2.72
Ibovespa	<b>2.94</b>	15.47	(3.79)	(15.11)	3.77	2.29	(7.59)	1.78
USD – Commercial Rate	<b>(9.81)</b>	(8.86)	(1.71)	28.05	(3.29)	20.77	8.37	11.28
General Price Index - Market (IGP-M)	<b>2.86</b>	2.96	3.95	1.93	2.27	2.02	1.89	(0.68)
Extended Consumer Price Index (IPCA)	<b>1.75</b>	2.62	2.82	1.39	2.26	3.83	1.72	0.83
Federal Government Long-Term Interest Rate (TJLP)	<b>1.82</b>	1.82	1.72	1.59	1.48	1.36	1.24	1.24
Reference Interest Rate (TR)	<b>0.49</b>	0.45	0.53	0.61	0.40	0.23	0.26	0.25
Savings Account	<b>2.00</b>	1.96	2.05	2.13	1.92	1.75	1.77	1.76
Business Days (number)	<b>63</b>	61	63	65	61	61	65	66
USD – Commercial Selling Rate - (R\$)	<b>3.2098</b>	3.5589	3.9048	3.9729	3.1026	3.2080	2.6562	2.4510
Euro - (R\$)	<b>3.5414</b>	4.0539	4.2504	4.4349	3.4603	3.4457	3.2270	3.0954
Country Risk (points)	<b>349</b>	409	521	442	304	322	259	239
Basic Selic Rate Copom (% p.a.)	<b>14.25</b>	14.25	14.25	14.25	13.75	12.75	11.75	11.00
BM&F Fixed Rate (% p.a.)	<b>13.36</b>	13.81	15.86	15.56	14.27	13.52	12.96	11.77

**Projections up to 2018**

USD - Commercial Rate (year-end) - R\$		3.20		3.30		3.40
Extended Consumer Price Index (IPCA)		6.90		5.00		4.50
General Price Index - Market (IGP-M)		8.50		5.00		5.00
Selic (year-end)		13.25		10.25		9.25
Gross Domestic Product (GDP)		(3.00)		1.50		3.00

**Guidance****Bradesco's Perspective for 2016**

This guidance contains forward-looking statements that are subject to risks and uncertainties, as they are based on Management's expectations and assumptions and information available to the market as of the date hereof. It is important to stress that this guidance does not include expectations related to operations of HSBC Brasil.

	<b>Previous</b>	<b>Revised</b>
<b>Loan Portfolio</b> <sup>(1)</sup>	<b>1 to 5%</b>	<b>-4 to 0%</b>
Individuals	4 to 8%	1 to 5%
Companies	0 to 4%	-7 to -3%
<b>NII - Interest Earning Portion</b>	<b>6 to 10%</b>	<b>7 to 11%</b>
<b>Fee and Commission Income</b>	<b>7 to 11%</b>	<b>7 to 11%</b>
<b>Operating Expenses</b> <sup>(2)</sup>	<b>4.5 to 8.5%</b>	<b>4 to 8%</b>
<b>Insurance Premiums</b>	<b>8 to 12%</b>	<b>8 to 12%</b>
<b>ALL Expenses</b> <sup>(3)</sup>	<b>R\$ 16.5 bi to R\$ 18.5 bi</b>	<b>R\$ 18.0 bi to R\$ 20.0 bi</b>

(1) Expanded Loan Portfolio;

(2) Administrative and Personnel Expenses; and

(3) Includes incomes with credit recovery.

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Press Release**Managerial Income vs. Adjusted Income Statement****Analytical Breakdown of Managerial Income<sup>(1)</sup> vs. Adjusted Income<sup>(3)</sup> Statement****Second Quarter of 2016 and First Quarter of 2016**

<b>Net Interest Income</b>	<b>20,743</b>	<b>(5,781)</b>	-	1
ALL	(4,719)	(305)	-	(5)
<b>Gross Income from Financial Intermediation</b>	<b>16,024</b>	<b>(6,086)</b>	-	
Income from Insurance, Pension Plans and Capitalization Bonds	1,084	-	-	
Fee and Commission Income	6,632	(8)	-	
Personnel Expenses	(3,882)	-	-	(3)
Other Administrative Expenses	(4,340)	70	-	(4)
Tax Expenses	(1,762)	436	-	(1)
Equity in the Earnings (Losses) of Unconsolidated Companies	22	-	-	
Other Operating Income/Expenses	(4,027)	1,963	49	(2)
<b>Operating Result</b>	<b>9,751</b>	<b>(3,625)</b>	<b>49</b>	
Non-Operating Result	(115)	59	-	
Income Tax / Social Contribution and Non-controlling Interest	(5,502)	3,566	(22)	(1)
<b>Net Income</b>	<b>4,134</b>	<b>-</b>	<b>27</b>	

(1) For more information, please check note 4 – Statement of Financial Position and Managerial Income Statement, in chapter 6 of this report;

(2) Includes reclassifications in items from the income statement which do not affect the Net Income, but allow a better analysis of business items, particularly hedge adjustment, which represents the partial result of derivatives used for hedge investments abroad, which in terms of Net Income, simply cancels the tax effect (IR/CS and PIS/COFINS) of this hedge strategy, in the amount of R\$4,533 million in the second quarter of 2016 and R\$4,429 million in the first quarter of 2016; and

(3) It refers to Managerial Income Statement<sup>(1)</sup> with the reclassifications between lines, which do not affect the Net Income, and without the extraordinary events of the period.

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Press Release**Managerial Income vs. Adjusted Income Statement****Analytical Breakdown of Managerial Income<sup>(1)</sup> vs. Adjusted Income<sup>(3)</sup> Statement****First Semester of 2016 and First Semester of 2015**

<b>Net Interest Income</b>	<b>41,140</b>	<b>(11,394)</b>	<b>108</b>	<b>2</b>
ALL	(10,638)	166	-	(10)
<b>Gross Income from Financial Intermediation</b>	<b>30,502</b>	<b>(11,228)</b>	<b>108</b>	<b>1</b>
Income from Insurance, Pension Plans and Capitalization Bonds	2,709	-	-	-
Fee and Commission Income	13,036	(7)	-	1
Personnel Expenses	(7,636)	-	-	(7)
Other Administrative Expenses	(8,456)	70	-	(8)
Tax Expenses	(3,591)	852	(5)	(2)
Equity in the Earnings (Losses) of Unconsolidated Companies	62	-	-	-
Other Operating Income/Expenses	(6,445)	2,667	94	(3)
<b>Operating Result</b>	<b>20,181</b>	<b>(7,646)</b>	<b>197</b>	<b>1</b>
Non-Operating Result	(23)	43	(163)	-
Income Tax / Social Contribution and Non-controlling Interest	(11,903)	7,603	(15)	(4)
<b>Net Income</b>	<b>8,255</b>	<b>-</b>	<b>19</b>	<b>-</b>

(1) For more information, please check note 4 – Statement of Financial Position and Managerial Income Statement, in chapter 6 of this report;

(2) Includes management reclassifications between the lines of results, which do not affect the Net Income, but allow a better analysis of the lines of business, highlighting the tax hedge adjustment, which represents the partial result of the derivatives used for the effect of hedging investments Abroad, which in terms of Net Income simply annuls the tax effect (IR/CS and PIS/COFINS) of this hedge strategy, to the sum of R\$8,962 million in the first semester of 2016 and R\$4,229 million in the first semester of 2015; and

(3) It refers to Managerial Income Statement<sup>(1)</sup> with the reclassifications between lines, which do not affect the Net Income, and without the extraordinary events of the period.



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***Press Release***

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Economic and Financial Analysis

**Consolidated Statement of Financial Position and Adjusted Income Statement**

**Statement of Financial Position <sup>(1)</sup>**

(1) For more information, please see note 4 – Statement of Financial Position and Managerial Statement, in chapter 6 of this report; and

(2) Includes the Allowance for Guarantees Provided, in June 2016, the Allowance for Loan Losses (ALL) totaled R\$31,875 million, which comprises the concept of the ALL “excess”. In the third quarter of 2015, includes ALL Surplus/Deficit Rating, considered as an extraordinary event, totaling R\$3,704 million. Thus, the balance of the ALL – Surplus provision went from R\$4,004 million in June 2015 to R\$6,409 million in September 2015.

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Economic and Financial Analysis**Consolidated Statement of Financial Position and Adjusted Income Statement****Adjusted Income Statement**

<b>Net Interest Income</b>	<b>14,962</b>	14,892	14,512	13,735	13,541	13,599	12,986
NII - Interest Earning Portion	<b>14,783</b>	14,734	14,380	13,709	13,415	13,273	12,686
NII - Non-Interest Earning Portion	<b>179</b>	158	132	26	126	326	300
ALL	<b>(5,024)</b>	(5,448)	(4,192)	(3,852)	(3,550)	(3,580)	(3,307)
<b>Gross Income from Financial Intermediation</b>	<b>9,938</b>	<b>9,444</b>	<b>10,320</b>	<b>9,883</b>	<b>9,991</b>	<b>10,019</b>	<b>9,679</b>
Income from Insurance Premiums, Pension Plans and Capitalization bonds, minus Variation of Technical Reserves, Retained Claims and others (1)	<b>1,084</b>	1,625	1,493	1,411	1,311	1,211	1,363
Fee and Commission Income	<b>6,624</b>	6,405	6,597	6,380	6,118	5,744	5,839
Personnel Expenses	<b>(3,882)</b>	(3,754)	(3,839)	(3,797)	(3,618)	(3,445)	(3,676)
Other Administrative Expenses	<b>(4,270)</b>	(4,116)	(4,574)	(4,200)	(3,926)	(3,639)	(4,159)
Tax Expenses	<b>(1,326)</b>	(1,418)	(1,650)	(1,330)	(1,351)	(1,309)	(1,211)
Equity in the Earnings (Losses) of Unconsolidated Companies	<b>22</b>	40	93	38	33	(20)	57
Other Operating Income/ (Expenses)	<b>(2,015)</b>	(1,669)	(1,586)	(1,604)	(1,606)	(1,912)	(1,360)
<b>Operating Result</b>	<b>6,175</b>	<b>6,557</b>	<b>6,854</b>	<b>6,781</b>	<b>6,952</b>	<b>6,649</b>	<b>6,532</b>
Non-Operating Result	<b>(56)</b>	(87)	(68)	(92)	(55)	(68)	(68)
Income Tax and Social Contribution	<b>(1,921)</b>	(2,311)	(2,183)	(2,124)	(2,351)	(2,275)	(2,308)
Non-controlling Interest	<b>(37)</b>	(46)	(41)	(32)	(42)	(32)	(24)
<b>Adjusted Net Income</b>	<b>4,161</b>	<b>4,113</b>	<b>4,562</b>	<b>4,533</b>	<b>4,504</b>	<b>4,274</b>	<b>4,132</b>

(1) "Others" includes: Capitalization Bond Draws and Redemption; and Insurance, Pension Plan and Capitalization Bond Sales Expenses.

**Interest and Non-Interest Earning Portions**

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## Economic and Financial Analysis Interest and Non-Interest Earning Portions

### Average Earning Portion Rate

R\$ million	1H16	1H15	2Q16	1Q16	Variation Semester	Quarter
<b>Net Interest Income</b>						
Interest - due to volume					133	(108)
Interest - due to spread					2,696	157
- NII - Interest Earning Portion	<b>29,517</b>	26,688	14,783	14,734	2,829	49
- NII - Non-Interest Earning Portion	<b>337</b>	452	179	158	(115)	21
<b>Net Interest Income</b>	<b>29,854</b>	<b>27,140</b>	<b>14,962</b>	<b>14,892</b>	<b>2,714</b>	<b>70</b>
<b>Average NIM <sup>(1)</sup></b>	<b>7.5%</b>	<b>7.6%</b>	<b>7.5%</b>	<b>7.5%</b>		

(1) Average Rate in 12 months = (Earning Portion / Total Average Assets – Repos – Permanent Assets)

In the comparison between the second quarter of 2016 and the previous quarter, the R\$70 million increase was due to: (i) the higher interest earning portion, totaling R\$49 million, with emphasis on “Securities/Other”, a result of an improved management in investment resources and funding operations; and (ii) non-interest in the amount of R\$21 million.

In the comparison between the first semester of 2016 and the same period of the previous year, the earning portion increased by R\$2,714 million, reflecting: (i) a R\$2,829 million growth as a result of interest earning operations, particularly “Credit Intermediation”; offset by: (ii) the lower non-interest earning portion results, totaling R\$115 million.

### Interest Earning Portion

#### Interest Earning Portion – Breakdown

R\$ million	1H16	1H15	2Q16	1Q16	Variation Semester	Quarter
<b>NII - Interest Earning Portion Breakdown</b>						
Credit Intermediation	<b>22,894</b>	20,669	11,408	11,486	2,225	(78)
Insurance	<b>2,890</b>	2,685	1,415	1,475	205	(60)
Securities/Other	<b>3,733</b>	3,334	1,960	1,773	399	187
<b>NII - Interest Earning Portion</b>	<b>29,517</b>	<b>26,688</b>	<b>14,783</b>	<b>14,734</b>	<b>2,829</b>	<b>49</b>

The interest earning portion stood at R\$14,783 million in the second quarter of 2016, against R\$14,734 million recorded in the first quarter of 2016, accounting for an increase of R\$49 million. The business line that most contributed to this result was “Securities/Other”.

In the comparison between the first semester of 2016 and the same period of the previous year, the interest earning portion recorded a R\$2,829 million growth, particularly in “Credit Intermediation”.



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**Economic and Financial Analysis**  
**Interest Earning Portion**

**Interest Earning Portion – Rates**

The NII - interest earning portion rate in the last 12 months was of 7.4% in the second quarter of 2016 and in the first semester of 2016, remaining stable in the comparison between the semesters and decreasing by 0.1 p.p. in the comparison between quarters.

**Interest Earning Portion – Average Rates (12 months)**

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Economic and Financial Analysis**Interest Earning Portion of Credit Intermediation  
Earning Portion of Credit Intermediation – Breakdown**

R\$ million	1H16	1H15	2Q16	1Q16	Variation	
					Semester	Quarter
<b>Net Interest Income - Credit Intermediation</b>						
Interest - due to volume					13	(152)
Interest - due to spread					2,212	74
<b>NII - Interest Earning Portion</b>	<b>22,894</b>	<b>20,669</b>	<b>11,408</b>	<b>11,486</b>	<b>2,225</b>	<b>(78)</b>
Allowance for loan losses (ALL) expenses	(10,472)	(7,130)	(5,024)	(5,448)	(3,342)	424
<b>Net Margin of ALL</b>	<b>12,422</b>	<b>13,539</b>	<b>6,384</b>	<b>6,038</b>	<b>(1,117)</b>	<b>346</b>

In the second quarter of 2016, the interest earning portion of "Credit Intermediation" reached R\$11,408 million, a decrease of 0.7% or R\$78 million when compared with the first quarter of 2016. The variation is mainly the result of: (i) a R\$152 million decrease in the average volume of business, offset by: (ii) the average spread increase, in the amount of R\$74 million.

**Net Earning Portion of Credit Intermediation**

The graph to the right presents a summary of Credit Intermediation activity. The Gross Margin line refers to interest income from loans, deducted from the client acquisition costs

The curve relating to the ALL shows delinquency costs, which are represented by Allowance for Loan Losses (ALL) Expenses, plus discounts granted in transactions net of loan recoveries arising from the sale of foreclosed assets, among others.

In the second quarter of 2016, the curve relating to the net margin, which presents the result of the net revenue from credit interest of the ALL, experienced an increase of 5.7% in the quarterly comparison, and a 8.3% decrease in the comparison between the first semester of 2016 and the same period of the previous year, due to the higher delinquency rate in the period, mainly as a result of: (i) the leveling of provisioning for corporate client operations, particularly one specific client, whose

In the comparison between the first semester of 2016 and the same period of the previous year, there was an increase of 10.8% or R\$2,225 million. The variation is the result of: (i) an increase in the average spread, amounting to R\$2,212 million, due to improved management in investment resources and funding operations; and (ii) a R\$13 million increase in the volume of operations.

(1) Without effect of the leveling of provisioning from one specific corporate client; and

(2) If we ignore the effect of the leveling of provisioning from one specific corporate client, net margin, in the second quarter of 2016 would be R\$6,749 million, and in the first quarter of 2016 would be R\$6,874 million.

rating worsening had an impact of R\$836 million in the first quarter of 2016, and of R\$ 365 million, in the second quarter of 2016 (disregarding this effect, the net margin would have evolved 0.6%); and (ii) the intensification of the downturn in economic activities.

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**Economic and Financial Analysis****Interest Earning Portion of Credit Intermediation****Expanded Loan Portfolio <sup>(1)</sup>**

In June 2016, the expanded loan portfolio of Bradesco stood at R\$447.5 billion, representing a 3.4% decrease compared with the previous quarter, partially impacted by the exchange variation. Micro, Small and Medium-sized Companies and Large Companies showed a reduction of 5.7% and 5.2%, respectively, while Individuals increased by 0.8% during the period.

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	Variation % 12M
<b>Customer Profile</b>					
<b>Individuals</b>	<b>148,919</b>	<b>147,759</b>	<b>143,461</b>	<b>0.8</b>	<b>3.8</b>
<b>Companies</b>	<b>298,573</b>	<b>315,449</b>	<b>319,945</b>	<b>(5.3)</b>	<b>(6.7)</b>
Corporations	201,228	212,237	208,173	(5.2)	(3.3)
SMEs	97,345	103,212	111,772	(5.7)	(12.9)
<b>Total Loan Operations</b>	<b>447,492</b>	<b>463,208</b>	<b>463,406</b>	<b>(3.4)</b>	<b>(3.4)</b>

(1) In addition to Bacen loan portfolio, it includes sureties, guarantees, letters of credit, advances of credit card receivables, debentures, promissory notes, co-obligation (receivables-backed investment funds, mortgage-backed receivables, and farm loans).

**Expanded Loan Portfolio Breakdown by Product and Type of Client (Individuals and Legal Entities)**

A breakdown of expanded loan portfolio products for the Individuals section is presented below:

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	Variation % 12M
<b>Individuals</b>					
Payroll-deductible Loan	36,220	35,503	32,783	2.0	10.5
Credit Card	28,757	27,566	25,411	4.3	13.2
Real Estate Financing	24,674	23,839	19,668	3.5	25.5
CDC / Vehicle Leasing	19,662	20,654	23,166	(4.8)	(15.1)
Personal Loans	15,250	15,219	15,752	0.2	(3.2)
Rural Loans	7,687	8,045	9,662	(4.4)	(20.4)
BNDES/Finame Onlending	6,789	6,992	7,170	(2.9)	(5.3)
Overdraft Facilities	4,324	4,409	4,268	(1.9)	1.3
Sureties and Guarantees	551	620	623	(11.2)	(11.6)
Other	5,006	4,913	4,959	1.9	0.9
<b>Total</b>	<b>148,919</b>	<b>147,759</b>	<b>143,461</b>	<b>0.8</b>	<b>3.8</b>

Operations in the individuals section increased 0.8% in the quarter and 3.8% over the last 12 months. The lines that showed significant growth in the period were: (i) real estate financing; and (ii) credit cards.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

A breakdown of expanded loan portfolio products for Legal Entities is presented below:

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	12M
<b>Companies</b>					
Working Capital	<b>38,608</b>	40,052	42,324	(3.6)	(8.8)
Operations Abroad	<b>33,890</b>	41,712	41,090	(18.8)	(17.5)
Real Estate Financing	<b>27,122</b>	26,630	25,568	1.8	6.1
BNDES/Finame Onlending	<b>27,010</b>	28,719	32,091	(6.0)	(15.8)
Export Financing	<b>23,541</b>	23,455	21,340	0.4	10.3
Overdraft Account	<b>9,192</b>	9,901	11,108	(7.2)	(17.2)
CDC / Leasing	<b>7,984</b>	8,623	11,050	(7.4)	(27.7)
Rural Loans	<b>5,077</b>	5,309	6,059	(4.4)	(16.2)
Sureties and Guarantees	<b>65,929</b>	68,800	71,334	(4.2)	(7.6)
Operations bearing Credit Risk - Commercial Portfolio <sup>(1)</sup>	<b>36,792</b>	37,617	33,418	(2.2)	10.1
Other	<b>23,429</b>	24,632	24,563	(4.9)	(4.6)
<b>Total</b>	<b>298,573</b>	<b>315,449</b>	<b>319,945</b>	<b>(5.3)</b>	<b>(6.7)</b>

(1) Includes debentures and promissory note operations.

Legal Entities operations decreased by 5.3% in the quarter and 6.7% in the last 12 months. In the periods compared, the operations that showed significant growth were: (i) export financing; and (ii) real estate financing. We highlight: (i) the growth of operations with credit risk – commercial portfolio (debentures and promissory notes); and (ii) export financing, in the space of 12 months.

**Expanded Loan Portfolio – Consumer Financing<sup>(j)</sup>**

The graph below shows the types of credit related to Consumer Financing of the Individuals section, which stood at R\$99.9 billion in June 2016, representing a 1.0% increase over the quarter and a 2.9% over the last 12 months.

The lines highlighted in June 2016 are: (i) personal loans, including payroll-deductible loans, totaling R\$51.5 billion; and (ii) credit card, totaling R\$28.7 billion. Together, these operations totaled R\$80.2 billion, accounting for 80.3% of the Consumer Financing balance.

(1) Includes vehicle CDC/leasing, personal loans, revolving credit card and cash, and installment purchases at merchants operations.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Payroll-deductible Loans**

In June 2016, payroll-deductible loans operations totaled R\$36,220 million, showing an increase in the quarter-over-quarter comparison of R\$717 million, or 2.0%, and, in comparison to the same period in the previous year, an increase in the amount of R\$3,437 million, or 10.5%. The operations with the payroll-deductible loans represented, in June 2016, 70.4% of total personal loans operations.

**Real Estate Financing**

Real estate financing operations totaled R\$51,796 million in June 2016. The Individuals portfolio increased R\$835 million, or 3.5%, in the quarter, and R\$5,006 million, or 25.5%, in comparison with the same period of the previous year. Legal entities operations increased R\$492 million, or 1.8%, in the quarter, and R\$1,554 million, or 6.1%, in comparison with the same period of the previous year.

In the first semester of 2016, the origination of real estate financing registered R\$5,441 million (R\$3,298 million by individuals and R\$2,143 million by builders), representing 24,550 properties in the period.

**Vehicle financing**

In June 2016, vehicle financing operations totaled R\$32,715 million, showing a decrease both in the quarter-over-quarter comparison as well as in comparison with the same period of the previous year. Of the total vehicle portfolio, 77.0% corresponds to "CDC", 20.9% to "Finame" and 2.1% to "Leasing".

The variations presented in the portfolio are reflective of a reduced financing market and of

Bradesco's search for lower risk and more profitable operations, due to the demand for higher value of entry for these financing operations.

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Economic and Financial Analysis**Interest Earning Portion of Credit Intermediation****Expanded Loan Portfolio Concentration – By Sector**

The expanded loan portfolio by economic activity sector remained stable in the share of the sectors that it comprises. Both in the quarter-over-quarter comparison as well as in comparison with the last 12 months, there was an increase in the participation of "Individuals".

R\$ million	Jun16	%	Mar16	%	Jun15	
<b>Activity Sector</b>						
<b>Public Sector</b>	<b>10,993</b>	<b>2.5</b>	<b>13,130</b>	<b>2.8</b>	<b>12,339</b>	<b>2.7</b>
<b>Private Sector</b>	<b>436,499</b>	<b>97.5</b>	<b>450,078</b>	<b>97.2</b>	<b>451,067</b>	<b>97.3</b>
<b>Companies</b>	<b>287,580</b>	<b>64.3</b>	<b>302,319</b>	<b>65.3</b>	<b>307,606</b>	<b>66.3</b>
Industry	<b>88,389</b>	<b>19.8</b>	93,194	20.1	94,305	20.4
Commerce	<b>49,625</b>	<b>11.1</b>	51,984	11.2	55,662	12.0
Financial Intermediaries	<b>4,517</b>	<b>1.0</b>	6,756	1.5	5,798	1.3
Services	<b>141,814</b>	<b>31.7</b>	147,075	31.8	148,098	32.0
Agriculture, Cattle Raising, Fishing, Forestry and Forest Exploration	<b>3,235</b>	<b>0.7</b>	3,310	0.7	3,743	0.8
<b>Individuals</b>	<b>148,919</b>	<b>33.3</b>	<b>147,759</b>	<b>31.9</b>	<b>143,461</b>	<b>31.0</b>
<b>Total</b>	<b>447,492</b>	<b>100.0</b>	<b>463,208</b>	<b>100.0</b>	<b>463,406</b>	<b>100.0</b>

**Expanded Credit Portfolio – Distribution per Business Sector**

The expanded credit portfolio showed a contraction of 3.4% in the annual and quarterly comparison. We positively highlight the evolution of the "Prime" sector in the periods analyzed.

R\$ million	Jun16	%	Mar16	%	Jun15	%	Variation % Quarter 12M	
<b>Business Segments</b>								
Retail	<b>124,990</b>	<b>27.9</b>	127,893	27.6	129,191	27.9	(2.3)	(3.3)
Corporate	<b>202,967</b>	<b>45.4</b>	213,677	46.1	209,317	45.2	(5.0)	(3.0)
Middle Market	<b>43,236</b>	<b>9.7</b>	45,399	9.8	48,772	10.5	(4.8)	(11.4)
Prime	<b>24,738</b>	<b>5.5</b>	24,212	5.2	22,473	4.8	2.2	10.1
Other / Non-account Holders <sup>(1)</sup>	<b>51,562</b>	<b>11.5</b>	52,026	11.2	53,654	11.6	(0.9)	(3.9)
<b>Total</b>	<b>447,492</b>	<b>100.0</b>	<b>463,208</b>	<b>100.0</b>	<b>463,406</b>	<b>100.0</b>	<b>(3.4)</b>	<b>(3.4)</b>

(1) It consists, mostly, of non-account holders, originating from the financing activities of vehicles, credit cards and payroll-deductible loans.

**Expanded Credit Portfolio – Per Currency**

The balance of loans and indexed on-lending and/or denominated in foreign currency (excluding ACCs) totaled R\$38.8 billion in June 2016, showing a

Disregarding the effect of the devaluation of the dollar, the expanded portfolio would have shown a 2.5% decrease in the quarter and 3.7% in the last

18.2% decrease in the quarter, partially reflecting the 9.8% devaluation of the dollar. In the last 12 months, the 17.5% decrease reflects mainly a decrease in the volume of foreign currency credit operations.

12 months.

In June 2016, the total number of credit operations in *reais* reached R\$408.7 billion, presenting a 1.7% decrease in the quarter-over-quarter comparison and a decrease of 1.9% in the last 12 months.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Changes to the Expanded Loan Portfolio**

New borrowers in the expanded loan portfolio were responsible for the R\$21.3 billion growth in the loan portfolio over the last 12 months, and accounted for 4.8% of the portfolio in June 2016.

(1) Includes new loans contracted in the last 12 months by clients since June 2015.

**Changes in the Expanded Loan Portfolio – By Rating**

The chart below shows that the majority of new borrowers and clients that have remained in the loan portfolio since June 2015 received ratings between AA and C, demonstrating the suitability and consistency of the loan policy and processes (assignment and monitoring), as well as the quality of guarantees.

**Rating**

AA - C	<b>401,504</b>	<b>89.7</b>	20,306	95.2	381,198	89.4
D	<b>12,998</b>	<b>2.9</b>	273	1.3	12,725	3.0
E - H	<b>32,990</b>	<b>7.4</b>	749	3.5	32,241	7.6
<b>Total</b>	<b>447,492</b>	<b>100.0</b>	<b>21,328</b>	<b>100.0</b>	<b>426,164</b>	<b>100.0</b>

**Expanded Loan Portfolio – By Client Profile and Rating (%)**

Although a decrease was registered in comparison to the previous years, the range represented by credits classified between AA and C remained at comfortable levels.

Corporations	<b>92.2</b>	<b>3.0</b>	<b>4.8</b>	95.7	1.5	2.8	97.9	0.6	1.5
SMEs	<b>84.9</b>	<b>4.1</b>	<b>11.0</b>	86.1	3.9	10.0	89.0	3.5	7.5
Individuals	<b>89.5</b>	<b>2.1</b>	<b>8.5</b>	90.0	2.0	8.0	90.7	1.9	7.4
<b>Total</b>	<b>89.7</b>	<b>2.9</b>	<b>7.4</b>	<b>91.7</b>	<b>2.2</b>	<b>6.1</b>	<b>93.6</b>	<b>1.7</b>	<b>4.7</b>

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**Expanded Loan Portfolio – By Debtor**

All concentration ranges show a decrease compared to the previous quarter. The classification of ratings is aligned to the context of the current economic scenario.

**Loan Portfolio<sup>(1)</sup> – By Type**

All operations bearing credit risk amounted to R\$473.7 billion, showing a 4.3% decrease in the quarter and 3.5% in the last 12 months.

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	Variation % 12M
Loans and Discounted Securities Financing	<b>164,924</b>	171,475	172,004	(3.8)	(4.1)
Rural and Agribusiness Financing	<b>121,728</b>	125,614	127,662	(3.1)	(4.6)
Leasing Operations	<b>19,822</b>	20,586	22,879	(3.7)	(13.4)
Advances on Exchange Contracts	<b>2,467</b>	2,742	3,660	(10.0)	(32.6)
Other Loans	<b>8,419</b>	9,087	7,835	(7.4)	7.5
<b>Subtotal Loan Operations <sup>(2)</sup></b>	<b>24,461</b>	24,220	20,985	1.0	16.6
Sureties and Guarantees Granted (Memorandum Accounts)	<b>341,821</b>	<b>353,723</b>	<b>355,024</b>	<b>(3.4)</b>	<b>(3.7)</b>
Operations bearing Credit Risk - Commercial Portfolio <sup>(3)</sup>	<b>66,480</b>	69,420	71,958	(4.2)	(7.6)
Letters of Credit (Memorandum Accounts)	<b>36,792</b>	37,617	33,418	(2.2)	10.1
Advances from Credit Card Receivables	<b>157</b>	179	347	(12.2)	(54.7)
Co-obligation in Loan Assignment CRI (Memorandum Accounts)	<b>1,054</b>	1,046	1,283	0.8	(17.8)
Co-obligation in Rural Loan Assignment (Memorandum Accounts)	<b>1,095</b>	1,128	1,274	(2.9)	(14.0)
<b>Subtotal of Operations bearing Credit Risk - Expanded Portfolio</b>	<b>92</b>	93	103	<b>(1.1)</b>	<b>(10.7)</b>
Other Operations Bearing Credit Risk <sup>(4)</sup>	<b>447,492</b>	<b>463,208</b>	<b>463,406</b>	<b>(3.4)</b>	<b>(3.4)</b>
<b>Total Operations bearing Credit Risk</b>	<b>26,214</b>	31,901	27,500	<b>(17.8)</b>	<b>(4.7)</b>
	<b>473,706</b>	<b>495,108</b>	<b>490,906</b>	<b>(4.3)</b>	<b>(3.5)</b>

(1) In addition to the Expanded Portfolio, it includes other operations bearing credit risk;

(2) As defined by Bacen;

(3) Includes debentures and promissory note operations; and

(4) Includes CDI operations, rural DI, international treasury, swap, non-deliverable forward transaction and investments in FIDC, Certificate of Agribusiness Credit Rights (CDCA) and Certificates of Real Estate Receivables (CRI).

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

The charts below refer to the Loan Portfolio, as defined by Bacen.

**Loan Portfolio<sup>(1)</sup> – By Flow of Maturities<sup>(2)</sup>**

The loan portfolio by flow of maturities of operations has, as one of its features, a longer profile, mainly due to the presence of real estate financing and payroll-deductible loans operations. It must be noted that, due to their guarantees and characteristics, these operations are not only exposed to lower risk, but they also provide favorable conditions to gain client loyalty.

(1) As defined by Bacen; and

(2) Only performing loans.

**Loan Portfolio<sup>(1)</sup> – Delinquency**

**Delinquency over 90 days <sup>(2)</sup>**

The delinquency ratio, comprising of the balance of operations delayed for more than 90 days, maintained a trajectory of increase in this quarter, mainly due to: (i) the continued unfavorable economic environment, impacting the quality of the credit portfolio, mainly in, Micro, Small and Medium-sized Companies; and (ii) the decrease in loan portfolio for both sectors of Legal Entities in the second quarter of 2016.

(1) As defined by Bacen; and

(2) Portfolios were not sold.

**Delinquency between 15 and 90 days**

In the quarter, short-term delinquency, including operations overdue by between 15 and 90 days,

showed an increase, due to a specific client from the Large Companies section, as mentioned in chapter 1.

We note the positive performance of the Individuals portfolio.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Allowance for Loan Losses (ALL) vs.  
Delinquency vs. Losses<sup>(1)</sup>**

**Composition of the Provision**

Bradesco monitors the development of its loan portfolio, as well as respective risks, by internally applying the expanded portfolio concept. In addition to the allowance for loan losses required by Bacen, Bradesco has excess ALL to support potential stress scenarios, as well as other operations/commitments bearing credit risks.

Allowance for Loan Losses totaled R\$31.9 billion in June 2016, representing 9.3% of the total loan portfolio, comprising of: (i) generic provision (client and/or operation rating); (ii) specific provision (non-performing loans); and (iii) excess provision (internal criteria, including provision for guarantees provided).

Provisioning levels are deemed appropriate and sufficient to support possible changes in scenarios, such as higher delinquency levels and/or changes in the loan portfolio profile.

**Provisioning, Delinquency, PDD and Effective Coverage Index**

The strength of the provisioning criteria adopted must be mentioned, which is proven by: (i) historical data analysis of recorded allowances for loan losses; and (ii) effective losses in the subsequent 12-month period. When analyzed in terms of net loss of recovery, for an existing provision of 6.7% of the portfolio<sup>(1)</sup>, in June 2015, the net loss in the subsequent 12 months was 3.3%, representing an effective coverage of 200.6%.

It should be highlighted that, considering the losses expected for one year (dotted part), which has a high correlation with the operations of abnormal course of the E-H ratings, there is an effective

coverage of 233.9% for June 2016, which is an index of good comparability of surplus provisions.

