RISK MANAGEMENT REPORT

Pillar 3

3Q17

Bradesco

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Contents

1. Presentation of the Report

Financial market globalization has prompted the appearance of financial activities and instruments that are outside the reach of domestic bank oversight authorities. On the other hand, differences in national regulations to which banks were subject created inequalities in international competitive conditions. To mitigate the effects of these gaps and conditions, the Basel Committee on Banking Supervision was created in 1974 with the mission of promoting international convergence in capital standards and bank management practices. The need to add other financial segments to the convergence process led to the creation of the Financial Stability Board, in 2009, to coordinate the work of the Basel Committee and other financial activity supervisory bodies.

Currently, the banking segment guidelines defined by these two bodies are organized in accordance with a structure known as "the three pillars".

Pillar 1 – Capital Requirement: Sets the minimum capital standards to be required from the banks, as well as the methodologies to be used to measure credit, market, and operating risks.

Pillar 2 – Supervision Process: Establishes the principles of performance of the banking system supervisors and sets criteria to address risks not covered under Pillar 1. The risk management processes are also included in this part of the guidance.

Pillar 3 – Market Discipline: Recommends banks to broadly disclose a set of basic information in such a manner as for financial market participants to be able to undertake well-grounded assessments of the risks these institutions incur.

This report seeks to provide stakeholders access to information on risk management in the Bradesco Organization (herein also referred to as 'Organization'). It presents a detailed picture of the practices and controls of the main risks to which it is exposed, thus allowing market agents to appraise its capital adequacy. Also, this report is in accordance with Basel Committee on Banking Supervision's recommendations, and other Central Bank of Brazil's ('BCB') rules required by the BCB through Circular Letter 3,678, of October 31, 2013.

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

This report complies with the requirements of Pillar 3 and should be read with other documents disclosed by the Organization, such as the Report on Economic and Financial Analysis and the Financial Statements Consolidated of Prudential Conglomerate, which present information on all Organization's activities. For more information, access our Investors Relations website at www.bradescori.com.br.

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

2. Regulatory Risk Indicators – Prudential Conglomerate

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CAPITAL INDICES			
Basel Ratio	**17.7%**	**16.7%**	**14.5%**
Minimum Regulatory Requirement	10.8%	10.8%	10.5%
Tier I Ratio	**13.4%**	**12.5%**	**11.1%**
Minimum Regulatory Requirement	7.5%	7.5%	6.6%
Commom Equity Ratio [1]	**12.5%**	**11.6%**	**11.1%**
Minimum Regulatory Requirement	6.0%	6.0%	5.1%
Capital Composition - R$ Million			
Reference Equity (A + B + C)	**106,682**	**103,050**	**95,056**
Tier I Reference Equity (A + B)	**80,889**	**77,322**	**72,654**
Tier II Reference Equity (C)	**25,793**	**25,728**	**22,401**
A. Core Capital	**75,363**	**71,949**	**72,654**
Shareholders' Equity	110,301	106,808	98,550
Prudential Adjustments	(34,938)	(34,859)	(25,896)
B. Additional Capital	**5,526**	**5,374**	**-**
C. Tier II	**25,793**	**25,728**	**22,401**
Subordinated Debt	25,793	25,728	22,401
Risk Weighted Assets	**604,581**	**618,611**	**657,148**
Credit Risk Weighted Assets	547,411	550,858	588,914
Market Risk Weighted Assets	9,564	20,530	17,791
Operating Risk Weighted Assets	47,605	47,222	50,444
LEVERAGE RATIO [2]	**7.4%**	**7.2%**	**6.7%**
Reference Equity Level I	80,889	77,322	72,654
Total Exposure	1,088,997	1,075,254	1,089,655
LIQUIDITY COVERAGE RATIO (LCR)	**154.4%**	**155.1%**	**170.5%**
Minimum Regulatory Requirement	**80.0%**	**80.0%**	**70.0%**

1 - The Main Capital Ratio considers the additional Conservation, Systemic Risk and Countercyclical capital buffers, as established in Resolution 4193/13 and Circular Letters 3768/15 and 3769/15, respectively.

2 - The minimum required ratio will be defined up until 2018. For now, the minimum ratio of 3% has been used as reference in Basel.

3. Scope of Risk Management

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

4. Risk Appetite

Risk appetite refers to the types and levels of risk that the Organization is willing to accept in the conduct of its business and objectives. The Risk Appetite Statement ('RAS') is an important tool that synthesizes the Organization's risk culture, and drive strategic and business plans, guides budget planning, and allows top management to optimize allocation within acceptable levels and types of risk.

At the same time, RAS emphasizes the existence of an effective process of responsibilities in the operational risk management and in the execution of the control functions, as well as for the mitigating and disciplinary actions, escalation processes and notification to the Senior Management whenever risk thresholds and established control processes are breached.

The Risk Appetite Statement is reviewed annually, or whenever it is necessary by the Board of Directors and is continuously monitored by Senior Management's forums as well by business and control areas.

RAS reinforces the dissemination of risk culture by making it possible for all members to be aware of the main aspects of the Organization's risk appetite.

For the various types of risks, which are measurable and non-measurable, Bradesco organization has established control approaches observing the main global dimensions:

Solvency: to maintain an adequate level of capital, including in a prospective view, to cope with unexpected losses, stress situations and business opportunities, in compliance with regulatory requirements and assuring Bradesco organization's soundness.

Profitability: to remunerate its capital in a sustainable way, seeking to meet the shareholder's remuneration expectation in relation to the risks incurred in its business.

Liquidity: to maintain pulverized and low cost sources of funding through a capillary network and dynamic and adequate segmentation to ensure a cash structure compatible with the size of its obligations, assuring survival in adverse scenarios.

Credit: to focus on domestic market, in a diversified and pulverized manner, both in terms of products and segments, striving for the portfolio's quality and solidness, with guarantees consistent with the undertaken risks, considering the amounts, the purposes and terms of the granted loans, maintaining adequate loss provision levels and with low concentration levels.

Market: to align the exposures to the strategic guidelines, with specific limits established in an independent manner and with the risks properly mapped, measured and classified as to probability and magnitude.

Operational: to mitigate operational risks related to fraud, corruption, intentional violations of legislative or regulatory requirements, as well as to mitigate human or procedural failures in support and business activities.

More detailed information about the Risk Appetite Statement is available at www.bradescori.com.br.

5. Risk Map

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

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

- **Model Risk -** represented by the possibility of losses due to models with errors or inconsistencies, deficiencies or inadequacies in the development process, implementation or use.

- **Contagion Risk -** represented by the possibility of losses at financial institutions due to the occurrence of adverse events in its related companies and/or relevant equities.

In addition to the main risks described above and considering the business environment in which the Organization operates, we recognize the importance of constantly monitoring emerging risks that may adversely impact the Organization's exposures, as listed below:

- **Deterioration of Brazil's economic and fiscal scenarios:** increased instability, hindering governability and preventing or postponing the continuity of necessary tax adjustments, with adverse impacts, such as currency depreciation (with inflationary effects) and the possibility of once again hampering economic recovery;

- **Frustration of global growth:** given the fragile global growth, new negative shocks may create unfavorable conditions in the financial markets, with limited room for monetary and tax stimuli in some developed countries with little reaction power;

- **Rising of inflation and interest rates in the United States:** a sudden increase in domestic prices and gradual rise of interest rates, leading to the risk of capital flight from emerging countries;

- **Unpredictable economic environment of U.S.:** uncertainty regarding trade policies with China and Mexico and the new government's geopolitical stance;

- **Geopolitical issues:** increasingly tension between the USA and North Korea. In addition, concerns about the Islamic State's rising in the Middle East, with increasing risk of terrorist attacks in Europe. Other countries (e.g. Venezuela) are yet under monitoring;

- **Impacts of Brexit and European elections:** trade decrease between the United Kingdom and Europe , and risk of political and financial destabilization (populism) in the Euro Zone;

6. Risk Management Process

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

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

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

↗	**Identification**	■ Identifying risks related to the Organization´s activies, regarding business, products and services evaluation and classification in the risk scope.
	↓	
↑	**Measurement**	■ Calculates expected and unexpected losses through internationally known methodologies, either under ordinary market conditions or stressful situations. Compatible measurement tools are used due to the complexity of existing operations, products and services.
	↓	
	Mitigation	■ Represents the measures taken by the Organization to reduce risks by adopting actions that minimize the impact should there be contrary events. For instance, it comprises internal control activities, the use of security interest, fiduciary contract, hedges, subscription policies, risk transfer, among others.
	↓	
	Monitoring	■ The Organization has several activities focused on ensuring the proper behavior of risks, respecting the policies and established limits, and also verifies the effectiveness of internal controls and correct design of processes and their updates.
	↓	
↖	**Reporting**	■ Focuses on all actions involving the disclosure of risk and control information, carried out on a timely basis, involving all levels of the Organization, market and domestic and foreign regulators.

6.1. Risk and Capital Management Policies

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

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

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

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

6.2. Risk and Capital Management Structure

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

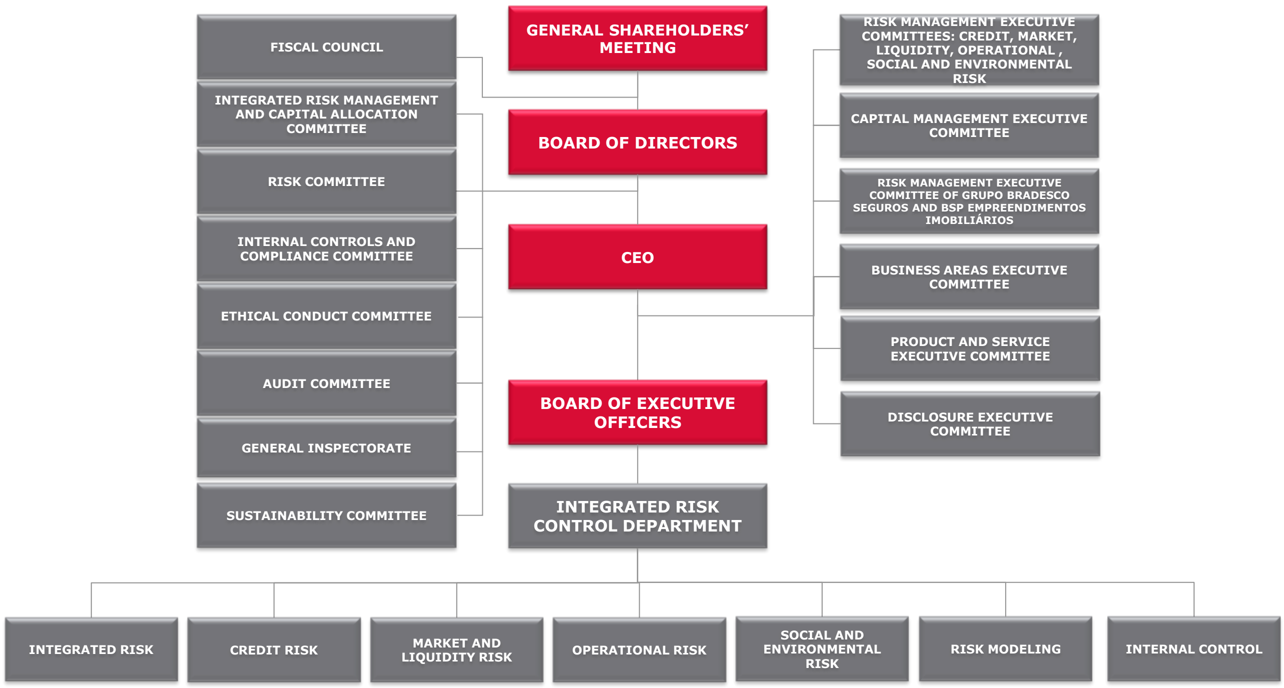
The Organization has a committee known as the Integrated Risk and Capital Allocation Management Committee, whose duty is to advise the Board of Directors in performing its duties in the Capital and Risk Management and Control.

