Safra

Tradição Secular de Segurança

Banco Safra S.A.

Consolidated Financial Statements
Period Ended June 30, 2019

Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

(A free translation into English from the original in Portuguese)

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MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Banco Safra S.A. and its Subsidiaries ("Safra Consolidated") for the periods ended June 30, 2019 and June 30, 2018.

ECONOMIC SCENARIO

We have noted a moderation in the pace of the economic recovery of Brazil in the first half of 2019. The latest released GDP data refers to the first quarter of 2019, which showed a contraction of 0.2% considering the quarter change already unseasoned. The released data for the second quarter of 2019 indicate stability, probably resuming a growth trend in the second half of 2019. Industrial production fell in April and May, whereas retail business kept margin relatively stable, while the service sector showed expansion in the first half. The unemployment rate resumed a downward trend during the first half of 2019, from 12.3% at the end of 2018 to 11.9% in May, the latest released data (also considering the unseasoned series).

In the first half of 2019 the highlight was the progress of the pension reform bill in Congress, one of the main proposals in the agenda for reform of the new administration. In the end of April, the reform text was approved in the Constitution and Justice Commission (CCJ). The prospects for approval are very favorable: the process shall be completed during the second half of 2019, and its approval is expected to result in significant savings over the next ten years, estimated between R$ 800 and R$ 900 billion. Meanwhile, there was progress in the other agendas of the government, of which the performance of privatizations during the first half of 2019, which gave rise to over R$ 15 billion in extraordinary income, is worthy of note.

The credit market posted growth of 5.1% in the 12-month period ended in June, stimulated by the good performance of unrestricted credit. In the meantime, in capital markets, the growth in the issue of fixed-income securities in the domestic market is worthy of note, with 8% expansion in the first half of 2019 as compared to the same period in the previous year, reaching R$ 124 billion.

Inflation remained at a low level, ending June with a 12-month accumulated change of only 3.4%, significantly below the midpoint of the target for the year (4.5%). In a scenario of slow recovery and inflation below the midpoint of the target, the Brazilian Central Bank maintained the country's base rate (Selic) at 6.50%, the level that has been set in March 2018.

In relation to tax, the consolidated public sector recorded a primary deficit of 1.4% of the GDP in the 12-month period through May, or -R$ 100 billion. The huge BNDES debt repayments to the Treasury, the privatization proceeds, and the lower interest rate level have guaranteed that the gross debt is kept at a relatively stable level (78.7% of the GDP in May).

Real showed a devaluation trend in the first half of 2019, reaching its high in the middle of May, at R$ 4.10/US$. However, the progress of the pension reform and improvement in the international scenario, with expectation of a new loosening cycle of the US monetary policy, led to a reduction in the exchange rate at the end of the period, closing the month of June at R$ 3.83/US$. In this scenario, the Brazilian Central Bank maintained the stock of foreign exchange swaps at US$ 68.9 billion.

The international scenario continued to reflect the concerns about the slowdown in the global growth and the US-China trade wars. In response to this environment, the monetary policies of the US and the Eurozone reached inflection points, with markets anticipating the interest rate cuts which are expected to be made in the second half of 2019. Such scenario provided support to risky assets, and the S&P index increased 17.3% in the first half of the year.

In view of the uncertainties in the global scenario, it is worth noting the solidity of our external accounts. The deficit in current transactions was only US$ 17.1 billion in the past 12 months ended in June, largely financed in the period by the inflow of US$ 91.9 billion in Foreign Direct Investments (IDP). The substitution of external debt for domestic capital markets instruments continued to reduce the stock of external debt, maintaining a solid position of international reserves (US$ 388.1 billion in the end of June).

PERFORMANCE

Key Indicators

The financial and operating information below are shown based on consolidated figures for the periods ended June 30, 2019 and June 30, 2018.

R$ million (unless otherwise stated)

Profitability	Jun-19	Jun-18	Change %
Net Income of the Parent Company (first half)	1,040	1,058	*(1.7%)*
Equity of Parent Company	12,443	10,475	*18.8%*
Return on Average Equity - Annualized (%)	*17.2%*	*20.9%*	
Return on Average Assets – Annualized (%)	*1.1%*	*1.3%*	
Performance Indicators (%)			
Basel Ratio	*15.3%*	*12.8%*	
Operational Coverage Ratio (1)	*55.5%*	*82.7%*	
Credit Ratios (%)			
Non-performing loan ratio (more than 90 days)	*0.5%*	*0.5%*	
Problematic bank credit assets ratio (2)	*1.2%*	*1.3%*	
Coverage Ratio (Balance of ALL/NPL more than 90 days)	*704.0%*	*917.0%*	
Problematic bank credit assets coverage ratio (2)	*332.5%*	*328.3%*	
NIM (3) after ALL	*4.0%*	*4.1%*	
Balance of ALL/Credit Portfolio	*3.3%*	*4.1%*	
Statement of Financial Position			
Total Assets	188,445	174,374	*8.1%*
Liquidity (4)	30,018	28,673	*4.7%*
Expanded Credit Portfolio	106,191	98,103	*8.2%*
Credit Operations (includes other credit risk instruments)	87,786	77,262	*13.6%*
Guarantees and Sureties	18,405	20,841	*(11.7%)*
Funding Net of Compulsory	108,284	97,681	*10.9%*
Credit Operations (5) / Funding Ratio (%)	*81.1%*	*79.1%*	
Raised and Managed Assets (6)	238,418	231,673	*2.9%*
Material Data			
Conglomerate employees (individuals)	9,051	7,002	
Number of Branches and Points of Banking Services in the Country (units)	134	131	

(1) Operational coverage ratio = (revenues from services, bank fees, and foreign exchange + revenue from insurance and private pension operations) / (personnel expenses + other administrative expenses + expenses for taxes not levied on revenue + other operating expenses).
(2) Problem assets = transactions over 90 days past due, renegotiated transactions without any indication that they will be fully paid, all transactions of business customers with judicial recovery or bankruptcy declared and all transactions of customers who passed away.
(3) NIM = financial margin after ALL / average interest-bearing assets.
(4) Liquidity = cash and cash equivalents + unrestricted government and corporate securities (own portfolio) – collection of taxes and similar.
(5) Does not include guarantees and sureties.
(6) Raised and Managed Assets = funded and managed funds + repurchase agreements + foreign exchange portfolio + collection of taxes and similar.

Highlights

In the end of the first half of 2019, Banco Safra's net income amounted to R$ 1.0 billion, resulting in an annualized profitability of 17.2%. Total assets amounted to R$ 188.4 billion as at June 30, 2019 and equity reached R$ 12.4 billion. With the growth of 8.2% in its expanded credit portfolio, and of 10.9% in its funding net of compulsory, it ended the first half with a robust liquidity position in the amount of R$ 30.0 billion and Basel ratio of 15.3%.

The Bank has been making progresses in all businesses, which enable a greater diversification of its revenues and broadening of its customer base, comprising both business and individuals, in which we have already passed the milestone of one million customers.

One of the points that explains the performance of the Bank's results is its credibility, associated with the security given to our customers, by building long-term relationships, focused on the commitment to develop assets, products and services.

We highlight below some of the main strategic initiatives that have been undertaken by Banco Safra:

- *Digital transformation* – With the conviction that the bank of the future will be based on digital transformation, increasingly integrating the financial institutions into the day-to-day lives of its customers, providing new experiences of interactivity and smart sales, the Bank has invested to bring to the channel several self-service solutions, from the most traditional ones involving service and investment products to the most structured ones such as the offering, estimate, and taking out of loan and financing products.

- *Digital Financing* – Complete reformulation of the processes involving the offering, approval, formalization and payment of vehicle and payroll linked loans, guaranteeing greater agility in the purchase of such products. This revision will also enable that the confirmation of the transaction by the customer becomes stricter and fraud risk decreases, for example, through the use of biometry in credit application.

- *SafraPay* – The year of 2017 marked the entry of Safra in the acquiring market, and since then it has started to operate in the entire electronic payment chain in Brazil, proposing to offer services that go beyond the capture of electronic payments, providing access to a complete range of products and services in a very agile, effective way, a result of the synergy with the commercial bank operations. With this initiative, Banco Safra adopts a competitive positioning in this market and increasingly strengthens its long-term relationship with its customers.

- *Retail Business Operations and SafraPay-Digital* – Combined with SafraPay operations, which is door to access customers with smaller size, the Bank set a larger target group, including companies with annual revenues from R$ 1 million to R$ 10 million, as well as the segment of SafraPay-Digital, customers with annual revenue of R$ 1 million or less.

- *TopAdvisor and Digital Individual Customers*– For individuals, the goal is to attract accountholders who have potential for investment, or who performs portability of salary to the bank. It will be pursued by offering products to customers who open digital accounts as well as to those prospected by our relationship managers and Private Bankers. In this context, the Bank is deploying its sales force through the TopAdvisor program, aimed at cultivating talents with our traditional service quality and always focused on long-term relationship.

In 2019, for the third consecutive time, Banco Safra was the leader in the Banks category (Wholesale and Business) of the yearbook of Estadão Finanças Mais. It was also awarded in the categories of Life Insurance & Pension (ranked second) and Property Insurer (ranked fifth).

For better analysis, we present below the statement of income reclassified by the effects of exchange rate changes of investments abroad, which contra-entry is recorded in the line item of taxes, according to Note 19.c.II:

R$ million

Reclassified statement of income	1st half 2019	1st half 2018
Gross income from financial intermediation before allowance for loan losses	**2,720**	**2,201**
Result of allowance for loan losses	(266)	(107)
Net income from financial intermediation	**2,454**	**2,094**
Other income from operations	1,090	1,296
Tax expenses of operations	(259)	(264)
Net income from operations	**3,284**	**3,125**
Other operating income (expenses)	(1,961)	(1,563)
Income before taxes	**1,323**	**1,562**
Income tax and social contribution	(283)	(504)
Net income	**1,040**	**1,058**

Assets, Liabilities and Investment Management

- **Credit Portfolio**

The expanded credit portfolio, which includes guarantees, sureties and other instruments with credit risk, totaled R$ 106.2 billion as at June 30, 2019, up by 8.2% on the portfolio as at June 30, 2018.

The payroll linked loan and vehicle financing businesses presented the respective portfolio growths of 7.8% and 54.8% in relation to June 30, 2018, maintaining the non-performing loan ratios at levels lower than those of the market. This performance is a result of our strategy based on new technologies, which provided economy of scale and further access to individual customers. Our growth is sustained by the agility in credit grant and the building of relationship with customers and points-of-sales.

In June 2019 the expanded credit to businesses reached R$ 82.6 billion, of which we highlight the expansion of 34.0% in the segments of businesses with annual revenue from R$ 1 million to R$ 500 million, well above the rate noted in Brazil. In companies of larger size, we noted a growth in financing through fixed-income securities in the local (debentures, promissory notes and similar) and international markets (Eurobonds), which portfolio posted a growth of 23.0% in relation to June 30, 2018.

According to the rating agencies, Safra is a benchmark for credit risk management, from the way it grants credit, with committees for each customer segment type, supported by a wide range of information on the borrower, to its proactive approach to solve occasional problems, whether by assisting customers in their restructuring, or agility in repossession of guarantees, in the cases the latter is justified. All of these activities are supported by frameworks that enable monitoring, almost in real time, the current status of customers and guarantees, thus making it possible to anticipate possible credit problems.

It allowed Safra to maintain the credit portfolio growth at a fast pace even at times of weak economy, as observed in recent years.

The robust credit quality indicators, maintained by the institution in the end of June 2019, which ratifies the Bank's efficient risk management framework is worthy of note. The non-performing loan ratio (transactions over 90 days past due) stood at 0.5% of the credit portfolio. Another important ratio to measure delinquency is the problematic bank credit assets coverage ratio[(1)], according to CMN Resolution 4,557, which stood at 1.2% as at June 30, 2019.

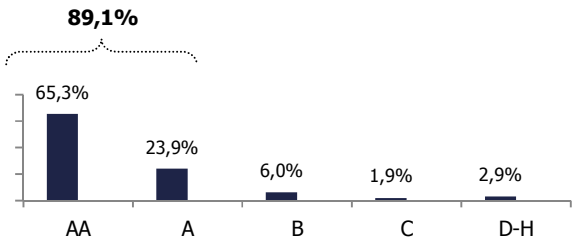
The Bank maintained its coverage levels well above the main private players, reaching 704.0% for transactions over 90 days past due as at June 30, 2019, 332.5% for problematic bank credit assets and 97.5% for renegotiated credit transactions.

Another indicator of the credit portfolio quality is the total transactions rated AA and A, the best risk ratings according to the effective regulation, which total 89.1% of the total credit portfolio as at June 30, 2019. In relation to the allowance for loan losses, in the expanded perspective, in line with its conservative positioning, the Bank records allowances in addition to those required by the regulation authority, totaling R$1.2 billion in the end of June 2019, which, added to the minimum required of R$ 1.9 billion, resulted in a total allowance for loan losses of R$ 3.1 billion, equivalent to 2.9% of the expanded credit portfolio.

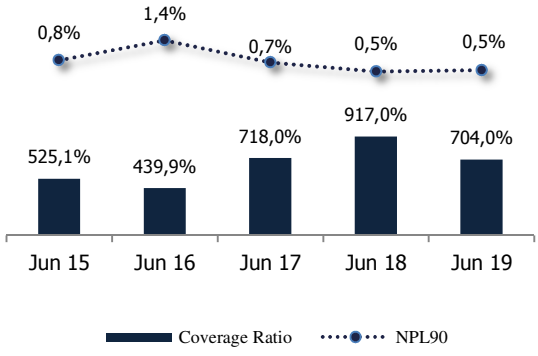
[1] Problem assets = transactions over 90 days past due, renegotiated transactions without any indication that they will be fully paid, all transactions of business customers with judicial recovery or bankruptcy declared and all transactions of customers who passed away.

Credit portfolio by rating

Jun-19



Coverage ratio and NPL90



- **Extended cash and cash equivalents**

The extended cash and cash equivalents include cash and cash equivalents, open market investments (own portfolio) with maximum term of 90 days, unrestricted government and corporate securities (own portfolio), which as at June 30, 2019 totaled R$ 30.0 billion, equivalent to 2.4 times equity, and were as follows:

R$ million

	Jun-19	**Jun-18**
Cash and cash equivalents	2,627	4,126
Own portfolio – unrestricted government securities	17,339	17,414
Securities issued by financial institutions with daily liquidity	1,272	1,195
Open market investments (own portfolio) and interbank deposits, with maximum term of 90 days, with daily liquidity	11,126	8,365
(-) Collection of taxes and similar	(2,346)	(2,427)
Total	**30,018**	**28,673**

- **Investment management**

The institution continued to focus on keeping steady funding, by either diversifying fund sources or elongating operations, guaranteeing a consistent liquidity management and greater security to customers, a point recognized by rating agencies as the institution's credit risk reduction strategy, or by promoting the solid expansion of its customer base, comprising both high income individual and Private Banking and business customers.

Also in the high income and Private Banking segments, the network of professionals widened, mainly through the Safra TopAdvisor program, aimed at training and building the career of relationship managers, which reached 270 professionals and has more 300 vacancies in 2019.

Banco Safra's asset management reached R$ 238.4 billion as at June 30, 2019. Of this amount, R$ 88.3 billion refers to investment funds. Still in this context, funding from customers totaled R$ 91.8 billion in the end of June 2019.

It is also worthy of note the Bank's important performance in the investment banking segment, mainly in the activities of capital markets, fixed-income distribution, and Merger & Acquisitions (M&A), benefitting from its brand awareness.

- **Equity and Basel**

As at June 30, 2019, consolidated equity reached R$ 12.4 billion, and the capital ratio stood at comfortable levels, as shown in the table below.

R$ million

	Jun-19	Jun-18
Regulatory capital (PR)	**16,751**	**14,072**
Tier I	**13,421**	**11,407**
Core capital	12,261	10,256
Additional	1,160	1,151
Tier II	3,330	**2,665**
RWA	**109,208**	**110,098**
Credit Risk	96,348	92,524
Market Risk	4,484	8,729
Operational Risk (POPR)	8,376	8,845
Basel Ratio [PR*100/RWA]	***15.3%***	***12.8%***
Tier I	*12.3%*	*10.4%*
Core Capital	*11.2%*	*9.3%*
Risk of change in interest rates in instruments classified in the banking portfolio (IRRBB)	**408**	**1,010**
Countercyclical buffer (ACP)	**2,730**	**2,064**
Capital margin (PR-RWAxF(*)-IRRBB-ACP)	**4,876**	**1,501**

(*) F= 8% as of June 2019 and 8.625% as of June 2018.