(1) As defined by Bacen; and

(2) Includes provision for guarantees provided, encompassing sureties, guarantees, letters of credit and standby letters of credit, which comprises the concept of “excess” ALL. In the third quarter of 2015, includes the ALL Surplus/Deficit Rating, considered as an extraordinary event, totaling R\$3,704 million. Thus, the balance of the ALL – Surplus provision went from R\$4,004 million in June 2015 to R\$6,409 million in September 2015.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Coverage Ratio**

The graph below presents the behavior of the ratios to cover the provision for doubtful accounts in relation to default credits exceeding 60 and 90 days. In June 2016, these ratios showed very comfortable levels, reaching coverages of 160.7% and 201.0%, respectively.

Bradesco monitors its credit portfolio, as well as its respective risk, using the expanded portfolio concept. Besides the provision for doubtful accounts required by Bacen, Bradesco has a surplus provision of R\$6.4 billion, to cover possible stress scenarios, as well as other operations/commitments with credit risk.

**Loan Portfolio – Portfolio Indicators**

With the aim of facilitating the monitoring of the quantitative and qualitative performance of Bradesco's loan portfolio, a comparative summary of the main figures and indicators is presented below:

(1) As defined by Bacen; and

(2) Includes provision for guarantees provided, encompassing sureties, guarantees, letters of credit and standby letters of credit, which comprises the concept of ALL "excess".

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## Economic and Financial Analysis

### Interest Earning Portion of Credit Intermediation

#### Loans vs. Funding

In order to analyze Loan Operations in relation to Funding, the following should be deducted from the total client funding: (i) the amount committed to reserve requirements at Bacen, (ii) the amount of available funds within the customer service network, along with the addition of, (iii) funds from domestic and foreign lines of credit that finance the demand for loans.

Bradesco shows low dependency on interbank deposits and foreign lines of credit, given its

capacity to effectively obtain funding from clients. This is a result of: (i) the prominent position of its Service Points; (ii) the broad diversity of products offered; and (iii) the market's confidence in the Bradesco brand.

Note that the use of funds provides a comfortable margin. It proves that Bradesco is capable of meeting demands for loaning funds through its own funding.

R\$ million

#### Funding vs. Investments

	Jun16	Mar16	Jun15	Variation % Quarter	12M
Demand Deposits + Sundry Floating	26,659	27,716	29,550	(3.8)	(9)
Savings Deposits	87,209	88,261	91,008	(1.2)	(4)
Time Deposits + Debentures <sup>(1)</sup>	152,867	163,228	144,463	(6.3)	5
Funds from Financial Bills <sup>(2)</sup>	106,520	103,696	87,288	2.7	22
<b>Customer Funds</b>	<b>373,255</b>	<b>382,901</b>	<b>352,309</b>	<b>(2.5)</b>	<b>5</b>
(-) Reserve Requirements	(48,164)	(49,921)	(48,913)	(3.5)	(1)
(-) Available Funds	(7,554)	(8,116)	(7,961)	(6.9)	(5)
<b>Customer Funds Net of Reserve Requirements</b>	<b>317,537</b>	<b>324,864</b>	<b>295,435</b>	<b>(2.3)</b>	<b>7</b>
Onlending	33,751	39,228	39,232	(14.0)	(14)
Securities Abroad	6,298	8,921	8,099	(29.4)	(22)
Borrowing	23,781	23,621	22,137	0.7	7
Other (Subordinated Debt + Other Borrowers - Cards)	69,623	68,667	54,200	1.4	23
<b>Total Funding (A)</b>	<b>450,990</b>	<b>465,301</b>	<b>419,104</b>	<b>(3.1)</b>	<b>7</b>
<b>Expanded Loan Portfolio (Excluding Sureties and Guarantees) (B)</b>	<b>381,012</b>	<b>393,788</b>	<b>391,448</b>	<b>(3.2)</b>	<b>(2)</b>
<b>B/A (%)</b>	<b>84.5</b>	<b>84.6</b>	<b>93.4</b>	<b>(0.1) p.p.</b>	<b>(8.9) p.p.</b>

(1) Debentures mainly used to back repos; and

(2) Includes: Collateral Mortgage Notes, Mortgage Bonds, Letters of Credit for Agribusiness, Financial Bills and Structured Operations Certificate.

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**Economic and Financial Analysis****Interest Earning Portion of Credit Intermediation****Main Funding Sources**

The following table presents the changes in these sources:

R\$ million	Jun16	Mar16	Jun15	Variation		12M	
				Quarter Amount	%	Amount	%
Demand Deposits	<b>23,217</b>	22,590	26,125	627	2.8	(2,908)	(11.1)
Savings Deposits	<b>87,209</b>	88,261	91,008	(1,052)	(1.2)	(3,799)	(4.2)
Time Deposits	<b>68,499</b>	77,754	78,062	(9,255)	(11.9)	(9,563)	(12.3)
Debentures <sup>(1)</sup>	<b>84,368</b>	85,474	66,401	(1,106)	(1.3)	17,967	27.1
Borrowing and Onlending	<b>57,532</b>	62,849	61,369	(5,317)	(8.5)	(3,837)	(6.3)
Funds from Issuance of Securities <sup>(2)</sup>	<b>112,817</b>	112,617	95,387	200	0.2	17,430	18.3
Subordinated Debts	<b>50,952</b>	50,184	37,426	768	1.5	13,526	36.1
<b>Total</b>	<b>484,594</b>	<b>499,729</b>	<b>455,778</b>	<b>(15,135)</b>	<b>(3.0)</b>	<b>28,816</b>	<b>6.3</b>

(1) Considering mostly debentures used to back repos; and

(2) Includes: Financial Bills, in June 2016, totaling R\$74,079 million (R\$72,612 million in March 2016 and R\$60,608 million in June 2015).

**Demand deposits**

In June 2016, demand deposits totaled R\$23,217 million, showing an increase of R\$627 million or 2.8% in comparison with the previous quarter.

In the comparison between June 2016 and the same period of the previous year, demand deposits showed a decrease of R\$2,908 million or 11.1%, primarily due to new business opportunities offered to clients.

**Savings Deposits**

Savings deposits totaled R\$87,209 million in June 2016, showing a decrease of R\$1,052 million or 1.2% in comparison with the previous quarter and R\$3,799 million or 4.2% in comparison with the same period of the previous year, mainly due to new business opportunities offered to clients, in

(1) Additional installment is not included.

(1) Additional installment is not included; and

(2) Includes the effects of the redefinition of the rules adopted by Bacen during the first semester of 2015.

virtue of the interest rate oscillations occurring in the period.

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**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Time Deposits**

At the end of June 2016, the balance of time deposits totaled R\$68,499 million, registering decreases both in the quarter-over-quarter comparison in the amount of R\$9,255 million, or 11.9%, and in comparison with the same period of the previous year, of R\$9,563 million or 12.3%.

This performance was primarily due to the interest rate oscillations occurring in the period and to the new investment alternatives available to clients.

**Debentures**

In June 2016, Bradesco's debentures balance totaled R\$84,368 million, registering a decrease of R\$1,106 million, or 1.3%, in comparison with the previous quarter. In the comparison between June 2016 and the same period of the previous year, the debentures balance showed an increase of R\$17,967 million, or 27.1%.

Such variations refer mainly to the placement of these financial instruments, which are also used as ballast in committed transactions.

**Borrowing and On-lending**

In June 2016, the balance of on-lending registered at R\$57,532 million, a decrease of R\$5,317 million, or 8.5%, in comparison with the previous quarter, mainly due to: (i) the decrease of R\$3,378 million in the obligations for loans and denominated and/or indexed on-lending in foreign currency; and (ii) the decrease in the volume of funds raised by borrowings and on-lending in the country, mainly through Finame operations.

In the comparison between June 2016 and the same period of the previous year, the balance of borrowings and on-lending recorded a decrease of R\$3,837 million, or 6.3%, essentially due to: (i) a decrease of R\$5,479 million or 14.0%, in the volume of funds raised by borrowings and on-lending in the country, mainly in the form of Finame operations; offset by: (ii) an increase of R\$1,642 million in borrowings and on-lending denominated and/or indexed in foreign currency, whose balance changed from R\$22,120 million in June 2015 to R\$23,762 million, in June 2016, partially due to the positive exchange rate variation of 3.5% in the period.

**Economic and Financial Analysis**  
**Interest Earning Portion of Credit Intermediation**

**Funds from Issuance of Securities**

In June 2016, Funds from Issuance of Securities totaled R\$112,817 million, remaining stable in relation to the end of the previous quarter.

In the comparison between June 2016 and the same period of the previous year, the increase of R\$17,430 million, or 18.3%, was mainly due to: (i) the increased inventory of Financial Bills, from R\$60,608 million in June 2015 to R\$74,079 million in June 2016, as a result of the new issuances in the period; and (ii) the higher volume of Mortgage Bonds, in the amount of R\$6,339 million.

(1) Considering: Mortgage Notes, Letters of Credit for Agribusiness, MTN Program Issues, Securitization of Payment Order Flow, Cost of issuances over funding and Structured Operations Certificates.

**Subordinated Debt**

Subordinated Debt totaled R\$50,952 million in June 2016 (R\$11,276 million abroad and R\$39,676 million in Brazil), showing an increase in the quarter-over-quarter comparison of R\$768 million, or 1.5%. In comparison with the same period of the previous year, it showed an increase of R\$13,526 million, or 36.1%, mainly due to the issue of new subordinated debts in the periods.

(1) Includes the amount of R\$13,877 million, relating to subordinated debts recorded under the heading "Eligible Debt Capital Instrument".

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Economic and Financial Analysis**Interest Earning Portion of Securities/Other****Earning Portion of Securities/Other – Breakdown**

R\$ million	1H16	1H15	2Q16	1Q16	Variation Semester	Variation Quarter
<b>Securities/Other Margin - Interest Earning Operations</b>						
Interest - due to volume					53	27
Interest - due to spread					346	160
<b>NII - Interest Earning Portion</b>	<b>3,733</b>	<b>3,334</b>	<b>1,960</b>	<b>1,773</b>	<b>399</b>	<b>187</b>

In the comparison between the second quarter of 2016 and the previous quarter, there was an increase of R\$187 million in the interest earning portion of “Securities/Other”, which includes the assets and liabilities management (ALM). The change observed was primarily due to: (i) an increase in the average spread, benefitted by the positions in the pre-fixed portfolios, in the amount

of R\$160 million; and (ii) an increase in the volume of operations, in the amount of R\$27 million.

In the comparison between the first semester of 2016 and the same period of the previous year, the interest earning portion of “Securities/Other”, recorded an increase of R\$399 million. This result was due to: (i) an increase of R\$346 million in the average spread; and (ii) an increase in the volume of operations, resulting in R\$53 million.

**Interest Earning Portion of Insurance****Earning Portion of Insurance – Breakdown**

R\$ million	1H16	1H15	2Q16	1Q16	Variation Semester	Variation Quarter
<b>Insurance Margin - Interest Earning Operations</b>						
Interest - due to volume					67	17
Interest - due to spread					138	(77)
<b>NII - Interest Earning Portion</b>	<b>2,890</b>	<b>2,685</b>	<b>1,415</b>	<b>1,475</b>	<b>205</b>	<b>(60)</b>

Comparing the second quarter of 2016 with the previous quarter, the interest earning portion of insurance operations recorded a R\$60 million decrease, or 4.1%, which was due to: (i) a R\$77 million decrease in the average spread; offset by: (ii) an increase in the volume of operations, totaling R\$17 million.

In the comparison between the first semester of 2016 and the same period of the previous year, the interest earning portion showed an increase of 7.6%, or R\$205 million, due to: (i) an increase in the average spread, in the amount of R\$138 million; and (ii) an increased volume of operations, in the amount of R\$67 million.

**Non-Interest Earning Portion****Non-Interest Earning Portion – Breakdown**

R\$ million	1H16	1H15	2Q16	1Q16	Variation
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					Semester	Quarter
<b>NII - Non-Interest Earning Portion</b>	<b>337</b>	452	179	158	(115)	21
NII - Non-Interest Earning Portion						

Non-interest earning portion stood at R\$179 million in the second quarter of 2016, showing a R\$21 million increase, due to higher gains with arbitration of markets. In the comparison between the first semester of 2016 and the same period of the previous year, there was a decrease of R\$115 million in the non-interest earning portion.

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**Economic and Financial Analysis****Insurance, Pension Plans and Capitalization Bonds**

Below is an analysis of Grupo Bradesco Seguros' Statement of Financial Position and Income Statement:

**Consolidated Statement of Financial Position**

R\$ million	Jun16	Mar16	Jun15	Jun16 x Mar16	Jun16 x Jun15
<b>Assets</b>					
<b>Current and Long-Term Assets</b>	<b>218,690</b>	<b>212,967</b>	<b>191,343</b>	<b>2.7</b>	<b>14.3</b>
Securities	205,230	200,016	179,129	2.6	14.6
Insurance Premiums Receivable	3,559	3,227	3,308	10.3	7.6
Other Loans	9,901	9,724	8,906	1.8	11.2
<b>Permanent Assets</b>	<b>4,693</b>	<b>4,629</b>	<b>5,000</b>	<b>1.4</b>	<b>(6.1)</b>
<b>Total</b>	<b>223,383</b>	<b>217,595</b>	<b>196,343</b>	<b>2.7</b>	<b>13.8</b>
<b>Liabilities</b>					
<b>Current and Long-Term Liabilities</b>	<b>198,823</b>	<b>194,090</b>	<b>173,544</b>	<b>2.4</b>	<b>14.6</b>
Tax, Civil and Labor Contingencies	3,184	3,116	2,804	2.2	13.6
Payables on Insurance, Pension Plan and Capitalization Bond Operations	532	523	545	1.7	(2.4)
Other Reserve Requirements	4,458	7,478	5,629	(40.4)	(20.8)
Insurance Technical Reserves	14,039	13,574	13,261	3.4	5.9
Life and Pension Plan Technical Reserves	169,885	162,579	144,337	4.5	17.7
Capitalization Bond Technical Reserves	6,725	6,820	6,968	(1.4)	(3.5)
<b>Non-controlling Interest</b>	<b>542</b>	<b>671</b>	<b>612</b>	<b>(19.2)</b>	<b>(11.4)</b>
<b>Shareholder's Equity <sup>(1)</sup></b>	<b>24,018</b>	<b>22,834</b>	<b>22,187</b>	<b>5.2</b>	<b>8.3</b>
<b>Total</b>	<b>223,383</b>	<b>217,595</b>	<b>196,343</b>	<b>2.7</b>	<b>13.8</b>

(1) Considering the shareholders' equity of Bradesco Seguros S.A, which controls the operating companies (insurance, pension plans and capitalization bonds), it would amount to R\$15,584 million in June 2016.

**Consolidated Income Statement**

R\$ million	1H16	1H15	2Q16
Insurance Written Premiums, Pension Plan Contributions and Capitalization Bond Income	<b>32,439</b>	30,357	17,25
Premiums Earned from Insurance, Pension Plan Contribution and Capitalization Bond	<b>18,732</b>	16,873	9,41



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Financial Result from the Operation	2,906	2,691	1,46
Sundry Operating Income	635	421	34
Retained Claims	(11,770)	(10,199)	(6,156)
Capitalization Bond Draws and Redemptions	(2,527)	(2,416)	(1,301)
Selling Expenses	(1,710)	(1,641)	(877)
General and Administrative Expenses	(1,326)	(1,201)	(681)
Tax Expenses	(369)	(418)	(171)
Other Operating Income/Expenses	(467)	(326)	(193)
<b>Operating Result</b>	<b>4,104</b>	<b>3,784</b>	<b>1,84</b>
Equity Result	347	306	16
<b>Income before Taxes and Profit Sharing</b>	<b>4,451</b>	<b>4,090</b>	<b>2,01</b>
Income Tax and Contributions	(1,785)	(1,404)	(794)
Profit Sharing	(53)	(47)	(23)
Non-controlling Interest	(69)	(73)	(30)
<b>Net Income</b>	<b>2,544</b>	<b>2,566</b>	<b>1,16</b>

Note: For comparison purposes, the effects of non-recurring events are not considered.

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**Economic and Financial Analysis****Insurance, Pension Plans and Capitalization Bonds****Income Distribution of Grupo Bradesco Seguros e Previdência**

R\$ million	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Life and Pension Plans	<b>644</b>	725	727	738	785	762	693	588
Health	<b>57</b>	208	247	139	116	182	201	168
Capitalization Bonds	<b>111</b>	133	125	122	145	152	120	74
Basic Lines and Other	<b>352</b>	313	307	318	238	187	222	228
<b>Total</b>	<b>1,164</b>	<b>1,380</b>	<b>1,405</b>	<b>1,317</b>	<b>1,284</b>	<b>1,283</b>	<b>1,236</b>	<b>1,058</b>

**Performance Ratios**

%	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Claims Ratio <sup>(1)</sup>	<b>76.8</b>	72.1	71.9	73.1	71.4	71.7	70.9	72.7
Expense Ratio <sup>(2)</sup>	<b>10.1</b>	9.9	10.4	10.4	10.7	10.4	10.6	10.5
Administrative Expenses Ratio <sup>(3)</sup>	<b>4.0</b>	4.2	4.1	4.3	4.0	4.1	4.0	4.6
Combined Ratio <sup>(4) (5)</sup>	<b>89.6</b>	86.1	86.5	86.9	86.5	86.8	85.9	86.5

(1) Retained Claims/Earned Premiums;

(2) Sales Expenses/Earned Premiums;

(3) Administrative Expenses/Net Written Premiums;

(4) (Retained Claims + Sales Expenses + Other Operating Income and Expenses)/Earned Premiums + (Administrative Expenses + Taxes)/Net Written Premiums; and

(5) Excludes additional reserves.

Note: For comparison purposes, the effects of non-recurring events are not considered.

**Written Premiums, Pension Plan Contributions and Capitalization Bond Income**

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In comparison with the previous quarter, the turnover in the second quarter of 2016, showed a growth of 13.6%, driven by the "Life and Pension", "Auto/RE", "Capitalization" and "Health" products, which showed growths of 22.0%, 16.6%, 6.1% and 4.2%, respectively.

In the first semester of 2016, the production recorded a growth of 6.9% in comparison with the same period of the previous year influenced by "Health" and "Capitalization" products, which presented growth of 16.7% and 4.0%, respectively.

**Economic and Financial Analysis Report – June 2016**

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**Economic and Financial Analysis**  
**Insurance, Pension Plans and Capitalization Bonds**

**Indexes of Claims Ratio per Industry**

**Indexes of Commercialization of Insurance per Industry**

**Bradesco**              

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**Economic and Financial Analysis**  
**Insurance, Pension Plans and Capitalization Bonds**

**Efficiency Ratio**

General and Administrative Expenses / Billing.

Improvement of administrative efficiency ratio, in the comparison between the second quarter of 2016 and the previous quarter, is due to: (i) the benefits generated with the rationalization of expenditures; and (ii) the increase of 13.6% in the revenue of the period.

**Technical Reserves**

           **Economic and Financial Analysis Report – June 2016**

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**Economic and Financial Analysis****Bradesco Vida e Previdência**

	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
Net Income	<b>644</b>	725	727	738	785	762	762
Premium and Contribution Income <sup>(1)</sup>	<b>8,755</b>	7,175	11,153	7,112	9,183	6,318	10,000
- Income from Pension Plans and VGBL	<b>7,337</b>	5,786	9,744	5,739	7,921	5,081	9,000
- Income from Life/Personal Accidents Insurance Premiums	<b>1,418</b>	1,389	1,409	1,373	1,262	1,237	1,000
Technical Reserves	<b>169,885</b>	162,579	157,600	148,321	144,337	137,322	133,000
Investment Portfolio	<b>177,599</b>	168,992	162,686	155,526	152,035	144,426	140,000
Claims Ratio	<b>38.0</b>	31.2	38.9	35.8	34.4	35.3	35.3
Expense Ratio	<b>17.4</b>	17.3	17.6	18.7	17.0	18.6	18.6
Combined Ratio	<b>61.1</b>	56.1	63.6	61.5	59.7	61.1	61.1
Participants / Policyholders (in thousands)	<b>32,570</b>	33,070	31,985	30,349	29,660	29,306	28,000
Premium and Contribution Income Market Share (%) <sup>(2)</sup>	<b>24.4</b>	26.0	28.8	26.9	27.2	23.9	23.9
Life/AP Market Share - Insurance Premiums (%) <sup>(2)</sup>	<b>18.8</b>	19.1	17.7	17.6	17.2	17.7	17.7

(1) Life/VGBL/PGBL/Traditional; and

(2) The second quarter of 2016 includes the latest data released by SUSEP (May/16).

Note: For comparison purposes, the effects of non-recurring events are not considered.

Net income for the second quarter of 2016 was 11.2% lower compared with the results from the previous quarter, influenced by the following factors: (i) the constitution of a supplemental coverage provision, whose calculation methodology considers the discount of the projected cash flow of the insurance contracts in force, based on the fixed-term structure of the interest rates (ETTJ). These curves showed approximately 1.0 p.p. of variation between the dates of the calculation base, resulting in an increase in the SCP (Supplemental Coverage Provision) in the order of R\$144 million, with the reflex, net of tax, of R\$79.2 million; (ii) an increase of 6.8 p.p. in the claims ratio; partially offset by: (iii) an increase of 22.0% in the revenue; (iv) the maintenance of the commercialization index; (v) improvement in the index of administrative efficiency; and (vi) an increase in financial results.

The net income for the first semester of 2016 was 11.5% lower than the results from the same period of

the previous year, influenced by the following factors: (i) the constitution of a supplemental coverage provision, as mentioned in the previous paragraph; (ii) an increase in the administrative efficiency index; (iii) an increase in the aliquot of the Social Contribution (CSLL); partially offset by: (iv) an increase of 2.8% in the revenue; (v) the maintenance of the claims ratio; and (vi) an increase in financial results.

In June 2016, technical reserves for Bradesco Vida e Previdência stood at R\$169.9 billion, made up of R\$161.4 billion from "Pension Plans and VGBL" and R\$8.5 billion from "Life, Personal Accidents and other lines", resulting in an increase of 17.7% over June 2015.

The Pension Plan and VGBL Investment Portfolio accounted for 28.9% of market funds in May 2016 (source: Fenaprevi).

**Growth of Participants and Life and Personal Accident Policyholders**

In June 2016, the number of Bradesco Vida e Previdência clients exceeded the 2.3 million mark of pension plan and VGBL participants, and 30.1 million life and personal accident policyholders.

Such performance is fueled by the strength of the Bradesco brand and the improvement in selling and management policies.

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**Economic and Financial Analysis**  
**Bradesco Saúde and Mediservice**

R\$ million (unless otherwise stated)	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Net Income	<b>57</b>	208	247	139	116	182	201	168
Net Written Premiums	<b>5,119</b>	4,909	4,864	4,621	4,376	4,186	4,078	3,851
Technical Reserves	<b>7,378</b>	7,031	6,848	6,806	6,785	6,665	6,453	6,226
Claims Ratio	<b>94.2</b>	87.5	85.7	89.9	89.7	88.5	87.7	87.6
Expense Ratio	<b>5.0</b>	5.3	5.2	5.3	5.4	5.3	5.1	4.8
Combined Ratio	<b>104.2</b>	99.6	99.7	102.3	102.9	101.5	99.5	98.1
Policyholders (in thousands)	<b>4,246</b>	4,394	4,444	4,461	4,472	4,478	4,525	4,475
Written Premiums Market Share (%) <sup>(1)</sup>	<b>49.6</b>	49.1	49.3	49.3	48.6	48.0	46.1	45.8

(1) The second quarter of 2016 includes the latest data released by ANS (May/16).

Note: For comparison purposes, effects of non-recurring events are not considered.

Net income for the second quarter of 2016 decreased by 72.6% in relation to the results calculated for the previous quarter, mainly due to: (i) an increase of 6.7 p.p. in claims; (ii) a decrease of financial and equity earnings; partially offset by: (iii) an increase of 4.3% in billing; and (iv) maintaining the administrative efficiency ratio.

Net income for the first semester of 2016 showed a decrease of 11.1% in comparison with the results calculated in the same period of the previous year, mainly due to: (i) the increase of 1.8 p.p. in the claims ratio; (ii) the increase in the aliquot of the Social Contribution (CSLL); partially offset by: (iii) an increase of 17.1% in revenue; (iv)

**Number of Bradesco Saúde and Mediservice Policyholders**

These two companies have a combined total of more than 4.2 million clients. The large share of corporate insurance in this portfolio (96.1% in June 2016) is proof of its high level of specialization and customization in providing group coverage plans.

maintaining the commercialization index; and (v) the improvement in equity and financial results.

In June 2016, Bradesco Saúde and Mediservice maintained a strong market position in the corporate sector (source: ANS).

Approximately 139 thousand companies in Brazil have Bradesco Saúde insurance and Mediservice plans.

Of the 100 largest companies in Brazil in terms of billing, 43 are Bradesco Saúde and Mediservice customers (source: *Exame* magazine –“*Melhores e Maiores*” ranking, July 2016).





Economic and Financial Analysis**Bradesco Capitalização**

R\$ million (unless otherwise stated)	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Net Income	<b>111</b>	133	125	122	145	152	120	74
Capitalization Bond Income	<b>1,425</b>	1,343	1,369	1,477	1,323	1,338	1,432	1,416
Technical Reserves	<b>6,725</b>	6,820	6,893	6,985	6,968	6,921	6,708	6,502
Customers (in thousands)	<b>2,995</b>	3,076	3,190	3,287	3,349	3,393	3,433	3,436
Premium Income Market Share (%) <sup>(1)</sup>	<b>27.2</b>	27.5	25.6	26.4	25.6	27.7	24.4	24.3

(1) The second quarter of 2016 includes the latest data released by SUSEP (May/16).

Net income for the second quarter of 2016 recorded a decrease of 16.5% over the previous quarter, primarily due to: (i) a decrease in financial income; partially offset by: (ii) the growth of 6.1% in revenue; and (iii) an improvement in the administrative efficiency ratio.

Net income in the first semester of 2016 recorded a decrease of 17.8% over the same period in the previous year, primarily due to: (i) the decrease of financial income; (ii) the increase of the aliquot of the Social Contribution (CSLL); partially offset by: (iii) the 4.0% growth in the revenue; and (iv) maintaining the administrative efficiency ratio.

Bradesco Capitalização reached first place among the capitalization bond companies, presenting a 4.0% growth in revenue during the period between January and May of 2016, in comparison with the same period of 2015, thanks to its transparency policy and by adjusting its products based on potential consumer demand, consistent with market changes.

Concerned with providing products that better fit the most varied profiles and budgets of its clients, Bradesco Capitalização has a product portfolio, which ranges in payment method (lump or monthly), contribution term, periodicity and value of premiums that meet the requirements and expectations of the clients.

Combining a pioneering spirit with a business-minded strategic view, Bradesco Capitalização has launched products onto the market that are concerned with socio-environmental causes, from which part of the revenue goes

the opportunity to create a financial reserve, Capitalization Bonds with this socio-environmental profile seek to raise the client's awareness of this subject's importance and permit them to participate in a good cause that benefits society.

Bradesco Capitalização currently has partnerships with the following institutions: (i) Fundação SOS Mata Atlântica (which contributes to preserving the biological and cultural diversity of the Atlantic Forest, encouraging social and environmental citizenship); (ii) Fundação Amazonas Sustentável (which contributes to the sustainable development, environmental preservation and improvement of the quality of life in communities that benefit from conservation centers in the state of Amazonas); (iii) Instituto Brasileiro de Controle do Câncer (the Brazilian Cancer Control Institute – which contributes to the prevention, early diagnosis and treatment of breast cancer in Brazil); (iv) Tamar Project (created to preserve sea turtles); and (v) Instituto Arara Azul (created to work towards the conservation of Blue Macaws in their natural habitat).

towards projects with such purpose. In addition to offering clients

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**Economic and Financial Analysis****Bradesco Auto/RE and Atlântica Companhia de Seguros**

R\$ million (unless otherwise stated)	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Net Income	<b>41</b>	46	52	87	73	42	60	37
Net Written Premiums	<b>1,549</b>	1,328	1,380	1,548	1,466	1,401	1,319	1,655
Technical Reserves	<b>6,025</b>	5,951	5,955	5,995	5,970	5,910	5,823	5,952
Claims Ratio	<b>56.3</b>	58.4	56.9	56.3	57.3	61.2	62.1	62.8
Expense Ratio	<b>20.5</b>	20.5	20.7	20.8	20.9	19.7	19.5	21.0
Combined Ratio	<b>102.3</b>	106.5	105.1	102.6	103.7	107.3	106.4	105.4
Policyholders (in thousands)	<b>3,446</b>	3,675	3,781	3,762	3,971	4,285	4,480	4,536
Premium Income Market Share (%) <sup>(1)</sup>	<b>9.3</b>	9.1	9.5	9.7	10.0	9.9	10.1	10.6

(1) The second quarter of 2016 includes the latest data released by SUSEP (May/16).

Note: (i) We are considering Atlântica Companhia de Seguros as of the first quarter of 2014; and (ii) in August 2015, we transferred the investment in the IRB – Brasil Resseguro S.A. to Bradesco Seguros.

Net income in the second quarter of 2016 was 10.9% lower than the results presented in the previous quarter, due to: (i) the decrease in the financial results; partially offset by the: (ii) growth of 16.6% in revenue;(iii) decrease of 2.1 p.p. in the claims ratio; (iv) maintaining the commercialization index; and (v) improvement in the administrative efficiency ratio.

Net income in the first semester of 2016 was 24.3% lower than in the same period of the previous year, mainly due to: (i) the decrease in financial and equity earnings; (ii) the increase of the Social Contribution (CSLL) aliquot; partially offset by: (iii) the decrease of 1.9 p.p. in the claims ratio; and (iv) maintaining the commercialization index.

Bradesco Auto/RE is present in 40 of the 100 largest groups in the country, as the insurer of its equities. And, to ensure the retention of clients, the company has invested in the revision of its services, in both claims assistance and claims, in search of greater efficiency and quality in the provision of services.

Despite the strong competition in the "Auto/RCF" sector, the insurance company has maintained its collection of around 1.5 million items, confirming its continued competitiveness. This achievement primarily originated from a more refined and

access to a varied range of services in a single place. Since 2007 there have been more than 500 thousand assistances, between claims, provision of spare cars, installation of anti-theft equipment, prior inspections performed, preventative maintenance checks and glass repairs.

Mass insurance targets individual clients, self-employed professionals and SMEs.

With a strategy focused on the "home insurance" segment, totaling more than 1.3 million insured homes, Bradesco Auto/RE is expanding the "monthly residential" products line into new distribution channels.

Recently, "*Bradesco Seguro Simpli Empresa*", an easily purchased corporate product intended for commercial establishments and service providers, such as bakeries, *pousadas* (personalized hospitality), schools, gyms, cafeterias, and beauty salons, was launched. In a few months, its sale had already surpassed the mark of 28 thousand insurance policies.

The simplified home and business insurance products stand out for their significant contribution to the results.

segmented pricing strategy that helped to reduce the claims ratio and significant margin recovery, above the market average. In addition, strong investment in technology in this area has aided the simplification of internal processes, making the purchase of insurance more agile.

With 31 units spread across the country, the network activity of the automotive centers of Bradesco Auto Center (BAC) offers policyholders

**Economic and Financial Analysis Report – June 2016**

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Economic and Financial Analysis**Fee and Commission Income**

A breakdown of the variation in Fee and Commission Income for the respective periods is presented below:

**Fee and Commission Income**

Card Income	<b>4,880</b>	4,581	2,459	2,421	299	6.5	38	1.6	37.5
Checking Account	<b>2,774</b>	2,276	1,410	1,364	498	21.9	46	3.4	21.3
Fund Management	<b>1,375</b>	1,262	701	674	113	9.0	27	4.0	10.6
Loan Operations	<b>1,366</b>	1,333	710	656	33	2.5	54	8.2	10.5
Collection	<b>811</b>	778	412	399	33	4.2	13	3.3	6.2
Consortium Management	<b>568</b>	499	290	278	69	13.8	12	4.3	4.4
Underwriting / Financial Advisory Services	<b>366</b>	298	204	162	68	22.8	42	25.9	2.8
Custody and Brokerage Services	<b>321</b>	264	171	150	57	21.6	21	14.0	2.5
Payments	<b>187</b>	197	90	97	(10)	(5.1)	(7)	(7.2)	1.4
Other	<b>381</b>	374	177	204	7	1.9	(27)	(13.2)	2.9
<b>Total</b>	<b>13,029</b>	<b>11,862</b>	<b>6,624</b>	<b>6,405</b>	<b>1,167</b>	<b>9.8</b>	<b>219</b>	<b>3.4</b>	<b>100.0</b>
<b>Business Days</b>	<b>124</b>	<b>122</b>	<b>63</b>	<b>61</b>	<b>2</b>	<b>1.6</b>	<b>2</b>	<b>3.3</b>	

Explanations of the main items that influenced the variation in Fee and Commission Income between the periods can be found below.

**Card Income**

Income from card fees totaled R\$2,459 million in the second quarter of 2016, an increase of R\$38 million, or 1.6%, compared with the previous quarter, mainly due to the increase in volume traded.

In the comparison between the first semester of 2016 and the same period of the previous year, the R\$299 million or 6.5% growth, is primarily due to: (i) the increase in the financial volume traded; and (ii) the increased amount of transactions carried out in the period.

Economic and Financial Analysis  
**Fee and Commission Income**

**Checking Account**

In the second quarter of 2016, the service revenues from checking accounts showed an increase of R\$46 million, or 3.4%, in comparison with the previous quarter, mainly influenced by the greater number of business days in this quarter.

In the comparison between the first semester of 2016 and the same period of the previous year, the income from current account services increased by R\$498 million, or 21.9%, mainly due to: (i) the expansion of the portfolio of services rendered, with the inclusion of clients for the new “Classic” and “Exclusive” sections; and (ii) the increase in the volume of business.

**Loan Operations**

Revenues from loan operations recorded an increase of 8.2%, or R\$54 million, in the quarter-over-quarter comparison, and 2.5%, or R\$33 million, in the comparison between the accrued semesters, originating mainly from higher income from collaterals, which increased 21.2% and 14.4%, respectively.

Economic and Financial Analysis**Fee and Commission Income****Fund Management**

In the second quarter of 2016, fund management income totaled R\$701 million, showing an increase of R\$27 million, or 4.0%, compared with the previous quarter, mainly due to the 1.2% increase in the volume of funds raised and managed.