In compliance with National Monetary Council's (CMN) Resolution 4,557, the Risk Committee has been set up with the objective, also to advise the Board of Directors on the performance of its responsibilities related to risk and capital management, as well as the appointment of the Chief Risk Officer (CRO), who among other duties, supervises the development, implementation and performance of the risk management framework, including its improvement, in an independent manner and reporting to the Risk Committee, Chief Executive Officer and the Board of Directors.

The Bradesco Organization's Board of Directors approved the information disclosed in this report regarding the Risk and Capital management structure description.

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

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



6.3. Risk and Capital Management Governance

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

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

Board of Directors	■ Approves and revises risk management strategies, and risk and capital management structures and policies, including risk appetite and exposure limits by types of risk, as well as the stress testing program, its results, scenarios and assumptions applied.
Integrated Risk Management and Capital Allocation Committee	■ Validates and submits exposure appetite and limits by types of risk for approval by the Board of Directors; ■ Validates and submits risk and capital management policies for approval by the Board of Directors; ■ Validates and submits for approval by the Board of Directors the stress testing program, including the parameters, scenarios, assumptions, its results and the management mitigating actions for the impacts; ■ Ensures compliance with risk management policies; ■ Monitors risk profile, performance, capital requirements and sufficiency exposure versus limits and risk control; ■ Takes note of the rules issued by the Basel Committee on Banking Supervision (BCBS), estimate the impacts for its adjustment and monitor its implementation.
Risk Committee	■ Evaluates risk appetite levels set in the Risk Appetite Statement (RAS) and the strategies for its management; ■ Oversees the CRO's activities and performance, and ensures Senior Management's compliance with the terms of the Risk Appetite Statement; ■ Evaluates the levels of adherence of the risk management processes structure to established policies; ■ Proposes recommendations to the Board of Directors on policies, strategies and limits for risk and capital management, stress testing program, business continuity policy, capital and liquidity contingency plans, and capital planning.
Audit Committee	■ Revises the integrity of financial statements; ■ Recommends to the Board of Executive Officers corrections or improvements to policies, practices and procedures identified within the scope of its duties.
Internal Controls and Compliance Committee	■ Evaluates the effectiveness and compliance of the Organization's Internal Controls System; ■ Certifies the compliance of procedures with rules, regulations and applicable laws;

	■ Submits Semester Reports on Compliance with Internals Controls on the Organization's companies to the Board of Directors.
Ethical Conduct Committee	■ Ensures that infractions and violations of corporate and sectoral Codes of Ethical Conduct; and breaches of anti-corruption and competitive conduct are followed by applicable disciplinary actions, regardless of hierarchical level, and without prejudice to applicable legal penalties; ■ Ensures that the Board of Directors is aware of matters that may have a significant impact on the Bradesco Organization's image; ■ Forward for deliberation of the Board of Directors the subjects related to the Bradesco Organization's Directors.
Inspectorate/Internal Auditors	■ Certifies the business risk management process; ■ Ensures compliance with policies, rules, standards, procedures and internal and external regulations; ■ Recommends improvements to the internal control environment.
Executive Disclosure Committee	■ Supports Senior Management in evaluating the disclosure of transactions and relevant information related to the Organization; ■ Evaluates reports to ensure they are prepared in accordance with controls and procedures defined for their preparation.
Executive Committees **Market and Liquidity Risks** **Credit Risk** **Operational and social and environmental Risk** **Grupo Bradesco Seguros and BSP Empreendimentos Imobiliários Risks**	■ Guarantee compliance with risk management policies; ■ Ensure the effectiveness of the risk management process; ■ Approve definitions, criteria and procedures to be adopted, in addition to methodologies, models and tools used in management and measurement of risk; ■ Monitor and evaluate information on risk exposure level, both consolidated and by area; ■ Monitor market movements and developments, evaluating the implications and risks thereof.
Capital Management Executive Committee	■ Approves capital management methodologies, definitions, criteria and tools; ■ Evaluates and submits for approval by the Risk Management and Capital Allocation Committee the policy, structure, documents, responsibilities, risk appetite, capital plan and capital adequacy report.
Product and Service Executive Committee	■ Ensures that all risks have been pointed out and are acceptable, resolving on the creation, change, suspension or discontinuity of products and services.
Collection and Recovery Executive Committee	■ Resolves on proposals for the renegotiation of debts overdue or with potential risk loss; ■ Approves corporate rules, procedures, measures and guidelines related to the Credit Collection and Recovery; ■ Defines limits of authorization to approve debt renegotiation.

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

Aiming at the search for the best practices of Governance and Corporate Conduct within the highest ethical standards and principles, it has been created The Department of Compliance, Conduct and Ethics (DCCE), whose mission is to independently ensure that the Organization is aligned with its principles, legislation and regulations, contributing to the sustainable and ethical development of its business, society in general and the continuous improvement of Risk Management.

6.4. Stress Testing Program

The risk management framework relies on a stress testing program, which is defined as a coordinated set of processes and routines, endowed with its own methodologies, documentation and governance, with the main objective of identifying potential institution’s vulnerabilities. The stress tests are forward looking exercises of potential impacts of adverse events and circumstances on the capital, liquidity or in portfolio value within the Organization.

The Board of Directors and Senior Management are responsible for approving the program, the guidelines to be followed and for the approval of stress test’s scenarios and results.

Stress tests are used as a tool for risk management, in the identification, measurement, evaluation, monitoring, control and mitigation of the institution's risks. The stress tests results are inputs for assessing the institution’s capital and liquidity levels, for the preparation of respective contingency plans, for the capital adequacy assessment and for the recovery plan. Likewise, the results are taken into account in the decisions related to strategic guidelines, in the definition of risk appetite levels and limits applied to risk and capital management, as well as in the definition of governance actions with the objective of mitigating identified risks inconsistent with the Organization's risk appetite.

7. Risks: Process, Measurement and Control

7.1. Credit Risk

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

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

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

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

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

Counterparty Credit Risk

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

The Organization exercises complete control over its net position (the difference between purchase and sale agreements) and the potential future exposure of operations involving counterparty risk. All exposure to counterparty risk is part of the general credit limits set for Organization's customers. Normally, guarantees related to this type of operation are margin deposits made by the counterparty to the Organization or other custodial institutions, which also duly assess their own counterparty risks.

7.1.1. Credit Risk Management Process

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

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

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

7.1.2. Lending Process

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

The methodologies adopted value business agility and profitability, with targeted and appropriate procedures oriented to the granting of credit transactions and establishment of operating limits.

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

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

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

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

There are exclusive Credit and Behavior Scoring systems for the assignment of mass loans in the Retail segment, intended to provide speed and reliability, while standardizing the procedures for loan analysis and approval.

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

7.1.3. Credit Risk Mitigation

Potential credit losses are mitigated by the use of a series of collaterals formally stipulated through legal instruments, such as conditional sales, liens, mortgages, by guarantees such as third-party sureties or guarantees, and also by financial instruments such as credit derivatives. The efficiency of these instruments is evaluated considering the time to recover and realize an asset given as collateral, its market value, the guarantors' counterparty risk and the legal safety of the agreements. The main types of collaterals include: term deposits; financial investments and securities; residential and commercial properties; movable properties such as vehicles, aircraft; furthermore, security interest also include commercial bonds such as invoices, checks and credit card bills. Sureties and guarantees may also include bank guarantees.

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

7.1.4. Credit Risk Rating

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

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

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

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

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

The criteria set forth by National Monetary Council Resolution 2,682 for recording the necessary provisions were maintained according to the rating equivalence shown in the following table.

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

7.1.5. Controlling and Monitoring

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

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

The area also monitors any internal or external event that may cause a significant impact on the Organization's credit risk, such as mergers, bankruptcies and crop failure, in addition to monitoring industries in which the company is exposed to significant risks.

Both the governance process and existing limits are sanctioned by the Integrated Risk and Capital Allocation Management Committee, which are submitted for the approval of the Board of Directors, and are revised at least once a year.

7.1.6. Internal Reporting

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

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

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

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

7.2. Social and Environmental Risk

Social and environmental risk refers to the potential damage that an economic activity can cause to society and the environment. Those risks associated with financial institutions are mainly indirect ones, arising from business relationships, including those in the supply chain and with customers, in the form of financing and investment activities.

In constantly seeking to perfect its organizational structure, the Organization centralized the control of social and environmental risk to DCIR in 2014.

7.2.1. Management of Social and Environmental Risk

The process of managing social and environmental risk permits risks to be identified in advance, measured, minimized, monitored and reported; this is necessary in view of the complexity of the Organization’s financial products and the nature of its activities.

In this context, the Organization has issued its Social and Environmental Risk Regulations to determine which credit transactions, real estate guarantees, investments and suppliers should be analyzed in terms of social and environmental risk. These rules fulfill the Organization’s commitment to implement Equator Principles III, indicating the situations where credit transactions or financial advice must meet these requirements.

Equator Principles

A signatory to Equator Principles since 2004, the Organization has since the beginning of 2014 complied with version III, which introduced a number of changes including broadening the scope of application of the commitment to corporate project finance and bridge loans. Among the requirements of Equator Principles III are working conditions and the impact on the community and the environment of projects financed by the Organization, subject to Brazilian law and the standards and guidelines of the International Finance Corporation (IFC). During the credit process, these projects undergo a thorough Social and Environmental Risk analysis that includes the details obtained from studies, licenses, authorizations, information on the project, and data such as the venture’s georeferencing.