RATINGS

Banco Safra continues to have the best possible ratings among the financial institutions in Brazil, which are limited to the Sovereign rating, by both S&P Global and Moody's; it is worth noting the asset manager's rating, affirmed as "Excellent", by FitchRatings.

	MOODY'S	S&P Global
Global Scale – Local Currency – Long term	Ba2	BB-
Global Scale – Foreign Currency – Long Term	Ba3	BB-
National Scale Brazil – Long term	Aa1.br	brAAA
Outlook	Stable	Stable
Latest report	2/28/19	12/19/18

RISK AND CAPITAL MANAGEMENT

Banco Safra performs risk management by using the methodology of three lines of defense and has a set of procedures, aligned with the best market practices, which ensure the fulfillment of legal and regulatory provisions, and internal policies.

In the financial statements (note 19) a summary of the Bank's risk management practices is presented. Banco Safra's website (www.safra.com.br) features information on the risk and capital management frameworks, established by Central Bank Resolution 3,678/13 and CMN Resolution 4,557/17.

CMN Resolution 4,553/2017 divided the financial institutions into five segments, according to asset level and relevance of international operations, Safra being classified as S2. CMN Resolution 4,557/2017 introduced the concept of integrated risk management that involves the interrelationship among finance, business, and risk and capital management processes. It is also worthy of note that, pursuant to the regulation, the Superior Risk Committee was created, formed by three members and aimed at assisting the Board of Directors in the performance of its attributions related to the integrated risk and capital management. Moreover, an integrated risk management unit was created and the appointment of the Chief Risk Officer (CRO) was formalized, taking into account that the latter reports to the Superior Risk Committee and Board of Directors. The formal Risk Appetite Statement (RAS) also comprises Safra's risk management framework, which contemplates the main indicators, metrics and principles that guide the carry out of the institution's businesses and risk control. The RAS is periodically monitored by the executive officers, the Superior Risk Committee and approved by the Board of Directors.

Banco Safra annually undertakes the Internal Capital Adequacy Assessment Process (ICAAP), initiated in 2012, as determined by the Central Bank of Brazil, which involves the evaluation of all procedures and processes related to risk and capital management in all hierarchical levels, including a forward-looking capital plan for a minimum period of three years. In addition, Safra participates, together with the other outstanding financial institutions, in the Bottom-Up Stress Test (TEBU) of the Brazilian Central Bank, which started in 2017. These processes aim to anticipate possible adjustments to the proper functioning of the market and bring greater solidity and security to the National Financial System.

GOVERNANCE

O Banco Safra has a strong corporate governance structure, focused on joint decisions and supported by strict internal controls.

Among the other statutory committees, Banco Safra S.A. has besides the Superior Risk Committee, an Audit Committee, which is a statutory body that operates permanently in compliance with the provisions of National Monetary Council (CMN) Resolution 3,198, of May 27, 2004, and National Council of Private Insurance (CNSP) Resolution 312, of June 16, 2014. The Committee directly reports to the Board of Directors and is formed by five members, of which three are Executive Officers of the Company and two are independent members. The Committee carries out its activities based on the provisions of its internal rules and the bylaws; the Corporate Governance Committee was created aimed at contributing towards the improvement in Safra Conglomerate's quality, compliance with its ethical and corporate values, the improvement in the relationship between the members of the Board of Directors, Executive Management, employees and the inspection and control bodies of its activities, besides promoting synergy particularly between the risk and control areas and the several structures of Safra through interactions among the areas of Internal Audit, Operational Risks, Ombuds Office, Regulatory Compliance, Internal Controls, and Compliance; the Remuneration Committee, which is aimed at assisting the Board of Directors in conducting the key management personnel remuneration policy of the Company, under the terms of the CMN Resolution 3,921, of November 25, 2010, is formed by a minimum of four members, with two-year term of office, and operates as a sole organizational component of the Safra Financial Conglomerate, of which it is the leading institution; and the Advisory Committee that has the duty of guiding, assisting and advising the Board of Directors in conducting the Company's businesses, suggesting strategies for the operations of the Company and its subsidiaries in several financial business lines.

Besides the structure of Statutory Committees, Safra has delegated committees that provide support to the institution's operations. We highlight the Finance and Treasury Committee, Capital Management Committees, Main Clients Credit Revision Committee, among others, further strengthening Banco Safra's corporate governance structure.

SOCIAL RESPONSIBILITY

Safra contributes to social development in several areas. That is why it supports projects that foster health, society, culture, education and sports, from institutions renowned for their social welfare activities.

HUMAN RESOURCES

In the end of the first half of 2019, Safra had 9,051 employees, who have high quality medical and dental care, educational support, daycare, food basket, access to cultural and social activities promoted by the association of employees, among others.

The remuneration of personnel, plus charges and benefits, and not considering the termination and additional payroll expenses, totaled R$ 1.2 billion in the first half of 2019, the social benefits provided to employees and their dependents having reached R$ 102 million.

ACKNOWLEDGMENTS

The management of Banco Safra thanks its customers for their trust, preference and loyalty, and the employees for their efforts and dedication, which have enabled the achieved results.

Approved by the Board of Directors.

São Paulo, July 30, 2019.

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF FINANCIAL POSITION - NOTE 2(a)
ALL AMOUNTS IN THOUSANDS OF REAIS

		CONSOLIDATED	
ASSETS	**Notes**	**06.30.2019**	**06.30.2018**
CURRENT ASSETS		123,878,774	120,332,310
Cash	3(b) and 4	790,736	955,607
Interbank investments	3(c), 4 and 5	13,393,729	11,802,834
Central Bank compulsory deposits	6	8,943,887	5,151,870
Investments linked to open market operations - Government securities	3(c) and (d), and 10(a)	29,937,022	36,267,976
Own portfolio - Open market investments		2,377,271	5,170,421
Marketable securities - Third-party portfolio - Subject to repurchase agreements		27,559,751	31,097,555
Marketable securities	3(d) and 7(a)	21,472,186	20,408,585
Derivative financial instruments	3(d) and 7(c)	826,848	1,136,023
Funds guaranteeing technical reserves for insurance and private pension	7(b)	414,605	406,941
Credit portfolio	3(f) and 8	43,140,852	40,386,114
Credit operations		42,854,036	40,267,892
Other credit risk instruments		1,439,710	1,161,891
(Allowance for credit risks)		(1,152,894)	(1,043,669)
Other financial assets	12	3,787,220	2,454,266
Other receivables		1,171,689	1,362,094
Deferred taxes	16(b)	824,435	715,827
Sundry	14(a)	347,254	646,267
NON-CURRENT ASSETS		64,565,994	54,041,507
LONG-TERM RECEIVABLES		63,891,006	53,619,452
Interbank investments - Interbank deposits	3(c) and 5	1,484,133	1,385,012
Marketable securities	3(d) and 7(a)	2,067,983	2,856,439
Derivative financial instruments	3(d) and 7(c)	348,348	167,375
Funds guaranteeing technical reserves for insurance and private pension	7(b)	16,422,847	13,287,554
Credit portfolio	3(f) and 8	41,725,533	34,041,168
Credit operations		30,294,157	25,098,510
Other credit risk instruments		13,197,748	10,733,742
(Allowance for credit risk)		(1,766,372)	(1,791,084)
Other financial assets - Other	12	109,631	29,676
Other receivables		1,732,531	1,852,228
Deferred taxes	16(b)	1,431,680	1,556,928
Sundry	14(a)	300,851	295,300
INVESTMENTS	3(h)	7,262	7,214
PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	3(i) and 17	667,726	414,841
TOTAL ASSETS		**188,444,768**	**174,373,817**

The accompanying notes are an integral part of these financial statements.

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF FINANCIAL POSITION - NOTE 2(a)
ALL AMOUNTS IN THOUSANDS OF REAIS

		CONSOLIDATED	
LIABILITIES	**Notes**	**06.30.2019**	**06.30.2018**
CURRENT LIABILITIES		112,127,334	114,039,184
Open market funding - Government securities	3(c) and 10(b)	30,209,413	36,141,173
Own portfolio		2,368,483	5,091,032
Third-party portfolio		27,840,930	31,050,141
Funding	3(k)	60,647,615	55,384,496
Open market deposits and funding – Government securities	9(a)	30,375,787	22,923,375
Funds from acceptance and issue of securities	9(b)	28,297,760	28,945,706
Structured funding	9(c)	1,974,068	3,515,415
Borrowings and onlending	3(k) and 9(d)	11,413,221	12,522,918
Derivative financial instruments	3(d) and 7(c)	869,594	1,094,971
Insurance and private pension operations	3(l) and 11(c)	341,615	324,964
Other financial liabilities	12	6,932,485	6,208,405
Subordinated debt	3(k) and 9(e)	326,495	676,930
Other liabilities		1,386,896	1,685,327
Social and statutory	18(b)	17,782	341,749
Taxes and social security contributions	3(m) and 16(c)	554,457	436,249
Deferred tax liabilities	3(o) and 16(b-II)	15,554	72,988
Provisions for contingent liabilities	3(m) and 15(c)	116,245	246,475
Sundry	14(b)	682,858	587,866
NON-CURRENT LIABILITIES		63,874,847	49,859,593
LONG-TERM LIABILITIES		63,874,847	49,859,593
Funding	3(k)	34,691,883	26,190,816
Open market deposits and funding – Corporate securities	9(a)	1,417,149	667,571
Funds from acceptance and issue of securities	9(b)	29,768,384	22,425,854
Structured funding	9(c)	3,506,350	3,097,391
Borrowings and onlending	3(k) and 9(d)	2,613,505	2,315,707
Derivative financial instruments	3(d) and 7(c)	416,540	167,307
Insurance and private pension operations	3(l) and 11(c)	16,506,893	13,338,857
Subordinated debt	3(k) and 9(e)	7,535,543	5,742,044
Other liabilities		2,110,483	2,104,862
Taxes and social security contributions	3(m) and 16(c)	615,693	642,052
Deferred tax liabilities	3(o) and 16(b-II)	136,582	202,932
Provisions for contingent liabilities	3(m) and 15(c)	1,297,777	1,200,355
Diversas	14(b)	60,431	59,523
CONSOLIDATED EQUITY	18	12,442,587	10,475,040
TOTAL LIABILITIES AND EQUITY		**188,444,768**	**174,373,817**

The accompanying notes are an integral part of these financial statements.

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF INCOME FOR THE PERIODS ENDED JUNE 30 - NOTE 2(a)
ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED

		CONSOLIDATED	
	Notes	**2019**	**2018**
INCOME FROM FINANCIAL INTERMEDIATION	13(a)	7,753,984	6,442,830
Credit portfolio operations		4,778,915	3,797,435
Transactions with marketable securities		2,054,647	2,282,248
Finance income from insurance and private pension operations	11(e)	662,869	229,525
Compulsory deposits	6	242,424	130,381
Other finance income		15,129	3,241
EXPENSES OF FINANCIAL INTERMEDIATION	13(b)	(4,975,410)	(4,247,754)
Funding		(2,669,922)	(2,178,692)
Open market funding - Government securities		(1,023,496)	(1,347,060)
Borrowings and onlending		(270,128)	(262,325)
Finance expenses from insurance and private pension operations	11(e)	(654,557)	(220,788)
Subordinated debt		(274,430)	(197,935)
Other finance expenses	15(c) and 16(c)	(82,877)	(40,954)
DERIVATIVE FINANCIAL INSTRUMENTS	13(c) and 19(c-II(2))	(32,679)	(362,630)
GROSS INCOME ON FINANCIAL INTERMEDIATION BEFORE ALLOWANCE FOR LOAN LOSSES		2,745,895	1,832,446
ALLOWANCE FOR LOAN LOSSES		(265,649)	(107,194)
Expenses of allowance for credit risks	3(f) and 8(a-II)	(366,179)	(512,052)
Income from recovery of credits written-off as loss	3(f) and 8(d)	100,530	404,858
NET INCOME ON FINANCIAL INTERMEDIATION		2,480,246	1,725,252
OTHER INCOME FROM OPERATIONS		1,089,279	1,295,911
Revenue from service, bank fees and foreign exchange transactions	13(d)	962,285	1,169,216
Insurance, reinsurance and private pension operations	3(l) and 11(e)	126,994	126,695
TAX EXPENSES OF OPERATIONS	3(o), 16(a-II) and 19(c-II(2))	(261,909)	(226,981)
NET INCOME FROM OPERATIONS	19(c-II(2))	3,307,616	2,794,182
OTHER OPERATING INCOME (EXPENSES)		(1,961,132)	(1,563,406)
Personnel expenses	14(c)	(1,405,189)	(1,104,289)
Administrative expenses	14(d)	(475,323)	(335,515)
Other operating income		2,038	3,320
Other operating expenses	15(c)	(82,658)	(126,922)
INCOME BEFORE TAXES		1,346,484	1,230,776
INCOME TAX AND SOCIAL CONTRIBUTION	3(o), 16(a-I) and 19(c-II(2))	(306,082)	(172,884)
NET INCOME		1,040,402	1,057,892
Earnings per share - Quantity of shares 15,300 (15,301 at 06.30.2018)		68.00	69.14

The accompanying notes are an integral part of these financial statements.

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30 - NOTE 18
ALL AMOUNTS IN THOUSANDS OF REAIS

	Paid-up capital	Revenue reserves	Carrying value adjustment	Retained earnings	Total
AT JANUARY 1, 2018	**8,652,392**	**1,086,001**	**30,155**	**-**	**9,768,548**
Carrying value adjustments - Available-for-sale securities	-	-	(26,381)	-	(26,381)
Net income for the period	-	-	-	1,057,892	1,057,892
Allocation:					
Legal reserve	-	52,895	-	(52,895)	-
Special reserve	-	679,978	-	(679,978)	-
Interest on capital	-	-	-	(325,019)	(325,019)
AT JUNE 30, 2018	**8,652,392**	**1,818,874**	**3,774**	**-**	**10,475,040**
AT JANUARY 1, 2019	**10,716,042**	**1,069,185**	**6,433**	**-**	**11,791,660**
Capital increase - with reserves	757,479	(757,479)	-	-	-
Carrying value adjustments - Available-for-sale securities	-	-	2,093	-	2,093
Net income for the period	-	-	-	1,040,402	1,040,402
Allocation:					
Legal reserve	-	52,020	-	(52,020)	-
Special reserve	-	596,814	-	(596,814)	-
Interest on capital	-	-	-	(391,568)	(391,568)
AT JUNE 30, 2019	**11,473,521**	**960,540**	**8,526**	**-**	**12,442,587**

The accompanying notes are an integral part of these financial statements.

BANCO SAFRA S.A. E CONTROLADAS ("SAFRA CONSOLIDADO")
STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30 - NOTE 3(b)
ALL AMOUNTS IN THOUSANDS OF REAIS

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
ADJUSTED NET INCOME		863,770	635,746
Net income for the periods		1,040,402	1,057,892
Adjustments to net income:			
Depreciation and amortization	14(d)	64,933	41,282
Allowance for credit risk		73,128	(167,241)
Allowance for loan losses	8(a-II)	366,179	512,052
Write-off of loss	8(a-II)	(293,051)	(679,293)
Foreign exchange gains (losses) on cash and cash equivalents		4,643	(898)
Provisions for contingent liabilities		34,845	41,397
Civil, labor and other	15(c)	(98,713)	28,436
Tax, social security contingent liabilities and legal obligations	15(c)	133,558	12,961
Fair value adjustment of assets and liabilities	7(d)	(99,472)	139,975
Marketable securities - Trading securities and Obligations related to unrestricted securities		106,012	77,279
Derivative financial instruments (assets and liabilities)		(4,309)	(77,862)
Fair value hedge		(201,175)	140,558
Finance expenses on financing liabilities		176,771	140,489
Interest payable on payables for marketable securities issued abroad	9(b-II)	7,291	35,770
Interest payable on subordinated debts	9(e-III)	169,480	104,719
Provision for current and deferred income taxes	16(a-I)	306,082	172,884
Taxes paid		(737,562)	(790,034)
Current		(611,526)	(692,468)
Tax and social security contingent liabilities and legal obligations	15(c)	(98,490)	(67,609)
Programa Especial de Regularização Tributária - PERT	16(c)	(27,546)	(29,957)
CHANGES IN ASSETS AND LIABILITIES BY OPERATING ACTIVITIES		(2,217,682)	(1,508,217)
NET INVESTMENTS		(6,515,187)	(15,134,447)
In interbank investments (assets/liabilities)		847,304	(6,352,792)
In Central Bank compulsory deposits		(645,540)	(708,890)
In open market investments and funding - Government securities (assets/liabilities)		(237,344)	(1,508,950)
In marketable securities (net)		(7,856,461)	(491,410)
In derivative financial instruments (assets/liabilities)		298,117	71,252
In credit portfolio		(1,485,613)	(8,993,979)
Credit operations		(1,060,689)	(4,458,770)
Other credit risk instruments		(424,924)	(4,535,209)
In other financial assets and liabilities		2,565,890	3,097,934
In other receivables		(1,540)	(247,612)
NET FUNDING		4,297,505	13,626,230
In funding		3,744,187	11,864,469
Open market deposits and funding – Corporate securities		6,763,377	1,648,501
Funds from acceptance and issue of securities - funds from financial bills, bills of credit and similar notes		(2,385,129)	9,938,044
Structured funding		(634,061)	277,924
In borrowings and onlending		597,632	702,869
Foreign borrowings		879,459	1,945,225
Domestic onlending		(107,710)	(1,228,056)
Other borrowings		(174,117)	(14,300)
In insurance and private pension operations (assets/liabilities)		11,359	(32,366)
Funds guaranteeing technical reserves for insurance and private pension operations (assets)		(1,915,197)	(1,392,090)
Insurance and private pension operations (liabilities)		1,926,556	1,359,724
In other liabilities		25,858	386,439
In foreign exchange gains (losses) on financing operations		(81,531)	704,819
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(1,353,912)	(872,471)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment in use	17(b)	(185,522)	(50,625)
Disposal of property and equipment in use	17(b)	1,974	2,024
Investment in intangible assets	17(b)	(30,688)	(20,372)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(214,236)	(68,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities for marketable securities abroad	9(b-II)	46,860	1,361,310
Funding		67,660	1,670,915
Redemptions		(20,800)	(309,605)
Subordinated debt	9(e-III)	248,405	722,254
Funding		907,890	742,813
Redemptions		(659,485)	(20,559)
Interest on capital		(391,568)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(96,303)	2,083,564
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,664,451)	1,142,120
Cash and cash equivalents at the beginning of the period		4,295,467	2,982,756
Foreign exchange gains (losses) on cash and cash equivalents		(4,643)	898
Cash and cash equivalents at the end of the period	4	2,626,373	4,125,774
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,664,451)	1,142,120

The accompanying notes are an integral part of these financial statements.