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$113 million, or 9.0%, was primarily due to the increase in the volume of funds raised and managed, which grew 17.2% over the period, investments in fixed income funds being notable, with a growth of 18.1%.

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	12M
<b>Shareholders' Equity</b>					
Investment Funds	<b>550,640</b>	550,387	469,591	-	17.3
Managed Portfolios	<b>44,306</b>	40,400	38,898	9.7	13.9
Third-Party Fund Quotas	<b>8,502</b>	5,653	6,239	50.4	36.3
<b>Total</b>	<b>603,448</b>	<b>596,440</b>	<b>514,728</b>	<b>1.2</b>	<b>17.2</b>

R\$ million	Jun16	Mar16	Jun15	Variation % Quarter	12M
<b>Distribution</b>					
Investment Funds – Fixed Income	<b>524,159</b>	527,264	443,788	(0.6)	18.1
Investment Funds – Equities	<b>26,481</b>	23,123	25,803	14.5	2.6
Investment Funds – Third-Party Funds	<b>6,114</b>	3,486	4,342	75.4	40.8
<b>Total - Investment Funds</b>	<b>556,754</b>	<b>553,873</b>	<b>473,933</b>	<b>0.5</b>	<b>17.5</b>
Managed Portfolios - Fixed Income	<b>37,883</b>	34,427	30,421	10.0	24.5
Managed Portfolios – Equities	<b>6,423</b>	5,973	8,477	7.5	(24.2)
Managed Portfolios - Third-Party Funds	<b>2,388</b>	2,167	1,897	10.2	25.9
<b>Total - Managed Funds</b>	<b>46,694</b>	<b>42,567</b>	<b>40,795</b>	<b>9.7</b>	<b>14.5</b>
Total Fixed Income	<b>562,042</b>	561,691	474,209	0.1	18.5
Total Equities	<b>32,904</b>	29,096	34,280	13.1	(4.0)
Total Third-Party Funds	<b>8,502</b>	5,653	6,239	50.4	36.3
<b>Overall Total</b>	<b>603,448</b>	<b>596,440</b>	<b>514,728</b>	<b>1.2</b>	<b>17.2</b>

**Cash Management Solutions (Payments and Collection)**



In the second quarter of 2016, billing and collection income presented a variation of R\$6 million or 1.2%, stable in comparison with the previous quarter.

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$23 million or 2.4%, was due to the greater volume of processed documents, up from 1,095 million in the first semester of 2015 to 1,131 million in the first semester of 2016.

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**Economic and Financial Analysis**  
**Fee and Commission Income**

**Consortium Management**

In the second quarter of 2016, total earnings from custody and brokerage services presented an increase of R\$21 million, or 14.0%, compared with the previous quarter. This trend basically resulted: (i) from the higher volumes traded on BM&FBovespa; and (ii) from the increase of R\$17 billion in assets in custody, which had an impact on custody and brokerage revenues.

In the comparison between the first semester of 2016 and the same period of the previous year, the R\$69 million or 13.8% increase in income from consortium management was mainly driven by: (i) a higher volume of received bids; (ii) the increase in the average ticket; and (iii) the increase in billing on sales, ranging from 1,127 thousand active quotas, in June 2015, to 1,216 thousand active quotas in June 2016, generating an increase of 89 thousand net quotas.

**Custody and Brokerage Services**

In the second quarter of 2016, total earnings from custody and brokerage services presented an increase of R\$21 million, or 14.0%, compared with the previous quarter. This trend basically resulted: (i) from the higher volumes traded on BM&FBovespa; and (ii) from the increase of R\$17 billion in assets in custody, which had an impact on custody and brokerage revenues.

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$57 million, or 21.6%, in income from custody and brokerage services, reflected the increase in the average volume of assets under custody in the period.

**Underwriting/Financial Advisory Services**

The increase in the quarter-over-quarter comparison, to the amount of R\$42 million, or 25.9%, as well as in the comparison with the first semester of the previous year, to the amount of R\$68 million, or 22.8%, refers, mainly, to increased activity on the capital market in the second quarter of 2016.

It is important to note that variations recorded in this income derive from the capital market's volatile performance.

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Economic and Financial Analysis**Personnel and Administrative Expenses****Personnel Expenses**

<b>Structural</b>	<b>6,041</b>	<b>5,708</b>	<b>3,016</b>	<b>3,025</b>	<b>333</b>	<b>5.8</b>	<b>(9)</b>	<b>(0.3)</b>	<b>37.7</b>
Payroll/Social Charges	4,422	4,214	2,210	2,212	208	4.9	(2)	(0.1)	27.6
Benefits	1,619	1,494	806	813	125	8.4	(7)	(0.9)	10.1
<b>Non-Structural</b>	<b>1,595</b>	<b>1,355</b>	<b>866</b>	<b>728</b>	<b>240</b>	<b>17.7</b>	<b>137</b>	<b>19.0</b>	<b>10.0</b>
Management and Employee Profit Sharing	901	787	450	451	114	14.5	(1)	(0.2)	5.6
Provision for Labor Claims	369	351	210	159	18	5.1	51	32.1	2.3
Training	51	59	32	19	(8)	(13.6)	13	68.4	0.3
Termination Costs	273	158	174	99	115	72.8	75	75.8	1.7
<b>Total</b>	<b>7,636</b>	<b>7,063</b>	<b>3,882</b>	<b>3,754</b>	<b>573</b>	<b>8.1</b>	<b>128</b>	<b>3.4</b>	<b>47.7</b>

**Administrative Expenses**

Outsourced Services	2,060	1,918	1,067	993	142	7.4	74	7.5	12.9
Depreciation and Amortization	1,147	1,024	581	566	123	12.0	15	2.7	7.2
Communication	869	812	450	419	57	7.0	31	7.4	5.4
Data Processing	829	730	383	446	99	13.6	(63)	(14.1)	5.2
Advertising and Marketing	506	340	285	221	166	48.8	64	29.0	3.2
Asset Maintenance	502	503	268	234	(1)	(0.2)	34	14.5	3.1
Rental	472	459	231	241	13	2.8	(10)	(4.1)	2.9
Financial System Services	448	393	220	228	55	14.0	(8)	(3.5)	2.8
Transportation	334	312	168	166	22	7.1	2	1.2	2.1
Security and Surveillance	334	299	168	166	35	11.7	2	1.2	2.1
Water, Electricity and Gas	196	165	93	103	31	18.8	(10)	(9.7)	1.2
Materials	154	164	75	79	(10)	(6.1)	(4)	(5.1)	1.0
Trips	65	72	37	27	(7)	(9.7)	10	37.0	0.4
Other	470	374	244	227	96	25.7	17	7.5	2.9
<b>Total</b>	<b>8,386</b>	<b>7,565</b>	<b>4,270</b>	<b>4,116</b>	<b>821</b>	<b>10.9</b>	<b>154</b>	<b>3.7</b>	<b>52.3</b>
<b>Total Personnel and Administrative Expenses</b>	<b>16,022</b>	<b>14,628</b>	<b>8,152</b>	<b>7,870</b>	<b>1,394</b>	<b>9.5</b>	<b>282</b>	<b>3.6</b>	<b>100.0</b>
<b>Employees</b>	<b>89,424</b>	<b>93,902</b>	<b>89,424</b>	<b>91,395</b>	<b>(4,478)</b>	<b>(4.8)</b>	<b>(1,971)</b>	<b>(2.2)</b>	
<b>Service Points <sup>(1)</sup></b>	<b>61,565</b>	<b>74,270</b>	<b>61,565</b>	<b>63,552</b>	<b>(12,705)</b>	<b>(17.1)</b>	<b>(1,987)</b>	<b>(3.1)</b>	

(1) The reduction refers to: (i) the migration of “External ATM Network Points – Bradesco” to “Banco24Horas Network”; (ii) the deactivation of ATMs from “Assisted Banco24Horas Network Points”; and (iii) the decrease of the Bradesco Expresso correspondents.

Total Personnel and Administrative Expenses amounted to R\$8,152 million in the second quarter of 2016, with an increase of 3.6%, or R\$282 million, in comparison with the previous quarter. In the comparison between the first semester of 2016 and the same period of the previous year, total Personnel and Administrative Expenses showed an increase of 9.5%, or R\$1,394 million.

## Personnel Expenses

Total personnel expenses amounted to R\$3,882 million in the second quarter of 2016, showing an increase of 3.4%, or R\$128 million, in comparison with the previous quarter, mainly due to the variation of R\$137 million or 19.0% in the "non-structural" portion, mainly due to higher

expenses of: (i) costs resulting from the termination of employment contracts, to the amount of R\$75 million; and (ii) provision for labor lawsuits, to the amount of R\$51 million.

**Bradesco** \_ \_

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**Economic and Financial Analysis**  
**Personnel and Administrative Expenses**

In the comparison between the first semester of 2016 and the same period of the previous year, the increase of R\$573 million, or 8.1% in personnel expenses, a value that is below the levels of salary readjustments deriving from the collective agreement, was mainly due to: (i) the "structural" portion variation, related to the increase in expenses relating to payroll, social charges and benefits, that was affected by higher salaries, in accordance with the 2015 collective agreement; and (ii) the "non-structural" portion variation, mainly due to higher expenses of: (a) costs resulting from the termination of employment contracts, to the amount of R\$115 million and (b) profits shared between the administrators and employees (PLR), to the amount of R\$114 million.

**Administrative Expenses**

The increase of 3.7% or R\$154 million in administrative expenses in the second quarter of 2016, compared with the previous quarter, was mainly due to the increase in the volume of business and services concentrated in this period which, consequently, resulted in higher expenses of: (i) outsourced services, to the amount of R\$74 million; (ii) advertising and publicity, to the amount of R\$64 million; (iii) asset maintenance and conservation, to the amount of R\$34 million; and (iv) communication, to the amount of R\$31 million; partially offset by: (v) lower data processing expenses, in the amount of R\$63 million, affected by dollar devaluation in the period.

**Operating Coverage Ratio <sup>(1)</sup>**

In this quarter, the coverage ratio over the last 12 months remained stable in comparison with the previous quarter, mainly due to ongoing cost control efforts, including (a) the Efficiency Committee's initiatives; (b) investments in Information Technology, which totaled R\$2,993 billion in the first

(1) The reduction in the fourth quarter of 2014 includes, mainly, the transfer of 2,431 employees of Scopus Tecnologia to IBM Brasil.

The 10.9% increase, or R\$821 million, in administrative expenses in the comparison between the first semester of 2016 and the same period of the previous year, was due, mainly, to the increasing expenses of: (i) growth in business and services volumes in the period; (ii) advertising and publicity campaigns; (iii) contractual adjustments; and offset: (iv) by optimization of Service Points.

(1) Fee and Commission Income/Administrative and Personnel Expenses (in the last 12 months).

semester of 2016; and (c) measures applied to increase the offer of products and services available to the entire client base.

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## Economic and Financial Analysis

### **Tax Expenses**

Tax expenses totaled R\$1,326 million in the second quarter of 2016, showing a decrease of R\$92 million, or 6.5%, in relation to the previous quarter, primarily due to (i) the increase, in the first quarter of 2016, of IPTU expenses due to the advanced payment of this tax; and (ii) the reduction of expenses with PIS/Cofins, derived from the decrease in taxable income in the quarter.

taxable income in the period, mainly of fee and commission income and net interest income.

In the comparison between the first semester of 2016 and the same period of the previous year, such expenses increased by R\$84 million, or 3.2%, primarily due to the increase in expenses with PIS/Cofins/ISS, derived from the increase in

### **Equity in the earnings (losses) of affiliates**

In the second quarter of 2016, equity in the earnings (losses) of affiliates registered at R\$22 million, a decrease of R\$18 million compared with the previous quarter, and an increase of R\$49 million compared with the first semester of the previous year, primarily due to the equity in the earnings (losses) obtained with the "IRB – Brasil Resseguros" affiliate.

### **Non-Operating Income**

In the second quarter of 2016, non-operating income recorded a loss of R\$56 million, showing a decrease of R\$31 million, or 35.6%, in comparison with the previous quarter, and an increase of R\$20 million, or 16.3%, in comparison with the first semester of the previous year, essentially due to the variation of non-operating expenses (such as losses on sale of foreclosed assets/other) in each period.





**Economic and Financial Analysis**  
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## Return to Shareholders

### Corporate Governance

Bradesco's Management is made up of the Board of Directors and the Statutory Board of Executive Officers. The Board of Directors being composed of eight members, seven of which are external members, including the Chairman (Mr. Lázaro de Mello Brandão), and one of which is an internal member (the Chief Executive Officer, Mr. Luiz Carlos Trabuco Cappi), who was elected at the Annual Shareholders' Meeting and who is eligible for reelection. The Board of Directors elects the members of the Board of Executive Officers.

The Board of Directors is advised in its activities, by seven (7) Committees, two (2) of which are Statutory Committees (Audit and Compensation) and five (5) of which are Non-Statutory Committees (Ethical Conduct, Internal Controls and Compliance, Integrated Risk Management and Capital Allocation, Nomination and Sustainability). Several Executive Committees report to the Board of Executive Officers.

### Investor Relations area – RI

The commitment to transparency, democratization of information, punctuality and the pursuit of the best practices are essential factors that are constantly reinforced by Bradesco's Investor Relations area.

In the second quarter of 2016, there were 106 events promoted with national and international investors, through conferences, meetings, conference calls and institutional presentations, assisting over 1,107 investors.

During the period, there was also the 3rd Bradesco Insurance Day, which gathered 93 investors at Bradesco Seguros' headquarters in Alphaville.

In addition to the stated Audit Committee, Bradesco also makes use of the permanent Fiscal Council, elected by the shareholders, and the Internal Audit, which reports to the Board of Directors, as the main oversight agencies of its administrative/operational structure.

In 2011, Bradesco voluntarily adhered to Level 1 Corporate Governance of BM&FBovespa, as well as to the Code of Self-Regulation and Best Practices for Publicly Held Companies, issued by the Brazilian Association of Publicly Held Companies (ABRASCA), in 2011.

Further information is available on Bradesco's Investor Relations website ([bradescori.com.br](http://bradescori.com.br) – Corporate Governance Section).

Reaffirming the commitment to transparency in the disclosure of information, the online version of the Integrated Report 2015 was launched for the first time.

Through this single-environment virtual platform, the user can navigate institutional, business and financial information, as well as sustainability practices and initiatives more easily and dynamically.

The site is also fully accessible, allowing it to be accessed by all our audiences, including those with a visual impairment, through the Virtual Vision tool, software that reads the screen out loud to clients

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At this event, a presentation was given regarding the positioning, operational strategy, structure and the main lines of growth of Grupo Bradesco Seguros, the national market leader in insurance.

free of charge, enabling, in addition to the reading of the document, account access in order to perform transactions, the use of the Office Package, internet browsing and use of all the computer's functions.

The Online version is available at the following website: [bradescori.com.br/relatoriointegrado2015](http://bradescori.com.br/relatoriointegrado2015).

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Return to Shareholders  
Sustainability

**Inventory of GHG Emissions and ISO 14064**

For the eighth consecutive year, Bradesco has reported the direct and indirect greenhouse gas (GHG) emissions of all companies over which it maintains operational control. The 2015 inventory was prepared and verified according to ABNT-NBR ISO 14064 and constitutes the main

instrument of quantification, monitoring and verification of GHG emissions by Bradesco.

When performing the inventory, we identify and learn about our emissions sources, setting goals and strategies to mitigate them.

**Corporate Social Investment Benchmarking (BISC)**

On May 27, we concluded our participation in the 8th edition of BISC. The research was created for the annual monitoring of private social investments in Brazil, providing single mapping of the country, displaying major trends in this area.

Participation allows us to demonstrate the different dimensions and overall profile of the social projects performed by Bradesco, according to legal requirements.

**Bradesco Shares**

**Number of Shares – Common and Preferred Shares**

Common Shares	2,772,226	2,772,226	2,520,695
Preferred Shares	2,759,659	2,759,659	2,511,189
<b>Subtotal – Outstanding Shares</b>	<b>5,531,885</b>	<b>5,531,885</b>	<b>5,031,884</b>
Treasury Shares	21,717	21,717	16,845
<b>Total</b>	<b>5,553,602</b>	<b>5,553,602</b>	<b>5,048,729</b>

In June 2016, Bradesco's Capital Stock stood at R\$51.1 billion, composed of 5,553,602 thousand shares, made up of 2,776,801 thousand common

Shareholders of Cidade de Deus Cia. Comercial de Participações belong to the Aguiar Family, Fundação Bradesco and another holding company,

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shares and 2,776,801 thousand preferred shares, as book entries and without par value.

Cidade de Deus Cia. Comercial de Participações is Bradesco's largest shareholder, which directly holds 48.5% of voting capital and 24.3% of total capital.

Nova Cidade de Deus Participações S.A., a company controlled by Fundação Bradesco and by BBD Participações S.A., whose shareholders constitute the majority of the members of the Board of Directors of the Statutory Board of Executive Officers of Bradesco and more senior officers.

**Bradesco** \_ \_ \_ \_

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Return to Shareholders  
**Bradesco Shares**

**Number of Shareholders – Domiciled in Brazil and Abroad**

Individuals	<b>326,493</b>	<b>89.9</b>	<b>20.5</b>	326,318	89.8	21.6
Companies	<b>35,738</b>	<b>9.8</b>	<b>45.3</b>	35,845	9.9	45.0
<b>Subtotal Domiciled in Brazil</b>	<b>362,231</b>	<b>99.7</b>	<b>65.8</b>	<b>362,163</b>	<b>99.7</b>	<b>66.6</b>
Domiciled Abroad	<b>1,198</b>	<b>0.3</b>	<b>34.2</b>	1,246	0.3	33.4
<b>Total</b>	<b>363,429</b>	<b>100.0</b>	<b>100.0</b>	<b>363,409</b>	<b>100.0</b>	<b>100.0</b>

In June 2016 Bradesco had 363,429 shareholders, 362,231 residing in Brazil, representing 99.7% of the total number of shareholders with 65.8% of the Company's share

**Average Daily Trading Volume of Shares**

During the first semester of 2016 the average daily trading volume of our shares on the New York Stock Exchange (NYSE) and on BM&FBovespa reached R\$718 million, which is the highest value presented in the series below.

capital. The amount of shareholders residing abroad was 1,198, representing 0.3% of the number of shareholders with 34.2% of the share capital.

This amount was 11.0% higher than the average daily trading volume in the previous year, mainly due to the trading of Bradesco ADRs on the NYSE.

(1) BBDC3 "Common Shares" and BBDC4 "Preferred Shares"; and

(2) BBD "Preferred Shares" and BBDO "Common Shares" (as of March 2012).



Return to Shareholders**Bradesco Shares****Appreciation of Preferred Shares - BBDC4**

The graph shows the change in Bradesco's preferred shares, taking into account the reinvestment of dividends (it includes Interest on the Stockholders' Equity), compared to the Ibovespa.

If, in late December 2005, R\$100 were invested, Bradesco's shares would be worth approximately R\$286 at the end of June 2016, which is a higher appreciation compared to that which was presented by the Ibovespa within the same period.

**Share and ADR Performance <sup>(1)</sup>**

Adjusted Net Income per Share	<b>0.75</b>	0.74	1.2	<b>1.50</b>	1.59	(5.7)
Dividends/Interest on Shareholders' Equity – Common Share (after Income Tax)	<b>0.21</b>	0.21	0.3	<b>0.42</b>	0.45	(5.2)
Dividends/Interest on Shareholders' Equity – Preferred Share (after Income Tax)	<b>0.23</b>	0.23	0.3	<b>0.47</b>	0.49	(5.2)
Book Value per Common and Preferred Share	<b>17.42</b>	16.87	3.2	<b>17.42</b>	15.71	10.9
Last Trading Day Price – Common Shares	<b>27.01</b>	27.35	(1.2)	<b>27.01</b>	25.31	6.7
Last Trading Day Price – Preferred Shares	<b>25.18</b>	24.61	2.3	<b>25.18</b>	25.78	(2.3)
Last Trading Day Price – ADR ON (US\$)	<b>8.09</b>	7.82	3.5	<b>8.09</b>	7.64	5.9
Last Trading Day Price – ADR PN (US\$)	<b>7.81</b>	6.77	15.4	<b>7.81</b>	8.33	(6.2)
Market Capitalization (R\$ million) <sup>(2)</sup>	<b>144,366</b>	143,720	0.4	<b>144,366</b>	142,098	1.6

(1) Adjusted for corporate events in the periods; and

(2) Number of shares (excluding treasury shares) vs. closing price for common and preferred shares on the last trading day of the period.



Return to Shareholders

**Bradesco Shares**

**Recommendation of Market Analysts – Target Price**

Market analysts issue periodical recommendations on Bradesco’s preferred shares (BBDC4). In July 2016, we analyzed seven reports prepared by these analysts. Their

recommendations and a general consensus on the target price for June 2017 can be found below:

Buy	<b>57.1</b>	Average	<b>29.13</b>
Keep	<b>42.9</b>	Standard Deviation	<b>3.72</b>
Sell	-	Higher	<b>34.00</b>
Under Analysis	-	Lower	<b>23.00</b>

For more information on the target price and the recommendations of each market analyst that monitors the performance of Bradesco’s shares,

go to our Shareholders Relationship website at: [bradescori.com.br](http://bradescori.com.br) > Information for Shareholders > Analysts’ Consensus.

**Market Capitalization**

On June 30, 2016, Bradesco’s market capitalization, in view of the closing prices of Common and Preferred shares, was R\$144.4 billion, an increase of 1.6% compared with June

2015. It is worth mentioning that the Ibovespa index decreased 2.9% in the same period.

Return to Shareholders

**Main Indicators**

**Price/Earnings Ratio<sup>(1)</sup>:**

Indicates the possible number of years within which the investor would recover the capital invested, based on the closing prices of common and preferred shares.

(1) Twelve-month adjusted net profit.

**Price to Book Ratio:**

Indicates the multiple by which Bradesco's market capitalization exceeds its book value.

**Dividend Yield<sup>(1) (2)</sup>:**

The ratio between share price and dividends and/or interest on shareholders' equity paid to shareholders in the last 12 months, which indicates the return on investment represented by the allocation of net profit.

(1) Source: Economatca; and

(2) Calculated by the share with highest liquidity.

**Bradesco** \_ \_ \_

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Return to Shareholders

**Dividends/Interest on Shareholders' Equity – JCP**

During the first six months of 2016, R\$2,906 million was assigned to shareholders as interest on shareholders' equity (JCP) and the total JCP assigned to shareholders accounted for

38.0% of the net profit for the 12-month period and, considering the income tax deduction and JCP assignments, it was equivalent to 32.3% of the net profit.

(1) In the last 12 months.

**Weight on Main Stock Indexes**

Bradesco shares are listed on Brazil's main stock indexes, including IBrX-50 and IBrX-100 (indexes that measure the total return of a theoretical portfolio composed of 50 and 100 shares, respectively, selected from among the most traded shares on BM&FBovespa), IBrA (Broad Brazil Index), IFNC (Financial Index, composed of banks, insurance companies and financial institutions), ISE (Corporate Sustainability Index), IGCX (Special Corporate Governance Stock Index), IGCT (Corporate Governance Trade Index), ITAG (Special Tag-Along Stock Index),

ICO2 (index composed of shares of the companies listed on the IBrX-50 index and that choose to adopt transparent greenhouse gas emission practices in order to take part in this initiative) and the Mid-Large Cap Index – MLCX (which measures the return of a portfolio composed of the highest capitalization companies listed).

Abroad, Bradesco shares are listed on the NYSE's Dow Jones Sustainability World Index and on the Madrid Stock Exchange's FTSE Latibex Brazil Index.

Ibovespa	9.6
IBrX-50	10.2
IBrX-100	9.1
IBrA	8.9
IFNC	20.3
ISE	5.2
IGCX	6.8
IGCT	11.1
ITAG	11.9
ICO2	14.9
MLCX	9.8

(1) Represents the Bradesco shares' weight on Brazil's main stock indexes.

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Additional Information**Market Share of Products and Services**

Market shares held by Bradesco in the Banking and Insurance industries and in the Customer Service Network are presented below:

**Banks – Source : Brazilian Central Bank (Bacen)**

Demand Deposits	N/A	7.3	10.4	12.2
Savings Deposits	N/A	13.5	13.9	14.0
Time Deposits	N/A	8.4	9.0	10.0
Loan Operations	9.8	(1) (2) 9.8	(1) 10.1	10.1
Loan Operations - Private Institutions	22.6	(1) (2) 22.6	(1) 22.4	22.2
Loan Operations - Vehicles Individuals (CDC + Leasing)	13.1	(1) (2) 13.1	(1) 13.2	13.1
Payroll-Deductible Loans	12.7	(1) (2) 12.7	(1) 12.3	12.1
Number of Branches	20.0	20.1	20.3	20.4

**Banks – Source : Social Security National Institute (INSS)/Dataprev**

Benefit Payment to Retirees and Pensioners	28.0	27.7	27.2	26.8
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**Banks – Source : Anbima**

Managed Investment Funds and Portfolios	20.0	(2) 20.2	18.7	18.4
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**Insurance, Pension Plans and Capitalization Bonds – Source: Insurance Superintendence (Susep) and National Agency for Supplementary Healthcare (ANS)**

Insurance, Pension Plan and Capitalization Bond Premiums	24.3	(2) 24.8	24.8	23.5
Insurance Premiums (including Long-Term Life Insurance - VGBL)	23.9	(2) 24.4	24.4	22.9
Life Insurance and Personal Accident Premiums	18.8	(2) 19.1	17.2	17.7
Auto/Basic Lines Insurance Premiums	9.3	(2) 9.1	10.0	9.9
Auto/Optional Third-Party Liability (RCF) Insurance Premiums	11.9	(2) 11.1	12.5	12.1
Health Insurance Premiums	49.6	(2) 49.1	48.6	48.0
Income from Pension Plan Contributions (excluding VGBL)	28.5	(2) 28.8	30.5	28.5
Capitalization Bond Income	27.2	(2) 27.5	25.6	27.7
Technical Reserves for Insurance, Pension Plans and Capitalization Bonds	26.3	(2) 26.6	26.9	26.9
Income from VGBL Premiums	23.9	(2) 25.6	27.0	23.2
Income from Unrestricted Benefits Generating Plans (PGBL) Contributions	22.8	(2) 23.3	26.6	23.9

**Insurance and Pension Plans – Source: National Federation of Life and Pension Plans (Fenaprevi)**

Pension Plan Investment Portfolios (including VGBL)	28.5	(2) 28.7	30.0	30.0
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**Leasing – Source: Brazilian Association of Leasing Companies (ABEL)**

Lending Operations	17.1	(2) 16.7	18.6	19.2
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**Consortia – Source: Bacen**

Real Estate	27.6	(2) 27.9	28.0	27.7
Auto	29.6	(2) 29.2	27.8	27.7
Trucks, Tractors and Agricultural Implements	17.8	(2) 17.6	16.7	16.3

**International Area – Source: Bacen**

Export Market	17.0	16.0	15.8	15.0
Import Market	13.7	11.5	12.2	10.1

(1) SFN data is preliminary; and



(2) Reference Date: May/16.

N/A – Not available.

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Additional Information**Market Share of Products and Services****Branch Network**

North	273	1,151	23.7%	276	1,144	24.1%
Northeast	843	3,578	23.6%	847	3,629	23.3%
Midwest	337	1,799	18.7%	344	1,820	18.9%
Southeast	2,315	11,636	19.9%	2,393	11,858	20.2%
South	715	4,197	17.0%	768	4,315	17.8%
<b>Total</b>	<b>4,483</b>	<b>22,361</b>	<b>20.0%</b>	<b>4,628</b>	<b>22,766</b>	<b>20.3%</b>

**Ratings**

<b>Viability</b>	<b>Support</b>	<b>International Scale</b>		<b>Foreign Currency</b>		<b>Domestic Scale</b>	
<b>bb+</b>	<b>3</b>	<b>Domestic Currency</b>				<b>Domestic</b>	
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
		<b>bb+</b>	<b>B</b>	<b>bb+</b>	<b>B</b>	<b>AAA(bra)</b>	<b>F1+(bra)</b>

<b>Domestic Currency Deposit</b>		<b>International Scale</b>		<b>Foreign Currency Deposit</b>		<b>Domestic Scale</b>	
						<b>Domestic Currency</b>	
Long Term		Short Term		Long Term	Short Term	Long Term	Short Term
<b>Ba2</b>		<b>NP</b>		<b>Ba3</b>	<b>NP</b>	<b>Aa1.br</b>	<b>BR-1</b>

<b>International Scale - Issuer's Credit Rating</b>				<b>Domestic Scale</b>				<b>Domestic Scale</b>	
<b>Foreign Currency</b>		<b>Domestic Currency</b>		<b>Issuer's Credit Rating</b>		Corporate Governance			
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term			Long Term	Short Term
<b>BB</b>	<b>B</b>	<b>BB</b>	<b>B</b>	<b>brAA-</b>	<b>brA-1</b>	<b>AA+</b>		<b>brAAA</b>	<b>brA-1</b>

**Reserve Requirements**

**Demand Deposits**

Rate <sup>(1)</sup>	<b>45</b>	45	45	45	45	45	45	45
Reserve Requirements <sup>(3)</sup>	<b>34</b>	34	34	34	34	34	34	34
Reserve Requirements (Microfinance)	<b>2</b>	2	2	2	2	2	2	2
Free	<b>19</b>	19	19	19	19	19	19	19

**Savings Deposits**

Rate <sup>(4)</sup>	<b>24.5</b>	24.5	24.5	24.5	24.5	20	20	20
Additional <sup>(2)</sup>	<b>5.5</b>	5.5	5.5	5.5	5.5	10	10	10
Reserve Requirements	<b>65</b>	65	65	65	65	65	65	65
Free	<b>5</b>	5	5	5	5	5	5	5

**Time Deposits**

Rate <sup>(2) (5)</sup>	<b>25</b>	25	25	25	20	20	20	20
Additional <sup>(2)</sup>	<b>11</b>	11	11	11	11	11	11	11
Free	<b>64</b>	64	64	64	69	69	69	69

(1) Collected in cash and not remunerated;

(2) Collected in cash with the Special Clearance and Custody System (Selic) rate;

(3) At Bradesco, reserve requirements are applied to Rural Loans;

(4) Collected in cash with the Reference Interest Rate (TR) + interest of 6.17% p.a. for deposits made until May 03, 2012, and TR + 70% of the Selic rate for deposits made as of May 4, 2012, when the Selic rate is equal to or lower than 8.5% p.a.; and

(5) Amendment of the rate from the calculation period of August 31 to September 4, 2015, according to Circular No. 3,756/15 of the Central Bank.

**Bradesco** \_\_\_\_\_

Additional Information

**Investments in Infrastructure, Information Technology and Telecommunications**

In an increasingly digital world, Bradesco demonstrates its pioneering spirit in innovation and technologies that make the lives of its clients increasingly simpler and give them more autonomy. In view of this objective, we highlight:

- Stock market clients can view information on regarding their assets in real time and make purchase/sale orders of shares directly on the new Home Broker website, where a visible payment bill with an auto-fill option appears. This platform gives clients agility and a unique negotiation experience;
- *Poupa Troco* Bradesco, which allows the investor to automatically transfer the sum of cents remaining from debits in their current account, plus a predetermined value to a savings account;
- The Digital Check Deposit service, offered to the LE public, among other features, allows clients to deposit checks from any Bank, via the image and data capture of the checks, using a scanner, and to transmit them to the Bank using Bradesco Net Empresa. This operation is quick and safe, and can be conducted at any time, every day of the week, without having to go into a Branch;
- Online, via Internet Banking, Individual clients can renegotiate their debts, simulate the payment in installments, choose the date for the first payment and also choose options for the payment

of the contracted plan, access the electronic version of the card, track reimbursement status, in addition to locating clinics, pharmacies and doctors using the application. Now also available for devices using the Android operating system;

- Bradesco Seguros has been recognized as one of the 10 most innovative insurers in the 2016 Efma Global Innovator Insurance Award. The "Calamity Operation" innovation project was awarded the "Silver Award Trophy" in the Claims Management category in the Efma Innovation in Insurance awards; and
- Another innovative solution of note is the *Pulseira para Pagamentos* (Payment Wristband), which utilizes proximity communication technologies and allows the payment for purchases simply and quickly, just by approaching a terminal equipped with a reader for this technology whilst wearing this device. The wristband, launched in partnership with Visa, is being tested by selected people and during the 2016 Rio Olympic Games will be accepted at all of the sports stadia's payment terminals. To use it, the user tops up credits –as with a pre-paid card – by means of an application, which can also monitor their transaction history, view balances and block the wristband in the case of theft or loss.

As a prerequisite for its continuous expansion, Bradesco invested R\$2,993 million in Infrastructure, Information Technology and

of the full amount or in installments via direct debit or collection voucher;

Telecommunications in the first semester of 2016.

- The Bradesco Saúde application has been launched, which allows clients to check details

Infrastructure	<b>442</b>	1,268	1,049	501	718
Information Technology and Telecommunications	<b>2,551</b>	4,452	3,949	4,341	3,690
<b>Total</b>	<b>2,993</b>	<b>5,720</b>	<b>4,998</b>	<b>4,842</b>	<b>4,408</b>

Economic and Financial Analysis Report - June 2016

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## Additional Information

### **Risk Management**

Risk management activity is highly strategic due to the increasing complexity of services and products and the globalization of Bradesco's business. The market's dynamism encourages Bradesco to engage in the continuous improvement of this activity in pursuit of better practices, leading Bradesco to use its internal market risk models, which have been used to calculate regulatory capital since January 2013.

Bradesco controls corporate risk management in an integrated and independent manner, preserving and valuing the Board's decisions, developing and implementing methodologies,

models and measurement and control tools. It also provides training to employees at every level of the organization, from business areas to the Board of Directors.

The management process results in the proactive identification, measurement, mitigation, monitoring and reporting of risks, which is necessary when taking into account Bradesco's complex financial products and activity profile.

Detailed information on the risk management process, Capital, as well as Bradesco's risk exposure, can be found in the Risk Management Report, available on the Investor Relations website: [bradescom.com.br](http://bradescom.com.br).