In granting loans for major projects, the Organization follows the guidelines contained in the Equator Principles III, and assesses and monitors projects that present significant risks covered by these principles.

Implementation of Equator Principles III

The Organization's Financial Advisory and Project Finance service is structured on Banco Bradesco de Investimentos (BBI), with the support of the DCIR Social and Environmental Risk Control Area in presenting the content, application and benefits of compliance with Equator Principles III by the proposed project.

Transactions involving Project Finance, Corporate Project Lending and Bridge Loans are structured mainly for the Corporate customers, which is responsible for obtaining and registering business by means of credit proposals. The economic and financial aspects of these proposals are analyzed by the Credit Department and social and environmental risk is assessed by the Social and Environmental Risk Control Area.

This area assesses proposals, analyzes documents, and categorizes projects under Equator Principles III classifications of High Risk (Category A), Moderate Risk (Category B) or Low Risk (Category C). It then issues an opinion on social and environmental risk, according to the guidelines contained in the Principles:

High Risk (Category A) – Projects with potential for significant risks and/or social or environmental impact, which are multiple, irreversible or unprecedented.

Moderate Risk (Category B) – Projects with potential for limited risks and/or social or environmental impact, in small numbers, limited in area, easily reversible and speedily controlled by mitigatory measures.

Low Risk (Category C) – Projects with no or very little risk or negative social or environmental impact, or with minimal, reversible risks that can be mitigated.

Loan agreements for transactions approved according to the established internal flow contain social and environmental obligations which are monitored periodically.

The period that elapsed between the publication of the Principles and their implementation was very important in terms of lessons learned. During this period, it was possible to hold meetings with other Brazilian bank signatories to discuss the issues involved in implementing Equator Principles III.

Internally, it was possible to plan for suitable processes, training the staff who would be dealing with the issue and involving the executive forums that are part of the social and environmental risk management process in the Organization.

For training on the new processes and procedures arising from Equator Principles III, meetings were arranged with the analysts and managers of the areas involved within the Organization.

To add value to the analysis and control of social and environmental risk, and to help train the team, the analysts are allocated to working groups on specific issues such as: Contaminated Areas, Sustainable Finance, Biodiversity and so on. They are also members of the Equator Principles LATAM Brazilian Task Force and attend meetings with other Brazilian bank signatories to update themselves and share experiences in respect of Equator Principles III guidelines.

7.2.2. Controlling and Monitoring

Credit Operations

The Organization oversees the process of analysis, approval, documentation and subsequent monitoring of transactions covered by Equator Principles III. To this end, the following items are analyzed:

- Project Finance Advisory Services for transactions exceeding US$10 million;
- Project Finance for transactions exceeding US$10 million;

- Corporate Project Lending where

  a) the greater part of the loan is directed towards a single project over which the customer has effective operating control;
  b) the total value of the transaction exceeds US$100 million;
  c) the Organization's individual commitment (as a member of a syndicate) is exceeds US$50 million; or
  d) the loan has a duration over two years.

- Bridge loans for less than two years to be refinanced by Project Finance or Corporate Project Lending.

In addition to complying with Equator Principles III, the Organization also obeys a set of criteria applying to social and environmental issues in credit analysis for projects where there is potential social or environmental risk.

This analysis includes checking for the existence of contaminated areas, as disclosed by the States of São Paulo, Minas Gerais and Rio de Janeiro, or areas embargoed or assessments drawn up by the Brazilian Institute for the Environment and Natural and Renewable Resources (IBAMA), licenses, certificates, archeological reports, environmental impact reports and other environmental studies, as well as undertaking technical visits when required. To put the potential impact of projects into context, satellite images with public information are also used to indicate the location of Brazil's biomes, conservation units, indigenous lands, caves, mining activities, biodiversity and cities, and to provide other information to help with a detailed analysis of the place where the project to be financed is located. These studies help to identify potential social and environmental risks, to be discussed with the customers.

Decisions taken by the Executive Credit Committee take into consideration social and environmental risks as well as other economic and financial aspects. Once a loan has been approved, negotiations take place with the customer and the loan agreement will include social and environmental obligations. Thereafter, projects that represent potential social and environmental risks are regularly monitored to ensure that these contractual obligations are fulfilled.

The subjects related to Social and Environmental Risk are discussed in the Operational and Social and Environmental Risk Management Executive Committee (CEROS).

The Sustainability Committee is responsible for validating the Corporate Sustainability Policy, and which helps senior management to define strategies where involving organizational sustainability, and reports to the Board of Directors.

Supply Chain

The Organization conducts a Social and Environmental Assessment for Suppliers, to ensure that social and environmental risks in the supply chain are minimized. Under this program, suppliers are constantly and permanently assessed for compliance with environmental, labor and occupational health and safety legislation, and with the international standards and internal guidelines adopted by the Organization.

7.2.3. Internal Reporting

The topics relating to the analysis and monitoring of social and environmental risks are reported to the areas involved in the credit transaction and supplier processes, being regularly reported to the Executive Board and the Board of Directors.

7.3. Market Risk

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

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

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

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

In line with the best Corporate Governance practices, to preserve and strengthen the management of market risk in the Organization, as well as to meet the requirements of CMN Resolution 4,557, the Board of Directors approved the Market and Liquidity Risk Management Policy, reviewed at least once a year by the competent committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market and liquidity risk. In addition to this policy, the Organization has several specific rules that regulate the market risk management process, as follows:

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

7.3.1. Market Risk Management Process

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

7.3.2. Limit Definition

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

Trading Book: it comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in the Trading Book, which have no trading restrictions. Held-for-trading operations are those destined for resale, to obtain benefits from actual or expected price variations, or for arbitrage:

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

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

- Interest Rate Risk - Economic Value of Equity (EVE).

7.3.3. Market Risk Measurement Models

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

Trading and Regulatory Books

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

The methodology adopted to calculate VaR (Value at Risk) is the Delta-Normal, with a confidence level of 99% and considering the number of days necessary to unwind the existing exposures. The methodology is applied to the Trading and Regulatory Books (Trading Book positions plus Banking Book foreign currency and commodities exposures). It is worth noting that the historical simulation and the Delta–Gama–Vega models are applied to measure all risk factors to an options portfolio, whichever is the most conservative. A minimum 252-business-day period is adopted to calculate volatilities, correlations and historical returns.

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

Interest Rate Risk of the Banking Book

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

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

To measure the Banking Book interest rate risk, the early loan settlement premise is not used for this situation. For demand and savings deposits with undetermined maturity, their historical behaviors and the possibility of maintaining them are continuously analyzed. Thus, after all the deductions from demand and savings deposits, for example, the reserve requirements held at Central Bank of Brazil, the remaining balance (free funds) is allocated in accordance with the maturity flows of fixed-rate lending operations, for the savings deposits, the risk factor considered for its mapping is TR cupom.

7.3.4. Financial Instrument Pricing

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

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

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

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

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

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

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

7.3.5. Hedge and Use of Derivatives

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

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

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

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

Standardized Derivatives and Continued Use Derivatives

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

7.3.6. Control and Monitoring

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

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

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

7.3.7. Internal Reporting

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

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

7.4. Liquidity Risk

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

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

7.4.1. Liquidity Risk Management Process

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

The Organization has a Market Risk and Liquidity Management Policy approved by the Board of Directors, which has as one of its objectives to ensure the existence of standards, criteria and procedures that guarantee the establishment of the Minimum Liquidity Reserve (RML) for the Organization, as well as the strategy and action plans for liquidity crisis situations. The policy and controls established fully comply with National Monetary Council Resolution 4,557.

As part of the criteria and procedures approved, the Organization establishes the minimum daily liquidity reserves and the types of assets eligible for making up the resources available. It also establishes the instruments for managing liquidity in a normal scenario and in a crisis scenario and the strategies to be implemented in each case.

7.4.2. Controlling and Monitoring

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

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

In addition to the controlling and monitoring internal methodology, from October 2015 the Organization began to measure and report to Central Bank of Brazil the Short-Term Liquidity indicator (LCR), as provided by National Monetary Council Resolution 4,401 and Central Bank of Brazil Circular Letter 3,749.

7.4.3. LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is designed to ensure that the Organization maintains a sufficient level of liquid assets to cover liquidity needs in an eventual stress scenario. The LCR is the ratio between the stock of High Quality Liquid Assets (HQLA) and total net cash outflow, calculated based on a generic stress scenario. The formula below shows the main components of the indicator:

$$\textbf{LCR} = \frac{\textbf{HQLA}}{\textbf{Cash Outflows} - \textbf{Cash Inflows*}} \geq \textbf{\% Required}$$

*Limited to 75% of outflows

In accordance with the LCR implantation schedule, the level of the ratio between high quality liquid assets and total net cash outflows must comply with the following schedule:

Year	**2016**	**2017**	**2018**	**As of 2019**
% Required	70%	80%	90%	100%

The stress scenarios parameterization was conducted by the Regulator to capture idiosyncratic and market shocks, considering the period of thirty days. The items below show some of the shocks included in the methodology:

- the partial loss of retail and uncollateralized wholesale funding, as well as short-term funding capacity;
- the additional outflow of funds, contractually foreseen, due to the downgrading of the institution’s credit rating by up to three levels, including eventual additional collateral requirements;
- an increase in the volatility of factors that impact collateral quality or the potential future exposure of derivative positions, resulting in the application of larger collateral discounts or a call for additional collateral or in other liquidity requirements;
- withdrawals of higher than expected amounts from credit/liquidity lines granted; and
- the potential need to repurchase debt or honor non-contractual obligations in order to mitigate reputational risk.

High Quality Liquid Assets (HQLA)

HQLA are assets that maintain their market liquidity in periods of stress and that meet the minimum requirements established by the Central Bank of Brazil, such as, among others, being free of any legal impediment or restriction; suffering little or no loss in market value when converted into cash; having a low credit risk; easy and accurate pricing; and being traded in an active and important market, with little difference between the purchase and sale price, high traded volume and a large number of participants. These assets are subject to weighting factors which may reduce their value, for example in accordance with the risk rating of their issuer or the historic variation in their market price, among other requirements.

Cash Outflows and Inflows

Cash outflows are the result of a reduction in deposits and funding; the maturity of securities issued; scheduled contractual obligations for the next 30 days; margin adjustments and calls in derivative operations; the utilization/withdrawal of credit and liquidity lines granted by the Bank; and contingent cash outflows.