BANCO SAFRA S.A. AND SUBSIDIARIES ("SAFRA CONSOLIDATED")
STATEMENT OF VALUE ADDED FOR THE PERIODS ENDED JUNE 30
ALL AMOUNTS IN THOUSANDS OF REAIS

	Notes	CONSOLIDATED 2019	CONSOLIDATED 2018
Revenue		**8,812,622**	**7,379,431**
Financial intermediation	13(a)	7,753,984	6,442,830
Derivative financial instruments	13(c)	(32,679)	(362,630)
Other income from operations		1,089,279	1,295,911
Other operating income		2,038	3,320
Expenses		**(5,323,717)**	**(4,481,871)**
Financial intermediation	13(b)	(4,975,410)	(4,247,754)
Allowance for loan losses		(265,649)	(107,194)
Other operating expenses	15(c)	(82,658)	(126,923)
Expenses from acquired inputs	14(d)	**(341,175)**	**(228,989)**
Gross value added		**3,147,730**	**2,668,571**
Retentions - Depreciation and amortization	14(d)	(64,933)	(41,282)
Net added value to be distributed		**3,082,797**	**2,627,289**
Distribution of value added		**3,082,797**	**2,627,289**
Personnel	14(c)	**1,232,062**	**961,787**
Taxes and contributions		**741,118**	**542,367**
Federal	16(a-I) and (II)	526,174	423,406
Tax and social security	14(c)	173,127	70,269
Municipal	16(a-II)	41,817	48,692
Distribution - Third party capital - Rents	14(d)	**69,215**	**65,243**
Distribution - Capital		**1,040,402**	**1,057,892**
Interest on capital	18(b)	391,568	325,019
Retained earnings for the period		648,834	732,873

The accompanying notes are an integral part of these financial statements.

BOARD OF EXECUTIVE OFFICERS

José Manuel da Costa Gomes
Accountant - CRC nº 1SP219892/O-0

NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2019 (ALL AMOUNTS IN THOUSANDS OF REAIS UNLESS OTHERWISE STATED)

1. OPERATIONS

Banco Safra S.A. and its subsidiaries (collectively referred to as "Safra", "Safra Group", "and/or "Bank"), with registered office at Avenida Paulista, 2.100, São Paulo – SP, Brazil, are engaged in asset, liability and accessory operations inherent in the related authorized portfolios (commercial, real estate loans, credit, financing and investment and lease), including foreign exchange, repurchase agreement, rural credit, and securities portfolio management operations, as well as complementary activities among which are insurance, private pension, security brokerage and distribution, investment fund management and managed portfolio, and operations in the payment institution market through the Safrapay brand, in compliance with the current legislation and regulations.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

a) Presentation of the financial statements

The consolidated financial statements of Banco Safra S.A. and subsidiaries ("CONSOLIDATED"), approved by the Board of Directors and Audit Committee on July 30, 2019, have been prepared and are presented following the accounting practices adopted in Brazil, in accordance with Law 6,404/1976 (Brazilian Corporate Law) and the respective changes introduced by Laws 11,638/2007 and 11,941/2009, associated with the rules established by the National Monetary Council (CMN), Brazilian Central Bank (BACEN), National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP), as applicable.

We declare that all material information of the financial statements, and only it, has been evidenced and corresponds to the one used by Management in its administration.

Safra adopts a set of criteria for presenting its transactions in its financial statements, always aiming at generating the best representation of the economic substance of its operations.

The adoption of the concept of expanded credit portfolio – Note 3(f) implies the presentation of the following operations as transactions with credit characteristics in both statement of financial position and statement of income:

- Lease operations, under the financial method, that is, at present value;
- Advances on exchange contracts, reclassified from the group "Foreign Exchange Operations", except the income and expenses arising from the differences in the exchange rates applied on the amounts in foreign currency, presented as foreign exchange transactions in Statement of Income;
- Advances on receivables of payment arrangement, reclassified from the group "Interbank transactions"; and
- Securities issued by non-financial companies, reclassified from the group "Marketable Securities".

We show the following transactions in the Statement of Financial Position, in Current or Non-current Assets, regardless of the maturity dates of assets:

- Marketable securities classified as trading securities (Notes 3(d) and 7(a)), in their totality in Current Assets, based on the provisions established in the sole paragraph of article 7 of BACEN Circular 3,068/2001; and
- Assets guaranteeing technical reserves for insurance and private pension, in Current or Non-current Assets (Notes 3(d) e 7(b)), proportionally to the maturity of guaranteed obligations, recorded in the line item Insurance and private pension operations– Note 11(c).

We show the foreign exchange gains or losses on investments abroad and foreign currency operations in the line item "Derivative financial instruments" in Statement of Income, together with the foreign exchange gains or losses on the derivatives which provide their hedge, for better presentation of the effective coverage of foreign exchange exposure.

Additionally, in this period, we have started to adopt the following criteria for presenting the Statement of Financial Position and/or Statement of Income:

- Open market investments and funding (repurchase agreements) backed by government securities, started to be presented in a specific group of assets and liabilities, with segregation of their income; and
- Income from operations started to be presented net of its direct costs. Thus far, such costs, directly attributable to operations, used to be presented in the line item "Other operating income (expenses)". Such costs are substantially represented by recovery, origination and maintenance of operations.

For purposes of comparability, the balances and results arising from the criteria adopted in this period were reclassified in the comparative statements for the prior period, and did not change the total assets and liabilities, equity and net income for the periods ended June 30, 2019 and June 30, 2018.

b) Basis of consolidation

The asset and liability and income accounts between the parent company and its subsidiaries, as well as the unrealized gains and losses between the companies included in the consolidation, were eliminated in the consolidated financial statements. The Exclusive Investment Funds of the consolidated companies were consolidated. The securities and investments of the portfolios of these funds were classified by type of transaction and were distributed into types of securities, in the same categories to which they were originally allocated.

The entities based overseas, basically represented by the branches in the Cayman Islands and Luxembourg, are shown consolidated in the financial statements. The consolidated balances of these entities, excluding the amounts of transactions among them, were translated at the foreign exchange rate ruling at June 30 and are presented below:

	Assets	Liabilities	Equity	Net Income
Total at 06.30.2019	22,659,469	19,403,190	3,256,279	88,368
Total at 06.30.2018	23,975,182	20,636,040	3,339,142	204,647

The consolidated financial statements comprise Banco Safra and its subsidiaries, including fully consolidated exclusive investment funds, highlighting:

Ownership interests (%)	06.30.2019	06.30.2018
Banco J. Safra S.A.	100.00	100.00
Safra Leasing S.A. – Arrendamento Mercantil	100.00	100.00
BancoSafra (Cayman Islands) Limited.[(1)]	100.00	100.00
Safra Corretora de Valores e Câmbio Ltda.	100.00	100.00
Safra Asset Management Ltda.	100.00	100.00
Safra Serviços de Administração Fiduciária Ltda.	100.00	100.00
Safra Vida e Previdência S.A.	100.00	100.00
Safra Seguros Gerais S.A.	100.00	100.00
Sercom Comércio e Serviços Ltda.	100.00	100.00
SIP Corretora de Seguros Ltda.	100.00	100.00

[(1)] Entity based abroad.

Additionally, a 0.6% interest in the capital of consolidated non-financial entity, which as it is directly held by the Bank's own parent, is being presented as liabilities in these consolidated financial statements, in the line item "Other liabilities – Sundry".

c) Functional currency

The consolidated financial statements are presented in Reais (R$), the functional currency of the Conglomerate.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Income

Income is determined on accrual basis of accounting, that is, income and expenses are recognized in the period in which they are earned or incurred, simultaneously when they are related, regardless of the actual receipt or payment.

b) Cash Flows

I- Cash and cash equivalents: represented by cash and deposits with financial institutions, included in the heading cash, interbank deposits originally falling due in 90 days or less, the risk of change in their Fair Value being considered immaterial. Cash equivalents are amounts held for the purpose of settling short-term cash obligations and not for investments or other purposes.

II- Statement of cash flows: prepared based on the criteria set out in Technical Pronouncement CPC 03 - Statement of Cash Flows, approved by CMN Resolution 3,604/2008, which provides for the presentation of cash flows of the entity as those arising from operating, investing and financing activities, taking into account the following:

- Operating activities are the main revenue-generating activities of the entity and other activities that are neither investing nor financing activities. They include funding for financing financial intermediation and other operating activities that are typical of a financial institution;
- Investing activities are those related to the buying and selling of long-term assets and other investments not included in cash equivalents, such as held-to-maturity securities; and
- Financing activities are those that result in changes to the size and composition of the entity's and third party's capital. They include structured funding for financing the Entity itself.

Cash flows from operating activities are presented using the indirect method. Cash flows from investing and financing activities are presented based on gross payments and receipts.

c) Interbank investments and open market investment and funding – Government securities

These are stated at cost or fair value, when applicable, including the income and inflation adjustment and foreign exchange gains and losses through the statement of financial position reporting date, calculated on pro rata basis.

d) Marketable securities and derivative financial instruments

In accordance with the Brazilian Central Bank (BACEN) Circular 3,068/2001, marketable securities, including those presented in the Statement of Financial Position in the line item "Funds guaranteeing technical reserves for insurance and private pension", are classified according to Management's intention into three specific categories:

- Trading: securities acquired to be actively and frequently traded. Therefore, they are shown in current assets, regardless of their maturities. They are adjusted to fair value against income for the period;
- Available-for-sale: securities that can be traded, but which are not acquired to be frequently traded or held to maturity. Accrued income is recognized in statement of income, and unrealized gains and losses arising from fair value fluctuations are recognized in a specific account in equity, net of taxes. The gains and losses on available-for-sale securities, when realized, are recognized on the trading date in the statement of income, as contra-entry to a specific account in equity; and
- Held-to-maturity: securities which the Bank has the intention and financial capacity to hold in portfolio up to their maturity. These securities are stated at cost, plus accrued income.

The decline in the fair value of marketable securities, below their respective adjusted costs, related to reasons considered non temporary, are reflected in income as realized losses.

The classification of marketable securities is periodically reviewed, according to the guidelines set out by Safra, taking into consideration their intended use and financial capacity, in accordance with the procedures established by BACEN Circular 3,068/2001.

Derivative financial instruments used to hedge exposures to risks by means of change to certain characteristics of financial assets and liabilities being hedged that are considered highly effective and meet all the other requirements of designation and documentation under BACEN Circular 3,082/2002, are classified as accounting hedges according to their nature:

- Market risk hedge – the hedged financial assets and liabilities, including the assets classified as available for sale and their tax effects, and respective derivative financial instruments are recorded at fair value, with the related gains or losses recognized in income for the period; and
- Cash flow hedge - the hedged financial assets and liabilities and the respective derivative financial instruments are recorded at fair value, with the related gains or losses, net of taxes, recognized in a specific account of equity called "Carrying Value Adjustment". The non-effective hedge portion is recognized in income for the period.

The derivative financial instruments contracted at the request of customers or on own behalf that do not meet the hedge accounting criteria established by the Brazilian Central Bank, especially derivative financial instruments used to manage overall risk exposure, are recorded at fair value, with gains or losses directly recognized in income for the period.

The corporate securities issued by non-financial institutions that have credit characteristics are being reported in the line item "Other credit risk instruments", as expanded credit portfolio – Note 3(f).

e) Fair Value measurement

The methodology adopted for measuring fair value (probable realization value) of marketable securities and derivative financial instruments is based on the economic scenario and pricing models developed by Management, which include the gathering of average prices practiced in the market, applicable at the Statement of financial position reporting date. Accordingly, when these items are financially settled, the actual results could differ from the estimates.

The process for pricing financial instruments stated at fair value complies with the provisions of CMN Resolution 4,277/2013, which establishes the minimum elements to be considered in the mark to the market process. Safra calculates the mark to the market adjustments related to the pricing of the credit risk component and close-out costs. The adjustments made are recognized in the consolidated financial statements.

f) Expanded credit portfolio and allowance for credit risk

The expanded credit portfolio encompasses the credit operations and other operations that pose credit risk similar to a credit operation, such as other credit risk instruments issued by companies – Note 3(d), guarantees, sureties, foreign exchange change in advances on foreign exchange contract transactions, plus the respective transaction costs directly attributable to the operation.

Credit operations are stated at present value based on the index and contractual interest rate, calculated on a pro rata basis through the statement of financial position reporting date. The revenues related to transactions that are 60 days or more past due are recognized in income only when received, regardless of their risk rating.

Renegotiated credit transactions are maintained at least in the same rating. Renegotiated transactions that had already been written-off are assigned "H" rating and any income from renegotiation is only recognized when actually received. When a significant amount is amortized or new material events justify changing a transaction's risk level, the transaction may be reclassified into a lower risk rating.

Credit transactions, which are assigned "H" rating, are written-off from assets six months after they receive such rating, and then are controlled in memorandum accounts for at least five years, and while all collection procedures are not exhausted.

The assets received in connection with the debt consolidation processes, related to credit operations written-off of assets, are classified as Assets Nor for Use, and fully provisioned, because of the great likelihood of incurring losses related to their realization, given the several factors that may make impossible the disposal of the asset, such as legal restrictions, lack of legal regularization, low likelihood of sale to generate short-term liquidity at fair value, among others.

The amount of the full provision recorded for such Assets Not for Use is shown in the accompanying consolidated financial statements in the expense of write-down of the loss of the related credit operation. Any income is recognized only at the time of sale of assets not for use (cash basis).

To recognize the allowance for credit risk, Safra considers all transactions classified into the expanded credit portfolio concept.

The allowance for credit risk is monthly recognized in compliance with the minimum allowance required in CMN Resolution 2,682/1999, which requires the assignment of ratings for transactions among nine risk levels, between "AA" (minimum risk) and "H" (maximum risk), and is also based on the analysis of credit realization risk, periodically made and reviewed by Management, which takes into account, among other elements, the past experience of borrowers, the economic outlook and the overall and specific portfolio risks.

In addition, Safra not only considers the above minimum allowance levels, but also recognizes an additional allowance for credit risk, calculated by analyzing in detail the risk of realization of credits, based on internal risk rating methodology that is periodically reviewed and approved by management.

g) Derecognition of financial instruments

In accordance with CMN Resolution 3,533/2008, financial assets are derecognized when the contractual rights to the cash flows from these assets expire, or when substantially all the risks and rewards of ownership of the instrument are transferred. When substantially all the risks and rewards are not transferred nor retained, Safra assesses the control of the instrument in order to determine whether it should be maintained in assets.

Securities linked to repurchase and assignment of credit with co-obligation are not derecognized because Safra retains substantially all the risks and rewards to the extent there is, respectively, a commitment to repurchase them at a predetermined amount or to make payments in the event of default of the original debtor of the loan transactions.