### **Capital Management**

The Capital Management structure aims to provide conditions for capital monitoring and control, contributing to the achievement of goals set in the strategic objectives defined by Bradesco, through an adequate capital sufficiency planning. This structure is comprised of Executive Committees and one Non-Statutory Committee, which assist the Board of Directors and Board of Executive Officers in the decision-making process.

In addition to the Committee structure, Bradesco has a department responsible for the capital management centralization, named Capital Management and Internal Capital Adequacy Assessment Process (ICAAP), subordinated to the Department of Planning, Budget and Control, which acts jointly with the Integrated Risk Control Department, associated companies, business areas and Bradesco's supporting areas.

encompasses a prospective outlook of at least three years. The process of developing this plan considers threats and opportunities, market share and development goals, capital requirement projections based on risks, as well as capital held by Bradesco. Such projections are constantly monitored and controlled by the capital management area.

With the implementation of the capital management structure, an internal process has been established to assess capital adequacy (ICAAP), which provides conditions to assess capital sufficiency in accordance with the base and stress scenarios, in a prospective outlook to identify capital and contingency actions to be taken in the respective scenarios. Capital adequacy and sufficiency information represent essential tools to manage and support the decision-making process.

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On an annual basis, the capital plan is devised by Bradesco, which is approved by the Board of Executive Officers and Board of Directors. It is also aligned with the strategic plan and

Additional information on the capital management structure is available in the Risk Management Report – Pillar 3, and in the Integrated Report, on the Investor Relations website: [bradescori.com.br](http://bradescori.com.br).

**Bradesco**

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Additional Information**Basel Ratio**

In June 2016, the Capital of the Prudential Conglomerate reached the amount of R\$102,548 million, compared to assets weighted by the risk of R\$580,568 million. The total Basel ratio, in the Prudential Conglomerate, presented an increase of 0.8 p.p., from 16.9% in March 2016, to 17.7%, in June 2016, and the Principal Capital from 12.9% in March 2016 to 13.7% in June 2016, impacted, basically due to: (i) the increase of Shareholder's Equity, due to the increment of the results in the quarter; (ii) the

decrease of assets weighted by the credit risk; and offset: (iii) the increase of prudential adjustments, from R\$16,626 million, in March 2016, to R\$16,999 million, in June 2016.

Additionally, it is important to stress that in the second quarter of 2016 the Central Bank authorized the use of Subordinated Letters of Credit to compose Tier II, the amount (with interest) of which, restated on June 30, 2016, reached R\$1,107 million.

**Calculation Basis**

<b>Capital</b>	<b>102,548</b>	<b>100,452</b>	<b>102,825</b>	<b>93,090</b>	<b>97,016</b>	<b>93,090</b>
<b>Tier I</b>	<b>79,377</b>	<b>76,704</b>	<b>77,507</b>	<b>73,577</b>	<b>77,503</b>	<b>74,000</b>
<b>Common Equity</b>	<b>79,377</b>	<b>76,704</b>	<b>77,507</b>	<b>73,577</b>	<b>77,503</b>	<b>74,000</b>
Shareholders' Equity	<b>96,358</b>	93,330	88,907	86,233	86,972	83,000
Non-controlling/Other	<b>18</b>	-	-	-	-	-
Prudential Adjustments provided for in CMN Resolution 4192/13 <sup>(2)</sup>	<b>(16,999)</b>	(16,626)	(11,400)	(12,656)	(9,469)	(9,000)
<b>Tier II</b>	<b>23,171</b>	<b>23,748</b>	<b>25,318</b>	<b>19,513</b>	<b>19,513</b>	<b>19,513</b>
Subordinated debt (before CMN Resolution nº 4,192/13)	<b>14,796</b>	16,725	19,513	19,513	19,513	19,513
Subordinated debt (according to CMN Resolution nº 4,192/13) <sup>(3)</sup>	<b>8,375</b>	7,023	5,805	-	-	-
<b>Risk-Weighted Assets (RWA)</b>	<b>580,568</b>	<b>595,757</b>	<b>612,217</b>	<b>643,924</b>	<b>607,226</b>	<b>614,000</b>
Credit Risk	<b>527,254</b>	543,260	556,441	585,507	552,852	557,000
Operating Risk	<b>38,502</b>	38,502	37,107	37,107	39,117	39,000
Market Risk	<b>14,813</b>	13,996	18,670	21,310	15,257	18,000
<b>Total Ratio</b>	<b>17.7%</b>	<b>16.9%</b>	<b>16.8%</b>	<b>14.5%</b>	<b>16.0%</b>	<b>16.0%</b>
<b>Tier I Capital</b>	<b>13.7%</b>	12.9%	12.7%	11.4%	12.8%	12.8%
<b>Common Equity</b>	<b>13.7%</b>	12.9%	12.7%	11.4%	12.8%	12.8%
<b>Tier II Capital</b>	<b>4.0%</b>	4.0%	4.1%	3.0%	3.2%	3.2%
Subordinated debt (before CMN Resolution nº 4,192/13)	<b>2.6%</b>	2.8%	3.2%	3.0%	3.2%	3.2%
Subordinated debt (according to CMN Resolution nº 4,192/13) <sup>(3)</sup>	<b>1.4%</b>	1.2%	0.9%	-	-	-

(1) From October 2013, the Capital started being calculated based on CMN Resolution No. 4,192/13, which establishes that the determination is performed based on the Conglomerate Financial Results until December 2014 and the Prudential Conglomerate Results from January 2015;

(2) Criteria used, as of October 2013 by CMN Resolution No. 4,192/13 (including subsequent amendment); and



(3) In June 2016, Bacen authorized the use of Subordinated Letters of Credit to compose Tier II.

**Economic and Financial Analysis Report - June 2016**

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Independent Auditors' Report

**Independent Reasonable Assurance Report on the Supplementary Accounting information included within the Economic and Financial Analysis Report**

To

Directors of

Banco Bradesco S.A.

Osasco – SP

We were engaged by Banco Bradesco S.A. ("Bradesco") to report on the supplementary accounting information of Banco Bradesco S.A. for the six-month period ended as at June 30, 2016 in the form of reasonable assurance conclusion that based on our work, described within this report, the supplementary accounting information included within the Economic and Financial Analysis Report is presented, in all material respects, based on the information referred to in the "Criteria for preparing the supplementary accounting information" paragraph.

**Responsibilities of the Management of Bradesco**

Management of Bradesco is responsible for preparing and adequately presenting the supplementary accounting information included within the Economic and Financial Analysis Report based on the criteria for the preparation of the supplementary accounting information described below, and for other information contained within this report, as well as the design, implementation and maintenance of internal controls that management determines are necessary to allow for such information that is free from material misstatement, whether due to fraud or error.

**Independent Auditor's Responsibility**

Our responsibility is to examine the supplementary accounting information included within the Economic and Financial Analysis Report prepared by Bradesco and to report thereon in the form of a reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the NBC TO 3000 - Assurance Engagement Other than Audit and Review (ISAE 3000). That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain a reasonable assurance about whether the supplementary accounting information included within the Economic and Financial Analysis Report is presented, in all material

respects, to the information referred to in the “Criteria for preparing the supplementary accounting information” paragraph.

The procedures selected were based on our judgment, including the assessment of risks of material misstatement in the supplementary accounting information of Banco Bradesco S.A. whether due to fraud or error, however, this does not include the search and identification of fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of supplementary accounting information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Bradesco’s internal control over the preparation and presentation of the supplementary accounting information. Our engagement also includes the assessment of the appropriateness of the reasonableness of the supplementary accounting information within the Economic and Financial Analysis Report in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the supplementary accounting information and the reasonableness of estimates made by Bradesco and evaluating the overall presentation of the supplementary accounting information. The reasonable assurance level is less than an audit.

- Report on Economic and Financial Analysis – June 2016

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Independent Auditors' Report

**Independent Reasonable Assurance Report on the Supplementary Accounting information included within the Economic and Financial Analysis Report**

Our conclusion does not contemplate aspects related to any prospective information contained within the Economic and Financial Analysis Report, nor offers any guarantee if the assumptions used by Management provide a reasonable basis for the projections presented. Therefore, our report does not offer any type of assurance on the scope of future information (such as goals, expectations and ambitions) and descriptive information that is subject to subjective assessment.

**Criteria for preparing the supplementary accounting information**

The supplementary accounting information disclosed within the Economic and Financial Analysis Report, for the six-month period ended June 30, 2016 has been prepared by the Management of Bradesco, based on the information contained in the consolidated financial statements on June 30, 2016 and the accounting criteria described within the Economic and Financial Analysis Report, in order to facilitate additional analysis, without, however, being part of the consolidated financial statements disclosed on that date.

**Conclusion**

Our conclusion has been formed on the basis of, and is limited to the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the supplementary accounting information included within the Economic and Financial Analysis Information Report is presented, in all material respects, in accordance with the information referred to in the "Criteria for preparing the supplementary accounting information" paragraph.

Osasco, July 27, 2016

*Original report in Portuguese signed by*

KPMG Auditores Independentes

CRC 2SP028567/O-1 F SP

Rodrigo de Mattos Lia

Accountant CRC 1SP252418/O-3

Bradesco \_ \_

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\_\_\_\_\_ *Report on Economic and Financial Analysis – June 2016*

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Independent Auditors' Report

Bradesco \_ \_

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Management Report**

Dear Shareholders,

We hereby present the Consolidated Financial Statements of Banco Bradesco S.A related to the first semester of 2016, in accordance with the accounting practices used in Brazil and applicable to institutions authorized to operate by the Brazilian Central Bank.

Founded in 1943, Bradesco is one of the largest financial groups in Brazil, it is present in all regions of the country and always committed to the economic growth and social development of the country, besides being in constant pursuit of excellence in all services, including customer service, and in profitability for its shareholders and investors.

Among Bradesco Organization's significant milestones during the period is Banco Bradesco's acquisition operation, in July 1<sup>st</sup>, 2016, of 100% of the equity of HSBC Bank Brasil S.A. – Banco Múltiplo and HSBC Serviços e Participações Ltda., with the formal approval of the competent authorities. The clients of HSBC Brasil will continue being served in the branches as usual and now count on products, services and convenience offered by Bradesco. This acquisition is the largest ever held by Bradesco, which consolidates its position in the domestic financial market.

**Economic Comment**

The moderate rate of growth of the American economy, confirmed mainly by recent data from the labor market and investments, resulted in a more gradual approach from the Federal Reserve. The more direct implication of this event is the depreciation of the US dollar in relation to other

For the shareholders, in the first semester, R\$2.906 billion was destined as Interest on Own Capital, in gross value, of which R\$1.567 billion was paid monthly in intermediaries and R\$1.339 billion was provisioned. The intermediate Interest on Shareholders' Equity paid on July 18, 2016 represents approximately 10 times the value of monthly Interest paid (net of Withholding Income Tax).

**2. Capital and Reserves**

At the end of the semester, the paid-in Capital Stock was of R\$51.100 billion. Added to the Equity Reserves of R\$45.258 billion, it resulted in a Shareholders' Equity of R\$96.358 billion, with a growth of 10.8% in the same period of the previous year, corresponding to the equity value of R\$17.42 per share.

Bradesco's Market Value, calculated on the basis of its shares listing, reached R\$144.366 billion on June 30, 2016, equivalent to 1.5 times the Shareholders' Equity.

The Managed Shareholders' Equity is equivalent to 9.3% of the Consolidated Assets, which add up to R\$1.042 trillion, with a growth of 9.9% on June 2015. Thus, the index of solvency reached 17.7%, higher, than the minimum of 10.5% established by Resolution No. 4,193/13 of the National Monetary Council, in compliance with the Basel Committee. At the end of the semester, the immobilization index, with regard to the Reference Equity, was of 33.8% in the Prudential Consolidation, falling under the maximum limit of 50%.

currencies and the decreasing trend in global interest. This situation favors the prices of Brazilian assets and is strengthened by the appreciation of the main agricultural commodities exported by the country. Consumer and business confidence is already being restored, which should result in the recovery of the domestic economic activity over the subsequent quarters. The adjustment in external accounts continues, while the stabilization of the debt/GDP in the medium term remains the main challenge for the new government.

### **1. Result for the Period**

In the first semester of 2016, Bradesco's Net Income reached R\$8.255 billion, equivalent to R\$1.49 per share and profitability of 17.3% over the average Shareholders' Equity(\*). The annualized return on Average Total Assets was 1.5%.

The taxes and contributions, including pensions, paid or provisioned, reached R\$20.155 billion in the semester, whereby R\$6.527 billion was related to withheld taxes and those collected from third parties and R\$13.628 billion calculated based on the activities developed by the Bradesco Organization, equivalent to 165.1% of the Net Income.

### **Securities classified under "Held to Maturity Securities"**

In compliance with Article 8 of the Brazilian Central Bank Circular Letter No. 3,068/01, Bradesco declares that it has the financial capacity and the intention of holding to maturity the securities classified under "held to maturity securities".

### **3. Funding and Management of Resources**

On June 30, 2016, the total resources funded and administered by the Bradesco Organization amounted to R\$1.528 trillion, 11.5% higher in comparison to the previous year, distributed as follows:

R\$405.712 billion in Demand Deposits, Time Deposits, Interbank Deposits, Savings Accounts and Securities Sold Under Agreements to Repurchase;

R\$603.448 billion in assets under management, comprising Investment Funds, Managed Portfolios and Third-Party Fund Quotas, a 17.2% increase;

R\$286.951 billion in the Exchange Portfolio, Borrowings and On-lendings in Brazil, Working Capital, Tax Payments and Collection and Related Charges, Funds

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**Management Report**

From Issuance of Securities in Brazil, and Subordinated Debt in Brazil, a 22.2% increase;

R\$190.649 billion in Technical Reserves for Insurance, Pension Plans and Capitalization Bonds, up by 15.8%; and

R\$41.336 billion in Foreign Funding, through public and private issues, Subordinated Debt Overseas, Securitization of Future Financial Flows and Borrowings and On-lendings Overseas, equivalent to US\$12.878 billion.

**4. Loan Operations**

In the expanded concept, at the end of the semester, the balance of the consolidated credit operations totaled R\$446,933 billion, included in this amount:

R\$8.420 billion in Advances on Exchange Contracts, for a total Export Financing portfolio of US\$11.607 billion;

US\$1.262 billion in operations in Import Finance in Foreign Currencies;

R\$2.467 billion in Leasing;

R\$19.822 billion in business in the Rural Area;

R\$99.507 billion in Consumption Finance, which includes R\$19.942 billion of credit receivables from Credit Cards and R\$36.067 billion of Payroll-deductible loans;

R\$66.480 billion of Guarantees and Sureties; and

**5. Bradesco's Customer Service Network**

At the end of the semester, the Organization's Customer Service Network, constantly at the disposal of customers and users present in all the regions of Brazil and Abroad, comprised 61,565 points. Furthermore, it provided 31,761 Rede de Autoatendimento Bradesco machines (Bradesco Auto Teller Machines), of which 31,270 also operate on weekends and bank holidays, as well as 19,075 Rede Banco24Horas machines (24-Hour Auto Teller Machines), available to clients for operations of cash withdrawals, issuing statements, checking balances, requesting loans, payments, transfers between accounts and other services. In the vehicle segment, it also counted with the presence of Bradesco Financiamentos at 11,422 retail points:

7,968 Branches and PAs (Service Branches) in Brazil (Branches: 4,477 Bradesco, one Banco Bradesco Cartões, two Banco Bradesco Financiamentos, one Banco Bradesco BBI, one Banco Bradesco BERJ, one Banco Alvorada; and PAs: 3,485);

3 Branches abroad, with one Bradesco in New York, one Bradesco in Grand Cayman and one subsidiary Banco Bradesco Europa in London;

11 Overseas Subsidiaries (Banco Bradesco Argentina S.A. in Buenos Aires; Banco Bradesco Europa S.A. in Luxembourg; Bradesco North America LLC, Bradesco Securities, Inc., and BRAM US LLC in New York; Bradesco Securities UK Limited in London; Bradesco Securities Hong Kong Limited; Bradesco Trade Services Limited in Hong Kong; and Bradesco Services Co., Ltd., in Tokyo; Cidade Capital Markets Ltd. in Grand Cayman; and Bradescard Mexico, Sociedad de Responsabilidad Limitada in Mexico);

R\$27.218 billion related to operations of transfer of internal and external resources, originating mainly from the BNDES - Banco Nacional de Desenvolvimento Econômico e Social (National Bank for Social and Economic Development), excelling as one of the main distributing loans agents.

For activities in Real Estate Loans, the Bradesco Organization destined a total of R\$5.440 billion to resources for construction and promotion of home-ownership in the semester, comprising 24,550 properties.

The consolidated balance of provision for credit losses amounted to R\$31.790 billion, an increase of 34.0% in comparison to the same period from the previous year, equivalent to 9.3% of the total volume of credit operations, with R\$6.410 billion of surplus provision in relation to the minimum required by the Brazilian Central Bank.

936 Correspondents of Bradesco Promotora, in the consigned credit section;

40,452 Bradesco Expresso service points;

726 PAEs – in-company electronic service branches;

342 External Terminals in the Bradesco Network; and

11,127 ATMs in the Banco24Horas Network, with 176 terminals shared by both networks.

Bradesco

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**Management Report**

**6. Banco Bradesco BBI**

The Bradesco BBI, investment bank of the Organization, advises clients on issuing shares, merger and acquisition operations, structuring and distribution of debt instruments, including debentures, promissory notes, CRIs, real estate funds, FIDCs and bonds, in Brazil and Abroad, as well as structured corporate finance operations and the financing of projects under the modality of Project Finance. In the semester, Bradesco BBI conducted transactions with a volume of more than R\$68.430 billion.

**7. Grupo Bradesco Seguros**

With a prominent position in the market in the areas of Insurance, Capitalization and Open Supplementary Pension Plans, Grupo Bradesco Seguros, on June 30, 2016, recorded a Net Income of R\$2.544 billion and Shareholders' Equity of R\$24.018 billion. The net insurance premiums issued, pension contributions and income from capitalization reached a total of R\$32.439 billion, an increase of 6.9% in comparison to the same period of 2015.

**8. Corporate Governance**

Bradesco's shares began to be traded on the Stock Exchange in Brazil in 1946, three years after its foundation, and Banco Bradesco has been operating in the US capital markets since 1997, negotiating initially Tier I ADRs (American Depositary Receipts) backed by preferred shares and, from 2001 to 2012, Tier II ADRs backed, respectively, by preferred and common shares. Since 2001, it has also negotiated GDRs (Global

Permanent supervisory body, the Fiscal Council is currently composed of five effective members and an equal number of alternate members, two of which are effective members and their respective alternates are chosen, respectively, by minority preferred shareholders and by non-controlling shareholders, holders of common shares.

In accordance with Instruction No. 381/03 of the Brazilian Securities and Exchange Commission, the Organization, in the first semester of 2016, neither contracted from nor had services provided by KPMG Auditores Independentes that were not related to the external audit, at a level greater than 5% of the total fees related to external audit services. Other services provided by the external auditors were the previously-agreed procedures for reviews of, primarily financial, fiscal and actuarial information. The Bank's policy is in line with the principles of preserving the auditors' independence, which is based on generally accepted international criteria, i.e. the auditors should not audit their own work, perform managerial duties for their clients or promote their customers' interests. It is noteworthy that any eventual services not related to the external audit are submitted prior to the authorization of the Audit Committee.

**8.1. Policies of Transparency and Disclosure of Information**

In the first semester of 2016, Bradesco promoted 245 events with national and international investors, through conferences, meetings, conference calls and institutional presentations, assisting over 2,700 investors. They also held two resulting teleconferences with institutional investors and, additionally, the 3rd Bradesco Insurance Day at Bradesco Seguros' headquarters in Alphaville, which

Depository Receipts) on the European market (Latibex).

Among the practices adopted, we note the listing of the Bank, since 2001, at Tier I of Corporate Governance of the BM&FBOVESPA and, since 2011, adhering to the Code of Self-regulation and Best Practices of Open Capital Companies of Abrasca. Also with an AA+ rating (*very good level of adaptation to the best practices of corporate governance*), assigned by the Austin Rating.

The Management of Banco Bradesco comprises the Board of Directors, which has its own set of bylaws, currently composed of 8 advisers, and of its Board of Executive Officers, with 82 members, with no fulfillment of the posts of Chairman of these Boards since 1999, with statutory provision since 2012, whereby the majority of the members is formed in the Institution itself.

Seven committees advise the Board of Directors, whereby Audit and Remuneration are statutory and Ethical Conduct, Internal Controls and Compliance, Integrated Management of Risks and Allocation of Capital and Sustainability are non-statutory, while various executive committees assist the activities of the Board of Executive Officers, among them the Executive Committees of Dissemination and of Corporate Governance. They are regulated by their own set of bylaws.

was attended by more than 90 participants.

On the Investor Relations website – [bradesco.com.br/ri](http://bradesco.com.br/ri) – there is information available related to the Bradesco Organization, such as its profile, history, equity stake, management report, financial results, recent acquisitions, APIMECs meetings, Report on Economic and Financial Analysis and the Additional Information, Integrated Report, in addition to other information regarding the financial market.

## **8.2. Other facts**

In May 31, 2016, Bradesco became aware of the indictment of three members of its Executive Board of Directors by the Federal Police, in the scope of the so-called "Operation Zealots". For this reason, the Management conducted a thorough internal evaluation on the records and documents related to the indictment and ensured that no illegality was practiced by the Bank's representatives.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

The facts and evidence that confirm the absolute innocence of executives of Bradesco will be presented to the authorities responsible, when requested to do so.

Due to these news published in the media, related to Operation Zealots, a class action was filed against Bradesco in the United States District Court for the Southern District of New York on June 3, 2016, to which Bradesco has not yet been summoned. According to the demand, investors who purchased American Depository Shares ("ADS") from Bradesco between April 30, 2012 and May 31, 2016 would have suffered losses provoked by Bradesco in view of the alleged violation regarding the American law of capital markets. The deadline for investors expressing an interest to join the Class Action as Lead Plaintiff, until August 2, 2016.

As the *Class Action* is still in a preliminary stage of pertinence, it is not possible to make an estimate of the value of risk and/or the probability of loss.

### **9. Integrated Risk Control**

#### **9.1. Risk Management**

Risk management is strategically highly important due to the increasing complexity of services and products and the globalization of the Organization's business.

The Organization controls corporative risk management in an integrated and independent manner, preserving and valuing the Board's decisions, developing and implementing methodologies, models, and measurement and control tools. It also provides training to employees from all Organization levels, from business areas to

At Bradesco, the methodology of internal controls applied in the Organization is in line with the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – version 2013, which supplies a model for internal controls, management of corporate risks and fraud, in order to improve performance and organizational supervision.

The existence, implementation and effectiveness of the controls that ensure acceptable levels of risk in the Organization's processes are certified by the responsible area, and the results are reported to the Audit Committee and Internal Controls and Compliance Committee, as well as to the Board of Directors, with the purpose of providing security for the correct running of the business and to reach the objectives established in accordance with applicable laws and regulations, external policies, internal standards and procedures, in addition to codes of conduct and applicable self-regulation.

#### **Prevention against Illicit Acts**

At Bradesco, business and relationships are conducted with ethics and transparency, concepts that permeate the organizational culture, whose values and principles are ratified in the Codes of Conduct.

Prevention and combat against illicit acts are exercised continuously. These risks are mitigated through policies, standards, procedures, training programs for professionals and automated controls that seek to promptly detect any operations and situations with indications of links to illegal activities.

This model is constantly being improved, seeking adherence to the laws and regulations in force and

the Board of Directors.

The Organization, taking into account the complexity and the range of products and services offered to its customers in all market sectors, is exposed to various types of risks, either due to internal or external factors. Therefore, it is crucial to adopt continuous monitoring in order to give security and comfort to all the interested parties. Among the main types of monitored risks, we highlight: Credit, Counterpart Credit, Market, Operational, Subscription, Liquidity, Concentration, Socio-environmental, Strategy, Legal or Compliance, Legal Unpredictability (Regulatory Risk), Reputation, Model and Contagion.

## 9.2. Internal Controls

The effectiveness of the Organization's internal controls is sustained by qualified professionals, well defined and implemented processes and technology compatible with business needs.

applicable to the subject. In this sense, we note the actions that have been taken in recent months, such as strengthening training on ethics, prevention of money laundering and terrorism financing, anti-Corruption and bribery, in addition to the revision of procedures and the strengthening of controls in dealing with public agents or with politically exposed people.

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

Bradesco relies on an independent validation process, whose main aim is to verify if the models operate according to the objectives envisaged, as well as if its results are suitable for the uses for which they are intended. This validation occurs through the application of a rigorous testing program that deals with aspects including the suitability of processes, governance and construction of models and their assumptions, where the results are reported to the managers, to the Internal Audit, to Committees of Internal Controls and Compliance and to the Integrated Management of Risks and Capital Allocation.

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Bradesco



Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## **Management Report**

### **Information Security**

The Security of Information in the Bradesco Organization is composed of a set of controls, represented by procedures, processes, organizational structures, policies, standards and technology solutions.

It intends to meet the basic principles of information security related to confidentiality, integrity and availability.

The Management Bodies of the Organization are involved in decisions on Information Security, by means of the Executive Committee of Corporate Security and a Security Commission.

### **10. Human Resources**

The model of Human Resource Management, at the Bradesco Organization is invariably guided by the egalitarian appreciation of people, without any kind of discrimination.

In the permanent quest to evolve the quality of customer care and the level of services rendered, Bradesco, through UniBrad – Bradesco Corporate University, maintains its purpose of promoting further education and enhancing the development and training of its staff. Thus, employees have access to an integrated set of learning solutions that provides the development of competencies aligned with the Organization's business. In this semester, 1,000 courses were given, with 101,187 participations.

Additionally, it is worth noting that at the end of this period, assistance benefits included 194,166 people, ensuring well-being, better quality of life and security

Excellence in business management is recognized by the main indexes of Sustainability, like the Dow Jones Sustainability Indexes (DJSI) of the New York Stock Exchange, the Corporate Sustainability Index (ISE) and the Carbon Efficient Index (ICO2), both of the BM&FBOVESPA.

For more information about Bradesco's initiatives, visit [bradescosustentabilidade.com.br](http://bradescosustentabilidade.com.br) and [bradesco.com.br/ri](http://bradesco.com.br/ri).

### **Fundação Bradesco**

The organization's social initiatives are mainly focused on educational and assistance programs developed through Fundação Bradesco, which maintains 40 of its own Schools installed as a priority in regions of accentuated socio-economical deprivation in all Brazilian States and in the Federal District.

This year, its budget is predicted to be R\$593.360 million, whereby R\$506.257 million is destined to cover Expenses of such Activities and R\$87.103 million to constitute investments in Infrastructure and Educational Technology, that allows the institution to offer free, quality education to: a) 101,566 students enrolled in its schools at the following levels: Basic Education (Kindergarten to High School) and Vocational Training (High School level); Youth and Adult Education; and Preliminary and Continuing Vocational Training, focused on creating jobs and income; b) 550 thousand students who will complete at least one of the distance-learning courses on offer (EaD) through its e-learning portal; and c) 21,490 people who will benefit through partnership projects and initiatives, including the Digital Inclusion Centers (CIDs), the *Educa+Ação* program and Technology courses (*Educar e Aprender*). Food expenses,

of employees and their dependents.

## 11. Sustainability at the Bradesco Organization

Since its founding, the Bradesco Organization has been committed to the socioeconomic development of the country. Business guidelines and strategies are oriented in such a way as to promote the incorporation of the best practices of corporate sustainability, taking into account each region's context and potential in the long-term, contributing to the concept of shared value.

To reinforce this position, we highlight the adherence to corporate initiatives recognized worldwide, such as Global Compact Initiatives, Equator Principles, Carbon Disclosure Project (CDP), Principles for Responsible Investment (PRI), GHG Protocol Program and Empresas pelo Clima (EPC).

At the Organization, the governance structure includes the Sustainability Committee, responsible for advising the Board of Directors on establishing guidelines and corporate actions for this area, and with the multi-departmental Committee responsible for coordinating the strategy's implementation

medical-dental assistance, school materials and uniform are ensured free-of-charge to the more than 43 thousand students in Basic Education.

The "National Day of Voluntary Action", promoted for the 14th consecutive year, on May 14, 2016, brought together 17,347 volunteers in 69 different locations in Brazil, including the Schools of Fundação Bradesco and points of service close to the school units. In total, it involved 255,761 participants in the areas of education, health, leisure, sports and environment, once again serving as an example of citizenship and solidarity.

### **Programa Bradesco Esportes e Educação (Bradesco Sports and Education Program)**

The Bradesco Sports and Education Program, in the Municipal District of Osasco, SP, has Qualification and Specialist Centers to teach the modules in Women's Volleyball and Basketball. The activities occur in their own Sports Development Center, in Fundação Bradesco's schools, in Municipal Sports Centers, in private schools and in a leisure club. Currently, two thousand girls take part, from the age of eight, reaffirming the Organization's social commitment and displaying how it values talent, citizenship, as well as education, sport and health.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

## Management Report

### 12. Recognitions

**Rankings** – We note the following recognitions of Bradesco's activities in this period:

- **Most valuable brand in Brazil in the last 10 years**, according to the ranking published by *IstoÉ Dinheiro* magazine in partnership with consultancy firm Kantar Vermeer, linked to the British group WPP;
- **Best Bank of the Year in efinance 2016**, *Executivos Financeiros* (Financial Executives) magazine, with 14 awards;
- **Best manager in short-term funds and shares**, according to the research carried out by Fundação Getúlio Vargas. The bank also featured in the ranking prepared by the *Investidor Institucional* (Institutional Investor) magazine based on the study by the *Luz Soluções Financeiras* consultancy firm, which features the best managers of institutional funds in 2015;
- **Voted Best Bank in Brazil**, for the 5<sup>th</sup> consecutive time, in the category of Best Bank in Brazil, for the Awards for Excellence 2016, awarded by the British magazine Euromoney. Bradesco BBI, was also recognized at the awards, for the second time, as the Best Investment Bank in Brazil.
- **Bradesco BBI was recognized as the best investment bank of Brazil in 2016** in the 17<sup>th</sup> edition of Best Investment Banks of the World of the Global Finance magazine;
- **Bram – Bradesco Asset Management received from Standard & Poor's**, the biggest credit rating agency in the world, level **AMP-1 (very**
  - the credit rating agency Moody's Investors Service ("Moody's"), due to the downgrading of the sovereign rating, changed (i) the long-term deposit rating in local currency rating, from '**Baa3**' to '**Ba2**'; (ii) the long-term deposit rating in foreign currency, from '**Baa3**' to '**Ba3**'; and (iii) the deposit in local currency and short-term foreign currency, from '**P-3**' to '**NP**'. In addition, as a result of the update of the methodology of Moody's national ratings, the agency has changed our long-term rating on a national scale from '**Aa2.br**' to '**Aa1.br**';
  - Standard & Poor's credit rating agency, due to the downgrading of the sovereign rating, changed the credit rating of issuer of: (i) long-term in foreign currency and in local currency – global scale, from '**BB+**' to '**BB**'; and (ii) long-term in local currency – local scale, from '**brAA+**' to '**brAA-**';
  - Fitch Ratings' credit rating agency, due to the downgrading of the sovereign rating, changed: (i) the issuer's default rating (IDRs) of long term in local and foreign currency, from '**BBB-**' to '**BB+**'; the short-term IDRs in local and foreign currency from '**F3**' to '**B**'; and (ii) the feasibility rating, from '**bbb-**' to '**bb+**'; and
  - the Austin Rating credit rating agency affirmed all the Organization's ratings.

### 13. Acknowledgements

The positions achieved reaffirm the correction of the expansion strategy of the Bradesco Organization, always based on the quality of services, consistent ethical principles, increasing competitiveness and constantly striving to offer the best customer service. For the results obtained, we thank the support and trust of our shareholders and clients and the

**strong**), which is the highest in the scale of quality management of S&P Global Ratings;

dedicated work of our employees and other collaborators.

- **Global Finance Award**, with two awards: *Receba Fácil*, in the Trade Finance category, such as product and innovative process, and Novo Net Empresa for cell phones, in the Transaction Services category, as an innovative product; and
- **ShopFácil.com, best e-commerce in 2016**, the Braspag eAwards award, granted by eWorld company, editor of eShow Magazine, a professional e-commerce and online marketing magazine.