Cash inflows for the next thirty days correspond to the expected receipt of loans and financings; deposits; securities; and margin adjustments and easing in derivative operations.

7.4.4. Internal Reporting

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

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

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

7.5. Operational Risk

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

7.5.1. Operational Risk Management Process

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

- Identify, evaluate and monitor operational risks inherent to the Organization's activities, as well as new products/services and their conformity with procedures and controls;
- Map and treat operational losses recorded to comprise an internal database;
- Ensure the integrity of the loss data collected and provide analyses that generate quality information to the branches, aiming at improving operational risk management;

- Measure, control and report the evolution of operational losses assessing effective mitigation initiatives with the business areas/premises;
- Assess with managers, indicators, scenarios, and external operating loss data aiming at, possibly, incorporating/adjusting processes and controls, as well as at quantifying the impact on the economic capital;
- Assess and calculate the capital necessary for operational risk from the Regulatory and Economic Capital points of view; and
- Prepare reports on operational risk to present to the Committees, the Board of Executive Officers and related areas.

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

7.5.2. Methodology to Measure the Operational Risk

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

Moreover, the Organization uses the operational loss internal data, which are used to measure the operational risk based on internal models. In this context, the Organization classifies the operational risk events as follows:

Operational Risk Events	
■ **Internal Fraud**	■ **External Events**
■ **External Fraud**	■ **Information Technology**
■ **Human Resources**	■ **Processes**
■ **Commercial Relations**	

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

7.5.3. Controlling and Monitoring

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

The DCIR is responsible for coordinating the Internal Control and Operational Risk Commission (CIRO), which reports to the Operational and Social and Environmental Risk Management Executive Committee (CEROS), and whose main objectives are to analyze the behavior of operational losses of the business areas/premises, the efficiency and efficacy of the processes and controls adopted, the methodologies for provision and their impacts on operational risk management, as well as assess indicators, scenarios and external data regarding operational losses in order to incorporate/adjust processes and controls.

The DCIR is CEROS' advisory body, whose purpose is to advise the Chief Executive Officer in the performance of his or her attributions related to operational risk management, business continuity, social and environmental risk. Topics of relevance debated at this level are reported to the Integrated Capital Risk and Allocation Management Committee (COGIRAC), which reports to the Board of Directors.

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

7.5.4. Internal Reporting

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

7.6. Business Continuity Management - BCM

The Organization according to ABNT NBR ISO 22300, "Business Continuity" is "the ability of the organization to keep on delivering goods or services according to previously defined and acceptable levels after interruption incidents."

The procedures adopted after an interruption, which must ensure an acceptable operational level for critical business processes – whether internal or outsourced –, are provided for in a BCP – Business Continuity Plan or in a defined continuity strategy whose purpose is to resume the activities and reduce potential impacts for our customers.

The organizational structure and the governance established regarding Business Continuity include policies and corporate rules that define the roles and responsibilities that must ensure the update and efficiency of the plans and strategies in use through the application of tests and exercises in business units on a regular basis. This process also takes into account the critical processes carried out by service providers who are considered "Material Third Parties."

These policies and internal rules are in line with Central Bank of Brazil regulations and the recommendations of the Basel Committee on Banking Supervision. Business Continuity Management is under the responsibility of the Integrated Risk Control Department – DCIR of the Business Continuity Management (BCM) area.

7.6.1. Business Continuity Management Process

The management process of the business continuity is carried out in a corporate and integrated manner, in order to accomplish the annual cycle of this activity in the Organization. According to this process, the units must:

- review critical business processes based on the Business Impact Assessment (BIA);
- assess Business Continuity strategies;
- keep all plans duly reviewed and updated in a corporate tool;
- qualify the persons involved in the activities;
- test all plans and strategies according to the annual planning;
- analyze the outcomes and make the adjustments and improvements required;
- identify, assess and handle all continuity procedures that involve third parties that are deemed material for the unit's activities.

The business continuity actions are developed internally, based on the best practices issued by the key international entities in the sector: DRI International (USA) and BCI - Business Continuity Institute (UK). It also takes into account national rulings and frameworks, such as ABNT NBR ISO 22301 and ABNT NBR ISO 22313 standards.

7.6.2. Control and Monitoring

All stages of the Management process are monitored, controlled, and evidenced, being available to the Regulatory Bodies, and Internal and External Audits.

The Internal Controls area periodically carries out the assessment of controls concerning the management of the Business Continuity Management, such as:

• Compliance Report: shows the principal outcomes, positive points and points of attention.

• Corporate Self-assessment: applied on a yearly-basis for a sample of employees, its purpose is to identify the level of knowledge, understanding and applicability of certain topics, including "Business Continuity."

• Administrative Self-assessment: Its purpose is to measure the level of compliance of the Premises to the Corporate Rules, providing support to the review of procedures and implementation of corrective actions with focus on the improvement of controls.

7.6.3. Internal Communication

Communication actions are accessible to all Premises and employees through: Policies and Rules on Business Continuity and Material Third Parties, available at the Normative system; Posters showing information about the Policies adopted; On-line training programs offered in the corporate intranet system; Quarterly meetings held with the responsibles in Charge for PCN; and on-site awareness lectures.

8. Capital Management

8.1. Capital Management Corporate Process

The Capital Management Corporate Process provides the conditions required to meet the Organization's strategic goals and support the risks inherent to its activities. It includes the preparation of the capital plan, identifying the contingency actions to be considered in possible stress scenarios.

The Organization manages capital, in line with the strategic guidelines, involving the control and business areas, in accordance with the guidelines of the Board of Executive Officers and Board of Directors.

The governance structure for the capital management and the Internal Capital Adequacy Assessment Process (ICAAP) is composed by Committees and its highest level body is the Board of Directors. The most important is the Planning, Budget and Control Department (DPOC), whose mission is to provide the efficient and effective management of the business through strategic management and planning. The DPOC supports the Top Management by providing analyses and projections of capital requirements and availability, identifying threats and opportunities that help plan towards the sufficiency and optimization of capital levels. The Department is responsible for complying with the provisions of the Central Bank of Brazil regarding capital management activities.

8.2. Capital Adequacy

Total Capital adequacy is checked daily, aiming to make sure the Organization maintains a solid capital base in normal situations or in extreme market conditions – and meets the regulatory requirements.

According to a requirement of the Central Bank of Brazil determination, financial institutions must maintain, permanently, capital (Total Capital) and additional core capital (conservation, countercyclical and systemic) compatible with the respective risk activities. They are represented by Risk Weighted Assets (RWA), which is calculated based on, at least, the sum of Credit, market and operational risk installments.

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

8.3. Capital Sufficiency

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

The Organization's capital management aims to ensure, in a permanently way, a solid capital composition in a permanent way to support the development in its activities and ensure appropriate coverage of all risks involved. The Organization maintains a managerial capital margin (buffer), which is added to the minimum regulatory requirements.

The management buffer is defined according to the leading practices and regulatory requirements, observing aspects such as additional impacts generated by stress scenarios, qualitative risks and risks not captured by the regulatory model. The Organization considers it appropriate to maintain a Tier I Capital margin of at least 25% in relation to the minimum capital requirements in the medium and long term, pursuant to the schedule established by the Central Bank of Brazil for the full adoption of Basel III guidelines.

The Organization’s regulatory capital sufficiency can be seen by calculating the Total Capital adequacy ratio which in this period was 17.7%, of which 13.4% and 12.5% under Tier I and Common Equity Tier I. In terms of margin, the amount totaled R$ 35.5 billion, allowing for an increase of up to R$ 472,4 billion in loan operations (considering the current mix of loans).

It is important to highlight that since January 2015, according to the CMN’s Resolution 4,192 which deals with the methodology for calculating the ratios of Common Equity Tier 1, Tier 1 and Total Capital, the regulatory scope became the Conglomerate Prudential, the Prudential adjustments went from 60 % to 80% and the use of subordinated debt eligible for capital issued under the previous rules of the Basel III was from 60% to 50% of the stock of these debts.

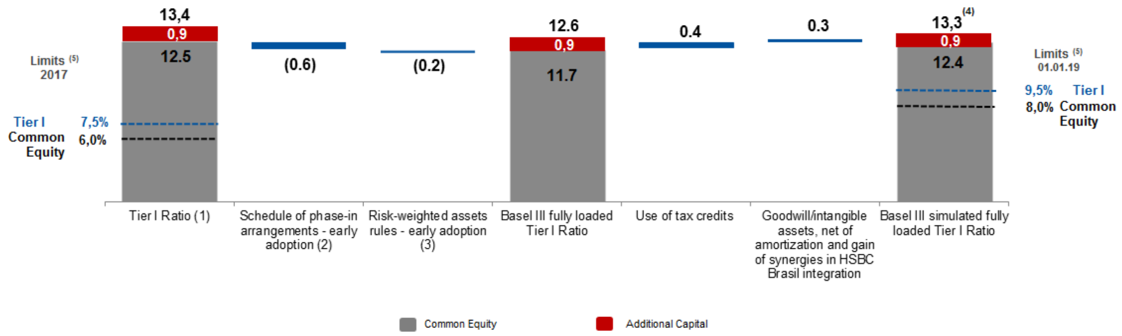
8.4. Capital Forecast

The capital management area, ICAAP, and Recovery Plan from DPOC is responsible for making simulations and projections of the Organization’s capital, in accordance with the strategic guidelines, the impacts arising from variations and trends of the economic and business environment as well as regulatory changes. The results from the projections are submitted to the Senior Management, pursuant to the governance established.

The projections for the next three years present adequate levels of Common Equity and Tier I Capital Ratios, considering the incorporation of net profits and the increase in prudential adjustments due to the increase of the factors established in Article 11 of National Monetary Council Resolution 4,192 for subsequent periods.

Simulation - Basel III

Based on Basel III rules published by BCB in March and October 2013, which include the definition of capital and the expansion of risk scope and are being gradually implemented up to 2019, below is the simulation based on strategic assumptions for the Prudential Conglomerate, taking into consideration the full compliance with the rules on the reference date of September 2017, i.e., anticipating all the impacts expected throughout the implementation schedule, it is not considering future events (profit/ loss recognition, i.e.) according to National Monetary Council Resolution 4,192.



(1) Published (Schedule 80%);
(2) Effect of the full impact. Also includes, the Goodwill / Intangible assets stock paid for the acquisition of HSBC Brasil, net of amortizations and 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 9.250% to 8% in 2019;
(4) If the bank exercises the possibility of issuance of additional capital by 2018 (if there were market conditions), the Tier I capital ratio would reach 13.9%; and
(5) They refer to the minimum required ratio, in accordance with Resolution No. 4,193/13, added to the additional capital installments established by Circular Letters No. 3,768/15 and No. 3,769/15.