Financial liabilities are derecognized if the obligation is contractually extinguished or settled.

h) Investments

These are stated at cost, adjusted for impairment.

i) Property and equipment and Intangible assets

Property and equipment correspond to own tangible assets and leasehold improvements, aimed at maintaining the entity's operations or that have such purpose for a period over one fiscal year. Intangible assets correspond to identifiable non-monetary assets without physical substance, acquired or developed by the institution, aimed at maintaining the entity or exercised for this purpose. These are recognized at cost, net of the respective accumulated depreciation or amortization and adjusted for impairment. Such depreciations are calculated using straight-line method at annual rates based on the economic useful lives of assets, as follows: properties in use and facilities in own properties - 4%; communication and security systems, aircrafts, furniture, equipment and fixtures - 10%; and vehicles and data processing equipment - 20%. The amortization of intangible assets with finite lives is recognized, monthly and on straight-line basis, over their estimated useful lives, the annual rate applied to software acquisitions and development being up to 20%, considering the contract period.

j) Impairment – non-financial assets

CMN Resolution 3,566/2008 provides the procedures applicable to the recognition, measurement and disclosure of impairment of assets and requires compliance with Technical Pronouncement CPC 01 – Impairment of Assets.

The impairment of non-financial assets is recognized as loss when the value of an asset or cash-generating unit is higher than its recoverable or realization amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are substantially independent of the other assets or group of assets. The impairment losses, when applicable, are recognized in income for the period when they are identified.

The values of non-financial assets are periodically reviewed at least annually to determine if there are any indications that the assets' recoverable amount or realizable value is impaired.

Accordingly, in conformity with the above standards, Safra Group's management is not aware of any material adjustments that might affect the ability to recover the non-financial assets at June 30, 2019 and June 30, 2018.

k) Funding, borrowings and onlending and subordinated debts

These are stated at payable amounts and take into account, when applicable, the charges incurred through the statement of financial position reporting date, recognized on pro rata basis.

The incurred transaction costs basically refer to the amounts paid to third parties for intermediation, placement and distribution of own securities. These are recorded as reduction of securities and recognized, on pro rata basis, in the appropriate expense account, except in the cases in which the securities are measured at fair value through profit or loss.

l) Insurance, reinsurance and private pension operations:

I - Receivables and payables from insurance and reinsurance operations

- Premiums receivable – refer to financial resources flowing as receipt of premiums related to insurance, recorded on the policy issue dates;
- Reinsurance assets - comprise technical reserves referring to reinsurance operations. Reinsurance operations are carried out in the regular course of activities in order to limit their potential losses. The liabilities related to reinsurance operations are presented gross of their respective recovered assets, since the existence of a contract does not exempt from obligations to the insureds;
- Deferred acquisition costs – include direct and indirect costs related to the origination of insurance. These costs, except for the commissions paid to the brokers and others, are recorded directly in income, when incurred. Commissions, on the other hand, are deferred being recognized in income in proportion to the recognition of the revenues from premiums, that is, for the term corresponding to the insurance contract. Operations with insurers/reinsurers: the receivables basically refer to amounts receivable from claims of coinsurance and reinsurance operations. The payables refer to the portion of premiums to be passed on to insurers/reinsurers, in view of the coinsured/reinsured operations. These are recorded on the policy issue date and settled when premiums are received from insureds; and
- Insurance brokers: refer to the commissions payable to brokers. These are recorded on the policy issue date, and settled when premiums are received from insureds.

II - Credit risk

An impairment is recorded on credits from premiums receivable and insurance operations when they are over 60 days past due. The credits from reinsurance operations are impaired when they are over 180 days past due. The impairment corresponds to the total credit amount to which it refers, according to the criteria established by SUSEP Circular 517/2015.

The impairments of such credits are recorded concomitantly to writing-down the liability corresponding to the premiums to be passed on to insurance companies and/or reinsurance companies, as there is no longer expectation of receiving the premium, so there will be no expectation of passing on these amounts.

III - Technical reserves for insurance and private pension

The technical reserves for insurance and private pension are calculated based on technical actuarial notes, as provided by SUSEP, and according to the criteria established by CNSP Resolution 321/2015 and SUSEP Circular 517/2015, and further amendments.

a) Insurance:

- Unearned premium reserve (PPNG): recorded in order to cover claims and expenses to be incurred for the risks assumed on the calculation base date, regardless of their issue, corresponding to the policy period to be elapsed. It is calculated based on the commercial premium, gross of reinsurance and net of coinsurance ceded, also comprising the estimate for current risks not issued (PPNG-RVNE). Between the issue and the initial date of coverage, the policy period to elapse is equal to the policy period. After the issue and initial date of the policy period, the reserve is calculated on a daily pro rata basis. The PPNG related to retrocession transactions is recognized based on information received from the reinsurance company;
- Reserve for outstanding claims (PSL): recorded based on estimates for indemnity payments, as claim notices are received through the reporting date, and adjusted for inflation according to Superintendence of Private Insurances (SUSEP) regulations;
- Reserve for incurred but not reported losses (IBNR): recorded to cover amounts that are expected to be settled, related to losses incurred but not yet reported through the reporting date. For life insurance and comprehensive and secondary insurance lines, the reserve is calculated by means of statistic-actuarial process, which uses the past experience of the Insurance company to project the amount of losses already incurred but not yet reported to the Insurance company. For other Insurance lines, characterized for not having sufficient data to apply the statistic-actuarial methodology, the insurance company determines the amount of the reserve based on average market factors. In view of the changes in effect from December 2017, Circular 517 no longer provides standardized percentages;
- Reserve for related expenses (PDR): recorded to cover the amounts expected from expenses related to claims incurred (reported or not). The reserve calculation is made by means of statistic-actuarial process, which uses the past experience of the Insurance company to project the amount of payable expenses;

b) Private pension:

- Mathematical reserves for unvested benefits (PMBAC) and vested benefits (PMBC): recorded to cover the obligations assumed with participants/insureds, in the accumulation period (PMBAC) and benefit vesting period (PMBC), of structured plans under the fully funded regime, and according to the actuarial technical note approved by SUSEP;
- Reserve for related expenses (PDR): recorded to cover all expenses related to the settlement of indemnities and benefits, in view of the claims incurred and to be incurred (fully-funded regime);

c) Liability Adequacy Test (LAT):

The Adequacy Test is aimed at assessing the liabilities arising from the contracts of certificates of insurance plans (except for the Compulsory Bodily Injury Motor Insurance (DPVAT), Compulsory No-fault Bodily Injury for Boats Owners (DPEM) and Housing Insurance of the National Housing System (SFH)) and publicly-held private pension, considering the minimum assumptions determined by SUSEP and the Company's in-house actuaries. This test is carried out every quarter, in accordance with the criteria established by SUSEP Circular 517/2015, and further amendments.

The LAT result is the difference between (i) the current estimates of cash flows, and (ii) the sum of the carrying amount at the reporting date of the technical reserves (PPNG, PPNG-RVNE, PSL, IBNR, PMBAC and PMBC), less the deferred acquisition costs and the intangible assets directly related to the technical reserves.

For the Private Pension segment, in the LAT the interest rates and the actuarial tables contracted by the participants are taken into account (rates at 0%, 3% or 6% plus adjustment for IGPM or IPCA, and AT-1983, AT-2000 and BR-EMSsb tables). In the LAT determination, the other actuarial decrements are considered, such as: projections of redemptions (persistency table), rate of conversion into vested benefits and expected interest rate released by SUSEP (term structure of interest rates - ETTJ) according to the interest curve related to the liability's index. To calculate the estimate of the biometric variable mortality, the BR-EMS V.2015 table is considered, implemented as Improvement, according to the G scale on the Society of Actuaries (SOA) website.

For the Insurance segment, in the LAT determination the actuarial projections of expected loss ratio and administrative expenses are contained. The current estimates for cash flows are gross of reinsurance, discounted to present value based on the risk-free term structures of interest rates (ETTJ) defined by SUSEP.

In the LAT determination, the deficiency related to unearned premium reserve, mathematical reserve for unvested benefits and the mathematical reserve for vested benefits is recognized in the supplementary coverage reserve (PCC), and the adjustments arising from the deficiencies in the other technical reserves are made in the reserves themselves.

IV - Income from insurance, reinsurance and private pension operations

Insurance premiums, less premiums ceded in co-insurance, and the respective acquisition costs are recognized at the point of issue of the respective policy or invoice or policy period, as established in the SUSEP Circular 517/2015, and are recognized in income over the policy period, by recognizing the unearned premium reserve and deferred acquisition costs.

Ceded reinsurance premiums are deferred and recognized in income over the coverage period, by recording in reinsurance assets – technical reserves.

Revenues from private pension contribution are recognized when received. Income and expenses arising from DPVAT line insurance operations are recognized based on the information received from Seguradora Líder dos Consórcios do Seguro DPVAT S.A.

m) Provisions, contingent assets and liabilities, and legal obligations (tax and social security obligations)

The recognition, measurement and disclosure of provisions, contingent assets and liabilities, and legal obligations are made according to the criteria established in Technical Pronouncement CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3,823/2009 and BACEN Circular Letter 3,429/2010, as described below:

(i) Contingent assets – these are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the entity. Contingent assets are not recognized in the financial statements, but disclosed when it is probable that a gain from these assets will be realized. However, when there is evidence that the realization of the gain is practically certain, the assets are no longer classified as contingent and begin to be recognized.

(ii) Provisions and contingent liabilities: a present (legal or constructive) obligation as a result of past event, in which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured, should be recognized by the entity as a provision. If the outflow of resources to settle the present obligation is not probable or cannot be reliably measured, it does not characterize a provision, but a contingent liability, the recognition not being required but only disclosed, unless the likelihood of settling the obligation is remote.

Also characterized as contingent liabilities are the possible obligations arising from past events and whose existence is confirmed only by the occurrence of one or more uncertain future events that are not fully under the control of the entity. These possible obligations should also be disclosed. The obligations are evaluated by Management, based on the best estimates and taking into consideration the opinion of legal advisors, which records a provision when the likelihood of a loss is considered probable; and discloses without recognizing the provision when the likelihood of loss is considered possible. Obligations for which there is a remote chance of loss do not require provision or disclosure. Legal obligations (tax and social security) - refer to lawsuits challenging the legality or constitutionality of certain taxes and

contributions. The amount in dispute is quantified, fully provisioned and monthly updated, notwithstanding the likelihood of outflow of funds, once the certainty of non-disbursement solely depends on the recognition of the unconstitutionality of the law in effect.

The judicial deposits not linked to provisions for contingent liabilities and legal obligations are adjusted on a monthly basis.

n) Employee benefits

Recognized and evidenced according to CPC 33 (R1) – Employee benefits, regulated through CMN Resolution No. 4,424/2015, are categorized as follows:

I. Short-term and Long-term benefits

Short-term benefits are those to be settled within twelve months. The benefits comprising this category are wages, contribution to the National Institute of Social Security, short-term absences, profit sharing and non-monetary benefits.

Safra does not have long-term benefits related to termination of employment contract other than those established by the labor union. Additionally, Safra does not give share-based payment to its key personnel or employees.

II. Termination benefits

Termination benefits are payable when the employment contract is terminated before the normal retirement date.

Safra provides medical care to its employees, as established by the labor union, as termination benefits.

III. Profit sharing

Safra recognizes a provision for payment and a profit sharing expense in income (included in the heading "Personnel expenses" in the statement of income) based on the calculation that considers the profit after certain adjustments. Safra recognizes a provision when it is contractually obliged or when there is a past practice that created a constructive obligation.

o) Taxes

Taxes are calculated at the rates below, considering, with respect to the respective tax bases, the applicable legislation for each charge.

Income tax	15.00%
Income tax surcharge	10.00%
Social contribution [(1) (2)]	15.00%-20.00%
Social Integration Program (PIS) [(3)]	0.65%
Social Contribution on Revenues (COFINS) [(3)]	4.00%
Service Tax (ISS)	up to 5.00%

[(1)] Law 13,169, of 10.6.2015, temporarily increased the Social Contribution rate applicable to financial and similar institutions from 15% to 20% over the period between 09.01.2015 to 12.31.2018. From 01.01.2019, the applicable rate was set againat 15%. As a result of the temporary increase in the social contribution rate, the current taxes were calculated at the rates of 20% from September 2015 to December 31, 2018. Safra had not recognized the effect of the 5% rate increase in the recognition of its deferred tax asset - Note 16(b-I).(2) Non-financial subsidiaries continue to be subject to a rate of 9% for this contribution.(3) Non-financial subsidiaries under the non-cumulative calculation regime continue to pay PIS and COFINS at the rates of 1.65% and 7.6%, respectively. The PIS and COFINS rates levied on finance income are 0.65% and 4%, respectively.

Taxes are recognized in the statement of income, except when they relate to items recognized directly in equity.

Deferred taxes, represented by deferred tax assets and liabilities, are calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets for temporary differences arise mainly from the fair value measurement of certain financial assets and liabilities, including derivative contracts, provisions for tax, civil and labor contingent liabilities, and allowances for loan losses (Minimum required ALL), and are recognized only when all the requirements for their recognition, established by CMN Resolution 3,059/2002, are met.

The taxes related to fair value adjustments of available-for-sale financial assets are recognized against the related adjustment in equity, and are subsequently recognized in income based on the realization of gains and losses on the respective financial assets.

p) Use of accounting estimates

The preparation of financial statements requires Management to make certain estimates and adopt assumptions, on its best judgment, that affect the amounts of certain financial or non-financial assets and liabilities, income and expenses and other transactions, such as: (i) the Fair Value of certain financial assets and liabilities and derivative financial instruments; (ii) the depreciation rates of property and equipment items; (iii) amortizations of intangible assets; (iv) provisions required to cover possible risks arising from contingent liabilities; (v) deferred tax assets; (vi) allowance for loan losses; and (vii) technical reserves for insurance and private pension. The amounts of the possible settlement of these assets and liabilities, whether financial or otherwise, could be different from those estimates.

4. CASH AND CASH EQUIVALENTS

	06.30.2019	06.30.2018
Cash	790,736	955,607
In Brazil	229,921	619,057
Abroad	560,815	336,550
Open market investments – Own portfolio – National Treasury	834,957	508,101
Foreign currency investments – Note 5	1,000,680	2,662,066
Total	**2,626,373**	**4,125,774**

5. INTERBANK INVESTMENTS

	06.30.2019						06.30.2018
	Amounts by maturity						
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Total	Total
Open market investments– Own portfolio - National Treasury	7,307,234	4,599,302	-	-	-	11,906,536	8,834,618
Interbank deposits[2]	55,225	64,678	602	1,483,531	-	1,604,036	1,691,162
Foreign currency investments – Note 4 [1]	1,000,680	366,610	-	-	-	1,367,290	2,662,066
Total at 06.30.2019	**8,363,139**	**5,030,590**	**602**	**1,483,531**	**-**	**14,877,862**	**13,187,846**
Total at 06.30.2018	**3,560,477**	**8,242,357**	**-**	**-**	**1,385,012**	**13,187,846**	

[1] Includes transactions with related parties – Note 20(b).[2] Of this amount, R$ 108,473 (R$ 299,139 as at June 30, 2018) refers to operations linked to rural credit.

6. CENTRAL BANK COMPULSORY DEPOSITS

These are represented by compulsory deposits as shown below:

	06.30.2019	06.30.2018
Interest bearing [1]	8,682,111	4,874,305
Non-interest bearing	177,959	201,872
Abroad	83,817	75,693
Total	**8,943,887**	**5,151,870**

[1] The income from interest-bearing compulsory deposits is R$ 242,424 (R$ 130,381 in 2018), and shown in "Income from compulsory deposits" in statement of income for the period.