**Ratings** – In this semester, among the assessment indexes assigned to the country's Banks by Branches and national and international Entities, we recorded that:

Cidade de Deus, July 27, 2016

**Board of Directors  
and Board of Executive Officers**

(\*) Excluding fair value effect of Available-for-sale Securities recorded under Shareholders' Equity.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Management Report***

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on June 30** *— in thousands of Reais*

<b>Assets</b>	<b>2016</b>	<b>2015</b>
<b>Current assets</b>	<b>676,295,186</b>	<b>613,038,668</b>
<b>Cash and due from banks (Note 5)</b>	<b>32,363,576</b>	<b>11,304,341</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>138,409,373</b>	<b>175,842,689</b>
Securities purchased under agreements to resell	131,267,968	171,327,568
Interbank investments	7,152,715	4,534,263
Allowance for losses	(11,310)	(19,142)
<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 31b)</b>	<b>247,755,553</b>	<b>167,130,834</b>
Own portfolio	198,969,822	141,360,521
Subject to repurchase agreements	11,528,071	14,102,662
Derivative financial instruments (Notes 3f, 7d II and 31b)	21,928,750	6,195,101
Given in guarantee to the Brazilian Central Bank	64,738	20,096
Given in guarantee	12,029,539	5,452,454
Securities under resale agreements with free movement	3,234,633	-
<b>Interbank accounts</b>	<b>49,204,190</b>	<b>50,006,086</b>
Unsettled payments and receipts	971,017	997,126
Reserve requirement (Note 8):		
- Reserve requirement - Brazilian Central Bank	48,164,352	48,913,046
- SFH	5,046	8,828
Correspondent banks	63,775	87,086
<b>Interdepartmental accounts</b>	<b>101,863</b>	<b>167,646</b>
Internal transfer of funds	101,863	167,646
<b>Loans (Notes 3g, 9 and 31b)</b>	<b>125,144,189</b>	<b>144,032,366</b>
Loans:		
- Public sector	235,771	2,936,020
- Private sector	143,691,130	156,175,793
Loans transferred under an assignment with recourse	751,501	132,808
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(19,534,213)	(15,212,255)
<b>Leasing (Notes 2, 3g, 9 and 31b)</b>	<b>1,243,966</b>	<b>1,723,035</b>
Leasing receivables:		
- Private sector	2,446,019	3,423,199
Unearned income from leasing	(1,092,329)	(1,562,597)
Allowance for leasing losses (Notes 3g, 9f, 9g and 9h)	(109,724)	(137,567)
<b>Other receivables</b>	<b>78,372,068</b>	<b>59,522,723</b>
Receivables on sureties and guarantees honored (Note 9a-3)	140,621	59,143
Foreign exchange portfolio (Note 10a)	33,575,617	16,245,509
Receivables	1,682,601	974,557
Securities trading	1,642,897	828,559
Specific receivables	7,807	5,623

Insurance and reinsurance receivables and reinsurance assets – technical provisions	4,809,652	4,385,695
Sundry (Note 10b)	37,694,392	37,845,438
Allowance for other loan losses (Notes 3g, 9f, 9g and 9h)	(1,181,519)	(821,801)
<b>Other assets (Note 11)</b>	<b>3,700,408</b>	<b>3,308,948</b>
Other assets	2,503,533	1,880,863
Provision for losses	(950,061)	(719,931)
Prepaid expenses (Notes 3i and 11b)	2,146,936	2,148,016
<b>Long-term receivables</b>	<b>346,864,621</b>	<b>317,408,134</b>
<b>Interbank investments (Notes 3d and 6)</b>	<b>295,645</b>	<b>526,925</b>
Interbank investments	295,645	526,925

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on June 30** *-in thousands of Reais*

<b>Securities and derivative financial instruments (Notes 3e, 3f, 7 and 31b)</b>	<b>132,593,744</b>	<b>114,333,431</b>
Own portfolio	105,089,993	93,605,349
Subject to repurchase agreements	22,271,646	16,963,824
Derivative financial instruments (Notes 3f, 7d II and 31b)	79,199	826,204
Privatization rights	50,565	55,667
Given in guarantee	3,615,291	2,559,790
Securities under resale agreements with free movement	1,487,050	322,597
<b>Interbank accounts</b>	<b>715,319</b>	<b>626,090</b>
Reserve requirement (Note 8):		
- SFH	715,319	626,090
<b>Loans (Notes 3g, 9 and 31b)</b>	<b>152,320,437</b>	<b>156,016,929</b>
Loans:		
- Public sector	3,000,000	3,002,840
- Private sector	151,037,708	152,874,174
Loans transferred under an assignment with recourse	7,312,944	7,073,084
Allowance for loan losses (Notes 3g, 9f, 9g and 9h)	(9,030,215)	(6,933,169)
<b>Leasing (Notes 2, 3g, 9 and 31b)</b>	<b>1,052,656</b>	<b>1,713,268</b>
Leasing receivables:		
- Private sector	2,241,340	3,621,769
Unearned income from leasing	(1,127,930)	(1,822,840)
Allowance for leasing losses (Notes 3g, 9f, 9g and 9h)	(60,754)	(85,661)
<b>Other receivables</b>	<b>58,238,771</b>	<b>42,759,528</b>
Receivables	10,205	11,022
Securities trading	659,808	419,437
Sundry (Note 10b)	57,586,021	42,353,987
Allowance for other loan losses (Notes 3g, 9f, 9g and 9h)	(17,263)	(24,918)
<b>Other assets (Note 11)</b>	<b>1,648,049</b>	<b>1,431,963</b>
Prepaid expenses (Notes 3i and 11b)	1,648,049	1,431,963
<b>Permanent assets</b>	<b>18,655,075</b>	<b>17,237,686</b>
<b>Investments (Notes 3j, 12 and 31b)</b>	<b>6,401,464</b>	<b>5,637,259</b>
Equity in the earnings (losses) of unconsolidated and jointly controlled companies:		
- In Brazil	6,258,210	5,494,915
- Overseas	3,004	3,415
Other investments	388,566	408,457
Allowance for losses	(248,316)	(269,528)
<b>Premises and equipment (Notes 3k and 13)</b>	<b>5,446,015</b>	<b>4,660,433</b>
Premises	1,913,860	1,517,840
Other premises and equipment	10,466,269	9,762,223



Accumulated depreciation	(6,934,114)	(6,619,630)
<b>Intangible assets (Notes 3I and 14)</b>	<b>6,807,596</b>	<b>6,939,994</b>
Intangible Assets	16,753,267	15,747,600
Accumulated amortization	(9,945,671)	(8,807,606)
<b>Total</b>	<b>1,041,814,882</b>	<b>947,684,488</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on June 30** - in thousands of Reais

	<b>2016</b>	<b>2015</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>683,461,306</b>	<b>642,339,369</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>136,933,136</b>	<b>156,002,963</b>
Demand deposits	23,222,153	26,125,828
Savings deposits	87,209,226	91,008,482
Interbank deposits	511,175	518,490
Time deposits (Notes 15a and 31b)	25,990,582	38,350,163
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>185,827,306</b>	<b>205,260,623</b>
Own portfolio	78,321,393	82,810,039
Third-party portfolio	102,855,740	120,386,765
Unrestricted portfolio	4,650,173	2,063,819
<b>Funds from issuance of securities (Notes 15c and 31b)</b>	<b>69,885,771</b>	<b>44,634,746</b>
Mortgage and real estate notes, letters of credit and others	65,912,036	40,552,530
Securities issued overseas	3,617,986	3,830,280
Structured Operations Certificates	355,749	251,936
<b>Interbank accounts</b>	<b>1,209,399</b>	<b>1,185,434</b>
Correspondent banks	1,209,399	1,185,434
<b>Interdepartmental accounts</b>	<b>3,628,749</b>	<b>3,392,800</b>
Third-party funds in transit	3,628,749	3,392,800
<b>Borrowing (Notes 16a and 31b)</b>	<b>19,105,759</b>	<b>18,589,290</b>
Borrowing in Brazil - other institutions	8,545	10,075
Borrowing overseas	19,097,214	18,579,215
<b>On-lending in Brazil - official institutions (Notes 16b and 31b)</b>	<b>10,104,784</b>	<b>13,155,180</b>
National treasury	44,438	30,931
BNDES	2,684,048	4,543,794
FINAME	7,373,289	8,567,451
Other institutions	3,009	13,004
<b>On-lending overseas (Notes 16b and 31b)</b>	<b>1,250</b>	<b>3,738</b>
On-lending overseas	1,250	3,738
<b>Derivative financial instruments (Notes 3f, 7d II and 31b)</b>	<b>18,024,155</b>	<b>5,475,255</b>
Derivative financial instruments	18,024,155	5,475,255
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>163,882,007</b>	<b>140,299,475</b>
<b>Other liabilities</b>	<b>74,858,990</b>	<b>54,339,865</b>
Payment of taxes and other contributions	3,442,072	3,424,650
Foreign exchange portfolio (Note 10a)	25,425,824	8,142,031
Social and statutory	2,600,313	2,651,789
Tax and social security (Note 19a)	3,107,070	4,315,204

Securities trading	2,581,651	2,111,138
Financial and development funds	1,277	1,512
Subordinated debts (Notes 18 and 31b)	4,397,959	2,321,182
Sundry (Note 19b)	33,302,824	31,372,359
<b>Long-term liabilities</b>	<b>261,078,372</b>	<b>217,593,335</b>
<b>Deposits (Notes 3n and 15a)</b>	<b>42,525,409</b>	<b>39,944,249</b>
Interbank deposits	-	212,502
Time deposits (Notes 15a and 31b)	42,525,409	39,731,747
<b>Securities sold under agreements to repurchase (Notes 3n and 15b)</b>	<b>40,425,634</b>	<b>13,958,211</b>
Own portfolio	40,425,634	13,958,211
<b>Funds from issuance of securities (Notes 15c and 31b)</b>	<b>42,931,362</b>	<b>50,752,157</b>
Mortgage and real estate notes, letters of credit and others	40,170,787	46,331,783
Securities issued overseas	2,679,532	4,268,389
Structured Operations Certificates	81,043	151,985

Bradesco

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Financial Position on June 30** *-in thousands of Reais*

<b>Borrowing (Notes 16a and 31b)</b>	<b>4,675,157</b>	<b>3,547,886</b>
Borrowing in Brazil - other institutions	11,340	10,691
Borrowing overseas	4,663,817	3,537,195
<b>On-lending in Brazil - official institutions (Notes 16b and 31b)</b>	<b>23,646,199</b>	<b>26,073,014</b>
BNDES	8,496,979	6,955,178
FINAME	15,149,220	19,114,996
Other institutions	-	2,840
<b>Derivative financial instruments (Notes 3f, 7d II and 31b)</b>	<b>157,173</b>	<b>126,448</b>
Derivative financial instruments	157,173	126,448
<b>Technical provisions for insurance, pension plans and capitalization bonds (Notes 3o and 20)</b>	<b>26,767,090</b>	<b>24,266,624</b>
<b>Other liabilities</b>	<b>79,950,348</b>	<b>58,924,746</b>
Tax and social security (Note 19a)	16,713,365	10,045,659
Subordinated debts (Notes 18 and 31b)	32,677,397	35,104,386
Eligible Debt Capital Instruments (Notes 18 and 31b)	13,876,948	-
Sundry (Note 19b)	16,682,638	13,774,701
<b>Deferred income</b>	<b>502,970</b>	<b>395,287</b>
Deferred income	502,970	395,287
<b>Non-controlling interests in subsidiaries (Note 21)</b>	<b>414,348</b>	<b>384,931</b>
<b>Shareholders' equity (Note 22)</b>	<b>96,357,886</b>	<b>86,971,566</b>
Capital:		
- Domiciled in Brazil	50,460,500	42,559,829
- Domiciled overseas	639,500	540,171
Capital reserves	11,441	11,441
Profit reserves	47,689,760	44,995,397
Asset valuation adjustments	(2,002,801)	(764,260)
Treasury shares (Notes 22d and 31b)	(440,514)	(371,012)
<b>Attributable to equity holders of the Parent Company</b>	<b>96,772,234</b>	<b>87,356,497</b>
<b>Total</b>	<b>1,041,814,882</b>	<b>947,684,488</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Accumulated Income on June 30 – In thousands of Reais**

	<b>2016</b>	<b>2015</b>
<b>Revenue from financial intermediation</b>	<b>76,201,357</b>	<b>63,972,203</b>
Loans (Note 9j)	34,483,751	31,709,960
Leasing (Note 9j)	160,744	268,904
Operations with securities (Note 7h)	20,396,506	19,576,179
Financial income from insurance, pension plans and capitalization bonds (Note 7h)	17,512,049	8,632,162
Derivative financial instruments (Note 7h)	5,039,143	656,147
Foreign exchange operations (Note 10a)	(3,832,063)	1,252,100
Reserve requirement (Note 8b)	2,574,665	2,035,409
Sale or transfer of financial assets	(133,438)	(158,658)
<b>Financial intermediation expenses</b>	<b>44,817,279</b>	<b>45,875,777</b>
Retail and professional market funding (Note 15d)	29,098,184	24,674,966
Adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds (Note 15d)	10,542,746	7,590,050
Borrowing and on-lending (Note 16c)	(5,323,134)	5,685,856
Allowance for loan losses (Notes 3g, 9g and 9h)	10,499,483	7,924,905
<b>Gross income from financial intermediation</b>	<b>31,384,078</b>	<b>18,096,426</b>
<b>Other operating income (expenses)</b>	<b>(11,462,168)</b>	<b>(9,050,060)</b>
Fee and commission income (Note 23)	9,969,990	9,189,863
- Other fee and commission income	6,811,791	6,519,303
Income from banking fees	3,158,199	2,670,560
Retained premium from insurance, pension plans and capitalization bonds (Notes 3o and 20c)	32,291,058	30,223,412
- Net premiums written	32,438,972	30,356,617
- Reinsurance premiums paid	(147,914)	(133,205)
Variation in technical provisions for insurance, pension plans and capitalization bonds (Note 3o)	(13,553,969)	(13,446,736)
Retained claims (Note 3o)	(11,793,136)	(10,199,532)
Capitalization bond prize draws and redemptions (Note 3o)	(2,527,370)	(2,416,491)
Selling expenses from insurance, pension plans and capitalization bonds (Note 3o)	(1,708,119)	(1,639,262)
Payroll and related benefits (Note 24)	(7,291,701)	(6,758,818)
Other administrative expenses (Note 25)	(7,989,218)	(7,261,153)
Tax expenses (Note 26)	(3,348,845)	(2,335,763)

Equity in the earnings (losses) of unconsolidated and jointly controlled companies (Note 12b)	785,133	664,053
Other operating income (Note 27)	2,900,594	2,523,363
Other operating expenses (Note 28)	(9,196,585)	(7,592,996)
<b>Operating income</b>	<b>19,921,910</b>	<b>9,046,366</b>
<b>Non-operating income (loss) (Note 29)</b>	<b>(16,460)</b>	<b>(123,453)</b>
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>19,905,450</b>	<b>8,922,913</b>
<b>Income tax and social contribution (Notes 33a and 33b)</b>	<b>(11,590,346)</b>	<b>(146,216)</b>
Current income tax	(5,530,139)	(3,206,047)
Current Social Contribution	(4,035,333)	(1,614,214)
Deferred Tax Asset	(2,024,874)	4,674,045
<b>Non-controlling interests in subsidiaries</b>	<b>(59,795)</b>	<b>(59,343)</b>
<b>Net income</b>	<b>8,255,309</b>	<b>8,717,354</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Bradesco

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Statement of Changes in Shareholders' Equity** – In thousands of Reais

Events	Capital		Capital reserves	Profit reserves		Asset valuation adjustment		Treasu
	Paid in Capital	Unpaid Capital	Share premium	Legal	Statutory	Bradesco	Subsidiaries	share
<b>Balance on December 31, 2014</b>	<b>38,100,000</b>	-	<b>11,441</b>	<b>5,193,467</b>	<b>38,992,668</b>	<b>(405,477)</b>	<b>(85,834)</b>	<b>(298,01</b>
Capital increase with reserves	5,000,000	-	-	-	(5,000,000)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	(72,99
Asset valuation adjustments	-	-	-	-	-	(421,620)	148,671	-
Net income	-	-	-	-	-	-	-	-
Allocations:- Reserves	-	-	-	435,867	5,373,395	-	-	-
- Interest on Shareholders' Equity Paid	-	-	-	-	-	-	-	-
- Interim Dividends Paid	-	-	-	-	-	-	-	-
<b>Balance on June 30, 2015</b>	<b>43,100,000</b>	-	<b>11,441</b>	<b>5,629,334</b>	<b>39,366,063</b>	<b>(827,097)</b>	<b>62,837</b>	<b>(371,01</b>
<b>Balance on December 31, 2015</b>	<b>46,100,000</b>	<b>(3,000,000)</b>	<b>11,441</b>	<b>6,052,949</b>	<b>44,287,857</b>	<b>(1,231,603)</b>	<b>(2,882,952)</b>	<b>(431,04</b>
Cancellation of Capital Increase by Subscription of Shares	(3,000,000)	3,000,000	-	-	-	-	-	-
Capital increase with reserves	8,000,000	-	-	-	(8,000,000)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	(9,46
Asset valuation adjustments	-	-	-	-	-	456,523	1,655,231	-
Net income	-	-	-	-	-	-	-	-
Allocations:- Reserves	-	-	-	412,765	4,936,189	-	-	-
- Interest on Shareholders'	-	-	-	-	-	-	-	-

Equity Paid and/or provisioned									
<b>Balance on June 30, 2016</b>	<b>51,100,000</b>	<b>-</b>	<b>11,441,646,714</b>	<b>41,224,046</b>	<b>(775,080)</b>	<b>(1,227,721)</b>	<b>(440,511)</b>	<b>(440,511)</b>	<b>(440,511)</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Consolidated Statement of Added Value Accumulated on June 30 – In thousands of Reais**

Description	2016	%	2015
<b>1 – Revenue</b>	<b>72,595,902</b>	<b>234.3</b>	<b>63,068,2</b>
1.1) Financial intermediation	76,201,357	245.9	63,972,2
1.2) Fees and commissions	9,969,990	32.2	9,189,8
1.3) Allowance for loan losses	(10,499,483)	(33.9)	(7,924,90
1.4) Other	(3,075,962)	(9.9)	(2,168,91
<b>2 – Financial intermediation expenses</b>	<b>(34,317,796)</b>	<b>(110.7)</b>	<b>(37,950,87</b>
<b>3 – Inputs acquired from third-parties</b>	<b>(6,457,011)</b>	<b>(20.9)</b>	<b>(5,800,48</b>
Outsourced services	(2,167,007)	(7.0)	(2,017,99
Communication	(749,550)	(2.4)	(694,46
Data processing	(683,054)	(2.2)	(555,10
Financial system services	(459,305)	(1.5)	(408,58
Asset maintenance	(448,809)	(1.4)	(455,13
Advertising and marketing	(438,087)	(1.4)	(295,46
Material, water, electricity and gas	(336,171)	(1.1)	(317,86
Security and surveillance	(331,807)	(1.1)	(298,48
Transport	(329,110)	(1.1)	(307,16
Travel	(60,891)	(0.2)	(67,72
Other	(453,220)	(1.5)	(382,51
<b>4 – Gross value added (1-2-3)</b>	<b>31,821,095</b>	<b>102.7</b>	<b>19,316,8</b>
<b>5 – Depreciation and amortization</b>	<b>(1,616,730)</b>	<b>(5.2)</b>	<b>(1,519,87</b>
<b>6 – Net value added produced by the entity (4-5)</b>	<b>30,204,365</b>	<b>97.5</b>	<b>17,797,0</b>
<b>7 – Value added received through transfer</b>	<b>785,133</b>	<b>2.5</b>	<b>664,0</b>
Equity in the earnings (losses) of unconsolidated and jointly controlled companies	785,133	2.5	664,0
<b>8 – Value added to distribute (6+7)</b>	<b>30,989,498</b>	<b>100.0</b>	<b>18,461,0</b>
<b>9 – Value added distributed</b>	<b>30,989,498</b>	<b>100.0</b>	<b>18,461,0</b>
<b>9.1) Personnel</b>	<b>6,421,251</b>	<b>20.7</b>	<b>5,877,9</b>
Salaries	3,356,492	10.8	3,092,0
Benefits	1,569,914	5.1	1,437,9
Government Severance Indemnity Fund for Employees (FGTS)	376,125	1.2	295,3
Other	1,118,720	3.6	1,052,6
<b>9.2) Tax, fees and contributions</b>	<b>15,809,641</b>	<b>51.0</b>	<b>3,362,8</b>
Federal	15,424,865	49.8	3,018,0
State	6,542	-	5,1
Municipal	378,234	1.2	339,6
<b>9.3) Remuneration for providers of capital</b>	<b>443,502</b>	<b>1.4</b>	<b>443,5</b>
Rental	437,452	1.4	431,2
Asset leasing	6,050	-	12,3
<b>9.4) Value distributed to shareholders</b>	<b>8,315,104</b>	<b>26.9</b>	<b>8,776,6</b>
Interest on shareholders' equity	2,906,355	9.4	2,908,0

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Retained earnings	5,348,954	17.3	5,809,2
Non-controlling interests in retained earnings	59,795	0.2	59,3

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Bradesco

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## Consolidated Financial Statements, Independent Auditors' Report and Fiscal Council's Report

**Consolidated Cash Flow Statement Accumulated on June 30 – In thousands of Reais**

	2016	2015
<b>Cash flow from operating activities:</b>		
<b>Income before income tax and social contribution and non-controlling interests</b>	<b>19,905,450</b>	<b>8,922,913</b>
<b>Adjustments to net income before income tax and social contribution</b>	<b>32,544,361</b>	<b>16,383,118</b>
Effect of Changes in Exchange Rates in Cash and Cash equivalents	6,044,961	(102,452)
Allowance for loan losses	10,499,483	7,924,905
Depreciation and amortization	1,616,730	1,519,870
Write-offs through Impairment	108,294	-
Expenses with civil, labor and tax provisions	2,118,801	1,934,513
Expenses with adjustment for inflation and interest on technical provisions for insurance, pension plans and capitalization bonds	10,542,746	7,590,050
Equity in the (earnings)/losses of unconsolidated and jointly controlled companies	(785,133)	(664,053)
(Gain)/loss on sale of investments	(164,518)	11,451
(Gain)/loss on sale of fixed assets	16,382	1,298
(Gain)/loss on sale of foreclosed assets	151,162	106,317
Foreign exchange variation of assets and liabilities overseas/Other	2,395,453	(1,938,781)
<b>Adjusted net income before taxes</b>	<b>52,449,811</b>	<b>25,306,031</b>
(Increase)/Decrease in interbank investments	2,484,845	1,557,581
(Increase)/Decrease in trading securities and derivative financial instruments	(27,149,001)	(30,646,010)
(Increase)/Decrease in interbank and interdepartmental accounts	(2,466,248)	(2,186,890)
(Increase)/Decrease in loan and leasing	15,930,160	(15,234,144)
(Increase)/Decrease in insurance and reinsurance receivables and reinsurance assets	(329,643)	(328,676)
(Increase)/Decrease in other receivables and other assets	(16,832,153)	(1,180,219)
(Increase)/Decrease in reserve requirement - Central Bank	6,627,542	2,011,860
Increase/(Decrease) in deposits	(16,325,706)	(15,689,204)
Increase/(Decrease) in securities sold under agreements to repurchase	3,975,164	(134,195)
Increase/(Decrease) in funds from issuance of securities	3,270,585	10,561,470
Increase/(Decrease) in borrowings and on-lending	(12,804,735)	2,370,972
Increase/(Decrease) in technical provisions for insurance, pension plans and capitalization bonds	2,271,928	3,708,966
Increase/(Decrease) in other liabilities	20,686,588	4,627,534
Increase/(Decrease) in deferred income	(20,575)	106,557
Income tax and social contribution paid	(5,710,894)	(5,112,594)
<b>Net cash provided by/(used in) by operating activities</b>	<b>26,057,668</b>	<b>(20,260,961)</b>
<b>Cash flow from investing activities:</b>		
(Increase)/Decrease in held-to-maturity securities	(1,794,741)	(742,999)
Sale of/maturity of and interest on available-for-sale securities	49,973,554	32,768,651
Proceeds from sale of foreclosed assets	292,047	353,249

Sale of investments	67,323	2,154
Sale of premises and equipment	383,608	96,983
Purchases of available-for-sale securities	(47,544,068)	(35,356,689)
Foreclosed assets received	(904,286)	(721,138)
Investment acquisitions	(10,548)	(990,731)
Purchase of premises and equipment	(909,978)	(696,766)
Intangible asset acquisitions	(788,964)	(759,772)
Dividends and interest on shareholders' equity received	300,720	542,192
<b>Net cash provided by/(used in) investing activities</b>	<b>(935,333)</b>	<b>(5,504,866)</b>
<b>Cash flow from financing activities:</b>		
Increase/(decrease) in subordinated debts	669,368	1,603,901
Dividends and interest on shareholders' equity paid	(4,087,439)	(3,416,771)
Non-controlling interest	(40,525)	(66,968)
Acquisition of own shares	(9,466)	(72,997)
<b>Net cash provided by/(used in) financing activities</b>	<b>(3,468,062)</b>	<b>(1,952,835)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,654,273</b>	<b>(27,718,662)</b>
Cash and cash equivalents - at the beginning of the period	147,261,434	204,504,469
Effect of Changes in Exchange Rates in Cash and Cash equivalents	(6,044,961)	102,452
Cash and cash equivalents - at the end of the period	162,870,746	176,888,259
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,654,273</b>	<b>(27,718,662)</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Index of Notes to the Consolidated Financial Statements***

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Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**1) OPERATIONS**

Banco Bradesco S.A. (Bradesco) is a private-sector publicly traded company and universal bank that, through its commercial, foreign exchange, consumer financing and housing loan portfolios, carries out all the types of banking activities for which it has authorization. The Bank is involved in a number of other activities, either directly or indirectly, through its subsidiaries, specifically leasing, investment banking, brokerage, consortium management, credit cards, real estate projects, insurance, pension plans and capitalization bonds. All these activities are undertaken by the various companies in the Bradesco Organization (Organization), working together in an integrated manner in the market.

**2) PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Bradesco's consolidated financial statements include the financial statements for Banco Bradesco, its foreign branches and subsidiaries, in Brazil and overseas and SPEs (Special Purpose Entities) and investment funds of which the Organization's companies are the main beneficiaries or holders of the principal obligations. These statements were prepared using accounting practices in compliance with Laws No.4,595/64 (Brazilian Financial System Law) and No.6,404/76 (Brazilian Corporate Law), including amendments introduced by Laws No.11,638/07 and No.11,941/09, as they relate to the accounting for operations, complemented by the rules and instructions of the National Monetary Council (CMN), the Brazilian Central Bank (Bacen), Brazilian Securities and Exchange Commission (CVM), where applicable, National Private Insurance Council (CNSP), Insurance Superintendence (Susep) and National Supplementary Healthcare Agency (ANS). The financial statements of the leasing companies included in the consolidated financial statements were prepared using the finance lease method, under which the book value of leased fixed assets less the residual value paid in advance are reclassified.

Up to September 30, 2015, the consolidated financial statements were prepared in accordance with the specific procedures established by Article 3 of the CMN Resolution No. 2,723/00, in force until March 31, 2015, and other provisions of the Accounting Plan of Financial Institutions ("Cosif"), having as objective: (i) to demonstrate the basis of information used by the Management to evaluate the performance and make decisions regarding the allocation of resources for investments and other purposes, among the companies of the Organization, as well as (ii) to maintain consistency based on information that was required by the regulator and already disclosed in previous periods. Starting December 31, 2015, for the purposes of preparing the consolidated financial statements it was applied, in addition to the provisions of the Accounting Plan of Financial Institutions ("Cosif"), the consolidation procedures established by Technical Pronouncement CPC 36, which has certain different criteria from the consolidation previously used, although resulting in the same values of net income and shareholders' equity and without resulting in other

relevant effects on the financial statements as a whole. For the purpose of comparability, the balances of 2014, previously presented in Note 4 according to the CPC 23, are presented in the column "Managerial Statement of Financial Position and Managerial Income Statement" column. Intercompany transactions, including investments, assets and liabilities, revenue, expenses and unrealized profit were eliminated and net income and shareholders' equity attributable to the non-controlling interests were accounted for in a separate line. Goodwill on the acquisition of investments in subsidiary/associate companies or jointly controlled companies is presented in the investments and intangible assets lines (Note 14a). The foreign exchange variation from foreign branches and investments is presented in the income statement accounts used for changes in the value of the derivative financial instrument and borrowing and on-lending operations in order to offset these results with the hedges of these investments.

The financial statements include estimates and assumptions, such as: the calculation of estimated loan losses; fair value estimates of certain financial instruments; civil, tax and labor provisions; impairment losses of securities classified as available-for-sale and held-to-maturity securities and non-financial assets; the calculation of technical provisions for insurance, pension plans and capitalization bonds; and the determination of the useful life of specific assets. Actual results may differ from those based on estimates and assumptions.

Bradesco's consolidated financial statements were approved by the Board of Directors on July 27, 2016.



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Below are the significant directly and indirectly owned companies and investment funds included in the consolidated financial statements:

	Activity	On June 30	
		Equity interest	
		2016	2015
<b>Financial Sector – Brazil</b>			
Banco Alvorada S.A.	Banking	99.99%	99.99%
Banco Bradesco Financiamentos S.A.	Banking	100.00%	100.00%
Banco Bradesco BBI S.A. (1)	Investment bank	99.81%	99.80%
Banco Boavista Interatlântico S.A.	Banking	100.00%	100.00%
Banco Bradesco Cartões S.A.	Cards	100.00%	100.00%
Bradesco Administradora de Consórcios Ltda.	Consortium management	100.00%	100.00%
Banco Bradesco BERJ S.A.	Banking	100.00%	100.00%
Bradesco Leasing S.A. Arrendamento Mercantil	Leasing	100.00%	100.00%
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	Brokerage	100.00%	100.00%
BRAM - Bradesco Asset Management S.A. DTVM	Asset management	100.00%	100.00%
Ágora Corretora de Títulos e Valores Mobiliários S.A.	Brokerage	100.00%	100.00%
Banco Bradescard S.A.	Cards	100.00%	100.00%
Tempo Serviços Ltda.	Services	100.00%	100.00%
<b>Financial Sector – Overseas</b>			
Banco Bradesco Argentina S.A.	Banking	99.99%	99.99%
Banco Bradesco Europa S.A.	Banking	100.00%	100.00%
Banco Bradesco S.A. Grand Cayman Branch (2)	Banking	100.00%	100.00%
Banco Bradesco New York Branch	Banking	100.00%	100.00%
Bradesco Securities, Inc.	Brokerage	100.00%	100.00%
Bradesco Securities, UK.	Brokerage	100.00%	100.00%
<b>Insurance, Pension Plan and Capitalization Bond Sector</b>			
Bradesco Argentina de Seguros S.A.	Insurance	99.92%	99.92%
Bradesco Auto/RE Companhia de Seguros	Insurance	100.00%	100.00%
Bradesco Capitalização S.A.	Capitalization bonds	100.00%	100.00%
Bradesco Saúde S.A.	Insurance/health	100.00%	100.00%
Odontoprev S.A.	Dental care	50.01%	50.01%
Bradesco Seguros S.A.	Insurance	100.00%	100.00%
Bradesco Vida e Previdência S.A.	Pension plan/insurance	100.00%	100.00%
Atlântica Companhia de Seguros	Insurance	100.00%	100.00%
<b>Other Activities</b>			
Andorra Holdings S.A.	Holding	100.00%	100.00%
Bradseg Participações S.A.	Holding	100.00%	100.00%

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Bradescor Corretora de Seguros Ltda.	Insurance brokerage	100.00%	100.00%
Bradesplan Participações Ltda.	Holding	100.00%	100.00%
BSP Empreendimentos Imobiliários S.A.	Real estate	100.00%	100.00%
Cia. Securitizadora de Créditos Financeiros Rubi	Credit acquisition	100.00%	100.00%
Columbus Holdings S.A.	Holding	100.00%	100.00%
Nova Paiol Participações Ltda.	Holding	100.00%	100.00%
União Participações Ltda.	Holding	100.00%	100.00%
<b>Investment Funds (3)</b>			
Bradesco FI RF Master Previdência	Investment Fund	100.00%	100.00%
Bradesco FI RF Master II Previdência	Investment Fund	100.00%	100.00%
Bradesco FI RF Master IV Previdência (4)	Investment Fund	100.00%	-
Bradesco FI Referenciado DI União	Investment Fund	99.92%	99.92%
Bradesco FI Referenciado DI Performance	Investment Fund	100.00%	100.00%
Bradesco FI RF Crédito Privado Master	Investment Fund	100.00%	100.00%
Bradesco <i>Private</i> FIC FI RF PGBL/VGBL Ativo	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F10	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL F15	Investment Fund	100.00%	100.00%
Bradesco F.I.C.F.I. R.F. VGBL Fix	Investment Fund	100.00%	100.00%

- (1) Increased participation through the subscription of shares in June 2016;
- (2) The special purpose entity International Diversified Payment Rights Company is being consolidated. The company is part of a structure set up for the securitization of the future flow of payment orders received overseas;
- (3) The investment funds in which Bradesco assumes or substantially retains the risks and benefits were consolidated; and
- (4) Consolidation of the fund from April 2016.

Bradesco

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

***Notes to the Consolidated Financial Statements***

**3) SIGNIFICANT ACCOUNTING PRACTICES**

**a) Functional and presentation currencies**

Consolidated financial statements are presented in Brazilian reais, which is also Bradesco's functional currency. Foreign branches and subsidiaries are mainly a continuation of activities in Brazil, and, therefore, assets, liabilities and profit or loss are translated into Brazilian reais using the appropriate currency exchange rate, to comply with accounting practices adopted in Brazil. Foreign currency translation gains and losses arising are recognized in the period's income statement in the lines "Derivative Financial Instruments" and "Borrowing and On-lending".

**b) Income and expense recognition**

Income and expenses are recognized on an accrual basis in order to determine the net income for the period to which they relate, regardless of when the funds are received or paid.

Fixed rate contracts are recorded at their redemption value with the income or expense relating to future periods being recorded as a deduction from the corresponding asset or liability. Finance income and costs are recognized daily on a pro-rata basis and calculated using the compounding method, except when they relate to discounted notes or to foreign transactions, which are calculated using the straight-line method.

Floating rate and foreign-currency-indexed contracts are adjusted for interest and foreign exchange rates applicable at the end of the reporting period.

Insurance and coinsurance premiums, net of premiums paid for coinsurance and related commissions, are recorded upon the issue of the related policies/certificates/endorsements and invoices, or upon the beginning of the exposure to risk in cases in which the risk begins before the issue, and recognized on a straight-line basis over the policies' effective period through the upfront recognition and subsequent reversal through the income statement of the unearned premium reserve and the deferred acquisition costs. Revenues from premiums and the corresponding deferred acquisition costs, relating to existing risk for which no policy has been issued, are recorded in the income statement at the beginning of the risk exposure, based on estimated figures.

Recognition of health insurance premiums commences with the corresponding insurance policy's activation, and is recognized in proportion to the portion of the term elapsed.

Income and expenses arising from Mandatory Insurance For Personal Injury Caused by Motor Vehicles (DPVAT) insurance operations are recorded based on information provided by Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

Accepted coinsurance and retrocession operations are recorded based on the information received from other insurers and IRB - Brasil Resseguros S.A. (IRB), respectively.

Reinsurance operations are recorded based on the premium and claims information provided, which is subject to the analysis of the re-insurers. The deductions of reinsurance premiums granted are consistent with the recognition of the corresponding insurance premium and/or terms of the reinsurance contract.

Acquisition costs, relative to the insurance commission, are deferred and recognized in profit or loss in proportion to the amount of premium recognized.

Contributions and agency fees are deferred and recognized in the income statement on a straight-line basis over a period of 24 months for health insurance operations, and 12 months for other operations.

Pension plan contributions and life insurance premiums with survival coverage are recognized in the income statement as they are received.

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The revenue of the capitalization bonds are recognized in the month in which they are issued, according to the types of collection, which may be in monthly payments or in a single payment. Each security has a nominal value, which is restated monetarily by the Reference Rate (TR) + 0.5% interest per month. Technical provisions are recorded when the respective revenues are recognized.