9. Independent Risk Model Validation

The Organization uses models to manage and measure risks and capital, based on statistical, economic, financial and mathematical theories or experts' knowledge, which support and facilitate the structuring of critical matters and provide the standardization and streamlined decision-making.

In order to identify, mitigate and control the risks of the use of models in decision-making processes, the Organization uses an Independent Model Validation Area (AVIM), whose main objective is to assess whether the models are working as expected and if their results are suitable to the uses to which they are designed.

The Independent Models Validation adopts a methodology that includes quantitative and qualitative aspects, assessing the adaptation of processes, governance, construction of models and their assumptions and the use and monitoring of models. The results are reported to the managers, the Internal Audit and the Integrated Risk Management and Capital Allocation Committee.

Therefore, the activities carried out enable the continuous improvement that allows the constant improvement of the validation scope, which is specific for each model type and may use structures that have already been implemented and consolidated at the Organization in order to avoid the overlap of duties.

Qualitative

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

Quantitative

- Measurement System: challenge to the risk measurement procedures, both base and stress, including the definition, implementation and internal validation of the method, which consists of methodology, assumptions, parameters, calculation routine, input data and results;

- Backtesting: statistic procedure used to assess the model by comparing the amounts estimated by the model and the amounts observed within a previously defined period. It includes methodological, formalization and utilization aspects for model improvement.

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

10. Details of Assets and Risk Exposure

10.1. Capital Breakdown

The following are details on the required Total Capital of the Prudential Conglomerate, under the regulatory approach:

R$ million

	Sep-17	Jun-17	Sep-16
Tier I Capital	**80,889**	**77,322**	**72,654**
Common Equity	**75,363**	**71,949**	**72,654**
Shareholders' Equity	110,301	106,808	98,550
Non-controlling Interest	84	39	17
Prudential adjustments[1]	(35,022)	(34,898)	(25,912)
Additional Capital	**5,526**	**5,374**	**-**
Subordinated Debt (according CMN resolution 4,192/13)	5,526	5,374	-
Elegible Instruments for Tier II Capital	**25,793**	**25,728**	**22,401**
Subordinated Debt (according CMN resolution 4,192/13)	17,438	16,998	13,693
Subordinated Debt (previous to CMN Resolution No. 4,192/13)	8,354	8,729	8,708
Total Capital	**106,682**	**103,050**	**95,056**

[1] According CMN resolution 4,192/13.

Beginning in January 2017, prudential adjustments went from 60% to 80% and the use of eligible debts tied to capital issued under the rules prior to the Basel III went from 60% to 50% of the inventory of these debts.

For more information on Capital and details of subordinated debts, see “Exhibit 1 – Breakdown of Regulatory Capital and information on adjustments to Capital” and “Exhibit 2 – Main Characteristics of Regulatory Capital”, available on the website www.bradescori.com.br.

10.2. Risk-Weighted Assets (RWA)

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

R$ million

Risk Weight Asset	Sep-17	Jun-17	Sep-16
Credit Risk	**547.411**	**550.858**	**588.914**
Risk Weight of 0%	-	-	-
Risk Weight of 2%	320	300	271
Risk Weight of 20%	2.366	2.033	3.449
Risk Weight of 35%	10.117	10.083	9.566
Risk Weight of 50%	25.082	26.547	34.143
Risk Weight of 75%	112.671	114.425	110.465
Risk Weight of 85%	107.933	127.315	138.057
Risk Weight of 100%	256.201	238.186	256.197
Risk Weight of 250%	28.245	26.964	27.245
Risk Weight of 300%	2.293	2.642	6.741
Risk Weight to 1250%	2.182	2.364	2.780
Market Risk[1]	**9.564**	**20.530**	**17.791**
Fixed Rate in Reais	7.578	15.910	11.810
Foreign Currency Coupon	2.101	2.030	7.224
Price Index Coupon	1.048	591	227
Interest Rate Coupon	-	-	495
Shares	817	472	32
Commodities	188	73	42
Exposure to Gold, Foreign Currencies and Exchange	4.923	6.155	3.126
Operational Risk	**47.605**	**47.222**	**50.444**
Corporate Finance	1.369	1.417	1.380
Trading and Sales	1.667	1.935	2.867
Retail	9.309	9.002	8.349
Commercial	21.519	21.629	20.699
Payment and Settlement	6.133	6.040	10.144
Financial Agent Services	3.628	3.382	3.466
Asset Management	3.828	3.663	3.392
Retail Brokerage	152	156	146
Total Risk Weight Asset	**604.581**	**618.611**	**657.148**
Total Capital Requirement	**55.924**	**57.222**	**64.893**
Banking Book's Interest Rate Risk	**3.943**	**3.912**	**4.095**

Additional Capital (ACPs)[2]	**9.069**	**9.279**	**4.107**
$ACP_{Conservation}$	7.557	7.733	4.107
$ACP_{Systemic}$	1.511	1.547	-

[1] In order to calculate the portion relating to exposures to market risk, the capital requirement will be the maximum between the internal model and 80% of the standard model, according to Central Bank of Brazil Circular Letters 3,646 and 3,674. In September/17, the capital benefit from internal model was R$ 854 millions in RWA.

[2] In 2017, the amount of the ACP-Conservation represents 1.25% of the RWA amount. The ACP-Systemic represents 0.25% of the RWA amount (Systemically Importance Factor calculated according to Central Bank of Brazil Circular Letter 3,768 - Total Exposure: R$ 988.5 billion and GDP: R$ 6 trillion). The ACP-Countercyclical represents 0% of the RWA amount, according to Central Bank of Brazil Release No. 31,188, which was announced in September, 2017, with RWA being the non-bank private sector credit risk (RWACPrNB) of R$ 475.3 billion in Brazil.

10.3. Leverage Ratio (LR)

In compliance with Basel Committee's recommendations, in October 2015 BCB Circular Letter 3,748 which provides for Leverage Ratio (LR) was enacted. This ratio, combined with Basel Ratio, limits the risk exposure level assumed by financial institutions and evaluates leverage through the ratio between Tier I Capital and assets recorded at book values, plus off balance sheet exposures (limits, accommodation, suretyship and derivatives).

The minimum required ratio is expected to be defined from 2018 onwards, for now, the minimum ratio of 3% as defined by Basel. Below, a comparison is presented between total exposure and the Organization's financial statements, followed by the LR calculation statement:

R$ million

	Comparative Summary of Published Financial Statements and Leverage Ratio	Sep-17	Jun-17	Sep-16
1	Total assets according to published financial statements	1.216.691	1.189.124	1.185.855
2	Adjustment for differences in consolidation of accounts	(197.781)	(189.832)	(182.788)
3	Adjustment for assets assigned or transferred with substantial transfer of risks and benefits and recognized in the books	(8.383)	(8.277)	(8.222)
4	Adjustment for changes in reference values and potential future gains on derivative financial instruments	913	584	114
5	Adjustment for repurchase transactions and securities lending	9.841	7.649	4.554
6	Adjustment for transactions not booked in prudential total group assets	103.118	108.344	120.411
7	Other adjustments	(35.402)	(32.338)	(30.268)
8	**Total Exposure**	**1.088.997**	**1.075.254**	**1.089.655**

R$ million

	Leverage Ratio (LR)	Sep-17	Jun-17	Sep-16
	Items shown in the Balance Sheet			
1	Balance sheet items other than derivative financial instruments, securities received on loan and resales for settlement under repurchase transactions.	831.218	813.070	811.898
2	Adjustments for equity items deducted in calculating Level I	(49.628)	(49.895)	(28.645)
3	**Total exposure shown in the Balance Sheet**	**781.590**	**763.175**	**783.253**
	Transactions using Derivative Financial Instruments			
4	Replacement value for derivatives transactions	15.158	14.110	16.212
5	Potential future gains from derivatives transactions	12.575	14.191	7.788
6	Adjustment for colalteral in derivatives transactions	-	-	-
7	Adjustment for daily margin held as collateral	-	-	-
8	Derivatives in the name of customers where there is no contractual obligation to reimburse in the event of bankruptcy or default of the entities responsible for the settlement system	-	-	-
9	Reference value adjusted for credit derivatives	913	584	114
10	Adjustment of reference value calculated for credit derivatives	-	-	-
11	**Total exposure for derivative financial instruments**	**28.646**	**28.886**	**24.114**
	Repurchase Transactions and Securities Lending			
12	Investments in repurchase transactions and securities lending	165.091	167.210	161.389
13	Adjustment for repurchases for settlement and creditors of securities lending	-	-	-
14	Amount of counterparty credit risk	6.411	3.803	2.547
15	Amount of counterparty credit risk in transactions as intermediary	3.410	3.837	2.082
16	**Total Exposure on Repurchase Transactions and Securities Lending**	**174.912**	**174.849**	**166.018**
	Off-balance sheet items			
17	Reference value of off-balance sheet transactions	295.708	297.818	313.762
18	Adjustment for application of FCC specific to off-balance sheet transactions	(191.859)	(189.474)	(197.492)
19	**Total off-balance sheet exposure**	**103.849**	**108.344**	**116.270**
	Capital and Total Exposure			
20	Level I (A)	80.889	77.322	72.654
21	Total Exposure (B)	1.088.997	1.075.254	1.089.655
22	**Leverage Ratio (A/B)**	**7,4%**	**7,2%**	**6,7%**

10.4. Credit Risk

The tables below show the total exposure of assets for the purpose of ascertaining capital needs by type of exposure, country, region and economic sector.

By Type of Exposure, Country and Region

R$ million

	Sep-17	%	Jun-17	%	Sep-16	%
By Type						
Credit Operations (Non-Retail)	143,057	10.2	149,908	10.9	163,650	12.1
Credit Operations (Retail)	179,230	12.8	178,030	12.9	179,505	13.2
Guarantees	57,788	4.1	59,478	4.3	64,676	4.8
Credit Limit	105,510	7.5	109,836	8.0	117,975	8.7
Compromised operations	475,519	34.0	455,023	33.1	393,195	29.0
Securities, Derivatives and Interbank Investments	266,064	19.0	255,679	18.6	259,134	19.1
Other Assets[1]	172,285	12.3	168,325	12.2	176,941	13.1
By Country						
External Market	48,304	3.5	47,460	3.4	54,060	4.0
Internal Market	1,351,150	96.5	1,328,818	96.6	1,301,018	96.0
By Region (Domestic Market)						
Southeast	1,156,095	85.6	1,134,427	85.4	1,099,072	84.5
South	76,404	5.7	77,720	5.8	77,170	5.9
North	19,018	1.4	18,448	1.4	19,312	1.5
Northeast	64,775	4.8	63,554	4.8	63,505	4.9
Midwest	34,858	2.6	34,670	2.6	41,958	3.2
Total Exposure	**1,399,454**		**1,376,278**		**1,355,078**	
Quarter Average	**1,379,708**		**1,362,616**		**1,360,704**	

[1] Other Assets refer to Tax Credits and Advances Granted, among other.

