



**RISK
APPETITE
STATEMENT
(RAS)**

Risk Appetite Statement (RAS)

Overview

Risk appetite refers to the types and levels of risks that the Bradesco organization is willing to accept in the conduct of its business and objectives. The Risk Appetite Statement (RAS) is an important tool that synthesizes Bradesco's risk culture, and drives strategic and business plans, guides budget planning, and enables Senior Management to optimize the capital 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 management of risks and in the execution of control functions, as well as for mitigating and disciplinary actions, escalation procedures and notification to the Senior Management when the risk thresholds and established control processes are breached.

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

The RAS reinforces the dissemination of risk culture by enabling all your members to be aware of the main aspects of Bradesco organization's risk appetite.

Strategy

Bradesco organization aims to maintain a prominent position in the Brazilian financial sector, operating predominantly in the domestic market, through a business model that combines banking and insurance activities, with relevant market share in its operation areas and expansion trajectory based on organic growth, except for eventual significant acquisition opportunities in the market.

Bradesco's strategy seeks to meet all public needs (individuals and companies) in a service structure segmented by customer profile, including non-account holders, using its distribution network throughout the national territory, with options for physical and digital access, which enables the Bank to capture regional opportunities, providing diversification of revenue and risks sources in order to achieve sustainable results with low volatility. Bradesco also counts with an international presence as a complement to its local franchise.

The Bank's strategy is reviewed annually for the purpose of adjusting its positioning when necessary and to correct any deviations from the pre-established route. All strategic decisions taken by Senior Management are based on Bradesco organization's Code of Ethics and are periodically evaluated by the Executive Committee for Strategic Planning (CEPE) pursuing to ensure a solid balance sheet and consistent profitability, delivering value creation to the shareholders, as well as contributing to sustainable development within the risk limits laid down by the Board of Directors.

Risk Governance and General Risk Statement

In order to achieve its strategic objectives, Bradesco organization takes different natures and types of risks inherent to the banking practice, and for this purpose it defines the acceptable levels of risks it is willing to incur and maintains strict controls for its identification, measurement, mitigation, monitoring and reporting, besides managing them through specific processes that emphasize the integrity, effectiveness, prudence, and public accountability.

As a corporate model, Bradesco adopts a collegiate decision-making method. This model permeates all Bradesco organization's levels, including the various committees, commissions and departments where the Board of Directors and Senior Management play a key role in the supervision and control of risks and capital.

Risk Appetite from the Strategic Perspective

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.

Risk Appetite from an Operational Perspective

The following describes the control approaches, according to the main global dimensions, from the operational perspective:

Solvency

Bradesco organization seeks to maintain, on a permanent basis, a solid capital base to support the development of activities and to address the measurable incurred risks (in normal or stressful conditions), as well as to withstand any losses arising from non-measurable risks and to enable possible strategic acquisitions. In this dimension some thresholds have been established for Bradesco organization's Capital and Leverage ratios.

Profitability

Bradesco organization zeals for the sustainable growth of its businesses and results and the adequate remuneration of its capital.

The main performance indicators are monitored periodically by line of business, segments and products (including portfolios, revenues, expenses, provisions, and performance

indicators, such as efficiency ratio, default rate and return on equity) compared to the budget and to previous years. Based upon these indicators, a number of analyzes, projections and further deepening are carried out in order to inform the business areas and Senior Management about the Bank's individual and consolidated results, thus allowing conscious decision-making and eventual strategic reviews.

Additionally, the market and competition movements are monitored to allow Bradesco organization to review its position in the areas in which it operates to adapt the strategy to the competitive dynamics of the financial and insurance market, seeking to meet the shareholder's remuneration expectation in relation to the risks incurred in each of its businesses.

Liquidity

Liquidity risk control aims to ensure that Bradesco organization is able to efficiently honor its obligations, without affecting its daily operations and without incurring significant losses.

Liquidity risk control consists in the dimensioning of the amount of required resources to settle the obligations in stressful situations during a period of turbulence, which is constituted mainly of high quality liquid assets. In this dimension, thresholds have been set for Bradesco organization's liquidity ratios.

Credit Risk

The exposure to the credit risk is controlled by Bradesco organization through the evolution of the credit portfolio and delinquency rates on a consolidated basis, as well as per individuals and legal entities, business segments, products and the economic activity sector.

Bradesco organization seeks to ensure adequate and sufficient provisioning amount to support the current delinquency level and the level of projected net losses. Therefore, the provision amount must be greater than the net loss.

Credit risk control also considers the concentration risk, which is represented by the possibility of financial loss due to significant exposures to a counterpart or economic sector, among other factors.

The credit lending process is based on security, quality and liquidity in the application of the credit assets. This process aims to ensure agility and profitability in business, being permeated by controls that seeks to establish operational limits. With the intention of providing efficiency in decision-making, Bradesco organization has established limits of authorization for credit approval on operations and limits proposed by the businesses areas, which comprehend from the Regional Director to the Board of Directors. The same control process applies to credit renegotiations.

Market Risk

The possibility of financial loss is daily monitored by Bradesco organization due to the fluctuation of prices and interest rates of its financial instruments, since its assets and liabilities portfolios may present mismatches of maturities, currencies and indexes. Considering the dynamics of this type of risk and the characteristics of each investment portfolio, the organization has established a number of limits and controls to exposure and risk.

Operational Risk (including Legal Risk)

Bradesco organization has no appetite for operational risk. However, due to the wide range of products and services offered, as well as the significant volume of activities and operations carried out, it may incur in operational losses resulting from failures, deficiencies or inadequacies of internal processes, people and systems, or external events.

The exposure to the operational risk is controlled through the monitoring of operational losses by event and by business lines, which are estimated during budgetary planning by business managers and monitored by control areas. Bradesco organization also carries out the volume control of civil and labor lawsuits and provision adequacy in order to ensure an adequate level of provisioning to withstand the actual losses.

To mitigate the occurrence of operational risk, Bradesco organization relies on a robust and comprehensive system of internal controls to ensure the proper conduct of business and the achievement of established objectives in accordance with external laws and regulations, policies, internal standards and procedures, as well as applicable codes of conduct and self-regulation.

Communication

Bradesco organization uses the Risk Appetite Statement as one of the communication elements from the risks taken to fulfill its strategic objectives, making it available to responsible managers enabling the risk monitoring and management on daily business conduction, respecting the established limits.

This communication process begins with the appetite incorporation into the annual budgetary process, which is the basis for their monitoring, and has continuity in the development of risk control reports in the responsible areas.

Monitoring Risk Appetite

The monitoring of risk appetite takes place through effective control processes, in which managers are informed about the exposures to risks and the respective usage of current limits. The report is carried through an alert system, which eases communication and highlights possible exceptions to the limits, which requires discussion, authorization for the exceptions and/or adequacy measures, permeating all Bradesco organization's spheres, supporting the Senior Management in the assessment whether the results are consistent with the risk appetite.

Final Considerations

This Statement considers the most relevant risks to which Bradesco organization is exposed to and addresses the approaching structure for the management of those risks. All business and strategic plans must be in line with this Statement.