7. PORTFOLIO OF MARKETABLE SECURITIES, FUNDS GUARANTEEING TECHNICAL RESERVES FOR INSURANCE AND PRIVATE PENSION, AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Marketable securities

I – By accounting classification:

	06.30.2019						06.30.2018
		Effects of Fair Value adjustment on:			Accounting classification of securities:		
	Amortized cost	Profit or loss	Equity	Fair Value	Trading	Available-for-sale	Fair Value
Securities portfolio	23,304,709	225,278	10,487	23,540,474	21,161,291	2,379,183	23,265,417
Government securities	20,499,098	209,558	146	20,708,802	19,757,950	950,852	19,307,704
National Treasury	19,378,030	207,454	-	19,585,484	19,585,484	-	19,080,243
National treasury bills	2,226,306	41,335	-	2,267,641	2,267,641	-	5,045,295
National treasury notes – Note 7(e)	3,377,813	166,237	-	3,544,050	3,544,050	-	3,257,287
Financial treasury bills	13,773,911	(118)	-	13,773,793	13,773,793	-	10,777,661
Brazilian government securities - Abroad	946,742	3,964	146	950,852	-	950,852	-
Fair value hedge – Note 7(e)	934,781	3,964	-	938,745	-	938,745	-
Other	11,961	-	146	12,107	-	12,107	-
US government securities	174,326	(1,860)	-	172,466	172,466	-	227,461
Securities Issued by Financial Institutions	2,218,784	15,681	-	2,234,465	1,401,880	832,585	3,322,963
Investment fund quotas	129,734	-	-	129,734	129,734	-	51,497
Bank Deposit Certificate	1,272,146	-	-	1,272,146	1,272,146	-	1,194,913
Agribusiness credit notes and house loan bills	51	-	-	51	-	51	10
Eurobonds	605,611	15,681	-	621,292	-	621,292	2,076,543
Fair value hedge – Note 7(e)	605,611	15,681	-	621,292	-	621,292	2,033,911
Other	-	-	-	-	-	-	42,632
Credit Link Notes	211,242	-	-	211,242	-	211,242	-
Securities issued by Companies	586,827	39	10,341	597,207	1,461	595,746	634,750
Shares	156,423	39	3,228	159,690	1,461	158,229	178,000
Debentures	-	-	-	-	-	-	14,594
Eurobonds	108,408	-	7,113	115,521	-	115,521	86,540
Promissory notes	321,996	-	-	321,996	-	321,996	355,616
Regulatory adjustments –CMN Resolution 4,277/2013 – Note 3(e)	-	(305)	-	(305)	(305)	-	(393)
Total securities portfolio	**23,304,709**	**224,973**	**10,487**	**23,540,169**	**21,160,986**	**2,379,183**	**23,265,024**
Investments linked to open market operations – Government securities – Own portfolio – Note 10(a)	2,377,740	(469)	-	2,377,271	2,377,271	-	5,170,421
Other credit risk instruments – Note 8(b)	13,959,743	676,067	1,648	14,637,458	-	14,637,458	11,895,633
Fair value hedge – Nota 7(e)	8,801,671	676,067	-	9,477,738	-	9,477,738	3,825,771
Other	5,158,072	-	1,648	5,159,720	-	5,159,720	8,069,862
Total at 06.30.2019	**39,642,192**	**900,571**	**12,135**	**40,554,898**	**23,538,257**	**17,016,641**	**40,331,078**
Securities portfolio	23,268,336	(6,530)	3,611	23,265,417	20,338,360	2,927,057	
Government securities	19,307,258	161	285	19,307,704	19,091,856	215,848	
Securities issued by Financial Institutions	3,329,625	(6,678)	16	3,322,963	1,246,410	2,076,553	
Securities issued by Companies	631,453	(13)	3,310	634,750	94	634,656	
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	-	(393)	-	(393)	(393)	-	
Total securities portfolio	**23,268,336**	**(6,923)**	**3,611**	**23,265,024**	**20,337,967**	**2,927,057**	
Investments linked to open market operations – Government securities – Own portfolio – Note 10(a)	5,212,186	(41,765)	-	5,170,421	5,170,421	-	
Other credit risk instruments – Note 8(b)	11,948,297	(52,683)	19	11,895,633	-	11,895,633	
Fair value hedge – Note 7(e)	3,878,454	(52,683)	-	3,825,771	-	3,825,771	
Other	8,069,843	-	19	8,069,862	-	8,069,862	
Total at 06.30.2018	**40,428,819**	**(101,371)**	**3,630**	**40,331,078**	**25,508,388**	**14,822,690**	

During the period ended June 30,2019, there was no reclassification among the categories of marketable securities. As at June 30, 2018, Safra made the reclassification of marketable securities (government securities) from available for sale to trading, in the amount of R$ 2,736,058, to integrate them into a portfolio comprising securities of the same nature acquired in the first half of 2018, with recognition of the loss in income, net of tax effects, of R$ (16,679) – Note 18(d – I and II), according to the rules established in BACEN Circular 3,068/2001.

II – Per maturity:

	06.30.2019						
		Amounts by maturity					
	Fair Value	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**
Securities portfolio	23,540,474	643,748	999,351	1,053,402	7,722,307	7,148,095	5,973,571
Government securities	20,708,802	261,853	938,851	1,033,113	6,450,161	6,388,519	5,636,305
Securities issued by Financial Institutions	2,234,465	127,620	-	51	1,272,146	505,537	329,111
Securities issued by Companies	597,207	254,275	60,500	20,238	-	254,039	8,155
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(305)	(305)	-	-	-	-	-
Total securities portfolio at 06.30.2019	**23,540,169**	**643,443**	**999,351**	**1,053,402**	**7,722,307**	**7,148,095**	**5,973,571**
Trading securities	21,161,291	393,048	938,851	1,033,113	7,722,307	6,380,858	4,693,114
Available-for-sale securities	2,379,183	250,700	60,500	20,289	-	767,237	1,280,457
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(305)	(305)	-	-	-	-	-

	06.30.2018						
		Amounts by maturity					
	Fair Value	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**
Securities portfolio	23,265,417	1,195,249	1,914,864	3,404,182	1,287,505	8,510,840	6,952,777
Government securities	19,307,704	1,143,648	1,844,256	3,123,308	1,186,511	6,165,832	5,844,149
Securities issued by Financial Institutions	3,322,963	51,507	-	-	-	2,167,102	1,104,354
Securities issued by Companies	634,750	94	70,608	280,874	100,994	177,906	4,274
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(393)	(393)	-	-	-	-	-
Total securities portfolio at 06.30.2018	**23,265,024**	**1,194,856**	**1,914,864**	**3,404,182**	**1,287,505**	**8,510,840**	**6,952,777**
Trading securities	20,338,360	1,195,239	1,844,256	3,119,097	1,186,511	7,149,108	5,844,149
Available-for-sale securities	2,927,057	10	70,608	285,085	100,994	1,361,732	1,108,628
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(393)	(393)	-	-	-	-	-

III – Per characteristic:

	06.30.2019					06.30.2018
		Linked to				
	Own portfolio	Restricted repurchase agreements and Securities related to unrestricted repurchase agreements [2]	Provided guarantees [1]	Central Bank	Total	Total
Securities portfolio	21,073,834	-	1,681,580	785,060	23,540,474	23,265,417
Government securities	18,289,819	-	1,633,923	785,060	20,708,802	19,307,704
National treasury	17,166,501	-	1,633,923	785,060	19,585,484	19,080,243
Brazilian government securities - Abroad	950,852	-	-	-	950,852	-
Fair value hedge – Note 7(e)	938,745	-	-	-	938,745	-
Other	12,107	-	-	-	12,107	-
US government securities	172,466	-	-	-	172,466	227,461
Securities issued by Financial Institutions	2,186,808	-	47,657	-	2,234,465	3,322,963
Securities issued by Companies	597,207	-	-	-	597,207	634,750
Shares	159,690	-	-	-	159,690	178,000
Debentures	-	-	-	-	-	14,594
Eurobonds	115,521	-	-	-	115,521	86,540
Promissory notes	321,996	-	-	-	321,996	355,616
Regulatory adjustments – CMN Resolution 4,277/2013 – Note 3(e)	(305)	-	-	-	(305)	(393)
Total securities portfolio	**21,073,529**	**-**	**1,681,580**	**785,060**	**23,540,169**	**23,265,024**
Investments linked to open market operations – Government securities – Own portfolio – Note 10(a)	-	2,377,271	-	-	2,377,271	5,170,421
Other credit risk instruments – Note 8(b)	9,281,332	5,356,126	-	-	14,637,458	11,895,633
Total at 06.30.2019	**30,354,861**	**7,733,397**	**1,681,580**	**785,060**	**40,554,898**	**40,331,078**
Total securities portfolio	**21,326,657**	**-**	**1,201,020**	**737,347**	**23,265,024**	
Investments linked to open market operations – Government securities – Note 10(a)	-	5,170,421	-	-	5,170,421	
Other credit risk instruments – Note 8(b)	8,101,234	3,794,399	-	-	11,895,633	
Total at 06.30.2018	**29,427,891**	**8,964,820**	**1,201,020**	**737,347**	**40,331,078**	

(1) Refers to guarantee of derivative financial instrument transactions made in stock exchange in the amount of R$ 1,369,042 (R$ 912,633 as at 06.30.2018), realized in the clearing and depository corporation in the amount of R$ 235,960 (R$ 214,109 as at 06.30.2018) and civil and labor appeals - Note 15(c) in the amount of R$ 76,578 (R$ 74,278 as at 06.30.2018).

b) Funds guaranteeing technical reserves for insurance and private pension

	06.30.2019							06.30.2018
		Amounts by maturity						
	Fair Value	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Fair Value
Private pension	16,422,847	284,136	944,258	2,990,122	2,038,534	5,730,164	4,435,633	13,287,554
Repurchase agreements – Government securities	91,625	-	-	91,625	-	-	-	6,179
Government securities - National Treasury	15,826,173	-	944,258	2,813,807	1,902,311	5,730,164	4,435,633	12,972,904
National Treasury Bills	4,184,877	-	471,809	1,468,229	1,012,674	1,232,165	-	3,718,498
Financial Treasury Bills	7,086,815	-	472,449	1,100,442	889,637	2,800,542	1,823,745	5,648,286
National Treasury Notes	4,554,481	-	-	245,136	-	1,697,457	2,611,888	3,606,120
Corporate securities	529,682	308,769	-	84,690	136,223	-	-	319,527
Shares	303,498	303,498	-	-	-	-	-	114,590
Bank certificates of deposit and Financial bills	142,497	5,271	-	10,011	127,215	-	-	119,491
Debentures	74,679	-	-	74,679	-	-	-	75,379
Financial bills	9,008	-	-	-	9,008	-	-	10,067
Other	(24,633)	(24,633)	-	-	-	-	-	(11,056)
Insurance – Government securities – National Treasury – National Treasury Bills	220,328	-	220,328	-	-	-	-	238,653
DPVAT fund quotas – Government securities	194,277	194,277	-	-	-	-	-	168,288
Total at 06.30.2019 – Note 11(b)	**16,837,452**	**478,413**	**1,164,586**	**2,990,122**	**2,038,534**	**5,730,164**	**4,435,633**	**13,694,495**
Total at 06.30.2018 – Note 11(b)	**13,694,495**	**666,271**	**916,870**	**2,582,228**	**2,110,409**	**4,828,342**	**2,590,375**	

c) Derivative financial instruments (assets and liabilities)

The use of derivative financial instruments in the Conglomerate has the following main objectives:

- provide to its customers fixed income structured products and products that hedge their assets and liabilities against possible risks, mainly from currency and interest rate fluctuations, and
- outweigh the risks taken by Safra in the following operations (economic hedges and/or accounting hedge – Note 7(e)):
  - credit operations and funding contracted at fixed rates and other funding – Notes 8 and 9; and
  - investments abroad – together with interbank transactions for future settlement, the foreign currency derivatives are employed to minimize the effects on income of exposure to the foreign exchange gains or losses on investments abroad. These derivatives are contracted in a volume that is higher than the faced foreign exchange exposure, to counteract the corresponding tax effects – "over hedge".

The positions of Banco Safra and subsidiaries are monitored by an independent control area, which uses a specific risk management system, with calculation of VaR (Value at Risk) with confidence level at 99%, stress tests, back testing and other technical resources.

I - Asset and liability accounts:

1) By type of operation

	06.30.2019									06.30.2018
				Amounts by maturity						
Assets	**Amortized cost**	**Fair Value adjustmen**	**Fair Value**	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair Value**
Non Deliverable Forward - NDF	**14,247**	**18,080**	**32,327**	**13,213**	**17,789**	**1,291**	**34**	**-**	**-**	**70,936**
Option premiums	**507,144**	**(206,966)**	**300,178**	**24,124**	**141,527**	**128,601**	**5,771**	**155**	**-**	**330,020**
Bovespa Index	62,228	43,155	105,383	6,651	27,888	68,032	2,812	-	-	68,850
Foreign currency	32,347	(7,118)	25,229	13,713	13,837	(2,393)	72	-	-	234,473
Interbank Deposit (DI) Index	397,452	(243,019)	154,433	-	90,655	60,736	2,887	155	-	26,592
Shares	15,117	16	15,133	3,760	9,147	2,226	-	-	-	105
Forward	**13,762**	**(2)**	**13,760**	**13,760**	**-**	**-**	**-**	**-**	**-**	**444,393**
Purchase receivable	6,881	(1)	6,880	6,880	-	-	-	-	-	18,380
Government securities	6,881	(1)	6,880	6,880	-	-	-	-	-	10,700
Foreign currency	-	-	-	-	-	-	-	-	-	7,680
Sales receivable – Government securities	6,881	(1)	6,880	6,880	-	-	-	-	-	426,013
Swap - Amounts receivable	**609,345**	**162,223**	**771,568**	**220,177**	**338,983**	**6,993**	**6,384**	**7,579**	**191,452**	**394,744**
Interest rate	107,405	(24,186)	83,219	8,117	49,606	4,633	5,853	2,282	12,728	88,276
Foreign currency	501,940	186,409	688,349	212,060	289,377	2,360	531	5,297	178,724	306,468
Credit derivatives - CDS	**57,428**	**-**	**57,428**	**46,973**	**10,367**	**88**	**-**	**-**	**-**	**63,411**
Credit risk – Notes 3(f) and 8(a)	**-**	**(65)**	**(65)**	**(65)**	**-**	**-**	**-**	**-**	**-**	**(106)**
Total at 06.30.2019	**1,201,926**	**(26,730)**	**1,175,196**	**318,182**	**508,666**	**136,973**	**12,189**	**7,734**	**191,452**	**1,303,398**
Total at 06.30.2018	**1,083,279**	**220,119**	**1,303,398**	**908,740**	**227,283**	**74,559**	**47,476**	**32,228**	**13,112**	

	06.30.2019									06.30.2018
				Amounts by maturity						
Liabilities	**Amortized cost**	**Fair Value adjustment**	**Fair Value**	**Up to 90 days**	**From 91 to 365 days**	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Fair Value**
Non-Deliverable Forward - NDF	**(14,851)**	**(5,749)**	**(20,600)**	**(8,691)**	**(9,762)**	**(1,983)**	**(164)**	**-**	**-**	**(32,577)**
Option premiums	**(519,268)**	**212,680**	**(306,588)**	**(13,612)**	**(142,533)**	**(136,532)**	**(6,994)**	**(6,917)**	**-**	**(305,788)**
Bovespa Index	(74,091)	(40,707)	(114,798)	(6,695)	(29,015)	(70,315)	(5,232)	(3,541)	-	(82,927)
Foreign currency	(41,627)	11,925	(29,702)	(6,772)	(18,355)	(4,467)	(108)	-	-	(189,332)
Interbank Deposit (DI) Index	(389,681)	239,742	(149,939)	-	(86,027)	(58,882)	(1,654)	(3,376)	-	(33,426)
Shares	(13,869)	1,720	(12,149)	(145)	(9,136)	(2,868)	-	-	-	(103)
Forward	**(13,762)**	**2**	**(13,760)**	**(13,760)**	**-**	**-**	**-**	**-**	**-**	**(436,713)**
Purchases payable – Government securities	(6,881)	1	(6,880)	(6,880)	-	-	-	-	-	(10,700)
Sales deliverable – Government securities	(6,881)	1	(6,880)	(6,880)	-	-	-	-	-	(426,013)
Swap - amounts payable	**(749,607)**	**(139,752)**	**(889,359)**	**(316,019)**	**(309,390)**	**(59,469)**	**(10,267)**	**(35,007)**	**(159,207)**	**(418,357)**
Interest rate	(94,887)	(136,821)	(231,708)	(251)	(1,679)	(41,321)	(9,687)	(31,022)	(147,748)	(72,652)
Foreign currency	(654,720)	(2,931)	(657,651)	(315,768)	(307,711)	(18,148)	(580)	(3,985)	(11,459)	(345,705)
Credit derivatives – CDS	**(46,791)**	**-**	**(46,791)**	**(25,388)**	**(21,403)**	**-**	**-**	**-**	**-**	**(64,304)**
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	**-**	**(9,036)**	**(9,036)**	**(9,036)**	**-**	**-**	**-**	**-**	**-**	**(4,539)**
Total at 06.30.2019	**(1,344,279)**	**58,145**	**(1,286,134)**	**(386,506)**	**(483,088)**	**(197,984)**	**(17,425)**	**(41,924)**	**(159,207)**	**(1,262,278)**
Total at 06.30.2018	**(1,104,443)**	**(157,835)**	**(1,262,278)**	**(812,044)**	**(282,927)**	**(50,790)**	**(96,184)**	**(3,479)**	**(16,854)**	