The revenues arising from unclaimed and expired capitalization bonds (securities and non-redeemed draws) are recognized after the prescription period, that is, until November 2003, up to 20 years and five years after this date as established by law. The expenses with commercialization of capitalization bonds are classified as "Acquisition Costs" and are recognized in the income statement as incurred.

**c) Cash and cash equivalents**

Cash and cash equivalents include: funds available in currency, investments in gold, securities sold under agreements to repurchase and interest-earning deposits in other banks, maturing in 90 days or less, from the time of the acquisition, which are exposed to insignificant risk of change in fair value. These funds are used by Bradesco to manage its short-term commitments.

Cash and cash equivalents detailed balances are presented in Note 5.

**d) Interbank investments**

Unrestricted repurchase and reverse repurchase agreements are stated at their fair value. All other interbank investments are stated at cost, plus income earned up to the end of the reporting period, net of any devaluation allowance, if applicable.

The breakdown, terms and proceeds relating to interbank investments are presented in Note 6.

**e) Securities – Classification**

- Trading securities – securities acquired for the purpose of being actively and frequently traded. They are recorded at cost, plus income earned and adjusted to fair value with movements recognized in the Income Statement for the period;
- Available-for-sale securities – securities that are not specifically intended for trading purposes or to be held to maturity. They are recorded at cost, plus income earned, which is recorded in profit or loss in the period and adjusted to fair value with movements recognized in shareholders' equity, net of tax, which will be transferred to the Income Statement only when effectively realized; and
- Held-to-maturity securities – securities for which there is positive intent and financial capacity to hold to maturity. They are recorded at cost, plus income earned recognized in the Income Statement for the period.

Securities classified as trading and available-for-sale, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their fair value. Fair value is generally based on quoted market prices or quotations for assets or liabilities with similar characteristics. If market prices are not available, fair values are based on traders' quotations, pricing models, discounted cash flows or similar techniques to determine the fair value and may require judgment or significant estimates by Management.

Classification, breakdown and segmentation of securities are presented in Note 7 (a to c).

**f) Derivative financial instruments (assets and liabilities)**

Derivative instruments are classified based on the objective for which the underlying instrument was acquired at the date of purchase, taking into consideration its use for possible hedging purposes.

Operations involving derivative financial instruments are designed to meet the Bank's own needs in order to manage overall exposure, as well as to meet customer requests to manage their positions. The gains or losses are recorded in profit or loss or shareholders' equity accounts.

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Derivative financial instruments used to mitigate risk deriving from exposure to variations in the fair value of financial assets and liabilities are designated as hedges when they meet the criteria for hedge accounting and are classified according to their nature:

- **Market risk hedge:** the gains and losses, realized or not, of the financial instruments classified in this category as well as the financial assets and liabilities, that are the object of the hedge, are recorded in the Income Statement; and
- **Cash flow hedge:** the effective portion of valuation or devaluation of the financial instruments classified in this category is recorded, net of taxes, in a specific account in shareholders' equity. The ineffective portion of the hedge is recognized directly in the Income Statement.

A breakdown of amounts included as derivative financial instruments, in the balance sheet and off-balance-sheet accounts, is disclosed in Note 7 (d to g).

**g) Loans and leasing, advances on foreign exchange contracts, other receivables with credit characteristics and allowance for loan losses**

Loans and leasing, advances on foreign exchange contracts and other receivables with credit characteristics are classified by risk level, based on: (i) the parameters established by CMN Resolution No.2,682/99, which requires risk ratings to have nine levels, from "AA" (minimum risk) to "H" (maximum risk); and (ii) Management's assessment of the risk level. This assessment, which is carried out regularly, considers current economic conditions and past experience with loan losses, as well as specific and general risks relating to operations, debtors and guarantors. Moreover, the days-past-due is also considered in the rating of customer risk as per CMN Resolution No. 2,682/99, as follows:

- | <b>Past-due period (1)</b> | <b>Customer rating</b> |
|----------------------------|------------------------|
| • from 15 to 30 days       | B                      |

- from 31 to 60 days C
- from 61 to 90 days D
- from 91 to 120 days E
- from 121 to 150 days F
- from 151 to 180 days G
- more than 180 days H

(1) For transactions with terms of more than 36 months, past-due periods are doubled, as permitted by CMN Resolution No. 2,682/99.

Interest and inflation adjustments on past-due transactions are only recognized in the Income Statement up to the 59<sup>th</sup> day that they are past due. As from the 60<sup>th</sup> day, they are recognized in off-balance sheet accounts and are only recognized in the Income Statement when received.

H-rated past-due transactions remain at this level for six months, after which they are written-off against the existing allowance and controlled in off-balance-sheet accounts for at least five years.

Renegotiated transactions are held at the same rating as on the date of the renegotiation or classified in a higher risk rating. Renegotiations already written-off against the allowance and that were recorded in off-balance-sheet accounts, are rated as level "H" and any possible gains derived from their renegotiation are recognized only when they are effectively received. When there is a significant repayment on the operation or when new material facts justify a change in the level of risk, the operation may be reclassified to a lower risk category.

The estimated allowance for loan losses is calculated to sufficiently cover probable losses, considering CMN and Bacen standards and instructions, together with Management's assessment of the credit risk.



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Type, values, terms, levels of risk, concentration, economic sector of client's activity, renegotiation and income from loans, as well as the breakdown of expenses and statement of financial position accounts for the allowance for loan losses are presented in Note 9.

**h) Income tax and social contribution (assets and liabilities)**

Deferred tax assets, calculated on income tax losses, social contribution losses and temporary differences, are recorded in "Other Receivables - Sundry" and the deferred tax liabilities on tax differences in leasing depreciation (applicable only for income tax), fair value adjustments on securities, restatement of judicial deposits, among others, are recorded in "Other Liabilities - Tax and Social Security", in which for the additional depreciation only the income tax rate is applied.

Deferred tax assets on temporary differences are realized when the difference between the accounting treatment and the income tax treatment reverses. Deferred tax assets on income tax and social contribution losses are realizable when taxable income is generated, up to the 30% limit of the taxable profit for the period. Deferred tax assets are recorded based on current expectations of realization considering technical studies and analyses carried out by Management.

The provision for income tax is calculated at 15% of taxable income plus a 10% surcharge. For financial companies, for companies considered as such and for the insurance industry, the social contribution on the profit was calculated until August 2015, considering the rate of 15%. For the period between September 2015 and December 2018, the rate was changed to 20%, according to Law No. 13,169/15. The rate will revert to 15% in January 2019. For the other companies, the social contribution is calculated considering the rate of 9%.

Due to the amendment of the rate, Bradesco recognized, in September 2015, an incremental amount to the deferred tax of social contribution, considering the annual expectations of realization and their respective rates in force in each period, according to the technical study produced.

Provisions were recorded for other income tax and social contribution in accordance with specific applicable legislation.

The breakdown of income tax and social contribution, showing the calculations, the origin and expected use of deferred tax assets, as well as unrecorded deferred tax assets, is presented in Note 33.

**i) Prepaid expenses**

Prepaid expenses consist of funds already disbursed for future benefits or services, which are recognized in the profit or loss on an accrual basis.

Incurred costs relating to assets that will generate revenue in subsequent periods are recorded in the Income Statement according to the terms and the amount of expected benefits and directly written-off in the Income Statement when the corresponding assets or rights are no longer part of the institution's assets or when future benefits are no longer expected.

In the case of the remuneration paid for the origination of credit operations or leasing to the banking correspondents related to credit operations originated during 2015 and 2016, Bradesco opted to recognize part of the total value of compensation, pursuant to the provisions of Bacen Circular No. 3,738/14.

Prepaid expenses are shown in detail in Note 11b.

**j) Investments**

Investments in unconsolidated and jointly controlled companies, where Bradesco has significant influence over the investee or holds at least 20% of the voting rights, are accounted for using the equity method.

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Tax incentives and other investments are stated at cost, less allowance for losses/impairment, where applicable.

Subsidiaries are consolidated – the composition of the main companies can be found in Note 2. The composition of unconsolidated and jointly controlled companies, as well as other investments, can be found in Note 12.

**k) Premises and equipment**

Relates to the tangible assets used by the Bank in its activities, including those resulting from transactions that transfer risks, benefits and control of the assets to the Bank.

Premises and equipment are stated at acquisition cost, net of accumulated depreciation, calculated by the straight-line method based on the assets' estimated economic useful life, using the following rates: real estate – 4% per annum; installations, furniture, equipment for use, security systems and communications – 10% per annum; transport systems – 20% per annum; and data-processing systems – 20% to 40% per annum, and adjusted for impairment, when applicable.

The breakdown of asset costs and their corresponding depreciation, as well as the unrecorded surplus value for real estate and the fixed asset ratios, are presented in Note 13.

**l) Intangible assets**

Relates to the right over intangible assets used by the Bank in its activities.

Intangible assets comprise:

- Future profitability/acquired client portfolio and acquisition of right to provide banking services: they are recorded and amortized over the period in which the asset will directly and indirectly contribute to future cash flows and adjusted for impairment, where applicable; and
- Software: stated at cost less amortization calculated on a straight-line basis over the estimated useful life (20% p.a.), from the date it is available for use and adjusted for impairment, where applicable. Internal software development costs are recognized as an intangible asset when it is possible to show the intent and ability to complete and use the software, as well as to reliably measure costs directly attributable to the intangible asset. These costs are amortized during the software's estimated useful life, considering the expected future economic benefits.

Intangible assets and the movement in these balances by class, are presented in Note 14.

#### **m) Impairment**

Financial and non-financial assets are tested for impairment.

Impairment evidence may comprise the non-payment or payment delay by the debtor, possible bankruptcy process or the significant or extended decline in an asset value.

An impairment loss of a financial or non-financial asset is recognized in the profit or loss for the period if the book value of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are presented in Note 7c(6) and 7h(1).

#### **n) Securities sold under agreements to repurchase**

These are recognized at the value of the liabilities and include, when applicable, related charges up to the end of the reporting period, calculated on a daily pro-rata basis.

A breakdown of the contracts recorded in deposits and securities sold under agreements to repurchase, as well as terms and amounts recognized in the statement of financial position and income statement, is presented in Note 15.

**o) Technical provisions relating to insurance, pension plans and capitalization bonds**

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- Damage, health and group insurance lines, except life insurance with survival coverage:
  - The unearned premium reserve (PPNG) is calculated on a daily pro-rata basis, using premiums net of coinsurance, including amounts ceded through reinsurance, and is comprised of the portion corresponding to the remaining period of coverage less initial contracting costs, except for health and personal insurance. The portion of these reserves corresponding to the estimate for risks in effect but not yet contracted is designated 'PPNG-RVNE';
  - The unearned premium or contribution reserve (PPCNG) is calculated on a daily pro-rata basis based on the portion of health insurance premiums corresponding to the remaining period of coverage, of the currently effective contracts;
  - The mathematical reserve for unvested benefits (PMBaC) is calculated as the difference between the current value of future benefits and the current value of future contributions, on obligations already assumed by Bradesco;
  - The mathematical reserve for unvested benefits (PMBaC) relates to the individual health care plan portfolio and covers the risk related to the cover for the holder's dependents for five years following the death of the holder. It is calculated using a 5.2% annual discount rate, the time holders are expected to remain in the plan up to their death, and the projected costs of the five-year-period cover, excluding payment of premiums;
  - For health insurance, the mathematical reserve of benefits granted (PMBC) is constituted by the obligations arising from the contractual clauses of remittance of installments, regarding the coverage of health assistance and by the premiums paid by insured participating in the Bradesco Saúde Insurance Plan - "GBS Plan". The calculation is based in the presented value of estimated future expenditure with the costs of health care of dependents of holders already deceased, as provided for in the ANS Normative Resolution No. 75/04, and considering a discount rate of 5.2% per annum;

- For health insurance, the reserve for claims incurred but not reported (IBNR) is calculated from the final estimate of claims already incurred and still not reported, based on the run-off triangles, monthly that consider the historical development of claims advised in the last 12 months to establish a future projection per period of occurrence;
  
- For non-life insurance, the reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid' (IBNP) claims less the balance of the reserve for 'unsettled' claims (PSL) on the calculation date. A final estimate of IBNP is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the previous 10 semesters to determine a future projection per occurrence period, and considers the estimated claims 'incurred but not sufficient' reported (IBNER), reflecting the changing expectation of the amount provisioned along the regulatory process;
  
- For other life insurance, the reserve for 'incurred but not reported' (IBNR) claims is calculated based on incurred but not paid (IBNP) claims less the reserve for unsettled claims (PSL) on the calculation date. A final estimate of IBNP claims is calculated using semi-annual run-off triangles. The run-off triangles consider the historical development of claims paid in the previous 16 semesters to determine a future projection per occurrence period;
  
- The reserve for unsettled claims (PSL), for life and health insurance, considers all claim notifications received up to the end of the reporting period, including the legal claims and monetarily restated related costs;
  
- For non-life insurance, the reserve for unsettled claims (PSL) is determined based on the indemnity payment estimates, considering all administrative and judicial claims existing at the reporting date, net of the expected payments to be received;
  
- The reserve for related expenses (PDR) for insurance of persons is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partial regimes, the reserve covers claims incurred. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future;

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- For damage insurance, the reserve for related expenses is calculated on a monthly basis to cover the expenses related to indemnity payment, and it covers the expenses allocated individually to each claim, as well as expenses related to claims that have not been itemized, that is, those at the level of the portfolio;
  
- The reserve for redemptions and other amounts to be settled (PVR) comprises figures related to redemptions to settle, premium refunds owed and portability (transfer-outs) requested but not yet transferred to the recipient insurer;
  
- The complementary reserve for coverage (PCC) refers to the amount necessary to complement technical provisions, as calculated in the Liability Adequacy Test (LAT), which is prepared using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, improvement of G Scale and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy; and
  
- Other reserves are recorded for the individual health portfolio to address the differences between the expected present value of future premiums and the expected present value of indemnities and related expenses, using an annual discount rate of 5.2%.
  
- Pension plans and life insurance with survival coverage:
  - The unearned premium reserve (PPNG) is calculated on a daily prorated basis using net premiums, and is comprised of the portion corresponding to the remaining period of coverage and includes an estimate for risks covered but not yet issued (RVNE);



- The mathematical reserve for unvested benefits (PMBaC) is recorded for participants who have not yet received any benefit. In defined benefit pension plans, the reserve represents the difference between the present value of future benefits and the present value of future contributions, corresponding to obligations in the form of retirement, disability, pension and annuity plans. The reserve is calculated using methodologies and assumptions set forth in the actuarial technical notes;
  
- The mathematical reserve for unvested benefits (PMBaC) related to life insurance and unrestricted benefit pension plans (VGBl and PGBL), as well as the defined contribution plans, shows the value of participant contributions, net of costs and other contractual charges, plus income from investment in specially constituted investment funds (FIEs);
  
- The reserve for redemptions and other amounts to be settled (PVR) comprises figures related to redemptions to settle, premium refunds owed and portability requested but not yet transferred to the recipient insurer;
  
- The mathematical reserve for vested benefits (PMBC) is recognized for participants already receiving benefits and corresponds to the present value of future obligations related to the payment of those on-going benefits;
  
- The complementary reserve for coverage (PCC) refers to the amount necessary to complement technical provisions, as calculated in the Liability Adequacy Test (LAT), which is prepared semi-annually using statistical and actuarial methods based on realistic assumptions, taking into account the biometric table BR-EMS of both genders, improvement of G Scale and forward interest rate curves (ETTJ) free from risk as authorized by SUSEP. The improvement rate is calculated from automatic updates of the biometric table, considering the expected increase in future life expectancy;

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- The reserve for related expenses (PDR) is recorded to cover expenses related to estimated claims and benefits. For products structured in self-funding and partially regimes, the reserve covers claims incurred. For plans structured under a capitalization regime, the reserve is made to cover the expected expenses related to incurred claims and also claims expected to be incurred in the future;
  
- The reserve for financial surplus (PEF) corresponds to the portion of income from investment of reserves that exceeds the minimum returns due to policyholders of pension plans that have a profit share clause;
  
- The reserve for incurred and not reported (IBNR) events is constituted for claims incurred but not reported and is based on run-off triangles, which consider the loss development of claims in the previous 96 months to set forth a future projection by occurrence period; and
  
- The reserve for unsettled claims (PSL) considers all loss notices received up to the end of the reporting period. The provision is updated for inflation and includes all claims in litigation.
  
- Capitalization bonds:
  - The mathematical reserve for capitalization bond (PMC) is recorded for each active or suspended capitalization bond over the term set forth in the general conditions of the plan, and is calculated using the capitalization percentage, applicable to each payments made, plus the monthly accrual calculated using the inflation index and the interest rate established in the plan until the bond is redeemed or canceled;
  
  - The reserve for redemption (PR) comprises the values of matured and early-terminated capitalization bonds and is calculated by updating the balance of bonds whose terms have expired or canceled using the inflation index until the holder receives the redemption payment;

- Reserve for 'draws to be held' (PSR) is recorded to cover premiums for future prize draws, and the balance represents the present value of the draws that have already been funded but have not yet been held. The calculation methodology consists of the accumulation of the prize draw percentage applicable to each payment, as established in the plan, less the amounts related to prize draws that have already occurred. The percentages of payments designated for the prize draws is defined in advance in the actuarial technical note, and is not modified during the term of the bond;
  
- Reserve for draws payable (PSP) consists of the value of unpaid prize draw amounts, adjusted for inflation for the period between the date of the drawing and its effective settlement; and
  
- Reserve for administrative expense (PDA) is recorded to cover the cost of maintaining the single payment (PU) capitalization bonds.

Technical provisions shown by account, product and segment, as well as amounts and details of plan assets covering these technical provisions, are shown in Note 20.

**p) Provisions, contingent assets and liabilities and legal obligations – tax and social security**

Provisions, contingent assets and liabilities, and legal obligations, as defined below, are recognized, measured and disclosed in accordance with the criteria set out in CPC 25, approved by CMN Resolution No. 3,823/09 and CVM Resolution No. 594/09:

- **Contingent Assets:** these are not recognized in the financial statements, except to the extent that there are real guarantees or favorable judicial decisions, to which no further appeals are applicable, and confirmation of the capacity of the counterparty to pay or the ability of Bradesco to realize the asset via compensation against another liability upon which the gain is considered practically certain. Contingent assets with a chance of probable success are disclosed in the notes to the financial statements;
  
- **Provisions:** these are recorded taking into consideration the opinion of legal counsel, the nature of the lawsuits, similarity with previous lawsuits, complexity and positioning of the courts, whenever the loss is deemed probable, it requires a probable outflow of funds to settle the obligation and when the amount can be reliably measured;

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- **Contingent Liabilities:** according to CPC 25, the term “contingent” is used for liabilities that are not recognized because their existence will only be confirmed by the occurrence of one or more uncertain future events beyond Management’s control. Contingent liabilities do not meet the criteria for recognition because they are considered as possible losses should only be disclosed in the notes when relevant. Obligations deemed remote are not recorded as a provision nor disclosed; and
- **Legal Obligations – Provision for Tax Risks:** results from judicial proceedings, which contest the applicability of tax laws on the grounds of legality or constitutionality, which, regardless of the assessment of the probability of success, are fully provided for in the financial statements.

Details on lawsuits, as well as segregation and changes in amounts recorded, by type, are presented in Note 17.

**q) Funding expenses**

Expenses related to funding transactions involving the issuance of securities reduce the corresponding liability and are recognized in the profit or loss over the term of the transaction. They are presented in Notes 15c and 18.

**r) Other assets and liabilities**

Assets are stated at their realizable amounts, including, when applicable, related income and inflation and exchange variations (on a daily prorated basis), less provision for losses, when deemed appropriate. Liabilities include known or measurable amounts, including related charges and inflation and exchange variations (on a daily prorated basis).

**s) Subsequent events**

These refer to events occurring between the reporting date and the date the financial statements are authorized to be issued.

They comprise the following:

- Events resulting in adjustments: events relating to conditions already existing at the end of the reporting period; and
- Events not resulting in adjustments: events relating to conditions not existing at the end of the reporting period.

Subsequent events, if any, are described in Note 34.

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**4) MANAGERIAL STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT BY OPERATING SEGMENT**

**a) Reconciliation of the Statement of Financial Position and Statement of Income – Accountings. Managerial <sup>(1)</sup>**

Management uses a variety of information, including those from financial statements, prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, prepared by consolidation criteria that differ in part from the criteria of CPC 36, as described in Note 2.

The main differences of consolidation criteria are shown below, through the Reconciliation of the Balance Sheet and the Statement of Income – Accountings. Managerial:

	Accounting Statement of Financial Position	On June 30, 2016 Proportional Companies (2)	Adjustments of Consolidation (3)	Managerial Statement of Financial Position	Account Statement of Finan Positio
<b>Assets</b>					
<b>Current and long-term assets</b>	<b>1,023,159,807</b>	<b>6,567,501</b>	<b>56,152,957</b>	<b>1,085,880,265</b>	<b>930,446,</b>
Funds available	32,363,576	85,494	-	32,449,070	11,304,
Interbank investments	138,705,018	332,053	(220,155)	138,816,916	176,369,
Securities and derivative financial instruments	380,349,297	684,007	56,546,451	437,579,755	281,464,
Interbank and interdepartmental accounts	50,021,372	-	-	50,021,372	50,799,
Loan and leasing	308,496,154	445,009	-	308,941,163	325,854,
Allowance for Loan Losses (ALL)	(29,933,688)	(85,289)	-	(30,018,977)	(23,215,3
Other receivables and assets	143,158,078	5,106,227	(173,339)	148,090,966	107,869,
<b>Fixed Assets</b>	<b>18,655,075</b>	<b>708,613</b>	<b>-</b>	<b>19,363,688</b>	<b>17,237,</b>

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Investments	6,401,464	(4,863,616)	-	1,537,848	5,637,
Premises and equipment	5,446,015	235,645	-	5,681,660	4,660,
Intangible assets	6,807,596	5,336,584	-	12,144,180	6,939,
<b>Total</b>	<b>1,041,814,882</b>	<b>7,276,114</b>	<b>56,152,957</b>	<b>1,105,243,953</b>	<b>947,684,</b>

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	<b>On June 30, 2016</b>				
	<b>Accounting Statement of Financial Position</b>	<b>Proportional Companies (2)</b>	<b>Adjustments of Consolidation (3)</b>	<b>Managerial Statement of Financial Position</b>	<b>Accounting Statement of Financial Position</b>
<b>Liabilities</b>					
<b>Current and long-term liabilities</b>	<b>944,539,678</b>	<b>6,184,929</b>	<b>56,152,957</b>	<b>1,006,877,564</b>	<b>859,930,000</b>
Deposits	179,458,545	(22,847)	-	179,435,698	195,940,000
Securities sold under agreements to repurchase	226,252,940	-	60,864,469	287,117,409	219,210,000
Funds from Issuance of Securities	112,817,133	-	-	112,817,133	95,380,000
Interbank and interdepartmental accounts	4,838,148	-	-	4,838,148	4,570,000
Borrowing and on-lending	57,533,149	-	-	57,533,149	61,360,000
Derivative financial instruments	18,181,328	-	(4,461,167)	13,720,161	5,600,000
Provisions for insurance, pension plans and capitalization bonds	190,649,097	-	-	190,649,097	164,560,000
Other liabilities	154,809,338	6,207,776	(250,345)	160,766,769	113,260,000
<b>Deferred income</b>	<b>502,970</b>	<b>-</b>	<b>-</b>	<b>502,970</b>	<b>390,000</b>
<b>Non-controlling interests in subsidiaries</b>	<b>414,348</b>	<b>1,091,185</b>	<b>-</b>	<b>1,505,533</b>	<b>380,000</b>
<b>Shareholders' equity</b>	<b>96,357,886</b>	<b>-</b>	<b>-</b>	<b>96,357,886</b>	<b>86,970,000</b>
<b>Total</b>	<b>1,041,814,882</b>	<b>7,276,114</b>	<b>56,152,957</b>	<b>1,105,243,953</b>	<b>947,680,000</b>



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Accrued on June 30, 2016			Accrued on June 30, 2015			Adjustments of Consolidation (3)
	Accounting Statement of Income	Proportional Companies (2)	Adjustments of Consolidation (3)	Managerial Statement of Income	Accounting Statement of Income	Proportional Companies (2)	
Revenue from financial intermediation	76,201,357	136,332	2,441,226	78,778,915	63,972,203	359,301	3,062,737
Financial intermediation expenses	(34,317,796)	-	(3,321,120)	(37,638,916)	(37,950,872)	-	(4,088,381)
<b>Net Interest Income</b>	<b>41,883,561</b>	<b>136,332</b>	<b>(879,894)</b>	<b>41,139,999</b>	<b>26,021,331</b>	<b>359,301</b>	<b>(1,025,644)</b>
Allowance for loan losses	(10,499,483)	(138,657)	-	(10,638,140)	(7,924,905)	(54,397)	-
<b>Gross Income from financial intermediation</b>	<b>31,384,078</b>	<b>(2,325)</b>	<b>(879,894)</b>	<b>30,501,859</b>	<b>18,096,426</b>	<b>304,904</b>	<b>(1,025,644)</b>
Income from Insurance, Pension Plans and Capitalization Bonds	2,708,464	-	-	2,708,464	2,521,391	-	-
Fee and Commission Income	9,969,990	2,165,263	901,134	13,036,387	9,189,863	1,906,169	712,090
Personnel Expenses	(7,291,701)	(344,195)	-	(7,635,896)	(6,758,818)	(304,425)	-
Other administrative expenses	(7,989,218)	(674,503)	208,184	(8,455,537)	(7,261,153)	(607,391)	220,904
Tax expenses	(3,348,845)	(242,642)	-	(3,591,487)	(2,335,763)	(202,006)	-
Equity in the Earnings (Losses) of Affiliates and jointly controlled companies	785,133	(723,681)	-	61,452	664,053	(651,992)	-

Other Operating Income / Expenses	(6,295,991)	81,224	(229,424)	(6,444,191)	(5,069,633)	(124,220)	92,650
<b>Operating Income</b>	<b>19,921,910</b>	<b>259,141</b>	<b>-</b>	<b>20,181,051</b>	<b>9,046,366</b>	<b>321,039</b>	<b>-</b>
Non-Operating Income	(16,460)	(6,055)	-	(22,515)	(123,453)	(1,948)	-
IT/SC (Income Tax/Soc. Contrib.) and Non-controlling interests	(11,650,141)	(253,086)	-	(11,903,227)	(205,559)	(319,091)	-
<b>Net Income</b>	<b>8,255,309</b>	<b>-</b>	<b>-</b>	<b>8,255,309</b>	<b>8,717,354</b>	<b>-</b>	<b>-</b>

(1) With respect to the Cash-flow Statement, the figures related to the first semester of 2015 do not differ from those previously submitted;

(2) Refers to the effects of the consolidation adjustments arising from the undertakings consolidated proportionally (Grupo Cielo, Grupo Alelo, Crediare, etc.);

(3) Refers basically to the effects of the consolidation adjustments arising from the "non-consolidation" of the exclusive funds; and

(4) For the purpose of comparability, the balances concerning the period of June 30, 2015 are being presented again in the column "Management Balance Sheet" and also the balances related to the first semester of 2015, as required by CPC 23.

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) Statement of Financial Position and statement of income by segment – Managerial**

In line with CPC 22, the managerial information, hereinafter, was prepared based on reports available to the Management to evaluate the performance and make decisions regarding the allocation of resources for investments and other purposes.

	Financial (1) (2)		Insurance Group (2) (3)		Other Activities (2)	Elimi
	Brazil	Overseas	Brazil	Overseas		
<b>Assets</b>						
<b>Current and long-term assets</b>	<b>820,579,807</b>	<b>136,713,510</b>	<b>218,901,105</b>	<b>8,947</b>	<b>2,264,483</b>	<b>(92,5</b>
Funds available	38,908,337	24,230,278	495,895	769	81,371	(31,5
Interbank investments	134,854,969	3,961,947	-	-	-	-
Securities and derivative financial instruments	217,965,681	15,998,523	204,657,246	1,032	1,018,880	(2,0
Interbank and interdepartmental accounts	50,021,372	-	-	-	-	-
Loan and leasing	274,004,128	92,663,304	-	-	-	(57,7
Allowance for Loan Losses (ALL)	(28,002,932)	(2,016,045)	-	-	-	-
Other receivables and assets	132,828,252	1,875,503	13,747,964	7,146	1,164,232	(1,5
<b>Permanent assets</b>	<b>87,424,671</b>	<b>39,569</b>	<b>11,160,743</b>	<b>5</b>	<b>966,291</b>	<b>(80,5</b>
Investments	73,444,673	-	8,119,845	-	200,921	(80,5
Premises and equipment	4,170,134	20,547	1,462,545	5	28,429	-
Intangible assets	9,809,864	19,022	1,578,353	-	736,941	-
<b>Total in 2016</b>	<b>908,004,478</b>	<b>136,753,079</b>	<b>230,061,848</b>	<b>8,952</b>	<b>3,230,774</b>	<b>(172,5</b>
<b>Total in 2015</b>	<b>850,275,864</b>	<b>124,584,718</b>	<b>195,926,040</b>	<b>3,261</b>	<b>3,214,780</b>	<b>(144,5</b>
<b>Liabilities</b>						
<b>Current and long-term liabilities</b>	<b>806,946,530</b>	<b>92,667,591</b>	<b>198,808,102</b>	<b>1,040</b>	<b>979,865</b>	<b>(92,5</b>
Deposits	164,473,595	46,263,214	-	-	-	(31,5
Securities sold under agreements to repurchase	277,572,396	10,111,165	-	-	-	(5
Funds from issuance of securities	108,614,940	6,297,519	-	-	-	(2,0
Interbank and interdepartmental accounts	4,838,148	-	-	-	-	-
Borrowing and on-lending	97,752,637	17,506,781	-	-	-	(57,7
Derivative financial instruments	13,342,005	378,156	-	-	-	-
Technical provisions from insurance, pension plans and capitalization bonds	-	-	190,648,380	717	-	-
Other liabilities	140,352,809	12,110,756	8,159,722	323	979,865	(8
<b>Deferred income</b>	<b>542,847</b>	<b>-</b>	<b>22,146</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Non-controlling interests in subsidiaries</b>	<b>4,157,215</b>	<b>44,085,488</b>	<b>31,231,600</b>	<b>7,912</b>	<b>2,250,909</b>	<b>(80,000)</b>
<b>Shareholders' equity</b>	<b>96,357,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total in 2016</b>	<b>908,004,478</b>	<b>136,753,079</b>	<b>230,061,848</b>	<b>8,952</b>	<b>3,230,774</b>	<b>(172,000)</b>
<b>Total in 2015</b>	<b>850,275,864</b>	<b>124,584,718</b>	<b>195,926,040</b>	<b>3,261</b>	<b>3,214,780</b>	<b>(144,000)</b>

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Financial (1) (2)		Insurance Group (2) (3)		Acco
	Brazil	Overseas	Brazil	Overseas	
	Revenue from financial intermediation	63,675,474	1,976,219	13,502,987	-
Financial intermediation expenses	(26,837,107)	(737,300)	(10,542,746)	-	-
<b>Net Interest Income</b>	<b>36,838,367</b>	<b>1,238,919</b>	<b>2,960,241</b>	-	-
Allowance for loan losses	(9,266,838)	(1,371,302)	-	-	-
<b>Gross Income from financial intermediation</b>	<b>27,571,529</b>	<b>(132,383)</b>	<b>2,960,241</b>	-	-
Income from Insurance, Pension Plans and Capitalization Bonds	-	-	2,708,489	(55)	(55)
Fee and Commission Income	12,129,019	119,034	829,323	-	-
Personnel Expenses	(6,821,841)	(73,890)	(627,882)	(236)	(236)
Other administrative expenses	(7,867,476)	(170,647)	(725,917)	(131)	(131)
Tax expenses	(3,080,037)	(10,725)	(466,188)	(75)	(75)
Equity in the Earnings (Losses) of Affiliates and jointly controlled companies	(3,872)	-	70,843	-	-
Other Operating Income / Expenses	(5,887,261)	(48,715)	(374,832)	488	488
<b>Operating Income</b>	<b>16,040,061</b>	<b>(317,326)</b>	<b>4,374,077</b>	<b>(9)</b>	<b>(9)</b>
Non-Operating Income	(54,540)	7,206	24,757	-	-
IT/SC (Income Tax/Soc. Contrib.) and Non-controlling interests	(9,905,497)	(121,827)	(1,854,858)	(8)	(8)
<b>Net Income in 2016</b>	<b>6,080,024</b>	<b>(431,947)</b>	<b>2,543,976</b>	<b>(17)</b>	<b>(17)</b>
<b>Net Income in 2015</b>	<b>5,929,479</b>	<b>143,823</b>	<b>2,565,868</b>	<b>(310)</b>	<b>(310)</b>

(1) The financial segment is comprised of financial institutions, holding companies which are mainly responsible for managing financial resources, and credit card, consortium and asset management companies;

(2) The asset, liability, income and expense balances among companies from the same segment are eliminated;

(3) The Insurance Group segment comprises insurance, pension plan and capitalization bond companies; and

(4) Refers to amounts eliminated among companies from different segments, as well as among operations carried out in Brazil and overseas.

**5) CASH AND CASH EQUIVALENTS**

	On June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Cash and due from banks in domestic currency	7,468,164	7,588,492
Cash and due from banks in foreign currency (1)	24,895,215	3,715,726
Investments in gold	197	123
<b>Total cash and due from banks</b>	<b>32,363,576</b>	<b>11,304,341</b>
Interbank investments (2)	130,507,170	165,583,918
<b>Total cash and cash equivalents</b>	<b>162,870,746</b>	<b>176,888,259</b>

(1) On June 30, 2016, it includes availability in foreign currency on the purchase and sale of shares agreement, for which payment was made on July 1, 2016 (Note 34f); and

(2) Refers to operations that mature in 90 days or less from the date they were effectively invested and with insignificant risk of change in fair value.