Sector of the economic activity

R$ million

Sector of the economic activity	Sep-17	%	Jun-17	%	Sep-16	%
Public Sector	**235,512**	**16,8**	**224,341**	**16,3**	**228,157**	**16,8**
Government	219,644	15,7	210,760	15,3	214,556	15,6
Oil and Petrochemical	11,898	0,9	11,463	0,8	11,269	0,8
Electrical Energy	3,063	0,2	2,063	0,1	1,523	0,1
Other Sectors	907	0,1	55	0,0	809	0,1
Private Sector	**809,780**	57,9	**826,905**	60,1	**778,768**	57,5
Legal Entity	551,434	39,4	564,211	41,0	544,641	39,6
Financial	246,733	17,6	251,374	18,3	196,885	14,3
Real Estate and Construction Activities	39,401	2,8	41,951	3,0	47,901	3,5
Miscellaneous Services	32,632	2,3	44,183	3,2	44,572	3,2
Retail	30,582	2,2	30,868	2,2	34,821	2,5
Transportation and Concession	24,080	1,7	23,834	1,7	27,028	2,0
Holding	20,541	1,5	13,753	1,0	23,701	1,7
Electrical Energy	17,277	1,2	16,737	1,2	17,529	1,3
Automotive industry	15,723	1,1	16,246	1,2	16,145	1,2
Wholesale	15,452	1,1	13,163	1,0	16,040	1,2
Steel and Metallurgy	12,169	0,9	12,413	0,9	13,862	1,0
Food Industry	11,181	0,8	12,154	0,9	10,625	0,8
Extraction	8,543	0,6	9,137	0,7	12,961	0,9
Telecommunications	7,461	0,5	7,011	0,5	8,113	0,6
Construction Material	6,646	0,5	6,806	0,5	7,305	0,5
Sugar and Alcohol	6,552	0,5	6,975	0,5	6,645	0,5
Capital Goods	5,529	0,4	4,842	0,4	7,272	0,5
Chemistry	5,165	0,4	5,208	0,4	5,082	0,4
Smoke and drinks	4,643	0,3	4,764	0,3	5,153	0,4
Paper and Pulp	4,637	0,3	5,356	0,4	4,568	0,3
Other Sectors	36,488	2,6	37,438	2,7	38,435	2,8
Individual	258,347	18,5	262,694	19,1	234,127	17,0
Other Exposures	**354,162**	**25,3**	**325,033**	**23,6**	**348,152**	**25,7**
Total Exposure	**1,399,454**	**100,0**	**1,376,278**	**100,0**	**1,355,078**	**100,0**

10.4.1. Credit Transactions

The following charts contain information on the loan portfolio (concept defined by the Central Bank of Brazil), including exposure to individual credit card limits.

By Type and Industry

R$ million

	Sep-17							Jun-17	Sep-16
	Government	Private Sector					Total	Total	Total
	Public	Agribusiness	Commerce	Industry	Services	Individuals			
Rural Loan	-	2,599	260	2,263	634	7,881	13,638	15,075	14,221
BNDES/Finame Onlending	0	1,122	2,360	8,240	13,234	6,426	31,383	33,112	36,383
Imports and Exports	4,035	2,785	1,130	33,782	5,466	-	47,199	47,972	44,783
Working Capital, Discount of Bills and Overdraft Account	251	1,009	17,941	13,397	31,609	-	64,207	67,170	67,108
Other	5,141	569	9,291	7,878	32,307	173,408	228,593	231,609	258,427
Total	**9,427**	**8,084**	**30,982**	**65,560**	**83,251**	**187,716**	**385,020**	**394,938**	**420,922**

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

By Type and Region

R$ million

	Sep-17								Jun-17	Sep-16
	Domestic Market					Foreign Market	Total	Average of quarter	Total	Total
	Southeast	South	North	Northeast	Mid-West					
Individuals	**122,690**	**18,991**	**7,352**	**22,873**	**14,711**	**1,099**	**187,716**	**188,940**	**190,164**	**191,495**
Rural Loan	3,181	1,857	271	277	2,295	-	7,881	8,119	8,356	7,827
Real Estate Financing	19,492	4,809	1,215	4,295	3,211	-	33,021	32,823	32,625	31,552
Personal Line of Credit (including payroll-deductible loan)	35,036	4,679	3,440	12,739	3,607	0	59,501	58,947	58,393	55,726
CDC/Vehicle Leasing	17,045	976	366	795	669	-	19,851	19,660	19,470	22,469
Credit Card	39,285	3,555	1,234	3,259	1,931	735	50,000	51,681	53,361	55,181
BNDES/Finame Onlending	1,791	1,821	312	353	2,150	-	6,426	6,530	6,633	6,621
Other	6,861	1,295	514	1,154	847	364	11,035	11,180	11,324	12,118
Corporate	**121,015**	**25,161**	**3,053**	**10,118**	**7,424**	**30,534**	**197,304**	**201,039**	**204,775**	**229,427**
Rural Loan	3,112	2,276	5	154	209	-	5,756	6,238	6,719	6,395
BNDES/Finame Onlending	15,950	5,885	405	1,506	1,210	-	24,956	25,718	26,479	29,762
Imports and Exports	24,722	4,573	22	271	133	17,479	47,199	47,585	47,972	44,783
Working Capital, Discount of Bills and Overdraft Account	34,842	7,735	1,520	4,082	3,185	12,843	64,207	65,689	67,170	67,108
Other	42,389	4,692	1,101	4,106	2,687	212	55,186	55,810	56,434	81,380
Total	**243,705**	**44,152**	**10,405**	**32,991**	**22,134**	**31,633**	**385,020**	**389,979**	**394,938**	**420,922**

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

By Type and Remaining Maturity

R$ million

	Sep-17					Jun-17	Sep-16
	Contracts with Remaining Maturity				Total	Total	Total
	Up to 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Above 5 years			
Individuals	**47,276**	**24,484**	**61,582**	**54,374**	**187,716**	**190,164**	**191,495**
Rural Loan	3,299	2,891	1,650	43	7,881	8,356	7,827
Real Estate Financing	116	40	822	32,044	33,021	32,625	31,552
Personal Line of Credit (includes payroll-deductible loan)	3,995	3,346	33,032	19,128	59,501	58,393	55,726
CDC/Vehicle Leasing	521	1,418	17,795	117	19,851	19,470	22,469
Credit Card	32,691	15,706	1,599	4.9	50,000	53,361	55,182
BNDES/Finame Onlending	160	168	3,420	2,679	6,426	6,633	6,621
Other	6,495	916	3,265	359	11,035	11,324	12,118
Corporate	**54,368**	**21,830**	**86,611**	**34,495**	**197,304**	**204,775**	**229,427**
Rural Loan	1,496	2,233	1,996	31	5,756	6,719	6,395
BNDES/Finame Onlending	711	3,028	12,044	9,173	24,956	26,479	29,762
Imports and Exports	19,600	6,514	14,776	6,308	47,199	47,972	44,783
Working Capital, Discount of Bills and Overdraft Account	22,102	7,915	31,663	2,528	64,207	67,170	67,108
Other	10,459	2,140	26,132	16,455	55,186	56,434	81,380
Total	**101,643**	**46,315**	**148,193**	**88,869**	**385,020**	**394,938**	**420,922**

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

By Past due loans, Industry and Region

R$ million

	Sep-17						Jun-17	Sep-16
	Past due 15 to 60 days	Past due 61 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due more than 360 days	Total	Total	Total
Sector								
Government	**0**	**0**	**0**	**0**	**-**	**0**	**0**	**0**
State	0	0	0	0	-	0	0	0
Private Sector	**12,657**	**3,330**	**7,849**	**9,442**	**271**	**33,549**	**34,291**	**39,799**
Agribusiness	29	20	51	25	1	126	128	540
Commerce	822	315	860	1,275	57	3,328	4,154	5,047
Industry	676	285	1,079	919	30	2,989	3,580	3,676
Services	3,659	891	1,890	1,456	50	7,947	6,409	8,488
Individuals	7,470	1,818	3,970	5,767	133	19,159	20,020	22,049
Overall Total	**12,657**	**3,330**	**7,849**	**9,442**	**271**	**33,549**	**34,291**	**39,799**
% Total	**37.7**	**9.9**	**23.4**	**28.1**	**0.8**	**100.0**	**100.0**	**100.0**
Domestic Market	**11,585**	**3,201**	**7,744**	**9,087**	**268**	**31,885**	**32,802**	**37,888**
Southeast	7,360	2,042	5,420	6,285	161	21,268	22,089	20,999
South	1,374	424	688	945	35	3,465	3,684	4,151
North	468	114	308	371	12	1,272	1,363	4,867
Northeast	1,239	326	821	913	43	3,343	3,371	3,893
Mid-West	1,144	295	507	573	18	2,537	2,295	3,978
Foreign Market	**1,072**	**129**	**105**	**355**	**3**	**1,664**	**1,488**	**1,911**
Overall Total	**12,657**	**3,330**	**7,849**	**9,442**	**271**	**33,549**	**34,291**	**39,799**

By Borrower Concentration

% From the total book

	Prudential Conglomerate				
	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16
largest debtor	2,5	2,2	2,2	2,2	2,2
10 largest	8,3	8,1	8,4	8,5	7,6
20 largest	12,8	12,0	12,7	12,6	11,3
50 largest	18,6	17,4	18,6	18,6	16,6
100 largest	23,1	21,2	23,3	23,0	20,3

10.4.2. Changes in Allowance for Loan Losses (ALL)

The changes in allowance for loan losses, including the flow of write-off of the loan portfolio (concept defined by Central Bank of Brazil):

On September 30, 2017 - R$ million

	Government	Private Sector					
	Public	Agribusiness	Commerce	Industry	Services	Individuals	TOTAL
Opening balance - ALL as of Jun-17	**1**	**582**	**4,550**	**6,168**	**8,916**	**17,319**	**37,535**
Net Additions	0	128	(29)	76	1,550	4,103	5,827
Write-offs	(0)	(8)	(92)	(334)	(1,281)	(5,177)	(6,892)
Closing Balance - ALL as of Sep-17	**1**	**701**	**4,429**	**5,911**	**9,184**	**16,244**	**36,470**

Note: Includes, on September 30, 2017, the amount of R$ 378,854 thousand, related to the surplus provision of the loan operations guaranteed by standby letter of credit.