2) By counterparty at fair value

	Asset		**Liability**	
	06.30.2019	**06.30.2018**	**06.30.2019**	**06.30.2018**
Financial institutions	678,060	280,845	(779,516)	(217,985)
B3	-	261,647	-	(219,960)
Legal entities	403,195	220,975	(350,084)	(309,169)
Individuals	94,006	540,037	(147,498)	(510,625)
Credit risk – Notes 3(f) and 8(a) and Regulatory Adjustments - CMN 4,277/2013 – Note 3(e)	(65)	(106)	(9,036)	(4,539)
Total	**1,175,196**	**1,303,398**	**(1,286,134)**	**(1,262,278)**

II - Breakdown by notional amount:

1) By type of operation

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Non Deliverable Forward-NDF	**1,350,459**	**1,205,994**	**233,206**	**17,471**	**-**	-	**2,807,130**	**2,056,859**
Long position	816,636	696,161	224,947	17,471	-	-	1,755,215	1,439,732
Short position	533,823	509,833	8,259	-	-	-	1,051,915	617,127
Options	**31,274,621**	**219,098,924**	**71,331,985**	**817,493**	233,000	-	**322,756,023**	**12,168,146**
Long position	15,617,735	111,250,679	36,038,650	7,243	-	-	162,914,307	5,969,750
Shares	40,156	241,013	29,993	-	-	-	311,162	8,328
Interbank Deposit (DI) Index	14,432,818	110,329,685	35,661,463	-	-	-	160,423,966	2,593,089
Bovespa Index	136,385	57,367	320,808	5,058	-	-	519,618	457,290
Foreign currency	1,008,376	622,614	26,386	2,185	-	-	1,659,561	2,911,043
Short position	15,656,886	107,848,245	35,293,335	810,250	233,000	-	159,841,716	6,198,396
Shares	40,156	-	-	-	-	-	40,156	3,661
Interbank Deposit (DI) Index	14,481,130	107,557,695	35,099,001	810,250	233,000	-	158,181,076	4,230,844
Bovespa Index	100,000	58,609	173,623	-	-	-	332,232	7,142
Foreign currency	1,035,600	231,941	20,711	-	-	-	1,288,252	1,956,749
Forward	**13,762**	**-**	**-**	**-**	**-**	**-**	**13,762**	**4,939,687**
Long position – Government securities	6,881	-	-	-	-	-	6,881	10,707
Obligations for sales to be delivered	6,881	-	-	-	-	-	6,881	4,928,980
Foreign currency	-	-	-	-	-	-	-	4,500,910
Government securities	6,881	-	-	-	-	-	6,881	428,070
Swap								
Assets	17,753,373	14,735,623	969,134	443,485	540,652	2,601,936	37,044,203	24,587,934
Interest rate	722,439	739,935	940,133	439,534	240,211	861,761	3,944,013	3,142,238
Foreign currency	17,030,934	13,995,688	29,001	3,951	300,441	1,740,175	33,100,190	21,445,696
Liabilities	17,753,373	14,735,623	969,134	443,485	540,652	2,601,936	37,044,203	24,587,934
Interest rate	94,091	501,693	710,599	435,835	275,287	2,309,666	4,327,171	2,221,122
Foreign currency	17,659,282	14,233,930	258,535	7,650	265,365	292,270	32,717,032	22,366,812
Futures	**33,371,770**	**31,826,801**	**8,261,841**	**4,969,066**	**5,041,730**	**3,260,252**	**86,731,460**	**75,239,526**
Long position	2,496,328	5,392,478	1,023,947	-	3,140,971	694,468	12,748,192	19,191,319
Interest rate	281,349	194,420	840,707	-	2,616,691	598,305	4,531,472	9,302,374
Currency coupon	1,417,746	5,187,494	183,240	-	524,280	96,163	7,408,923	9,072,984
Foreign currency	787,868	10,564	-	-	-	-	798,432	815,961
Bovespa Index	9,365	-	-	-	-	-	9,365	-
Short position	30,875,442	26,434,323	7,237,894	4,969,066	1,900,759	2,565,784	73,983,268	56,048,207
Interest rate	19,451,551	24,731,539	4,383,463	3,040,219	1,023,338	974,324	53,604,434	37,108,495
Currency coupon	8,506,661	150,263	2,422,436	1,570,230	662,971	1,517,312	14,829,873	16,936,016
Foreign currency	2,917,230	1,552,521	431,995	358,617	214,450	74,148	5,548,961	2,003,696
Credit derivatives – CDS – Received risk – Note 7 (c-III)	**1,859,477**	**-**	**-**	**-**	**-**	**-**	**1,859,477**	**2,757,939**

-

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Structured funding – Note 9(c)	**1,029,459**	**1,880,054**	**1,426,278**	**548,973**	**772,213**	**21,215**	**5,678,192**	**11,891,086**
Option premiums	471,710	843,646	1,414,980	500,721	32,167	-	3,263,224	-
Long position - Interbank Deposit (DI) Index	70,046	240,733	674,427	472,157	5,651	-	1,463,014	-
Short position	401,664	602,913	740,553	28,564	26,516	-	1,800,210	8,931,120
Shares	-	241,036	38,924	-	-	-	279,960	-
Interbank Deposit (DI) Index	22,582	-	-	-	-	-	22,582	2,438,351
Bovespa Index	37,248	62,519	334,819	22,769	-	-	457,355	-
Foreign currency	341,834	299,358	366,810	1,975	-	-	1,009,977	6,492,769
Interest rate	-	-	-	3,820	26,516	-	30,336	-
Swap - Assets/Liabilities - Interest rate	-	-	11,298	48,252	740,046	21,215	820,811	379,335
Credit derivatives – CDS – Transferred risk – Note 7 (c-III)	557,749	1,036,408	-	-	-	-	1,594,157	2,580,631
TOTAL at 06.30.2019	**86,652,921**	**268,747,396**	**82,222,444**	**6,796,488**	**6,587,595**	**5,883,403**	**456,890,247**	**133,641,177**
TOTAL at 06.30.2018	**48,187,923**	**51,749,993**	**20,359,795**	**9,132,872**	**3,453,618**	**756,976**	**133,641,177**	

2) Trading location by counterparties

	06.30.2019					06.30.2018
Location	**B3**	**Financial institutions**	**Legal entities**	**Individuals**	**Total notional amount**	**Total notional amount**
B3	84,872,395	36,331,352	328,850,185	3,382,682	453,436,614	128,302,607
Over the counter – abroad	-	3,453,633	-	-	3,453,633	5,338,570
Total at 06.30.2019	**84,872,395**	**39,784,985**	**328,850,185**	**3,382,682**	**456,890,247**	**133,641,177**
Total at 06.30.2018	**15,839,064**	**102,848,597**	**9,037,036**	**5,916,480**	**133,641,177**	

III - Credit derivatives - CDS

Banco Safra makes use of derivative financial instruments of credit in order to offer its customers, through issue of Structured CD – Note 9(c), opportunities to diversify their investment portfolios.

Banco Safra held the following positions in credit derivatives, shown at their notional amounts:

	06.30.2019	06.30.2018
Credit swap whose underlying assets - Marketable securities [1]		
Received risks	1,859,477	2,757,939
Transferred risks	(1,594,157)	(2,580,631)
Total net of exposure received/(transferred)	**265,320**	**177,308**

[1] Transferred and received risks refer to the same issuers.

During the period no credit event related to the events provided in the contracts occurred.

No material effect was produced on the calculation of minimum requirements of regulatory capital at 06.30.2019, according to CMN Resolution 4,193/2013.

d) Developments of changes in Fair Value adjustments:

	01.01 to 06.30.2019				
		Changes in the period			
			Effects on:		
	Opening balance	Foreign exchange gains or losses and Other	Profit (loss) – Note 13(c)	Equity– Note 18 (d-I)	Closing balance
Trading securities and Obligations related to unrestricted securities	3,201	9	(105,937)	-	(102,727)
Trading securities– Note 7(a)	203,526	9	1,629	-	205,164
Obligations related to unrestricted securities – Note 10(b)	(200,325)	-	(107,566)	-	(307,891)
Available-for-sale securities [1] – Note 7(a-I) and 18(d-I)	8,323	-	-	3,812	12,135
Derivative financial instruments (assets/liabilities) [2]	35,696	(37)	4,857	-	40,516
Regulatory Adjustments - CMN Resolution 4,277/2013 – Note 3(e)	(8,783)	-	(623)	-	(9,406)
Marketable securities	(230)	-	(75)	-	(305)
Derivative financial instruments (assets/liabilities) [2]	(8,553)	-	(548)	-	(9,101)
Fair Value hedge – Note 7(e)	334,375	(1,731)	201,175	-	533,819
Fixed Portfolio	114,488	-	(5,948)	-	108,540
Repurchase agreements - fixed rate	5,152	-	(692)	-	4,460
IPCA Portfolio	92,907	-	165,803	-	258,710
Eurobonds [1]	50,096	(1,906)	158,909	-	207,099
Marketable securities – Available for sale– Note 7(a-I)	11,325	218	8,102	-	19,645
Other credit risk instruments – Note 8(b)	38,771	(2,124)	150,807	-	187,454
Funding	16,073	565	(71,236)	-	(54,598)
Structured funding – Structured CD – Note 9(c)	12,898	(144)	(16,901)	-	(4,147)
Liabilities for marketable securities abroad – Note 9(b)	3,175	709	(54,335)	-	(50,451)
Subordinated debt– Note 9(e)	55,659	(390)	(45,661)	-	9,608
Total at 06.30.2019	**372,812**	**(1,759)**	**99,472**	**3,812**	**474,337**
Total at 06.30.2018	**384,135**	**7,385**	**(139,975)**	**(45,235)**	**206,310**

[1] The fair value adjustment of available-for-sale securities totals R$ 707,847 (R$ (55,731) as at 06.30.2018) – Note 7(a-I). [2] The fair value adjustment of derivative financial instruments totals R$ 31,415(R$ 62,284 in 2018) – Note 7(c-I(1)), including Regulatory Adjustments - CMN Resolution 4,277/2013.

e) Hedge of financial assets and liabilities

The aim of the accounting hedge relations designated by Safra is to hedge the fair value of assets and liabilities, arising from the risk of fluctuation in benchmark interest rate (CDI or Libor) or foreign exchange gains or losses, as the case may be.

	Fair Value		MTM being hedged – Note 7(d)			Notional amount	
Strategy –Market Risk Hedge	**06.30.2019**	**06.30.2018**	**06.30.2019**	**06.30.2018**	**Hedge derivative instrument**	**06.30.2019**	**06.30.2018**
Fixed Portfolio	31,181,967	33,973,212	108,540	42,923		(26,705,125)	(32,190,534)
Assets	38,250,507	43,621,517	535,557	52,682			
Investments in repurchase agreements	-	12,375,092	-	(584)			
Credit Portfolio – Note 8(a-I)	38,250,507	31,246,425	535,557	53,266			
Liabilities – Funding	(7,068,540)	(9,648,305)	(427,017)	(9,759)			
Deposits – Note 9(a)	(215,454)	(171,392)	(1,738)	(330)			
Open market funding – Own securities – Note 9(a)	-	(5,499,339)	-	(430)			
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Note 9(b)	(5,053,635)	(2,885,990)	(294,588)	(7,908)			
Structured funding - Certificate of structured operations – Note 9(c)	(1,225,895)	(887,570)	(20,477)	(850)			
Subordinated debt – Note 9(e)	(573,556)	(204,014)	(110,214)	(241)			
Repurchase agreements - fixed rate	14,474,759	-	4,460	-	Futures DI	(12,012,483)	
Investments in repurchase agreements	14,476,867	-	4,531	-			
Open market funding – Government securities – Note 9(b)	(2,108)	-	(71)	-			
IPCA Portfolio [1]	2,183,761	-	258,710	-	Futures DAP + Swap, Net	(2,430,260)	
Assets - Marketable securities – Available for sale – Debentures –Note 7(a-I)	5,039,242	-	488,612	-			
Liabilities - Funding	(2,855,481)	-	(229,902)	-			
Funds from acceptance and issue of securities – Note 9(b)	(1,401,208)	-	(77,371)	-			
Subordinated debt – Note 9(e)	(1,454,273)	-	(152,531)	-			
Eurobonds	5,998,533	5,859,682	207,099	(59,361)	Swap Libor x Fixed	(5,308,708)	(5,952,091)
Marketable securities – Available for sale – Note 7(a-I)	1,560,037	2,033,911	19,645	(6,678)			
Brazilian Government - Abroad	938,745	-	15,681	-			
Securities Issued by Financial Institutions	621,292	2,033,911	3,964	(6,678)			
Other credit risk instruments – Note 8(b)	4,438,496	3,825,771	187,454	(52,683)			
Funding	(2,947,869)	(3,819,058)	(54,598)	39,331	Swap Libor x Fixed	3,149,436	4,174,000
Liabilities for marketable securities abroad – Note 9(b)	(2,120,791)	(2,009,341)	(50,451)	12,948		2,274,491	2,213,521
US$ 500,000 – 02.08.2018	(1,784,140)	(1,673,859)	(49,673)	16,304		1,941,892	1,879,784
CHF 100,000 – 12.12.2014	(336,651)	(335,482)	(778)	(3,356)		332,599	333,737
Structured funding – Structured CD – Note 9(c)	(827,078)	(1,809,717)	(4,147)	26,383		874,945	1,960,479
Subordinated debt – Note 9(e)	(3,137,391)	(3,142,974)	9,608	81,300	Swap Libor x Fixed	3,176,329	3,118,209
US$ 500,000 – 01.27.2011	(1,977,304)	(1,991,603)	13,551	69,878		2,003,370	1,972,453
US$ 300,000 – 06.06.2014	(1,160,087)	(1,151,371)	(3,943)	11,422		1,172,959	1,145,756
Total	**47,753,760**	**32,870,862**	**533,819**	**104,193**		**(40,130,811)**	**(30,850,416)**

[1] As at 12.31.2018, Banco Safra designated derivative financial instruments indexed to the Broad National Consumer Price Index (IPCA)for hedging purposes. This strategy is aimed at economically hedging the fair value of assets and liabilities from the risk of fluctuation of such index. Accordingly, the hedged assets and liabilities, which used to be recognized at amortized cost, are recognized at fair value in income. As at 06.30.2019, the hedging derivative instruments are stated net of the hedged items recognized at fair value in income – Government securities – NTN-B in the amount of R$ 714,775 – Note 7(a-I) and R$ (537,755) – Note 9(b).

The effectiveness of accounting hedges designated by Safra is in accordance with the provisions of BACEN Circular 3,082/2002.