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**6) INTERBANK INVESTMENTS**

**a) Breakdown and maturity**

	On June 30 - R\$ thousand					
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	2016	2015
<b>Securities purchased under agreements to resell:</b>						
<b>Own portfolio position</b>	<b>27,889,020</b>	-	-	-	<b>27,889,020</b>	<b>48,300,000</b>
Financial treasury bills	150,461	-	-	-	150,461	6,100,000
National treasury notes	23,256,594	-	-	-	23,256,594	23,600,000
National treasury bills	4,478,872	-	-	-	4,478,872	18,300,000
Other	3,093	-	-	-	3,093	2,000,000
<b>Funded position</b>	<b>102,323,195</b>	<b>609,047</b>	-	-	<b>102,932,242</b>	<b>120,800,000</b>
Financial treasury bills	18,253,786	-	-	-	18,253,786	19,500,000
National treasury notes	42,617,000	609,047	-	-	43,226,047	35,000,000
National treasury bills	41,452,409	-	-	-	41,452,409	66,200,000
<b>Short position</b>	<b>295,125</b>	<b>151,581</b>	-	-	<b>446,706</b>	<b>2,000,000</b>
National treasury bills	295,125	151,581	-	-	446,706	2,000,000
<b>Subtotal</b>	<b>130,507,340</b>	<b>760,628</b>	-	-	<b>131,267,968</b>	<b>171,300,000</b>
<b>Interest-earning deposits in other banks:</b>						
Interest-earning deposits in other banks:	4,963,314	1,952,329	237,072	295,645	7,448,360	5,000,000
Provision for losses	(2,239)	(6,589)	(2,482)	-	(11,310)	(1,000,000)
<b>Subtotal</b>	<b>4,961,075</b>	<b>1,945,740</b>	<b>234,590</b>	<b>295,645</b>	<b>7,437,050</b>	<b>5,000,000</b>
<b>Total in 2016</b>	<b>135,468,415</b>	<b>152,706,368</b>	<b>234,590</b>	<b>295,645</b>	<b>138,705,018</b>	<b>176,300,000</b>
<b>%</b>	<b>97.7</b>	<b>1.9</b>	<b>0.2</b>	<b>0.2</b>	<b>100.0</b>	
<b>Total in 2015</b>	<b>166,002,840</b>	<b>7,522,109</b>	<b>2,317,740</b>	<b>526,925</b>		<b>176,300,000</b>
<b>%</b>	<b>94.1</b>	<b>4.3</b>	<b>1.3</b>	<b>0.3</b>		

**b) Income from interbank investments**

Classified in the income statement as income from operations with securities.

	Accrued on June 30 - R\$ thousand	
	2016	2015
<b>Income from investments in purchase and sale commitments:</b>		
•Own portfolio position	235,620	102,715
•Funded position	9,579,930	10,293,911
•Short position	139,624	187,010
<b>Subtotal</b>	<b>9,955,174</b>	<b>10,583,636</b>
<b>Income from interest-earning deposits in other banks</b>	<b>423,976</b>	<b>225,984</b>
<b>Total (Note 7h)</b>	<b>10,379,150</b>	<b>10,809,620</b>

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****7) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS**

Information on securities and derivative financial instruments is as follows:

**a) Summary of the consolidated classification of securities by operating segment and issuer**

	On June 30 - R\$ thousand							
	Financial	Insurance and Capitalization bonds	Pension plans	Other Activities	2016	%	2015	%
<b>Trading securities</b>	<b>53,830,655</b>	<b>7,932,597</b>	<b>127,336,757</b>	<b>426,722</b>	<b>189,526,731</b>	<b>49.8</b>	<b>116,793,343</b>	<b>41.5</b>
- Government securities	21,929,385	4,467,916	108,868,943	15,316	135,281,560	35.5	65,677,975	23.4
- Corporate securities	9,915,821	3,463,703	18,446,292	411,406	32,237,222	8.5	44,094,063	15.6
- Derivative financial instruments (1) (5)	21,985,449	978	21,522	-	22,007,949	5.8	7,021,305	2.5
<b>Available-for-sale securities (2)</b>	<b>122,660,083</b>	<b>13,880,409</b>	<b>12,386,744</b>	<b>102,820</b>	<b>149,030,056</b>	<b>39.2</b>	<b>126,200,218</b>	<b>44.8</b>
- Government securities	69,459,641	12,515,156	10,772,498	31,163	92,778,458	24.4	78,522,866	27.9
- Corporate securities	53,200,442	1,365,253	1,614,246	71,657	56,251,598	14.8	47,677,352	16.9
<b>Held-to-maturity securities (2)</b>	<b>12,720,737</b>	<b>4,928,128</b>	<b>24,143,645</b>	<b>-</b>	<b>41,792,510</b>	<b>11.0</b>	<b>38,470,704</b>	<b>13.7</b>
- Government securities	27,175	4,928,128	24,143,645	-	29,098,948	7.7	26,051,701	9.3
- Corporate securities	12,693,562	-	-	-	12,693,562	3.3	12,419,003	4.4
<b>Total</b>	<b>189,211,475</b>	<b>26,741,134</b>	<b>163,867,146</b>	<b>529,542</b>	<b>380,349,297</b>	<b>100.0</b>	<b>281,464,265</b>	<b>100.0</b>
- Government securities	91,416,201	21,911,200	143,785,086	46,479	257,158,966	67.6	170,252,542	60.5

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- Corporate securities	97,795,274	4,829,934	20,082,060	483,063,123,190,331	32.4	111,211,723	39.5
<b>Total</b>	<b>189,211,475</b>	<b>26,741,134</b>	<b>163,867,146</b>	<b>529,542,380,349,297,100.0</b>	<b>281,464,265</b>	<b>100.0</b>	<b>100.0</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) Consolidated classification by category, maturity and operating segment****l) Trading securities**

Securities	2016				Fair/book value (3) (4)	Amo c
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days		
<b>- Financial</b>	<b>23,170,739</b>	<b>2,368,433</b>	<b>3,714,017</b>	<b>24,577,466</b>	<b>53,830,655</b>	<b>64,...</b>
National treasury bills	466,731	36,371	19,743	503,462	1,026,307	1,...
Financial treasury bills	7,243	10,162	2,481	13,235,861	13,255,747	13,...
Derivative financial instruments (1) (5)	20,932,862	737,597	235,791	79,199	21,985,449	32,...
Debentures	30,580	42,905	119,740	2,103,109	2,296,334	2,...
National treasury notes	-	156,233	160,950	5,521,700	5,838,883	5,...
Financial bills	587,873	590,401	1,380,451	2,024,513	4,583,238	4,...
Brazilian foreign debt notes	-	-	-1,390,189	41,598	1,431,787	1,...
Other	1,145,450	794,764	404,672	1,068,024	3,412,910	3,...
<b>- Insurance companies and capitalization bonds</b>	<b>2,721,515</b>	<b>29,502</b>	<b>104,734</b>	<b>5,076,846</b>	<b>7,932,597</b>	<b>7,...</b>
Financial treasury bills	-	13,450	-	4,345,199	4,358,649	4,...
Financial bills	116,976	15,200	104,734	419,654	656,564	6,...
Other	2,604,539	852	-	311,993	2,917,384	2,...
<b>- Pension plans</b>	<b>5,025,420</b>	<b>2,182,138</b>	<b>3,429,027</b>	<b>116,700,172</b>	<b>127,336,757</b>	<b>127,...</b>
Financial treasury bills	-	-	-	50,761,328	50,761,328	50,...
National treasury notes	-	284,262	60,464	32,017,534	32,362,260	32,...
National treasury bills	2,445,251	-	3,745	23,296,359	25,745,355	25,...
Financial bills	1,082,942	393,245	3,291,110	7,878,927	12,646,224	12,...
Debentures	645	9,576	72,236	2,567,421	2,649,878	2,...
Other	1,496,582	1,495,055	1,472	178,603	3,171,712	3,...
<b>- Other activities</b>	<b>411,408</b>	<b>-</b>	<b>-</b>	<b>15,314</b>	<b>426,722</b>	<b>4,...</b>
Financial treasury bills	-	-	-	14,994	14,994	1,...
Other	411,408	-	-	320	411,728	4,...
<b>Total</b>	<b>31,329,082</b>	<b>4,580,073</b>	<b>7,247,778</b>	<b>146,369,798</b>	<b>189,526,731</b>	<b>200,...</b>
<b>Derivative financial instruments (liabilities) (5)</b>	<b>(17,284,372)</b>	<b>(518,993)</b>	<b>(220,790)</b>	<b>(157,173)</b>	<b>(18,181,328)</b>	<b>(16,3...</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****II) Available-for-sale securities**

Securities (6)	2016				Fair/book value (3) (4)	Amortized cost	Fair Value Adjustment	On June 30 -
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days				Fair/book value (3) (4)
<b>- Financial</b>	<b>9,735,501</b>	<b>5,964,209</b>	<b>9,172,577</b>	<b>97,787,796</b>	<b>122,660,083</b>	<b>126,399,508</b>	<b>(3,739,425)</b>	<b>102,608,614</b>
National treasury bills	1,865,967	2,071,552	3,855,708	20,874,506	28,667,733	28,610,675	57,058	20,349,415
Foreign corporate securities	169,102	189,711	37,208	10,172,514	10,568,535	12,270,583	(1,702,048)	10,879,312
National treasury notes	-	190,027	4,485,311	32,996,419	37,671,757	37,912,664	(240,907)	35,412,292
Debentures	228,830	684,588	582,115	31,453,348	32,948,881	33,782,238	(833,357)	28,859,748
Shares	6,127,154	-	-	-	6,127,154	6,939,194	(812,040)	1,777,059
Certificates of real estate receivables	20,717	-	-	997,597	1,018,314	1,251,233	(232,919)	1,233,701
Foreign government bonds	-	1,891,118	-	-	1,891,118	1,921,444	(30,326)	1,382,181
Promissory Notes	594,524	858,181	201,151	-	1,653,856	1,642,280	11,576	628,089
Other	729,207	79,032	11,084	1,293,412	2,112,735	2,069,197	43,538	2,086,817
<b>- Insurance companies and capitalization bonds</b>	<b>3,064,308</b>	<b>243,413</b>	<b>1,357,782</b>	<b>9,214,906</b>	<b>13,880,409</b>	<b>14,272,972</b>	<b>(392,563)</b>	<b>12,824,369</b>
National treasury notes	-	243,413	515,255	7,570,659	8,329,327	8,990,751	(661,424)	7,628,906
Shares	1,311,577	-	-	-	1,311,577	1,042,293	269,284	1,406,533
National treasury bills	1,749,078	-	842,527	1,577,954	4,169,559	4,148,416	21,143	3,720,301
Other	3,653	-	-	66,293	69,946	91,512	(21,566)	68,629
<b>- Pension plans</b>	<b>1,523,747</b>	<b>-</b>	<b>-</b>	<b>10,862,997</b>	<b>12,386,744</b>	<b>11,590,571</b>	<b>796,173</b>	<b>10,692,023</b>

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Shares	1,523,747	-	-	-	1,523,747	1,409,904	113,843	1,402,835
National								
treasury notes	-	-	-	10,473,164	10,473,164	9,790,846	682,318	8,822,752
Debentures	-	-	-	90,498	90,498	93,122	(2,624)	96,442
Other	-	-	-	299,335	299,335	296,699	2,636	369,994
<b>- Other</b>								
<b>activities</b>	<b>71,657</b>	<b>-</b>	<b>-</b>	<b>31,163</b>	<b>102,820</b>	<b>97,422</b>	<b>5,398</b>	<b>75,212</b>
Other	71,657	-	-	31,163	102,820	97,422	5,398	75,212
<b>Subtotal</b>	<b>14,395,213</b>	<b>6,207,622</b>	<b>10,530,359</b>	<b>117,896,862</b>	<b>149,030,056</b>	<b>152,360,473</b>	<b>(3,330,417)</b>	<b>126,200,218</b>
Hedge - cash								
flow (Note 7f)	-	-	-	-	-	-	122,649	-
Securities								
reclassified to								
"Held-to-maturity								
securities" (2)	-	-	-	-	-	-	(147,687)	-
<b>Total</b>	<b>14,395,213</b>	<b>6,207,622</b>	<b>10,530,359</b>	<b>117,896,862</b>	<b>149,030,056</b>	<b>152,360,473</b>	<b>(3,355,455)</b>	<b>126,200,218</b>

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Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**III) Held-to-maturity securities**

Securities (2)	2016				Gain (loss) not accounted for
	1 to 30 days	31 to 180 days	181 to 360 days	More than 360 days	
<b>- Financial</b>	-	-	-12,720,737	12,720,737	10,851,221 (1,869,516)
Brazilian foreign debt notes	-	-	- 27,175	27,175	29,054 1,879
Certificates of real estate receivables	-	-	-12,693,562	12,693,562	10,822,167 (1,871,395)
<b>- Insurance companies and capitalization bonds</b>	-	-	- 4,928,128	4,928,128	5,168,902 240,774
National treasury notes	-	-	- 4,928,128	4,928,128	5,168,902 240,774
<b>- Pension plans</b>	-	-	-24,143,645	24,143,645	26,564,265 2,420,620
National treasury notes	-	-	-24,143,645	24,143,645	26,564,265 2,420,620
<b>Total</b>	-	-	<b>-41,792,510</b>	<b>41,792,510</b>	<b>42,584,388 791,878</b>

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**Notes to the Consolidated Financial Statements****c) Breakdown of the portfolios by financial statement classification**

Securities	1 to 30	31 to 180	181 to 360	More than	On Ju
	days	days	days	360 days	To
<b>Own portfolio</b>	<b>22,360,125</b>	<b>9,132,942</b>	<b>11,839,896</b>	<b>260,726,852</b>	<b>304,104,104</b>
<b>Fixed income securities</b>	<b>11,699,106</b>	<b>9,132,942</b>	<b>11,839,896</b>	<b>260,726,852</b>	<b>293,104,104</b>
Financial treasury bills	7,243	22,987	1,390	65,817,230	65,817,230
National treasury notes	-	873,879	3,167,944	100,017,448	104,054,261
Brazilian foreign debt securities	-	-	1,390,420	78,263	1,390,420
Bank deposit certificates	137,537	1,816,035	1,472	17,724	1,816,035
National treasury bills	4,281,070	1,349,657	1,086,872	32,219,077	38,736,676
Foreign corporate securities	22,988	222,010	341,226	826,150	1,392,374
Debentures	260,055	737,069	774,091	36,352,443	38,124,658
Financial bills	1,787,792	1,064,968	4,776,295	10,323,094	17,952,149
Certificates of real estate receivables	21,054	-	-	13,895,984	13,917,038
Foreign government bonds	55,329	1,891,118	-	320,529	2,267,076
Promissory Notes	594,524	858,181	201,151	-	1,653,856
Other	4,531,514	297,038	99,035	858,910	5,786,537
<b>Equity securities</b>	<b>10,661,019</b>	-	-	-	<b>10,661,019</b>
Shares of listed companies (technical provision)	1,525,981	-	-	-	1,525,981
Shares of listed companies (other)	9,135,038	-	-	-	9,135,038
<b>Restricted securities</b>	<b>2,408,807</b>	<b>192,499</b>	<b>3,192,474</b>	<b>43,766,070</b>	<b>49,599,850</b>
<b>Repurchase agreements</b>	<b>2,400,630</b>	<b>164,404</b>	<b>14,073</b>	<b>31,220,610</b>	<b>33,805,717</b>
National treasury bills	2,245,959	6,146	685	10,626,687	12,918,877
Brazilian external debt bonds	-	-	10,853	504,470	515,323
Financial treasury bills	-	-	-	1,038,481	1,038,481
National treasury notes	-	57	918	9,656,916	9,657,951
Foreign corporate securities	154,671	158,201	1,617	9,394,056	9,708,545
<b>Brazilian Central Bank</b>	-	<b>27,463</b>	<b>27,966</b>	<b>9,309</b>	<b>64,738</b>
National treasury bills	-	27,463	27,966	4,233	59,662
Other	-	-	-	5,076	5,076
<b>Privatization rights</b>	-	-	-	<b>50,565</b>	<b>50,565</b>
<b>Guarantees provided</b>	<b>8,177</b>	<b>632</b>	<b>3,150,435</b>	<b>12,485,586</b>	<b>15,744,830</b>
National treasury bills	-	-	2,499,172	2,400,353	4,899,525
National treasury notes	-	-	650,172	7,883,972	8,534,144



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Other	8,177	632	1,091	2,201,261	2,
<b>Derivative financial instruments (1) (5)</b>	<b>20,955,363</b>	<b>737,597</b>	<b>235,790</b>	<b>79,199</b>	<b>22,</b>
<b>Securities subject to unrestricted repurchase agreements</b>	-	<b>724,657</b>	<b>2,509,977</b>	<b>1,487,049</b>	<b>4,</b>
National treasury bills	-	724,657	1,107,029	1,316,605	3,
National treasury notes	-	-	1,402,948	170,444	1,
<b>Total</b>	<b>45,724,295</b>	<b>10,787,695</b>	<b>17,778,137</b>	<b>306,059,170</b>	<b>380,</b>
<b>%</b>	<b>12.0</b>	<b>2.8</b>	<b>4.7</b>	<b>80.5</b>	

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**Notes to the Consolidated Financial Statements**

- (1) Consistent with the criteria in Bacen Circular Letter No. 3,068/01 and due to the characteristics of the securities, we are classifying the derivative financial instruments, except those considered as cash flow hedges in the category Trading Securities;
- (2) In compliance with Article 8 of Bacen Circular Letter No. 3,068/01, Bradesco declares that it has the financial capacity and intention to maintain held-to-maturity securities until their maturity dates. The mark-to-market of securities, which were transferred from the category "Securities Available for Sale" to the category of "Securities Held to Maturity", in June 2015 and in December 2013, was maintained in the shareholders' equity and will be recognized in the results for the remaining term of these securities, according to Bacen Circular No. 3,068/01;
- (3) The number of days to maturity was based on the contractual maturity of the instruments, regardless of their accounting classification;
- (4) The fair value of securities is determined based on the market price available at the end of the reporting period. If no market price quotation is available at the end of the reporting period, amounts are estimated based on the prices quoted by dealers, pricing models, quotation models or price quotations for instruments with similar characteristics. For investment funds, the original amortized cost reflects the fair value of the respective quotas;
- (5) Includes hedge for protection of assets and liabilities, denominated in or indexed to foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities. For a better analysis of these items, consider the net exposure (Note 7d II); and
- (6) In the first semester of 2016, there was constitution of provision for impairment losses in the amount of R\$108,294 thousand, related to the heading "Variable Income Securities" (first semester of 2015 there was no constitution of provision for impairment losses).

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## ***Notes to the Consolidated Financial Statements***

### **d) Derivative financial instruments**

Bradesco carries out transactions involving derivative financial instruments, which are recorded in the statement of financial position or in off-balance-sheet accounts, to meet its own needs in managing its global exposure, as well as to meet its customer's requests, in order to manage their exposure. These operations involve a range of derivatives, including interest rate swaps, currency swaps, futures and options. Bradesco's risk management policy is based on the utilization of derivative financial instruments mainly to mitigate the risks from operations carried out by the Bank and its subsidiaries.

Securities classified as trading and available-for-sale, as well as derivative financial instruments, are recognized in the consolidated statement of financial position at their fair value. Fair value is generally based on quoted market prices or quotations for assets or liabilities with similar characteristics. Should market prices not be available, fair values are based on dealer quotations, pricing models, discounted cash flows or similar techniques for which the determination of fair value may require judgment or significant estimates by Management.

Quoted market prices are used to determine the fair value of derivative financial instruments. The fair value of swaps is determined by using discounted cash flow modeling techniques that use yield curves, reflecting adequate risk factors. The information to build yield curves is mainly obtained from the Securities, Commodities and Futures Exchange (BM&FBOVESPA) and the domestic and international secondary market. These yield curves are used to determine the fair value of currency swaps, interest rate and other risk factor swaps. The fair value of forward and futures contracts is also determined based on market price quotations for derivatives traded on an exchange or using methodologies similar to those outlined for swaps. The fair values of credit derivative instruments are determined based on market price quotation or from specialized entities. The fair value of options is determined based on mathematical models, such as Black & Scholes, using yield curves, implied volatilities and the fair value of corresponding assets. Current market prices are used to calculate volatility.

Derivative financial instruments in Brazil mainly refer to swaps and futures and are registered at the OTC Clearing House (Cetip) and BM&FBOVESPA.

Operations involving forward contracts of interest rates, indexes and currencies are contracted by Management to hedge Bradesco's overall exposures and to meet customer needs.

Foreign derivative financial instruments refer to swap, forward, options, credit and futures operations and are mainly carried out at the stock exchanges in Chicago and New York, as well as the over-the-counter (OTC) markets.



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****l) Amount of derivative financial instruments recorded in off-balance-sheet accounts**

	On June 30 - R\$ thousand			
	2016		2015	
	Reference value	Net amount	Reference value	Net amount
<b>Futures contracts</b>				
<b>Purchase commitments:</b>	<b>103,752,719</b>	-	<b>96,921,364</b>	-
- Interbank market	75,873,880	14,673,056	76,106,831	36,940,599
- Foreign currency	27,863,377	-	20,546,198	-
- Other	15,462	10,155	268,335	107,446
<b>Sale commitments:</b>	<b>124,595,817</b>	-	<b>73,858,092</b>	-
- Interbank market (1)	61,200,824	-	39,166,232	-
- Foreign currency (2)	63,389,686	35,526,309	34,530,971	13,984,773
- Other	5,307	-	160,889	-
<b>Option contracts</b>				
<b>Purchase commitments:</b>	<b>14,015,824</b>	-	<b>40,472,694</b>	-
- Interbank market	8,229,897	138,142	38,705,347	-
- Foreign currency	5,785,927	3,840,657	1,751,740	2,493
- Other	-	-	15,607	-
<b>Sale commitments:</b>	<b>10,037,071</b>	-	<b>70,020,081</b>	-
- Interbank market	8,091,755	-	62,898,795	24,193,448
- Foreign currency	1,945,270	-	1,749,247	-
- Other	46	46	5,372,039	5,356,432
<b>Forward contracts</b>				
<b>Purchase commitments:</b>	<b>20,342,333</b>	-	<b>10,832,256</b>	-
- Foreign currency	16,927,882	5,521,851	10,665,967	-
- Other	3,414,451	1,997,865	166,289	-
<b>Sale commitments:</b>	<b>12,822,617</b>	-	<b>12,577,142</b>	-
- Foreign currency	11,406,031	-	12,130,743	1,464,776
- Other	1,416,586	-	446,399	280,110
<b>Swap contracts</b>				
<b>Assets (long position):</b>	<b>73,777,502</b>	-	<b>46,129,791</b>	-
- Interbank market	18,652,848	5,209,314	20,688,317	1,603,232
- Fixed rate	43,907,461	18,799,095	9,856,510	-
- Foreign currency	8,964,476	1,580,632	12,573,163	-

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- IGPM	1,121,950	-	1,111,200	-
- Other	1,130,767	-	1,900,601	-
<b>Liabilities (short position):</b>	<b>50,552,939</b>	-	<b>64,567,460</b>	-
- Interbank market	13,443,534	-	19,085,085	-
- Fixed rate	25,108,366	-	12,860,082	3,003,572
- Foreign currency	7,383,844	-	28,492,693	15,919,530
- IGPM	1,223,500	101,550	1,377,500	266,300
- Other	3,393,695	2,262,928	2,752,100	851,499

Derivatives include operations maturing in D+1.

(1) Includes cash flow hedges to protect CDI-related funding, totaling R\$1,171,885 thousand (R\$20,814,738 thousand in 2015) (Note 7f); and

(2) Includes specific hedges to protect assets and liabilities, arising from foreign investments, totaling R\$45,106,549 thousand (R\$43,909,631 thousand in 2015).

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****II) Breakdown of derivative financial instruments (assets and liabilities) shown at original amortized cost and fair value**

	2016			On June 30 - R\$ thousand 2015		
	Original amortized cost	Mark-to-market adjustment	Fair value	Original amortized cost	Mark-to-market adjustment	Fair value
Adjustment receivable - swaps (1)	20,204,175	(10,605,802)	9,598,373	10,623,733	(5,477,349)	5,146,384
Adjustment receivable - future	4,215,103	-	4,215,103	8,462	-	8,462
Receivable forward purchases	5,279,291	-	5,279,291	1,225,943	-	1,225,943
Receivable forward sales	2,693,312	-	2,693,312	419,321	-	419,321
Premiums on exercisable options	207,908	13,962	221,870	189,562	31,633	221,195
<b>Total assets (A)</b>	<b>32,599,789</b>	<b>(10,591,840)</b>	<b>22,007,949</b>	<b>12,467,021</b>	<b>(5,445,716)</b>	<b>7,021,305</b>
Adjustment payables - swaps	(5,857,842)	(1,794,671)	(7,652,513)	(4,088,655)	(241,374)	(4,330,029)
Adjustment payables - future	(4,461,156)	-	(4,461,156)	(29,818)	-	(29,818)
Payable forward purchases	(4,321,914)	-	(4,321,914)	(548,133)	-	(548,133)
Payable forward sales/other	(1,554,787)	-	(1,554,787)	(549,085)	-	(549,085)
Premiums on written options	(185,697)	(5,261)	(190,958)	(140,161)	(4,477)	(144,638)
<b>Total liabilities (B)</b>	<b>(16,381,396)</b>	<b>(1,799,932)</b>	<b>(18,181,328)</b>	<b>(5,355,852)</b>	<b>(245,851)</b>	<b>(5,601,703)</b>
<b>Net Effect (A-B)</b>	<b>16,218,393</b>	<b>(12,391,772)</b>	<b>3,826,621</b>	<b>7,111,169</b>	<b>(5,691,567)</b>	<b>1,419,602</b>

(1) Includes receivable adjustments relating to hedge of assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities.

**III) Futures, options, forward and swap contracts – (Reference Value)**

				On June 30 - R\$ thousand	
1 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	2016	2015

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Futures contracts (1)	125,541,017	4,526,714	45,212,808	53,067,997	228,348,536	170,779,456
Option contracts	19,401,173	620,878	1,905,529	2,125,315	24,052,895	110,492,775
Forward contracts	19,484,751	4,573,516	3,249,424	5,857,259	33,164,950	23,409,398
Swap contracts (1)	28,462,871	9,397,724	4,763,346	81,706,500	124,330,441	110,697,251
<b>Total in 2016</b>	<b>192,889,812</b>	<b>19,118,832</b>	<b>55,131,107</b>	<b>142,757,071</b>	<b>409,896,822</b>	
<b>Total in 2015</b>	<b>119,927,955</b>	<b>93,767,412</b>	<b>99,579,692</b>	<b>102,103,821</b>		<b>415,378,880</b>

(1) Includes contracts relating to hedges for the protection of assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments, eliminating the effects of exchange variation of these assets and liabilities.

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**Notes to the Consolidated Financial Statements****IV) Types of margin offered in guarantee of derivative financial instruments, mainly futures contracts**

	On June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
<b>Government securities</b>		
National treasury bills	1,625,552	-
National treasury notes	4,999,565	3,620,092
Financial treasury bills	50,407	5,691
<b>Total</b>	<b>6,675,524</b>	<b>3,625,783</b>

**V) Revenues and expenses, net**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Swap contracts (1)	1,415,481	162,615
Forward contracts	302,631	175,539
Option contracts	(202,221)	(13,606)
Futures contracts (1) (2)	7,242,970	(1,205,277)
Foreign exchange variation of assets and liabilities overseas	(3,719,718)	1,536,876
<b>Total (Note 7h)</b>	<b>5,039,143</b>	<b>656,147</b>

(1) Includes the gain (loss) and the respective adjustment to the market capitalization of the hedge for protection of the assets and liabilities, designated and/or indexed in foreign currency, primarily, arising from foreign investments; and

(2) Includes, in 2016, the results and respective adjustment to the market value of the hedge of the firm commitment, concerning the purchase and sale of shares agreement, which was offset, completely, by the adjustment of the market value of the hedge object (Note 34f).

**VI) Reference values of derivative financial instruments, by trading location and counterparts**

	On June 30 - R\$ thousand	
	2016	2015
CETIP (over-the-counter)	125,207,553	91,936,669
BM&FBOVESPA (stock exchange)	254,084,035	289,153,152
Overseas (over-the-counter) (1)	18,840,877	16,934,059
Overseas (stock exchange) (1)	11,764,357	17,355,000
<b>Total</b>	<b>409,896,822</b>	<b>415,378,880</b>

(1) Comprised of operations carried out on the Chicago and New York Stock Exchanges and over-the-counter markets.

#### e) Credit Default Swaps (CDS)

On June 30, 2016, Bradesco had credit default swaps (CDS) with the following characteristics: the risk received in credit swaps whose underlying assets are: (a) "debt securities issued by companies", in the amount of R\$128,392 thousand and (b) "public debt bonds issued by the Brazilian government", in the amount of R\$144,441 thousand (in 2015 – (i) the amount of risk transferred under credit swaps whose underlying assets are "securities – securities of foreign government debt" is negative R\$(1,326,900) thousand; and (ii) the risk received in credit swaps whose underlying assets are "derivative with companies" is R\$81,071 thousand, amounting to a total net credit risk value of negative R\$(1,245,829) thousand), with an effect on the calculation of required shareholders' equity of negative R\$(14,123) thousand ((R\$64,062) thousand in 2015). The contracts related to credit derivatives transactions described above are due in 2021. The mark-to-market of the protection rates that remunerates the counterparty that received the risk totaled R\$90 thousand. There were no credit events, as defined in the agreements, during the period.

#### f) Cash flow hedge

Bradesco uses cash flow hedges to protect: i) its cash flows from payment of interest rates on funds, regarding the floating interest rate of DI, being traded DI Future contracts on BM&FBOVESPA totaling R\$1,171,885 thousand (R\$20,814,738 thousand in 2015), having as object of hedge captures linked to DI, totaling R\$1,242,274 thousand (R\$21,133,663 thousand in 2015), converting to fixed cash flows; and ii) the cash flow receipts of interest on investments in securities, regarding the floating interest rate of DI through DI Future contracts, totaling R\$19,962,802 thousand, having as object of hedge DI-backed securities, totaling R\$19,588,712 thousand, converting to fixed cash flows. The adjustment to market value of these operations recorded in the net worth is R\$(4,447) thousand (R\$299,179 thousand in 2015), net of tax effects is R\$(2,668) thousand (R\$179,507 thousand in 2015) and R\$127,096 thousand, net of tax effects is R\$76,257 thousand, respectively. The effectiveness of the hedge portfolio was assessed in accordance with Bacen Circular Letter No. 3,082/02.



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**Notes to the Consolidated Financial Statements****g) Hedge against market risk**

Bradesco constituted a hedge against market risk using the futures contracts and, later, with cash in foreign currencies (Note 5) which generated R\$(3,588,875) thousand, for protection from the effects of the exchange rate variation of the firm commitment, related to the contract for the purchase and sale of shares (Note 34f), which produced an adjustment at market value of R\$3,551,597 thousand. The effect of these operations resulted in the revenue of R\$(37,278) thousand. The effectiveness of the hedge portfolio was assessed in accordance with Bacen Circular Letter No. 3,082/02.

**h) Income from securities, insurance, pension plans and capitalization bonds, and derivative financial instruments**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Fixed income securities	10,085,476	8,736,717
Interbank investments (Note 6b)	10,379,150	10,809,620
Equity securities (1)	(68,120)	29,842
<b>Subtotal</b>	<b>20,396,506</b>	<b>19,576,179</b>
Income from insurance, pension plans and capitalization bonds	17,512,049	8,632,162
Income from derivative financial instruments (Note 7d V)	5,039,143	656,147
<b>Total</b>	<b>42,947,698</b>	<b>28,864,488</b>

(1) In the first semester of 2016, it includes the losses through impairment to the sum of R\$108,294 thousand.