10.4.3. Loan Assignments and Securitization

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

Financial asset acquisition, sale or transfer operations, and securitization

R$ million

Operations assigned with co-obligation recorded in memorandum accounts	Sep-17	Jun-17	Sep-16
	1,023	1,057	1,305

Exposures assigned with substantial retention of risk and benefits	10,807	9,731	12,692
FIDC	-	-	-
Securitization companies	-	-	-
Financial institutions	-	-	-
Special Purpose Entity	7,874	6,771	9,748
Other[1]	2,933	2,960	2,945

[1] Assignment requirements set forth in CMN Resolution 2,238.

R$ million

Exposures assigned over the last 12 months which have been honored or repurchased	Jul/17 a Sep/17	Apr/17 a Jun/17	Jan/17 a Mar/17	Oct/16 a Dec/16
	45	45	59	49

R$ million

Exposures acquired - Risk retencion[2]	Sep-17	Jun-17	Sep-16
Type of exposure	**9,478**	**8,856**	**6,906**
Working capital	61	62	1,301
CDC vehicles	186	203	-
Payroll-deductible loans	3,983	3,535	3,330
Credit card	290	393	161
Real estate credit	-	-	-
Finame	170	218	-
Leasing	0	0	0
Sundry receivables	4,788	4,444	2,112
Type of assignor	**9,478**	**8,856**	**6,906**
Financial Institutions	4,214	3,816	4,632
Companies	5,264	5,040	2,274

[2] Risk retention: Operations in which the seller or assignor retains all or substantial part of the risk and transfer the benefits of the underlying financial assets (CMN Resolution 3,533).

R$ million

Exposures acquired - Without risk retencion[3]	Sep-17	Jun-17	Sep-16
Type of exposure	**985**	**1,116**	**1,446**
Working capital	-	-	-
CDC vehicles	985	1,115	1,426
Payroll-deductible loans	1	2	9
Credit card	-	-	-
Real estate credit	-	-	10
Finame	-	-	-
Leasing	-	-	-
Sundry receivables	-	-	2
Type of assignor	**985**	**1,116**	**1,446**
Financial Institutions	985	1,116	1,446
Companies	-	-	-

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

Bellow, we present the information related to proprietary operations assigned with substantial risk retention and benefits:

R$ million

Securitized Exposures - Type of underlying asset	Sep-17	Jun-17	Sep-16
	10,807	**9,731**	**12,692**
Mortgage	7,874	6,771	9,748
Rural Loan[1]	2,933	2,960	2,945

[1] In compliance with requirements of CMN Resolution 2,238.

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

R$ million

Type of securitization	Sep-17	Jun-17	Sep-16
Traditional Securitization[1]	**6,713**	**7,294**	**7,633**
Type of securitization bond[2]	**6,713**	**7,294**	**7,633**
FIDC - Without subordination[3]	250	735	895
• Sundry Receivables[4]	250	735	895
CRI - Without subordination[3]	6,463	6,559	6,737
• Mortgage[4]	6,463	6,559	6,737

[1] Traditional securitization is the process where the receivables flow associated with a group of underlying assets is used to remunerate securitization bonds.

[2] Securities resulting from securitization process (CRI, FIDC).

[3] Class of security and its subordination to the others for redemption purposes: without subordination. The Organization has no credit exposures assigned without any transfer or substantial retention of risks and benefits on the dates referred to in this report.

[4] Type of underlying asset backing the issue: flow of receivables from customers, rentals, purchase and sale agreements between parties, as well as apartment, house and lot financing agreements.

10.4.4. Risk Mitigation Instruments

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

R$ million

Type of Mitigation Instrument	Risk Weight	Sep-17	Jun-17	Sep-16
Demand, time and savings account deposits, gold or government securities	0%	454,557	434,546	335,848
Financial Institution Guarantee	50%	24,820	24,327	34,583

10.4.5. Counterparty Credit Risk Exposure

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

R$ million

Agreements in which the clearing house:	**Sep-17**	**Jun-17**	**Sep-16**
Acts as a central counterparty	278,520	305,273	312,889
Does not act as a central counterparty (secured agreements)	388,987	376,942	325,499
Does not act as a central counterparty (unsecured agreements)	52,486	48,719	47,804

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

R$ million

	Sep-17	**Jun-17**	**Sep-16**
Collaterals amounts	479,449	458,970	372,125

Below, is the net overall exposure to counterparty credit risk:

R$ million

	Sep-17	**Jun-17**	**Sep-16**
Net Global Exposure	15,130	14,083	16,206

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

R$ million

	Sep-17	**Jun-17**	**Sep-16**
Transferred Risk	**-**	**-**	**-**
Credit Default Swap (CDS)	-	-	-
Received Risk	**913**	**584**	**114**
Credit Default Swap (CDS)	913	584	114
Total	**913**	**584**	**114**

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

R$ million

	Sep-17	**Jun-17**	**Sep-16**
Gross positive amount of collaterals	388,987	376,942	325,499

10.5. Social and Environmental Risk

10.5.1. Transactions required from Equator Principles (January to September 2017)

We present the following operation project Finance according to Equator Principles.

Quantity

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

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

R$ million

	Sep-17
Project Value	570.9
Bradesco's participation	285.5

In the third quarter of 2017, Advisory Services or Financing of Project Finance were not contracted, as well as Corporate Loan to Projects under the criteria of Equator III Principles.

10.6. Market Risk

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

10.6.1. Financial Exposure – Trading Book

R$ million

Risk Factors	Sep-17		Jun-17		Sep-16	
	Asset	Liability	Asset	Liability	Asset	Liability
Fixed Rate	14,140	4,947	31,184	12,077	31,339	7,562
IPCA / IGP-M	948	908	432	472	262	232
Exchange Coupon	1,327	723	3,454	3,453	1,768	1,917
Foreign Currency	1,601	1,717	3,500	3,509	1,789	1,964
Equity	445	479	53	54	2	9
Sovereign/Eurobonds and Treasuries	1,522	827	1,476	715	2,073	417
Other	238	90	127	32	365	9
Total at the End of the Quarter	**20,221**	**9,692**	**40,226**	**20,312**	**37,597**	**12,111**

10.6.2. VaR Internal Model – Trading Book

The one-day VaR of Trading Book net of tax effects in the end of the third quarter of 2017 was R$ 23.3 million, and the fixed risk factor had the largest share of the book. A small variation has been observed on VaR due to lower market volatility when compared against the second quarter from 2017.

R$ million

Risk Factors	Sep-17	Jun-17	Sep-16
Fixed	19.0	22.3	15.8
IPCA / IGP-M	2.1	1.0	0.6
Exchange Coupon	0.1	0.1	0.5
Foreign Currency	1.6	0.2	2.8
Equity	0.3	0.1	0.2
Sovereign / Eurobonds and Treasury	2.4	2.4	2.6
Other	0.0	0.0	0.0
Correlation / Diversification Effect	**(2.3)**	**(1.1)**	**(4.6)**
VaR at the end of the quarter	**23.3**	**25.1**	**17.9**
Average VaR in the quarter	18.5	39.0	27.6
Minimum VaR in the quarter	5.5	15.3	17.5
Maximum VaR in the quarter	27.9	100.6	39.9

10.6.3. VaR Internal Model – Regulatory Book

This capital is calculated by the Delta-Normal VaR model based on the Regulatory Book composed by the Trading Book and the Foreign Exchange and Commodities exposures of the Banking Book. In addition, the historical simulation and the Delta–Gama–Vega VaR models are applied to measure all risk factors to an options portfolio, and the most conservative model is utilized. It is worth noting that the value at risk is extrapolated to the regulatory time horizon[2] (at least 10 days) through the root of time method. The VaR and Stressed VaR values shown below are for the 10 day horizon and are net of tax effects.

R$ million

Risk Factors	Sep-17		Jun-17		Sep-16	
	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR
Interest rate	68.9	85.2	78.9	71.9	50.2	150.1
Exchange rate	19.2	40.4	75.9	86.0	27.8	47.9
Commodity price	0.2	0.2	0.2	0.2	0.0	0.0
Share prices	2.2	7.7	0.4	0.9	0.5	1.2
Correlation / Diversification Effect	**(6.7)**	**(23.0)**	**(5.7)**	**(21.2)**	**(15.4)**	**(13.4)**
VaR at the end of the quarter	**83.8**	**110.5**	**149.7**	**137.8**	**63.2**	**185.7**
Average VaR in the quarter	63.8	80.0	156.2	148.9	92.4	194.4
Minimum VaR in the quarter	24.9	37.2	47.7	76.2	49.5	144.1
Maximum VaR in the quarter	111.6	169.5	369.3	236.9	131.1	238.6

To calculate the regulatory capital requirement according to the internal model, it is necessary to take into consideration the rules described by BCB Circular Letters 3,646 and 3,674, such as the use of VaR and Stressed VaR net of tax effects, the average in the last 60 days and it's multiplier.

[2] The maximum amount between the book's holding period and ten days is adopted. This is the minimum regulatory horizon required by BCB.

10.6.4. VaR Internal Model – Backtesting

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

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

Daily hypothetical and effective P&L over the last 250 business days surpassed their respective VaR four and three times, respectively with a confidence level of 99%.

According to the document published by the Basel Committee on Banking Supervision[3], disruptions are classified as "either bad luck or the markets not behaving as expected by the model", i.e., volatility was significantly higher than expected and/or the correlations differed from those forecasted by the model.

10.6.5. Stress Analysis – Trading Book

The Organization assesses daily the possible impacts on positions in stress scenarios for the next 20 days, with the limit established via the governance process. Thus, considering the effect of diverse risk factors and amounts net of tax effects, the possibility of average loss estimated in a stress situation would be R$ 102 million in the third quarter of 2017, and the maximum estimated loss would be R$ 158 million.

R$ million

	Sep-17	Jun-17	Sep-16
At the end of the quarter	108	115	207
Average in the quarter	102	224	234
Minimum in the quarter	53	97	164
Maximum in the quarter	158	366	330

[3] Supervisory Framework for the use "Backtesting" in Conjunction with the Internal Models Approach to Market Risk Capital Requirements of January 1996.