8. CREDIT PORTFOLIO

a) Expanded credit portfolio and allowance for credit risk

I - Breakdown

	06.30.2019						06.30.2018					
				Allowance for credit risk						Allowance for credit risk		
	Amortized cost	Fair Value Adjustment - Note 7(e)	Amortized cost and Fair Value	Minimum Required	Additional	Total	Amortized cost	Fair Value Adjustment- Note 7(e)	Amortized cost and Fair Value	Minimum Required	Additional	Total
Expanded credit	**104,977,489**	**1,213,272**	**106,190,761**	**(1,858,600)**	**(1,194,544)**	**(3,053,144)**	**98,101,954**	**602**	**98,102,556**	**(1,830,740)**	**(1,195,354)**	**(3,026,094)**
Credit portfolio– Note 8(b)	86,572,379	1,213,272	87,785,651	(1,724,722)	(996,854)	(2,721,576)	77,261,433	602	77,262,035	(1,639,399)	(1,195,354)	(2,834,753)
Credit operations	72,612,636	535,557	73,148,193	(1,722,071)	(884,520)	(2,606,591)	65,313,136	53,266	65,366,402	(1,628,390)	(1,067,349)	(2,695,739)
Other credit risk instruments-Note 7(a-III)	13,959,743	677,715	14,637,458	(2,651)	(112,334)	(114,985)	11,948,297	(52,664)	11,895,633	(11,009)	(128,005)	(139,014)
Guarantees and sureties - Notes 8(f) and 12	18,405,110	-	18,405,110	(133,878)	(197,690)	(331,568)	20,840,521	-	20,840,521	(191,341)	-	(191,341)

II - Changes in allowance for credit risk

	Total allowance at 01.01.2019	Foreign exchange gains or losses abroad	(Increase) /Reversal	Write-down of loss	Total allowance at 06.30.2019
Minimum allowance required	(1,622,267)	(159)	(529,225)	293,051	(1,858,600)
Credit portfolio	(1,470,278)	(159)	(547,336)	293,051	(1,724,722)
Credit operations	(1,458,623)	(159)	(545,864)	282,575	(1,722,071)
Other credit risk instruments	(11,655)	-	(1,472)	10,476	(2,651)
Guarantees and sureties - Note 8(f)	(151,989)	-	18,111	-	(133,878)
Additional allowance	(1,357,590)	-	163,046	-	(1,194,544)
Total allowance of the expanded credit portfolio as at 06.30.2019 – Note 8(a-I)	**(2,979,857)**	**(159)**	**(366,179)**	**293,051**	**(3,053,144)**
Total allowance of the expanded credit portfolio as at 06.30.2018 – Note 8(a-I)	**(3,191,923)**	**(1,412)**	**(512,052)**	**679,293**	**(3,026,094)**
Minimum allowance required	(1,996,187)	(1,412)	(512,434)	679,293	(1,830,740)
Additional allowance	(1,195,736)	-	382	-	(1,195,354)

b) Credit portfolio and allowance by risk level

Risk levels	06.30.2019										06.30.2018
	AA	A	B	C	D	E	F	G	H	Total	Total
Credit operations	**42,959,562**	**20,739,615**	**5,209,683**	**1,701,032**	**433,143**	**879,088**	**106,896**	**113,738**	**1,005,436**	**73,148,193**	**65,366,402**
Borrowings, Financing and Discounted receivables	19,381,757	1,724,300	2,466,387	841,807	250,624	780,775	28,828	64,957	639,007	26,178,442	23,825,459
Foreign trade	17,017,160	848,599	892,862	111,984	37,925	15,238	1,572	4,195	28,821	18,958,356	17,461,736
Directed Credit	1,325,670	156,693	129,445	24,440	5,591	129	12	2,082	34,002	1,678,064	2,457,628
Rural and agroindustrial financing	1,083,001	123,884	103,155	16,740	3,444	-	-	-	-	1,330,224	2,092,207
Real estate	242,669	32,809	26,290	7,700	2,147	129	12	2,082	34,002	347,840	365,421
Onlending	3,036,772	186,059	112,876	8,418	2,272	-	603	-	18,872	3,365,872	3,934,471
Financing and Consumer	2,197,328	17,823,932	1,608,113	714,383	136,731	82,946	75,881	42,504	236,316	22,918,134	17,668,120
Payroll advance loan	213,738	8,302,418	194,769	34,813	24,782	17,583	18,453	10,377	109,613	8,926,546	8,329,869
Direct consumer credit	1,040,397	9,439,159	1,316,913	660,218	107,311	63,702	48,605	31,008	116,946	12,824,259	8,250,105
Lease	739,133	48,016	60,556	13,489	2,544	912	8,381	160	4,409	877,600	846,056
Other	204,060	34,339	35,875	5,863	2,094	749	442	959	5,348	289,729	242,090
Other credits	875	32	-	-	-	-	-	-	48,418	49,325	18,988
Other credit risk instruments	**14,341,146**	**201,266**	**92,462**	**2,584**	**-**	**-**	**-**	**-**	**-**	**14,637,458**	**11,895,633**
Debentures	7,451,436	-	46,204	-	-	-	-	-	-	7,497,640	6,729,742
Eurobonds – Fair value hedge – Note 7(e)	4,402,600	-	35,896	-	-	-	-	-	-	4,438,496	3,825,771
Promissory Notes	816,711	-	-	-	-	-	-	-	-	816,711	1,096,741
Certificate of agribusiness receivables, rural certificate and other	1,670,399	201,266	10,362	2,584	-	-	-	-	-	1,884,611	243,379
Total portfolio at 06.30.2019	**57,300,708**	**20,940,881**	**5,302,145**	**1,703,616**	**433,143**	**879,088**	**106,896**	**113,738**	**1,005,436**	**87,785,651**	**77,262,035**
Past due [1]	-	-	363,142	296,321	134,517	139,605	66,148	51,260	457,321	1,508,314	1,163,361
Not past due[2]	57,300,708	20,940,881	4,939,003	1,407,295	298,626	739,483	40,748	62,478	548,115	86,277,337	76,098,674
Minimum allowance required	(3,494)	(108,975)	(76,758)	(76,548)	(51,532)	(266,768)	(55,588)	(79,624)	(1,005,435)	(1,724,722)	(1,639,399)
Additional allowance	(204,716)	(141,016)	(90,696)	(94,492)	(77,973)	(319,657)	(34,201)	(34,103)	-	(996,854)	(1,195,354)
Total Allowance of the Credit Portfolio at 03.31.2019	**(208,210)**	**(249,991)**	**(167,454)**	**(171,040)**	**(129,505)**	**(586,425)**	**(89,789)**	**(113,727)**	**(1,005,435)**	**(2,721,576)**	**(2,834,753)**
Total portfolio at 06.30.2018	**54,633,239**	**16,012,113**	**2,963,834**	**1,529,699**	**690,084**	**73,404**	**54,224**	**49,550**	**1,255,888**	**77,262,035**	
Past due [1]	-	-	248,923	246,065	85,987	42,607	30,764	27,408	426,405	1,108,159	
Not past due[2]	54,633,239	16,012,113	2,714,911	1,283,634	604,097	30,797	23,460	22,142	829,483	76,153,876	
Minimum allowance required	(4,418)	(80,739)	(43,397)	(63,646)	(101,630)	(23,535)	(27,660)	(38,567)	(1,255,807)	(1,639,399)	
Additional allowance	(289,625)	(76,076)	(41,002)	(199,407)	(528,574)	(34,609)	(15,083)	(10,978)	-	(1,195,354)	
Total Allowance of the Credit Portfolio at 06.30.2018	**(294,043)**	**(156,815)**	**(84,399)**	**(263,053)**	**(630,204)**	**(58,144)**	**(42,743)**	**(49,545)**	**(1,255,807)**	**(2,834,753)**	

[1] Past due – transactions that have installments more than 14 days past due. [2] Not past due – transactions not in arrears and/or installments no more than 14 days past due.

c) Allowance for credit risk in the period

I - Breakdown of the portfolio and the minimum allowance for loan losses required

	06.30.2019					
	Credit portfolio			Minimum allowance required		
	Past due	Not past due	Total	Past due	Not past	Total
Credit operations	**1,508,314**	**71,639,879**	**73,148,193**	**(596,366)**	**(1,125,705)**	**(1,722,071)**
Borrowings, Financing and Discounted receivables	341,853	25,836,589	26,178,442	(232,128)	(829,951)	(1,062,079)
Foreign trade	28,810	18,929,546	18,958,356	(11,242)	(55,538)	(66,780)
Directed credit	3,112	1,674,952	1,678,064	(897)	(39,228)	(40,125)
Rural and agroindustrial	-	1,330,224	1,330,224	-	(3,432)	(3,432)
Real estate	3,112	344,728	347,840	(897)	(35,796)	(36,693)
Onlending	4,048	3,361,824	3,365,872	(3,866)	(18,807)	(22,673)
Financing and consumer	1,094,603	21,823,531	22,918,134	(312,345)	(169,650)	(481,995)
Payroll advance loan	287,203	8,639,343	8,926,546	(116,690)	(62,123)	(178,813)
Direct consumer credit	790,762	12,033,497	12,824,259	(187,358)	(97,079)	(284,437)
Lease	9,432	868,168	877,600	(4,103)	(6,926)	(11,029)
Other	7,206	282,523	289,729	(4,194)	(3,522)	(7,716)
Other credits	35,888	13,437	49,325	(35,888)	(12,531)	(48,419)
Other credit risk instruments	**-**	**14,637,458**	**14,637,458**	**-**	**(2,651)**	**(2,651)**
Debentures	-	7,497,640	7,497,640	-	(462)	(462)
Eurobonds	-	4,438,496	4,438,496	-	(359)	(359)
Promissory Notes	-	816,711	816,711	-	-	-
Certificate of agribusiness receivables, rural certificate and other	-	1,884,611	1,884,611	-	(1,830)	(1,830)
Total at 06.30.2019	**1,508,304**	**86,277,347**	**87,785,651**	**(596,366)**	**(1,128,356)**	**(1,724,722)**
Total at 06.30.2018	**1,163,361**	**76,098,674**	**77,262,035**	**(494,649)**	**(1,144,750)**	**(1,639,399)**

II - Changes in the minimum allowance required for credit portfolio

	Total allowance at 01.01.2019	Foreign exchange gains or losses abroad	(Increase)/ Reversal	Write-down of Loss	Total allowance at 06.30.2019
Credit operations	**(1,458,623)**	**(159)**	**(545,864)**	**282,575**	**(1,722,071)**
Borrowings, Financing and Discounted receivables	(901,469)	-	(284,076)	123,466	(1,062,079)
Foreign trade	(70,329)	(159)	(2,893)	6,601	(66,780)
Directed credit	(53,387)	-	11,922	1,340	(40,125)
Rural and agroindustrial	(6,368)	-	1,984	952	(3,432)
Real estate	(47,019)	-	9,938	388	(36,693)
Onlending	(25,849)	-	1,730	1,446	(22,673)
Financing and consumer	(388,034)	-	(243,177)	149,216	(481,995)
Payroll advance loan	(147,042)	-	(106,758)	74,987	(178,813)
Direct consumer credit	(224,412)	-	(130,989)	70,964	(284,437)
Lease	(10,736)	-	(1,849)	1,556	(11,029)
Other	(5,844)	-	(3,581)	1,709	(7,716)
Other credits	(19,555)	-	(29,370)	506	(48,419)
Other credit risk instruments	**(11,655)**	**-**	**(1,472)**	**10,476**	**(2,651)**
Debentures	(392)	-	(70)	-	(462)
Eurobonds	(348)	-	(11)	-	(359)
Certificate of agribusiness receivables, rural certificate and other	(10,915)	-	(1,391)	10,476	(1,830)
Total minimum allowance required at 06.30.2019 – Note 8(c-I)	**(1,470,278)**	**(159)**	**(547,336)**	**293,051**	**(1,724,722)**
Total minimum allowance required at 06.30.2018 – Note 8(c-I)	**(1,853,480)**	**(1,412)**	**(463,799)**	**679,292**	**(1,639,399)**

d) Renegotiated transactions and credit recoveries

	Portfolio	Allowance	%
Past due	90,844	(90,538)	99.70
Past due transactions:			
From 15 to 30 days	21,956	(21,800)	99.30
From 31 to 60 days	58,207	(58,127)	99.90
From 61 to 90 days	4,168	(4,154)	99.70
From 91 to 180 days	6,147	(6,091)	99.10
From 181 to 365 days	366	(366)	100.00
Not past due	357,443	(346,437)	96.90
Past due – up to 14 days past due	589	(588)	99.80
Falling due:			
From 01 to 90 days	41,014	(39,181)	95.50
From 91 to 365 days	112,131	(105,852)	94.40
Over 365 days	203,709	(200,816)	98.60
Total at 06.30.2019	**448,287**	**(436,975)**	**97.50**
Total at 06.30.2018	**562,186**	**(548,930)**	**97.60**

The credit recoveries for the period amounted to R$ 100,530 (R$ 404,858 in 2018).

e) Breakdown of the credit portfolio by maturity of credit operations

	06.30.2019	06.30.2018
PAST DUE	**1,508,314**	**1,163,361**
Past due transactions:		
From 15 to 30 days	459,848	371,117
From 31 to 60 days	454,953	351,027
From 61 to 90 days	178,836	136,747
From 91 to 180 days	248,095	188,392
From 181 to 365 days	166,582	116,078
NOT PAST DUE	**86,277,337**	**76,098,674**
Past due – Up to 14 days past due	607,934	182,342
Falling due:		
From 01 to 30 days	8,297,252	7,596,145
From 31 to 60 days	6,950,585	6,287,664
From 61 to 90 days	4,377,720	4,353,956
From 91 to 180 days	10,362,656	9,862,968
From 181 to 365 days	12,782,798	12,424,564
From 1 to 2 years	14,042,738	11,699,529
From 2 to 3 years	8,285,564	8,115,464
From 3 to 5 years	9,016,589	8,334,049
Over 5 years	11,553,501	7,241,993
TOTAL	**87,785,651**	**77,262,035**

The balance of transactions more than 60 days past due, non-accrued, amounts to R$ 593,513 (R$ 441,217 as at 06.30.2018) and more than 90 days past due amounts to R$ 414,677 (R$ 304,470 as at 06.30.2018).

f) Credit commitments (off balance)

Off balance amounts related to financial guarantee contracts are as follows:

	06.30.2019	06.30.2018
Guarantees, sureties and other guarantees provided [1]	18,405,110	20,840,521
AA	17,627,133	20,455,048
A	494,031	63,751
B	144,448	108,535
C	8,946	19,104
D	2,128	6,000
E	-	27
F	830	2,316
H	127,594	185,740
Granted limits [2]	15,141,987	12,522,345
Total	**33,547,097**	**33,362,866**
Contractual term:		
Up to 90 days	13,595,515	10,067,891
From 91 to 365 days	7,239,708	9,548,457
From 1 to 2 years	5,205,862	4,620,704
From 2 to 3 years	1,556,468	2,413,647
From 3 to 5 years	2,742,826	3,273,960
Over 5 years	3,206,718	3,438,207

[1] Guarantees, sureties and other guarantees provided generate and income of R$ 145,044 (R$ 153,680 in 2018) – Note 13(d).[2] Basically refer to credit limits granted but not used, characterized by the option for cancellation by Safra, the average term being 90 days.

9. FUNDING, BORROWINGS AND ONLENDING, SUBORDINATED DEBT, AND MANAGED ASSETS

I - Breakdown

	06.30.2019					
	Amount by counterparty			Amount by pricing		
	Customer funds	Market funds	Total	Amortized cost	Fair Value – Note 7(e)	Total
Funding	**87,626,086**	**7,713,412**	**95,339,498**	**84,455,770**	**10,883,728**	**95,339,498**
Open market deposits and funding – Corporate securities (a)	30,291,164	1,501,772	31,792,936	31,545,813	247,123	31,792,936
Funds from acceptance and issue of securities (b)	54,012,757	4,053,387	58,066,144	49,482,513	8,583,631	58,066,144
Structured funding – Note 7(c-II(1)) (c)	3,322,165	2,158,253	5,480,418	3,427,444	2,052,974	5,480,418
Borrowings and onlending (d)	-	14,026,726	14,026,726	14,026,726	-	14,026,726
Subordinated debt (e)	4,224,644	3,637,394	7,862,038	2,696,819	5,165,219	7,862,038
Total funding, borrowings and onlending and subordinated debt	**91,850,730**	**25,377,532**	**117,228,262**	**101,179,315**	**16,048,947**	**117,228,262**
Consolidated private pension funds [1] (f)			16,422,846			16,422,846
Managed funds (f)			71,848,002			71,848,002
Total managed fund at 06.30.2019			**205,499,110**			**205,499,110**

	06.30.2018					
	Amount by counterparty			Amount by pricing		
	Customer funds	Market funds	Total	Amortized cost	Fair Value – Note 7(e)	Total
Funding	**72,922,357**	**8,652,955**	**81,575,312**	**73,743,443**	**7,831,869**	**81,575,312**
Open market deposits and funding –corporate securities (a)	21,427,467	2,163,479	23,590,946	23,408,490	182,456	23,590,946
Funds from acceptance and issue of securities (b)	48,279,366	3,092,194	51,371,560	46,452,801	4,918,759	51,371,560
Structured funding – Note 7(c-II(1)) (c)	3,215,524	3,397,282	6,612,806	3,882,152	2,730,654	6,612,806
Borrowings and onlending (d)	-	14,838,625	14,838,625	14,838,625	-	14,838,625
Subordinated debt (e)	3,173,718	3,245,256	6,418,974	3,071,986	3,346,988	6,418,974
Total funding, borrowings and onlending and subordinated debt	**76,096,075**	**26,736,836**	**102,832,911**	**91,654,054**	**11,178,857**	**102,832,911**
Consolidated private pension funds [1] (f)			13,287,554			13,287,554
Managed funds (f)			76,328,332			76,328,332
Total managed assets at 06.30.2018			**192,448,797**			**192,448,797**

[1] Recorded in liabilities with insurance and private pension operations – Note 11(b).