**8) INTERBANK ACCOUNTS – RESERVE REQUIREMENT**

**a) Reserve requirement**

	<b>Remuneration</b>	On June 30 - R\$ thousand	
		<b>2016</b>	<b>2015</b>
Compulsory deposit – demand deposits	not remunerated	4,022,563	5,064,554
Compulsory deposit – savings deposits	savings index	17,476,005	21,918,497
Compulsory deposit – time deposits	Selic rate	13,472,464	8,301,343
Additional compulsory deposit – savings deposits	Selic rate	4,784,372	4,968,442
Additional compulsory deposit – time deposits	Selic rate	8,408,948	8,660,210
Reserve requirement – SFH	TR + interest rate	720,365	634,918
<b>Total</b>		<b>48,884,717</b>	<b>49,547,964</b>

**b) Revenue from reserve requirement**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Reserve requirement – Bacen (Compulsory deposit)	2,551,760	2,026,427
Reserve requirement – SFH	22,905	8,982
<b>Total</b>	<b>2,574,665</b>	<b>2,035,409</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****9) LOANS**

Information relating to loans, including advances on foreign exchange contracts, leasing and other receivables with credit characteristics is shown below:

**a) By type and maturity**

	Performing loans						Total in	% (5)	Total in
	1 to 30	31 to 60	61 to 90	91 to 180	181 to 360	More than	2016 (A)	2015 (A)	
	days	days	days	days	days	360 days			
Discounted trade receivables and loans (1)	19,860,242	12,514,863	8,401,318	16,889,424	21,248,210	61,848,391	140,762,448	37.2	152,913,500
Financing	3,486,520	3,383,632	3,102,993	7,879,566	15,522,442	81,984,538	115,359,691	30.4	121,969,360
Agricultural and agribusiness loans	1,859,623	1,677,949	723,976	3,514,028	2,756,272	8,841,785	19,373,633	5.1	22,456,950
<b>Subtotal</b>	<b>25,206,385</b>	<b>17,576,444</b>	<b>12,228,287</b>	<b>28,283,018</b>	<b>39,526,924</b>	<b>152,674,714</b>	<b>275,495,772</b>	<b>72.7</b>	<b>297,339,810</b>
Leasing	130,308	172,727	109,263	309,125	489,451	1,041,136	2,252,010	0.6	3,381,630
Advances on foreign exchange contracts (2)	2,214,142	1,015,149	767,544	2,028,503	2,353,343	-	8,378,681	2.2	7,795,880
<b>Subtotal</b>	<b>27,550,835</b>	<b>18,764,320</b>	<b>13,105,094</b>	<b>30,620,646</b>	<b>42,369,718</b>	<b>153,715,850</b>	<b>286,126,463</b>	<b>75.5</b>	<b>308,517,340</b>
Other receivables (3)	8,036,935	5,286,973	2,136,986	3,908,825	3,374,630	1,361,495	24,105,844	6.4	20,827,880
<b>Total loans</b>	<b>35,587,770</b>	<b>24,051,293</b>	<b>15,242,080</b>	<b>34,529,471</b>	<b>45,744,348</b>	<b>155,077,345</b>	<b>310,232,307</b>	<b>81.9</b>	<b>329,345,220</b>
Sureties and guarantees (4)	2,858,099	729,967	949,855	4,300,138	8,984,887	48,656,776	66,479,722	17.5	71,957,650
Loan assignment - real estate	44,506	44,505	44,503	128,079	191,146	642,648	1,095,387	0.3	1,274,270

receivables certificate										
Co-obligation from assignment of rural loan (4)	-	-	-	-	-	92,179	92,179	-	102,51	
Loans available for import (4)	8,049	13,171	5,347	39,682	-	-	66,249	-	276,22	
Confirmed exports loans (4)	4,004	2,550	964	22,297	58,687	2,499	91,001	-	70,61	
Acquisition of credit card receivables	421,758	253,325	154,978	176,254	48,055	-	1,054,370	0.3	1,283,16	
<b>Total in 2016</b>	<b>38,924,186</b>	<b>25,094,811</b>	<b>16,397,727</b>	<b>39,195,921</b>	<b>55,027,123</b>	<b>204,471,447</b>	<b>379,111,215</b>	<b>100.0</b>		
<b>Total in 2015</b>	<b>40,702,021</b>	<b>27,882,521</b>	<b>18,079,856</b>	<b>46,478,568</b>	<b>59,873,901</b>	<b>211,292,806</b>			<b>404,309,67</b>	

Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Non-performing loans Past-due installments						Total in 2016 (B)	On June 30 % (5)
	1 to 30	31 to 60	61 to 90	91 to 180	181 to 540			
	days	days	days	days	days			
Discounted trade receivables and loans (1)	2,835,193	1,490,078	1,218,558	2,907,575	3,845,985	12,297,389	89.4	
Financing	291,893	200,874	130,760	205,285	130,491	959,303	7.0	
Agricultural and agribusiness loans	33,098	38,997	23,285	30,118	62,318	187,816	1.4	
<b>Subtotal</b>	<b>3,160,184</b>	<b>1,729,949</b>	<b>1,372,603</b>	<b>3,142,978</b>	<b>4,038,794</b>	<b>13,444,508</b>	<b>97.8</b>	
Leasing	11,373	9,310	7,050	10,998	8,269	47,000	0.3	
Advances on foreign exchange contracts (2)	8,074	14,018	6,486	11,405	603	40,586	0.3	
<b>Subtotal</b>	<b>3,179,631</b>	<b>1,753,277</b>	<b>1,386,139</b>	<b>3,165,381</b>	<b>4,047,666</b>	<b>13,532,094</b>	<b>98.4</b>	
Other receivables (3)	27,049	36,517	53,480	82,577	22,829	222,452	1.6	
<b>Total in 2016</b>	<b>3,206,680</b>	<b>1,789,794</b>	<b>1,439,619</b>	<b>3,247,958</b>	<b>4,070,495</b>	<b>13,754,546</b>	<b>100.0</b>	
<b>Total in 2015</b>	<b>1,948,553</b>	<b>1,487,696</b>	<b>1,188,222</b>	<b>2,788,977</b>	<b>3,064,684</b>			

	Non-performing loans Installments not yet due							On June 30 - R\$ thousand		
	1 to 30	31 to 60	61 to 90	91 to 180	181 to 360 days	More than 360 days	Total in 2016 (C)	% (5)	Total in 2015 (C)	% (5)
	days	days	days	days	days	days				
Discounted trade receivables and loans (1)	832,112	717,253	630,897	1,620,220	2,326,527	5,386,685	11,513,694	66.6	9,619,554	65.1
Financing	232,728	210,669	207,718	599,135	981,474	3,082,764	5,314,488	30.8	4,679,197	31.6
Agricultural and agribusiness loans	1,221	1,901	1,810	10,493	38,678	206,489	260,592	1.5	272,123	1.8
<b>Subtotal</b>	<b>1,066,061</b>	<b>929,823</b>	<b>840,425</b>	<b>2,229,848</b>	<b>3,346,679</b>	<b>8,675,938</b>	<b>17,088,774</b>	<b>98.9</b>	<b>14,570,874</b>	<b>98.5</b>
Leasing	10,592	10,018	9,407	25,963	39,836	72,274	168,090	1.0	214,559	1.5
<b>Subtotal</b>	<b>1,076,653</b>	<b>939,841</b>	<b>849,832</b>	<b>2,255,811</b>	<b>3,386,515</b>	<b>8,748,212</b>	<b>17,256,864</b>	<b>99.9</b>	<b>14,785,433</b>	<b>100.0</b>
Other receivables	1,047	1,005	1,024	2,924	4,318	8,166	18,484	0.1	7,365	-



(3)

<b>Total in 2016</b>	<b>1,077,700,940,846,850,856,258,735,390,833,756,378,17,275,348</b>	<b>100.0</b>
<b>Total in 2015</b>	<b>1,032,174,846,754,781,369,1,933,547,2,962,696,7,236,258</b>	<b>14,792,798 100.0</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	On June 30 - R\$ thousand			
	Total in 2016	% (5)	Total in 2015	% (5)
	(A+B+C)		(A+B+C)	
Discounted trade receivables and loans (1)	164,573,531	40.1	171,761,329	39.9
Financing	121,633,482	29.7	127,554,070	29.7
Agricultural and agribusiness loans	19,822,041	4.8	22,879,320	5.3
<b>Subtotal</b>	<b>306,029,054</b>	<b>74.6</b>	<b>322,194,719</b>	<b>74.9</b>
Leasing	2,467,100	0.6	3,659,531	0.9
Advances on foreign exchange contracts (2) (Note 10a)	8,419,267	2.1	7,835,451	1.8
<b>Subtotal</b>	<b>316,915,421</b>	<b>77.3</b>	<b>333,689,701</b>	<b>77.6</b>
Other receivables (3)	24,346,780	5.9	20,926,454	4.9
<b>Total loans</b>	<b>341,262,201</b>	<b>83.2</b>	<b>354,616,155</b>	<b>82.5</b>
Sureties and guarantees (4)	66,479,722	16.2	71,957,650	16.8
Loan assignment - real estate receivables certificate	1,095,387	0.3	1,274,278	0.3
Co-obligation from assignment of rural loan (4)	92,179	-	102,510	-
Loans available for import (4)	66,249	-	276,225	0.1
Confirmed exports loans (4)	91,001	-	70,619	-
Acquisition of credit card receivables	1,054,370	0.3	1,283,166	0.3
<b>Total in 2016</b>	<b>410,141,109</b>	<b>100.0</b>		
<b>Total in 2015</b>			<b>429,580,603</b>	<b>100.0</b>

(1) Including credit card loans and advances on credit card receivables of R\$16,444,207 thousand (R\$16,831,170 thousand in 2015);

(2) Advances on foreign exchange contracts are classified as a deduction from "Other Liabilities";

(3) The item "Other Receivables" comprises receivables on sureties and guarantees honored, receivables on sale of assets, securities and credits receivable, income receivable from foreign exchange contracts and export contracts and credit card receivables (cash and installment purchases at merchants) totaling R\$19,942,174 thousand (R\$18,016,951 thousand in 2015);

(4) Recorded in off-balance sheet accounts; and

(5) Percentage of each type in relation to the total loan portfolio, including sureties and guarantee, loan assignment and acquisition of receivables.



## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****b) By type and levels of risk**

	<b>Levels</b>					
	<b>AA</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Discounted trade receivables and loans	22,244,669	77,342,318	10,938,316	22,809,504	7,700,699	4,175,806
Financing	49,850,220	20,874,066	37,488,227	8,581,229	1,642,950	774,876
Agricultural and agribusiness loans	2,674,691	2,519,942	7,931,863	5,673,314	585,860	219,015
<b>Subtotal</b>	<b>74,769,580</b>	<b>100,736,326</b>	<b>56,358,406</b>	<b>37,064,047</b>	<b>9,929,509</b>	<b>5,169,697</b>
Leasing	411,488	388,046	1,378,105	45,030	59,076	23,332
Advances on foreign exchange contracts (2)	3,413,525	2,809,194	1,141,564	878,420	100,726	42,865
<b>Subtotal</b>	<b>78,594,593</b>	<b>103,933,566</b>	<b>58,878,075</b>	<b>37,987,497</b>	<b>10,089,311</b>	<b>5,235,894</b>
Other receivables	2,854,264	15,831,510	1,784,730	2,980,453	175,920	82,317
<b>Total in 2016</b>	<b>81,448,857</b>	<b>119,765,076</b>	<b>60,662,805</b>	<b>40,967,950</b>	<b>10,265,231</b>	<b>5,318,211</b>
%	<b>23.9</b>	<b>35.1</b>	<b>17.8</b>	<b>12.0</b>	<b>3.0</b>	<b>1.5</b>
<b>Total in 2015</b>	<b>77,583,637</b>	<b>139,577,843</b>	<b>62,838,919</b>	<b>46,055,838</b>	<b>7,153,249</b>	<b>3,831,380</b>
%	<b>21.9</b>	<b>39.4</b>	<b>17.7</b>	<b>13.0</b>	<b>2.0</b>	<b>1.1</b>

(1) Percentage of each type in relation to the total loan portfolio, excluding sureties and guarantees, loan assignments, acquisition of receivables and co-obligation in rural loan assignments; and

(2) See Note 10a.

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****c) Maturity ranges and levels of risk**

	Levels of risk								Total in 2016	
	AAA	B	C	D	E	F	G	H		
<b>Installments not yet due</b>	-	-	-	-	-	-	-	-	-	<b>17,275,3</b>
1 to 30	-	173,942	260,049	146,459	87,118	71,825	59,285	279,022	1,077,7	
31 to 60	-	132,553	211,128	134,791	102,503	65,573	51,547	242,751	940,8	
61 to 90	-	114,801	164,896	121,276	90,512	63,060	49,471	246,840	850,8	
91 to 180	-	203,035	418,097	344,677	349,351	169,139	135,604	638,832	2,258,7	
181 to 360	-	299,193	631,033	539,258	387,771	260,633	272,916	1,000,029	3,390,8	
More than 360	-	965,530	1,645,734	1,651,228	1,034,151	634,330	546,641	2,278,764	8,756,3	
<b>Past-due installments (2)</b>	-	-	-	-	-	-	-	-	-	<b>13,754,5</b>
1 to 14	-	24,096	123,962	85,207	82,945	65,759	74,658	1,370,047	1,826,6	
15 to 30	-	475,130	321,693	169,363	139,502	50,557	34,127	189,634	1,380,0	
31 to 60	-	11,386	733,424	385,081	163,424	98,931	83,470	314,078	1,789,7	
61 to 90	-	-	16,472	667,046	200,631	118,371	88,969	348,130	1,439,6	
91 to 180	-	-	4,284	55,609	569,600	750,432	751,291	1,116,742	3,247,9	
181 to 360	-	-	-	-	11,137	23,027	21,338	3,938,489	3,993,9	
More than 360	-	-	-	-	-	-	-	76,504	76,5	
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-	<b>31,029,8</b>
Specific provision	-	23,997	135,923	430,000	965,594	1,185,818	1,518,521	12,039,862	16,299,7	

(1) Percentage of maturities by type of installment; and

(2) For transactions with terms of more than 36 months, past-due periods are doubled, as permitted by CMN Resolution No. 2,682/99.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

	Levels of risk Performing loans							
	AA	A	B	C	D	E	F	G
<b>Installments not yet due</b>	<b>81,448,857</b>	<b>119,765,076</b>	<b>58,263,139</b>	<b>36,437,178</b>	<b>5,965,236</b>	<b>2,099,566</b>	<b>1,001,854</b>	<b>578,7</b>
1 to 30	7,163,938	16,770,000	3,615,035	6,182,115	695,279	368,805	132,300	73,1
31 to 60	4,478,907	11,465,178	2,506,883	4,454,980	558,478	193,387	50,377	67,2
61 to 90	3,871,843	6,695,769	1,706,810	2,460,687	168,572	59,216	51,759	53,5
91 to 180	9,003,570	13,441,481	4,429,463	5,627,949	370,508	163,669	121,091	72,1
181 to 360	13,923,290	19,347,318	5,631,937	5,239,239	573,016	375,021	109,846	73,4
More than 360	43,007,309	52,045,330	40,373,011	12,472,208	3,599,383	939,468	536,481	239,1
Generic provision	-	598,910	582,631	1,093,115	596,524	629,870	500,927	405,1
<b>Total in 2016 (2)</b>	<b>81,448,857</b>	<b>119,765,076</b>	<b>60,662,805</b>	<b>40,967,950</b>	<b>10,265,231</b>	<b>5,318,211</b>	<b>3,373,491</b>	<b>2,748,0</b>
Existing provision	-	869,637	848,599	2,603,314	3,066,808	2,652,866	2,357,241	2,679,0
Minimum required provision	-	598,910	606,628	1,229,038	1,026,524	1,595,464	1,686,745	1,923,6
Excess provision (3)	-	270,727	241,971	1,374,276	2,040,284	1,057,402	670,496	755,3
<b>Total in 2015 (2)</b>	<b>77,583,637</b>	<b>139,577,843</b>	<b>62,838,919</b>	<b>46,055,838</b>	<b>7,153,249</b>	<b>3,831,380</b>	<b>3,568,531</b>	<b>2,134,0</b>
Existing provision	-	745,113	689,216	2,089,738	2,035,106	1,899,985	2,281,244	2,113,6
Minimum required provision	-	697,938	628,389	1,381,673	715,325	1,149,414	1,784,266	1,493,8
Excess provision (3)	-	47,175	60,827	708,065	1,319,781	750,571	496,978	619,8

(1) Percentage of maturities by type of installment;

(2) The total includes performing loans of R\$310,232,307 thousand (R\$329,345,225 thousand in 2015) and non-performing loans of R\$31,029,894 thousand (R\$25,270,930 thousand in 2015); and

(3) On June 30, 2016, it includes a provision for guarantees provided, comprising sureties, letters of credit and standby letter of credit, which is presented here within the balance for the excess provision, and totals R\$1,856,267 thousand (R\$511,396 thousand in 2015) (Note 19b).

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****d) Concentration of loans**

	On June 30 - R\$ thousand			
	2016	% (1)	2015	% (1)
Largest borrower	8,329,219	2.4	10,487,111	3.0
10 largest borrowers	30,349,969	8.9	30,940,260	8.7
20 largest borrowers	45,140,006	13.2	44,833,721	12.6
50 largest borrowers	65,199,798	19.1	64,535,133	18.2
100 largest borrowers	79,677,403	23.3	78,955,517	22.2

(1) Percentage on total portfolio (as defined by Bacen).

**e) By economic sector**

	On June 30 - R\$ thousand			
	2016	%	2015	%
<b>Public sector</b>	<b>8,331,289</b>	<b>2.4</b>	<b>10,501,385</b>	<b>3.0</b>
<b>Federal government</b>	<b>8,329,219</b>	<b>2.4</b>	<b>10,487,111</b>	<b>3.0</b>
Petrochemical	8,329,219	2.4	10,487,111	3.0
<b>State government</b>	<b>2,070</b>	<b>-</b>	<b>14,274</b>	<b>-</b>
Production and distribution of electricity	2,070	-	14,274	-
<b>Private sector</b>	<b>332,930,912</b>	<b>97.6</b>	<b>344,114,770</b>	<b>97.0</b>
<b>Manufacturing</b>	<b>56,002,155</b>	<b>16.4</b>	<b>60,439,431</b>	<b>17.1</b>
Food products and beverages	11,894,117	3.5	13,197,221	3.7
Steel, metallurgy and mechanics	9,717,853	2.8	10,249,347	2.9
Light and heavy vehicles	8,127,333	2.4	6,695,148	1.9
Pulp and paper	4,318,828	1.3	4,132,986	1.2
Chemical	3,172,113	0.9	4,726,080	1.3
Rubber and plastic articles	2,481,221	0.7	2,824,796	0.8
Textiles and apparel	2,480,670	0.8	3,206,813	0.9
Extraction of metallic and non-metallic ores	2,310,935	0.7	2,295,786	0.6
Automotive parts and accessories	2,042,977	0.6	2,073,083	0.6
Non-metallic materials	1,831,101	0.5	2,063,372	0.6
Furniture and wood products	1,809,580	0.5	2,150,036	0.6
Oil refining and production of alcohol	1,230,881	0.4	1,710,494	0.5
Leather articles	883,652	0.3	836,662	0.2
Electric and electronic products	802,681	0.2	1,332,202	0.4

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Publishing, printing and reproduction	458,823	0.1	537,606	0.2
Other industries	2,439,390	0.7	2,407,799	0.7
<b>Commerce</b>	<b>36,299,850</b>	<b>10.6</b>	<b>41,283,922</b>	<b>11.7</b>
Merchandise in specialty stores	6,905,409	2.0	7,869,890	2.2
Non-specialized retailer	4,540,792	1.3	5,519,345	1.6
Food products, beverages and tobacco	4,273,878	1.3	4,856,149	1.4
Clothing and footwear	2,904,007	0.9	3,057,929	0.9
Waste and scrap	2,831,642	0.8	3,626,012	1.0
Automobile	2,747,575	0.8	3,101,390	0.9
Motor vehicle repairs, parts and accessories	2,590,635	0.8	2,905,800	0.8
Agricultural products	1,875,368	0.5	2,536,933	0.7
Grooming and household articles	1,822,872	0.5	2,109,805	0.6
Fuel	1,656,070	0.5	1,859,280	0.5

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Economic and Financial Analysis Report – June 2016

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Wholesale of goods in general	946,248	0.3	1,036,086	0.3
Trading intermediary	835,470	0.2	974,347	0.3
Other commerce	2,369,884	0.7	1,830,956	0.5
<b>Financial intermediaries</b>	<b>2,648,302</b>	<b>0.8</b>	<b>2,647,761</b>	<b>0.7</b>
<b>Services</b>	<b>87,607,630</b>	<b>25.7</b>	<b>94,453,347</b>	<b>26.5</b>
Civil construction	22,544,707	6.6	23,144,521	6.5
Transportation and storage	16,022,150	4.7	17,174,880	4.8
Real estate activities, rentals and corporate services	13,365,041	3.9	12,716,032	3.6
Holding companies, legal, accounting and business advisory services	7,127,961	2.1	7,010,479	2.0
Clubs, leisure, cultural and sport activities	5,166,934	1.5	5,329,362	1.5
Production and distribution of electric power, gas and water	4,429,341	1.3	4,929,125	1.4
Social services, education, health, defense and social security	2,982,320	0.9	2,968,776	0.8
Hotels and catering	2,836,159	0.8	2,872,518	0.8
Telecommunications	307,456	0.1	754,612	0.2
Other services	12,825,561	3.8	17,553,042	4.9
<b>Agriculture, cattle raising, fishing, forestry and timber industry</b>	<b>3,020,419</b>	<b>0.9</b>	<b>3,466,653</b>	<b>1.0</b>
<b>Individuals</b>	<b>147,352,556</b>	<b>43.2</b>	<b>141,823,656</b>	<b>40.0</b>
<b>Total</b>	<b>341,262,201</b>	<b>100.0</b>	<b>354,616,155</b>	<b>100.0</b>

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****f) Breakdown of loans and allowance for loan losses**

Level of risk	Non-performing loans		Portfolio balance		On June 30 - R\$ thousand			
	Installments past due	Installments not yet due	Total - non-performing loans	Performing loans	Total	% (1)	%	
							2016 YTD (2)	2015 YTD (2)
AA	-	-	-	81,448,857	81,448,857	23.9	23.9	21.8
A	-	-	-	119,765,076	119,765,076	35.1	59.0	61.2
B	510,612	1,889,054	2,399,666	58,263,139	60,662,805	17.8	76.8	78.9
C	1,199,835	3,330,937	4,530,772	36,437,178	40,967,950	12.0	88.8	91.9
<b>Subtotal</b>	<b>1,710,447</b>	<b>5,219,991</b>	<b>6,930,438</b>	<b>295,914,250</b>	<b>302,844,688</b>	<b>88.8</b>		
D	1,362,306	2,937,689	4,299,995	5,965,236	10,265,231	3.0	91.8	93.9
E	1,167,239	2,051,406	3,218,645	2,099,566	5,318,211	1.5	93.3	95.0
F	1,107,077	1,264,560	2,371,637	1,001,854	3,373,491	1.0	94.3	96.0
G	1,053,853	1,115,464	2,169,317	578,773	2,748,090	0.8	95.1	96.6
H	7,353,624	4,686,238	12,039,862	4,672,628	16,712,490	4.9	100.0	100.0
<b>Subtotal</b>	<b>12,044,099</b>	<b>12,055,357</b>	<b>24,099,456</b>	<b>14,318,057</b>	<b>38,417,513</b>	<b>11.2</b>		
<b>Total in 2016</b>	<b>13,754,546</b>	<b>17,275,348</b>	<b>31,029,894</b>	<b>310,232,307</b>	<b>341,262,201</b>	<b>100.0</b>		
<b>%</b>	<b>4.0</b>	<b>5.1</b>	<b>9.1</b>	<b>90.9</b>	<b>100.0</b>			
<b>Total in 2015</b>	<b>10,478,132</b>	<b>14,792,798</b>	<b>25,270,930</b>	<b>329,345,225</b>	<b>354,616,155</b>			
<b>%</b>	<b>2.9</b>	<b>4.2</b>	<b>7.1</b>	<b>92.9</b>	<b>100.0</b>			

(1) Percentage of level of risk in relation to the total portfolio; and

(2) Cumulative percentage of level of risk on total portfolio.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

Level of risk	% Minimum provisioning required	Minimum required Specific		Provision			Ex
		Installments past due	Installments not yet due	Total specific	Generic	Total	
AA	-	-	-	-	-	-	-
A	0.5	-	-	-	598,910	598,910	2
B	1.0	5,106	18,891	23,997	582,631	606,628	2
C	3.0	35,995	99,928	135,923	1,093,115	1,229,038	1,3
<b>Subtotal</b>		<b>41,101</b>	<b>118,819</b>	<b>159,920</b>	<b>2,274,656</b>	<b>2,434,576</b>	<b>1,8</b>
D	10.0	136,231	293,769	430,000	596,524	1,026,524	2,0
E	30.0	350,172	615,422	965,594	629,870	1,595,464	1,0
F	50.0	553,538	632,280	1,185,818	500,927	1,686,745	6
G	70.0	737,697	780,824	1,518,521	405,141	1,923,662	7
H	100.0	7,353,624	4,686,238	12,039,862	4,672,628	16,712,490	
<b>Subtotal</b>		<b>9,131,262</b>	<b>7,008,533</b>	<b>16,139,795</b>	<b>6,805,090</b>	<b>22,944,885</b>	<b>4,5</b>
<b>Total in 2016</b>		<b>9,172,363</b>	<b>7,127,352</b>	<b>16,299,715</b>	<b>9,079,746</b>	<b>25,379,461</b>	<b>6,4</b>
%		<b>28.8</b>	<b>22.4</b>	<b>51.2</b>	<b>28.6</b>	<b>79.8</b>	
<b>Total in 2015</b>		<b>6,539,170</b>	<b>6,089,751</b>	<b>12,628,921</b>	<b>7,094,631</b>	<b>19,723,552</b>	<b>4,0</b>
%		<b>27.5</b>	<b>25.7</b>	<b>53.2</b>	<b>29.9</b>	<b>83.1</b>	

(1) Percentage of existing provision in relation to total portfolio, by level of risk; and

(2) On June 30, 2016, it includes a provision for guarantees provided, comprising sureties, letters of credit and standby letter of credit, which is presented here within the balance for excess provision, and totals R\$1,856,267 thousand (R\$511,396 thousand in 2015) (Note 19b).

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****g) Changes in allowance for loan losses**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
<b>Opening balance</b>	<b>29,416,600</b>	<b>23,068,867</b>
- Specific provision (1)	14,196,821	11,931,414
- Generic provision (2)	8,811,051	7,131,452
- Excess provision (3) (4)	6,408,728	4,006,001
<b>Additions (Note 9h-1)</b>	<b>11,661,567</b>	<b>8,014,705</b>
<b>Net write-offs/other</b>	<b>(9,288,212)</b>	<b>(7,356,805)</b>
<b>Closing balance</b>	<b>31,789,955</b>	<b>23,726,767</b>
- Specific provision (1)	16,299,715	12,628,921
- Generic provision (2)	9,079,746	7,094,631
- Excess provision (3) (4)	6,410,494	4,003,215

(1) For contracts with installments past due for more than 14 days;

(2) Recorded based on the customer/transaction classification and therefore not included in the preceding item;

(3) The additional provision is recorded based on Management's experience and the expectation in relation to the loan portfolio, to determine the total provision deemed sufficient to cover specific and general credit risk, when considered together with the provision calculated based on levels of risk and the corresponding minimum percentage in the provision established by Resolution No. 2,682/99. The excess provision per customer was classified according to the level of risk in Note 9f; and

(4) On June 30, 2016, it includes the provision for guarantees provided, comprising sureties, letters of credit and standby letter of credit, which is presented here within the balance for excess provision, and totals R\$1,856,267 thousand (R\$511,396 thousand in 2015) (Note 19b).

**h) Allowance for Loan Losses expense net of amounts recovered**

Expenses with the allowance for loan losses, net of credit write-offs recovered, are as follows.

	Accrued on June 30 - R\$ thousand	
	2016	2015
Amount recorded (1)	11,661,567	8,014,705
Amount recovered (2)	(2,328,863)	(1,891,007)
<b>Allowance for Loan Losses expense net of amounts recovered</b>	<b>9,332,704</b>	<b>6,123,698</b>

(1) In the first semester of 2016, includes amount recorded of the provision of guarantees offered, comprising sureties, guarantees, letters of credit and standby letter of credit, which are presented in the "excess" provision, totaling R\$1,162,084 thousand (R\$89,800 thousand in 2015); and

(2) Classified in income from loans (Note 9j).

#### i) Changes in the renegotiated portfolio

	Accrued on June 30 - R\$ thousand	
	2016	2015
<b>Opening balance</b>	<b>12,728,723</b>	<b>10,775,621</b>
Amount renegotiated	7,189,551	6,250,184
Amount received	(3,513,892)	(3,414,646)
Write-offs	(2,535,123)	(2,047,465)
<b>Closing balance</b>	<b>13,869,259</b>	<b>11,563,694</b>
Allowance for loan losses	<b>9,084,751</b>	7,137,054
Percentage on renegotiated portfolio	65.5%	61.7%

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****j) Income from loans and leasing**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Discounted trade receivables and loans	23,663,897	21,882,730
Financing	7,577,322	7,210,050
Agricultural and agribusiness loans	913,669	726,173
<b>Subtotal</b>	<b>32,154,888</b>	<b>29,818,953</b>
Recovery of credits charged-off as losses	2,328,863	1,891,007
<b>Subtotal</b>	<b>34,483,751</b>	<b>31,709,960</b>
Leasing, net of expenses	160,744	268,904
<b>Total</b>	<b>34,644,495</b>	<b>31,978,864</b>

**10) OTHER RECEIVABLES****a) Foreign exchange portfolio****Balances**

	On June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
<b>Assets – other receivables</b>		
Exchange purchases pending settlement	8,658,659	12,307,567
Exchange sale receivables	25,208,159	4,316,796
(-) Advances in domestic currency received	(392,366)	(452,988)
Income receivable on advances granted	101,165	74,134
<b>Total</b>	<b>33,575,617</b>	<b>16,245,509</b>
<b>Liabilities – other liabilities</b>		
Exchange sales pending settlement	24,411,712	4,361,675
Exchange purchase payables	9,422,529	11,611,070
(-) Advances on foreign exchange contracts	(8,419,267)	(7,835,451)

Other	10,850	4,737
<b>Total</b>	<b>25,425,824</b>	<b>8,142,031</b>
<b>Net foreign exchange portfolio</b>	<b>8,149,793</b>	<b>8,103,478</b>
<b>Off-balance-sheet accounts:</b>		
- Loans available for import	66,249	276,225
- Confirmed exports loans	91,001	70,619

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****Foreign exchange results****Adjusted foreign exchange results for presentation purposes**

	Accrued on June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
<b>Foreign exchange income</b>	<b>(3,832,063)</b>	<b>1,252,100</b>
<b>Adjustments:</b>		
- Income on foreign currency financing (1)	66,736	139,402
- Income on export financing (1)	989,057	685,895
- Income on foreign investments (2)	1,772	26,940
- Expenses of liabilities with foreign bankers (3) (Note 16c)	66,308	(769,822)
- Funding expenses (4)	(806,526)	(424,604)
- Other (5)	4,270,806	(408,682)
<b>Total adjustments</b>	<b>4,588,153</b>	<b>(750,871)</b>
<b>Adjusted foreign exchange income</b>	<b>756,090</b>	<b>501,229</b>

(1) Recognized in "Income from loans";

(2) Recognized in "Income from operations with securities";

(3) Related to funds for financing of advances on foreign exchange contracts and import financing, recognized in "Borrowing and on-lending expenses";

(4) Refers to funding expenses of investments in foreign exchange; and

(5) Primarily includes the exchange rate variations of resources invested in foreign currency.

**b) Sundry**



	On June 30 - R\$ thousand	
	<b>2016</b>	<b>2015</b>
Deferred tax assets (Note 33c)	46,694,004	36,668,175
Credit card operations	20,996,544	19,300,117
Debtors for escrow deposits	13,047,277	11,629,462
Prepaid taxes	5,864,726	5,155,285
Trade and credit receivables (1)	4,882,144	3,284,289
Other debtors	2,422,838	2,977,834
Payments to be reimbursed	778,728	653,936
Receivables from sale of assets	92,359	92,741
Other	501,793	437,586
<b>Total</b>	<b>95,280,413</b>	<b>80,199,425</b>

(1) Primarily includes receivables from the acquisition of loans without substantial transfer of risks and benefits.

## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements****11) OTHER ASSETS****a) Foreclosed assets/other**

	<b>Cost</b>	<b>Provision for losses</b>	<b>On June 30 - R\$ thousand Cost net of provision</b>	
			<b>2016</b>	<b>2015</b>
Real estate	1,398,188	(232,118)	1,166,070	821,984
Vehicles and similar	670,065	(353,433)	316,632	277,021
Goods subject to special conditions	327,352	(327,352)	-	-
Inventories/warehouse	53,853	-	53,853	51,642
Machinery and equipment	27,692	(18,025)	9,667	4,501
Other	26,383	(19,133)	7,250	5,784
<b>Total in 2016</b>	<b>2,503,533</b>	<b>(950,061)</b>	<b>1,553,472</b>	
<b>Total in 2015</b>	<b>1,880,863</b>	<b>(719,931)</b>		<b>1,160,932</b>

**b) Prepaid expenses**

	<b>On June 30 - R\$ thousand</b>	
	<b>2016</b>	<b>2015</b>
Deferred insurance acquisition costs (1)	2,008,798	1,980,613
Commission on the placement of loans and financing (2)	536,610	1,055,567
Advertising and marketing expenses (3)	139,898	104,403
Other (4)	1,109,679	439,396
<b>Total</b>	<b>3,794,985</b>	<b>3,579,979</b>

(1) Commissions paid to brokers and representatives on sale of insurance, pension plans and capitalization bond products;

(2) Commissions paid to storeowners, car dealers and correspondent banks – payroll-deductible loans;

(3) Prepaid expenses of future advertising and marketing campaigns on media; and

(4) It includes, principally, (i) anticipation of commissions concerning the operational agreement to offer credit cards and other products and (ii) card issue costs.

**12) INVESTMENTS****a) Composition of investments in the consolidated financial statements**

	On June 30	
	thous	
<b>Associates and Jointly Controlled Companies</b>	<b>2016</b>	<b>2015</b>
- Cielo S.A.	3,538,118	2,818
- Elo Participações S.A. (1)	882,820	707
- IRB-Brasil Resseguros S.A.	602,231	573
- Fleury S.A.	520,714	176
- Fidelity Processadora e Serviços S.A. (2)	-	287
- Aquarius Participações S.A. (2)	278,093	
- Haitong Banco de Investimento do Brasil S.A.	131,128	131
- Integritas Participações S.A. (3)	-	493
- Others	308,110	310
<b>Total investment in Associates and Jointly Controlled Companies – in Brazil and Overseas</b>	<b>6,261,214</b>	<b>5,498</b>
- Tax incentives	234,717	234
- Other investments	153,849	173
Provision for:		
- Tax incentives	(207,933)	(207,933)
- Other investments	(40,383)	(61,383)
<b>Total investments</b>	<b>6,401,464</b>	<b>5,637</b>

(1) A jointly-owned, parent company of Cia. Brasileira de Soluções e Serviços - Alelo, which acquired, through its subsidiaries, 100% of Banco CBSS S.A., whereby the only portion corresponding to the divestiture of third party shares is recognized as the income for the period.

(2) In January 2016, Aquarius Participações S.A. was endowed with the contribution of the investment of Fidelity Processadora e Serviços S.A.; and

(3) Company incorporated by Bradseg Participações S.A. in October 2015.

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## Consolidated Financial Statements, Independent Auditors' Report, Audit Committee Report Summary and Fiscal Council's Report

**Notes to the Consolidated Financial Statements**

**b)** The income/expense from the equity method accounting of investments was recorded in the income statement, under "Equity in the Earnings (Losses) of Unconsolidated and Jointly Controlled Companies", and correspond in the first semester of 2016 to R\$785,133 thousand (R\$664,053 thousand in the first semester of 2015).

Companies	Capital Stock	Shareholders' equity adjusted	Number of shares/ quotas held (in thousands)		Equity interest consolidated on capital stock	Adjusted income a
			ON	PN		
- Elo Participações S.A. (2)	800,227	1,765,287	372	-	50.01%	223,4731
- IRB-Brasil Resseguros S.A. (3)	1,453,080	2,936,280	63,727	-	20.51%	257,977
- Aquarius Participações S.A. (4)	647,671	567,537	317,351	-	49.00%	47,565
- Haitong Banco de Investimento do Brasil S.A.	420,000	655,640	12,734	12,734	20.00%	17,725

Accrued on June 30