10.6.6. Derivatives

The tables below present the exposures to derivative financial instruments held by the Organization, according to its place of operation (Brazil or abroad) and the portfolio where it is booked (Trading or Banking). Exposures are segregated by risk factor (interest rate, exchange rate, stock price and commodities) and market (over-the-counter and stock market):

Brazil R$ million

Portfolio	Risk Factor	Market	Sep-17		Jun-17		Sep-16	
			Long Position	Short Position	Long Position	Short Position	Long Position	Short Position
Trading	Interest Rate	OTC	8	-	7	-	7	-
		Exchange	11,587	(4,211)	22,987	(14,913)	24,563	(8,484)
	Exchange Rate	OTC	-	-	-	-	-	-
		Exchange	1,481	(876)	3,446	(3,444)	1,756	(1,099)
	Stock Price	OTC	-	-	-	-	-	-
		Exchange	72	(69)	33	(39)	-	-
	Commodity Prices	OTC	-	-	-	-	-	-
		Exchange	-	-	-	-	-	-
Banking	Interest Rate	OTC	33,010	(36,020)	36,229	(40,341)	21,525	(25,441)
		Exchange	86,235	(95,643)	82,982	(82,085)	28,968	(70,477)
	Exchange Rate	OTC	14,071	(26,434)	16,682	(29,438)	11,567	(13,654)
		Exchange	13,401	(50,610)	10,977	(45,907)	2,727	(43,042)
	Stock Price	OTC	57	(880)	13	(15)	-	-
		Exchange	109	(194)	45	(327)	7	(443)
	Commodity Prices	OTC	164	(37)	8	(52)	3	(39)
		Exchange	1	-	-	-	18	-

Abroad R$ million

Portfolio	Risk Factor	Market	Sep-17		Jun-17		Sep-16	
			Long Position	Short Position	Long Position	Short Position	Long Position	Short Position
Trading	Interest Rate	OTC	223	(270)	72	(75)	95	(27)
		Exchange	90	(405)	-	(507)	125	(352)
	Exchange Rate	OTC	216	(235)	39	(40)	1	(25)
		Exchange	-	-	-	-	11	(11)
	Stock Price	OTC	-	-	-	-	-	-
		Exchange	-	(35)	-	-	2	(9)
	Commodity Prices	OTC	-	-	-	-	-	-
		Exchange	-	-	-	-	-	-
Banking	Interest Rate	OTC	7,612	(10,647)	10,756	(14,613)	10,019	(12,518)
		Exchange	63	(31,683)	7,802	(45,316)	11,305	(8,183)
	Exchange Rate	OTC	8,707	(9,073)	11,542	(12,595)	13,371	(13,569)
		Exchange	-	(9)	-	(15)	40	2
	Stock Price	OTC	-	-	-	-	-	-
		Exchange	-	(100)	-	(199)	(1)	(218)
	Commodity Prices	OTC	-	-	-	-	-	-
		Exchange	34	(163)	50	(9)	21	(3)

It is worth pointing out that the derivative positions registered in the Banking portfolio have the strict intention of serving as a hedge for the Organization's commercial portfolio.

10.7. Liquidity Risk

The table below shows the average LCR Conglomerate Prudential for the third quarter of 2016 and the second and third quarter of 2017:

(R$ thousand)

Number of Line	Information on the Liquidity Coverage Ratio (LCR)	sep-17[1] Average Amount[4]	sep-17[1] Weighted Average Amount[5]	jun-17[2] Average Amount[4]	jun-17[2] Weighted Average Amount[5]	sep-16[3] Average Amount[4]	sep-16[3] Weighted Average Amount[5]
Number of Line	**High Quality Liquid Assets (HQLA)**						
1	**Total High Quality Liquid Assets (HQLA)**		**127,393,184**		**119,408,160**		**136,614,857**
Number of Line	**Cash Outlows**						
2	**Retail funding:**	**205,898,114**	**17,422,553**	**206,386,192**	**15,193,764**	**219,604,262**	**16,453,495**
3	Stable funding	132,997,599	6,649,880	130,227,035	3,906,811	134,850,354	4,045,511
4	Less stable funding	72,900,515	10,772,673	76,159,157	11,286,953	84,753,909	12,407,984
5	**Non-collateralized wholesale funding:**	**109,367,915**	**50,177,678**	**114,859,550**	**54,932,839**	**116,260,676**	**54,223,238**
6	Operating deposits (all counterparties) and affiliated cooperative deposits	7,613,229	380,661	7,940,953	238,229	5,702,104	171,063
7	Non-operating deposits (all counterparties)	100,136,712	48,179,043	106,006,603	53,782,616	108,721,889	52,215,492
8	Other non-collateralized wholesale funding	1,617,974	1,617,974	911,994	911,994	1,836,683	1,836,683
9	**Collateralized wholesale funding**		**6,324,691**		**4,543,707**		**5,301,485**
10	**Additional requirements:**	**99,662,698**	**14,001,039**	**97,984,764**	**13,260,610**	**100,891,631**	**16,421,833**
11	Related to exposure to derivatives and other collateral requirements	15,488,013	7,332,396	15,906,700	7,091,010	16,905,929	9,988,321
12	Related to funding losses through the issue of debt instruments	322,794	322,794	1,839	1,839	24,992	4,606
13	Related to lines of credit and liquidity	83,851,891	6,345,850	82,076,225	6,167,762	83,960,710	6,428,906
14	**Other contractual obligations**	**26,730,011**	**25,091,649**	**25,117,718**	**23,546,665**	**32,295,522**	**32,295,522**
15	**Oher contingent obligations**	**139,664,556**	**5,745,188**	**139,537,743**	**5,150,138**	**147,456,485**	**5,262,516**
16	**Total cash ouftlows**		**118,762,799**		**116,627,723**		**129,958,090**
Number of Line	**Cash Inflows**						
17	Collateralized loans	173,662,412	-	166,949,989	-	189,642,688	1,430,748
18	Outstanding loans whose payments are fully up-to-date	31,354,693	19,732,162	34,163,149	21,886,609	36,311,914	22,672,876
19	Other cash inflows	19,794,702	16,538,221	21,231,041	17,738,480	28,377,970	25,707,768
20	**Total cash intlows**	**224,811,807**	**36,270,383**	**222,344,179**	**39,625,089**	**254,332,572**	**49,811,393**
			Total Adjusted Amount[6]		Total Adjusted Amount[6]		Total Adjusted Amount[6]
21	Total HQLA		127,393,184		119,408,160		136,614,857
22	Total net cash outflow		82,492,416		77,002,634		80,146,697
23	**LCR (%)**		**154.4%**		**155.1%**		**170.5%**

[1] Calculated based on the simple average of the quarters (64 observations);

[2] Calculated based on the simple average of the quarters (61observations);

[3] Calculated based on the simple average of the quarters (3 observations);

[4] Total balance of cash inflow/outlow item;

[5] Total balance of cash inflow/outlow item after application of weighting factors;

[6] Total balance of cash inflow/outlow item after application of weighting factors and limits.

The reported amount of net assets (HQLA) essentially comprises federal government bonds, in addition to returns from reserve requirements in the Brazilian Central Bank. These net assets amounted R$ 127.4 billion, on average, in the third quarter of 2017, versus R$ 119.4 billion, on average, in the second quarter of 2017 and R$ 136.6 on average, in the third quarter of 2016.

Related to the cash outflows, based on the regulatory stress scenario (item 16), about 57% are redemptions and non-renewal retail and wholesale funding without collateral (unsecured), as shown in items 2 and 5 in the above table.

Another relevant group refers to the item "Other contractual obligations" (item 14), which mainly includes the output streams of on lending operations, credit cards and trade finance.

Regarding cash inflows, corresponding to R$ 36.3 billion in the middle of the third quarter of 2017, the proceeds of loans (partial renewal) stand out, the inflows of Trade Finance operations, cash and redemptions of securities in addition and the inflow of transfer and credit card operations.

11. Exhibits

The exhibits described below are available at www.bradescori.com.br

Total Capital Structure and Suitability Information of Total Capital (Exhibit 1)

Exhibit 1 shows the calculation of the Total Capital.

Key features - Total Capital Instruments (Exhibit 2)

Exhibit 2 shows the information about each integral instrument according to the Total Capital.

Balance sheet (Exhibit 3)

Exhibit 3 presents a comparison between the Prudential Conglomerate balance sheet and the balance sheet published in the Full Accounting Statements.

Institutions Participating in the Prudential Conglomerate (Exhibit 4.a.)

Exhibit 4.a. shows the scope of the publication, in addition to the Prudential Conglomerate's institutions, the following companies are also part of the consolidation.

The regulatory scope to measure capital sufficiency since January 2015 is the Prudential Conglomerate, according to Central Bank of Brazil's rules. However, it is worth noting that other companies of the Economic and Financial Consolidated Group also participate in the Organization's risk management process. For these companies, all the risks inherent to their activities are evaluated, especially Bradesco's Insurance Group companies, which also comply with regulatory capital rules, either through the rules of Superintendency of Private Insurance ('SUSEP') or National Regulatory Agency for Private Health Insurance and Plans ('ANS'), depending on their operating segment.

At Bradesco's Insurance Group, besides market, credit, operational, liquidity risk, among others, we point out the insurance risk, which is the main risk an insurance company is exposed to. This risk results from an adverse economic situation that would go against the insurance company's expectations, at the time of preparing the insurance policy, with regard to existing uncertainties, both in terms of definition of actuarial premises and the creation of technical provisions and calculation of premiums and contributions. Thus, it is the risk that the frequency or severity of claims or benefits is greater than those estimated by the company.

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

Relevant Institutions (Exhibit 4.b.)

In Exhibit 4.b. we present the list of the main companies, with a direct and indirect interest, included in the accounting statements.

Equity Interests (Exhibit 4.c.)

We highlight in Exhibit 4.c. the information on the companies' equity interests.

The equity interests are measured by the equity method or by the cost method. The equity interests abroad are recorded by the original amount in foreign currency, converted into Reais, by the conversion rate on the investment acquisition date. The foreign exchange rate is updated by the variation of PTAX selling rate released by Central Bank of Brazil related to foreign currencies in countries where investments are made.

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

Equity method: the investment measured by the equity method is calculated monthly based on the statement of financial position or interim statement of financial position drawn up on the same date, or until, at most, two months before, and in this assumption, the necessary adjustments are made to consider the non-recurring and/or relevant facts impacts in the period. The statement of financial position or interim statement of financial position of investments abroad are adjusted to the accounting criteria effective in Brazil and converted into Real (by the closing quote), and its effects recognized in the net income for the period.

Cost method: investments in equity instruments of other entities are measured by cost, when classified in the sub-group Non-Current Asset Investments, provided that these entities are not considered associated companies or subsidiaries (including jointly-controlled entities). Through this method, the investments are recorded by acquisition cost, less provisions for losses.

Bradesco

Pra frente.