II - Funding, borrowings and onlending, and subordinated debt by maturity

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	from 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Funding	28,057,918	32,589,697	13,908,667	10,376,991	9,720,016	686,209	95,339,498	81,575,312
Open market deposits and funding – Corporate securities (a)	18,161,989	12,213,798	1,065,914	327,888	22,585	762	31,792,936	23,590,946
Funds from acceptance and issue of securities (b)	9,127,411	19,170,349	11,474,984	9,093,445	8,539,296	660,659	58,066,144	51,371,560
Structured funding – Note 7(c-II(1)) (c)	768,518	1,205,550	1,367,769	955,658	1,158,135	24,788	5,480,418	6,612,806
Borrowings and onlending (d)	1,225,242	10,187,979	889,090	604,222	685,462	434,731	14,026,726	14,838,625
Subordinated debt (e)	172,368	154,127	2,386,892	290,913	963,075	3,894,663	7,862,038	6,418,974
Total funding, borrowings and onlending, and subordinated debt at 06.30.2019	**29,455,528**	**42,931,803**	**17,184,649**	**11,272,126**	**11,368,553**	**5,015,603**	**117,228,262**	**102,832,911**
Total funding, borrowings and onlending, and subordinated debt at 06.30.2018	**25,692,543**	**42,891,801**	**15,328,595**	**10,256,452**	**5,511,342**	**3,152,178**	**102,832,911**	

a) Open market deposits and funding– Corporate securities

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	from 1 to 2 years	From 2 to 3 years	From 3 to 5	Over 5 years	Total	Total
Deposits	14,171,670	11,179,896	1,064,917	327,881	22,585	762	26,767,711	18,104,376
Demand deposits	1,088,872	-	-	-	-	-	1,088,872	860,480
Savings deposits	2,166,541	-	-	-	-	-	2,166,541	2,002,958
Interbank deposits [1]	257,070	278,054	150,597	-	-	-	685,721	1,217,415
Time deposits	10,659,187	10,901,842	914,320	327,881	22,585	762	22,826,577	14,023,523
Open market funding – Corporate securities – Debentures	3,990,319	1,033,902	997	7	-	-	5,025,225	5,486,570
Own securities	14,458	931	997	7	-	-	16,393	1,669,138
Own portfolio	3,975,861	1,032,971	-	-	-	-	5,008,832	3,817,432
Total at 06.30.2019	**18,161,989**	**12,213,798**	**1,065,914**	**327,888**	**22,585**	**762**	**31,792,936**	**23,590,946**
Total at 06.30.2018	**13,523,023**	**9,400,352**	**519,816**	**136,961**	**10,336**	**458**	**23,590,946**	

[1] Of this amount, R$ 316,685 (R$ 809,481 as at 06.30.2018) refers to operations linked to rural credit.

b) Funds from acceptance and issue of securities

I- Breakdown

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	from 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Funds from financial bills, credit bills and similar notes	9,127,143	18,833,966	11,474,984	9,093,445	6,755,156	660,659	55,945,353	49,362,219
Financial bills	2,010,138	6,673,473	7,556,689	7,167,475	4,698,152	181,580	28,287,507	22,906,964
Commercial leasing bills	5,967,936	9,512,218	2,026,442	367,821	37,810	6,588	17,918,815	19,027,987
Agribusiness credit notes	1,066,578	2,263,252	1,714,415	1,440,787	1,862,863	472,491	8,820,386	6,328,891
Mortgage bills	-	150,392	34,313	-	-	-	184,705	315,769
House loan bills	82,491	234,631	143,125	117,362	156,331	-	733,940	781,752
Debentures	-	-	-	-	-	-	-	856
Liabilities for marketable securities abroad	268	336,383	-	-	1,784,140	-	2,120,791	2,009,341
CHF 100,000 – 12.12.2014 – Fixed (1.5% p.a.) – Hedge – Note 7(e) [1]	268	336,383	-	-	-	-	336,651	335,482
US$ 500,000 – 02.08.2018 – Fixed (4.12% p.a.) – Hedge – Note 7(e) [1]	-	-	-	-	1,784,140	-	1,784,140	1,673,859
Total at 06.30.2019	**9,127,411**	**19,170,349**	**11,474,984**	**9,093,445**	**8,539,296**	**660,659**	**58,066,144**	**51,371,560**
Total at 06.30.2018	**8,062,136**	**20,883,570**	**12,578,219**	**6,372,962**	**3,242,014**	**232,659**	**51,371,560**	

[1] Includes incurred transaction costs of R$ (4,501) (R$ (6,114) as at 06.30.2018) – Note 3(k).

II - Movements

	01.01. to 06.30.2019			01.01. to 06.30.2018		
	Funds from financial bills, bills of credit and	Liabilities for marketable securities abroad	Total	Funds from financial bills, bills of credit and	Liabilities for marketable securities abroad	Total
Opening balance	**58,330,482**	**2,036,927**	**60,367,409**	**39,475,119**	**356,253**	**39,831,372**
Foreign exchange gains or losses abroad	-	(24,622)	(24,622)	-	275,263	275,263
Funding	38,880,217	67,660	38,947,877	38,519,726	1,670,915	40,190,641
Redemptions	(43,329,156)	(20,800)	(43,349,956)	(30,055,511)	(309,605)	(30,365,116)
Interest paid	(12,728)	(33,663)	(46,391)	(163)	(1,253)	(1,416)
Appropriation to income	2,076,538	95,289	2,171,827	1,423,048	17,768	1,440,816
Interest – Note 13(b)	1,915,146	40,954	1,956,100	1,473,007	37,023	1,510,030
Change in Fair Value adjustment – Note 7(d)	161,392	54,335	215,727	(49,959)	(19,255)	(69,214)
Closing balance	**55,945,353**	**2,120,791**	**58,066,144**	**49,362,219**	**2,009,341**	**51,371,560**

c) Structured funding

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Fixed income[1]	22,085	3,239	20,192	-	-	-	45,516	407,058
Certificate of structured operations	127,316	770,211	1,066,427	546,205	746,439	20,051	3,276,649	2,808,466
Structured CD	619,117	432,100	281,150	409,453	411,696	4,737	2,158,253	3,397,282
Hedge – Note 7(e)	123,509	261,158	134,112	202,002	101,757	4,540	827,078	1,809,717
Others	495,608	170,942	147,038	207,451	309,939	197	1,331,175	1,587,565
Total at 06.30.2019	**768,518**	**1,205,550**	**1,367,769**	**955,658**	**1,158,135**	**24,788**	**5,480,418**	**6,612,806**
Total at 06.30.2018	**1,276,852**	**2,238,563**	**1,158,557**	**819,553**	**1,069,430**	**49,851**	**6,612,806**	

[1] Transactions made with derivative financial instruments– Options.

d) Borrowings and onlending

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365 days	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	Over 5 years	Total	Total
Foreign borrowings [1]	851,240	9,481,619	153,288	-	-	-	10,486,147	10,806,107
Domestic onlending	329,683	706,360	735,802	604,222	685,462	434,731	3,496,260	4,009,055
National Treasury	87,707	66,902	19,047	-	-	-	173,656	122,741
BNDES	110,180	312,403	359,357	314,706	361,079	249,192	1,706,917	1,861,168
FINAME	131,796	327,055	357,398	289,516	324,383	185,539	1,615,687	2,025,146
Others borrowings	44,319	-	-	-	-	-	44,319	23,463
Total at 06.30.2019	**1,225,242**	**10,187,979**	**889,090**	**604,222**	**685,462**	**434,731**	**14,026,726**	**14,838,625**
Total at 06.30.2018	**2,769,549**	**9,753,369**	**824,394**	**594,219**	**662,832**	**234,262**	**14,838,625**	

[1] Credit facilities for financing imports and exports.

e) Subordinated debt

I. Breakdown of balance by security and rate

Securities/Rates	06.30.2019	06.30.2018
Financial bills – LF	**4,724,647**	**3,276,000**
- CDI (100% to 115.35%) + (interest from 0.77% p.a. to 1.62% p.a.)	2,637,458	1,821,607
- IGPM + (interest from 3.89% p.a. to 6.68% p.a.)	10,370	9,259
- IPCA + (interest from 3.94% p.a. to 8.82% p.a.) – Hedge – Note 7(e)	1,454,273	1,195,314
- Fixed (9.59% p.a. to 17.66% p.a.) – Hedge – Note 7(e)	573,556	204,014
- Selic (109% to 110.5%)	48,990	45,806
Medium term notes – Hedge – Note 7(e)	**3,137,391**	**3,142,974**
- US$ 300,000 to 7.00% p.a. – Perpetual – Note 20(b)	1,160,087	1,151,371
- US$ 500,000 to 6.75% p.a.	1,977,304	1,991,603
Total [1]	**7,862,038**	**6,418,974**

[1] Transactions with half-yearly and quarterly interest payments.

II. Breakdown of balance by characteristic and maturity

	06.30.2019				06.30.2018
	Approved at BACEN				
Securities	Without termination clause	With termination clause	In process of approval at BACEN [1]	Total	Total
2019	120,744	88,530	7,315	216,589	818,281
2020	32,375	257,103	21,361	310,839	269,210
2021	1,977,374	427,144	-	2,404,518	2,363,761
2022	5,810	140,515	-	146,325	121,394
2023	-	575,240	-	575,240	372,040
2024	-	383,882	22,232	406,114	348,838
2025	-	1,013,354	-	1,013,354	585,814
2026	-	546,122	335,628	881,750	154,040
2027	-	156,043	106,032	262,075	86,874
2028	-	300,191	305	300,496	147,351
2029	-	175,656	6,987	182,643	-
2033	-	2,008	-	2,008	-
Perpetual	-	1,160,087	-	1,160,087	1,151,371
Total at 06.30.2019	**2,136,303**	**5,225,875**	**499,860**	**7,862,038**	**6,418,974**
Total at 06.30.2018	**2,751,810**	**3,522,331**	**144,833**	**6,418,974**	

[1] The 2019 and 2020 securities do not have termination clause and total R$ 28,676 (R$ 25,060 as at 06.30.2018).

III. Movements

	01.01. to 06.30.2019	01.01. to 06.30.2018
Opening balance	**7,314,269**	**5,193,120**
Foreign exchange gains or losses abroad	(56,909)	429,556
Funding	907,890	742,813
Redemptions	(659,485)	(20,559)
Interest paid	(104,950)	(93,216)
Appropriation to income	461,223	167,260
Interest – Note 12(c)	274,430	197,935
Change in Fair Value adjustment – Hedge – Note 7(e)	186,793	(30,675)
Closing balance	**7,862,038**	**6,418,974**

f) Managed funds

Safra Group, together with related party companies, is responsible for administering, managing and distributing investment fund quotas, as follows:

	06.30.2019	06.30.2018
Managed funds and consolidated private pension funds	88,270,848	89,615,886
Managed funds [1]	71,848,002	76,328,332
Consolidated private pension funds – Note 11(b)	16,422,846	13,287,554
Funds of investments in quotas	111,406,044	103,173,097
Consolidated exclusive funds	8,322,885	8,065,517
Total equity of funds	**207,999,777**	**200,854,500**
Total equity of managed portfolio	**2,395,773**	**1,026,548**

[1] Includes quotaholders with related parties in the amount of R$ 3,803,909(R$ 3,555,519 as at 06.30.2018).

The revenue from fund management, administration and distribution of such fund quotas, recorded in the heading "Revenue from services, bank fees and foreign exchange", totals R$ 465,853 (R$ 633,450 in 2018) – Note 13(d). In 2018, when income from related parties is included, in the amount of R$ 47,414 – Note 20(b), the revenue totals R$ 680,864.

10. OPEN MARKET INVESTMENT AND FUNDING – GOVERNMENT SECURITIES

a) Investments linked to open market operations - Government securities (Assets)

	06.30.2019							06.30.2018
	Amounts by maturity							
	Up to 90 days	From 91 to 365	From 1 to 2 years	From 1 to 2 years	From 3 to 5 years	Over 5 years	Total	Total
Own portfolio - Subject to repurchase agreements – restricted – Note7(a-I)	-	-	4	-	-	2,377,267	2,377,271	5,170,421
Third-party portfolio – Open market investments – Third-party portfolio – National Treasury	27,137,356	422,395	-	-	-	-	27,559,751	31,097,555
Total at 06.30.2019	**27,137,356**	**422,395**	**4**	**-**	**-**	**2,377,267**	**29,937,022**	**36,267,976**
Total at 06.30.2018	**28,551,278**	**2,546,277**	**2,460,513**	**684,369**	**2,025,539**	**-**	**36,267,976**	

b) Open market funding - Government securities (Liabilities)

	06.30.2019			06.30.2018
	Amounts by maturity			
	Up to 90 days	From 91 to 365	Total	Total
Own portfolio - Subject to repurchase agreements – Restricted	2,368,483	-	2,368,483	5,091,032
Thirty-party portfolio	27,516,954	323,976	27,840,930	31,050,141
Repurchase agreements	23,894,170	-	23,894,170	24,029,558
Obligations related to unrestricted securities[1]	3,622,784	323,976	3,946,760	7,020,583
National Treasury Bills	655,510	-	655,510	3,966,488
National Treasury Notes	2,967,274	323,976	3,291,250	3,054,095
Total at 06.30.2019	**29,885,437**	**323,976**	**30,209,413**	**36,141,173**
Total at 06.30.2018	**33,663,624**	**2,477,549**	**36,141,173**	

[1] The fair value adjustment is R$ 307,891 (R$ (78,247) as at 06.30.2018) – Note 7(d).

11. INSURANCE, REINSURANCE AND PRIVATE PENSION OPERATIONS

a) Receivables from insurance and reinsurance operations

	06.30.2019	06.30.2018
Premiums receivable amount – Note 11(a-I(2))	64,352	45,948
Premiums receivable – Note 11(a-I(1))	61,130	43,647
Premiums of risks in force and not issued	6,574	4,415
Credit risk	(3,352)	(2,114)
Operating receivables from insurance and reinsurance	2,155	3,744
Gross amount	7,210	8,309
Credit risk	(5,055)	(4,565)
Reinsurance assets – Technical reserves – Note 11(a-II)	35,049	34,577
Deferred acquisitions costs	1,057	77
Investments redeemable from pension funds	7,020	2,305
Total – Note 12	**109,633**	**86,651**

I. Premiums receivable

(1) Breakdown

	06.30.2019			06.30.2018
	PAST DUE[1]	NOT PAST DUE[2]	TOTAL	TOTAL
Past due:	1,775	3,883	5,658	3,947
From 01 to 30 days	540	3,105	3,645	2,621
From 31 to 60 days	577	778	1,355	879
From 61 to 120 days	658	-	658	441
Over 121 days	-	-	-	6
Falling due:	1,577	53,895	55,472	39,700
From 01 to 30 days	154	6,330	6,484	6,344
From 31 to 60 days	135	3,669	3,804	3,576
From 61 to 120 days	203	6,376	6,579	5,552
From 121 to 180 days	161	5,881	6,042	4,523
From 181 to 365 days	405	11,265	11,670	6,923
Over 365 days	519	20,374	20,893	12,782
TOTAL at 06.30.2019	**3,352**	**57,778**	**61,130**	**43,647**
TOTAL at 06.30.2018	**2,114**	**41,533**	**43,647**	

[1] Policies with installments more than 60 days past due are fully provisioned. [2] Policies without installments past due and/or with installments up to 60 days past due.

(2) Changes during the period

	01.01. to 06.30.2019	01.01. to 06.30.2018
Opening balance	**54,335**	**52,428**
(+) Written premiums and risks in force but not issued[1]	148,772	130,167
(-) Receipts	(140,085)	(139,180)
(+) Change in credit risks	(2,208)	175
(+) Interest on receipt of premiums	3,538	2,358
Closing balance	**64,352**	**45,948**

[1] Does not include reinsurance premium to be passed on in the amount of $ 8,002 (R$ 10,045 as at 06.30.2018).

(3) Change in credit risk

	01.01. to 06.30.2019						01.01. to 06.30.2018
		Operations with:					
	Premiums receivable	Insurance companies	Reinsurance companies	Subtotal	Payables for insurance and reinsurance operations [1]	TOTAL[2]	TOTAL
Opening balance	**(1,145)**	**(696)**	**(4,012)**	**(4,708)**	**285**	**(5,568)**	**(6,095)**
Increase/(Reversal)	(2,208)	32	(378)	(346)	457	(2,097)	(36)
Closing balance	**(3,353)**	**(664)**	**(4,390)**	**(5,054)**	**742**	**(7,665)**	**(6,131)**

[1] Includes transfers of premiums/commissions to brokers, and insurance and reinsurance companies, and IOF on unpaid premiums. [2] Note 13(e).

II. Reinsurance assets – Technical reserves - Change

	01.01. to 06.30.2019					01.01. to 06.30.2018
	PPNG	PSL [1]	IBNR	PCC [2]	TOTAL	TOTAL
Opening balance	**21,517**	**4,815**	**2,895**	**6,507**	**35,734**	**38,490**
Changes in technical reserves	(2,777)	287	(522)	2,536	(476)	(1,328)
Recovery	-	(253)	-	-	(253)	(2,677)
Inflation adjustment	-	44	-	-	44	92
Closing balance	**18,740**	**4,893**	**2,373**	**9,043**	**35,049**	**34,577**

[1] Includes 8 (21 as at 06.30.2018) legal claims of R$ 2,619(R$ 2,655 as at 06.30.2018). [2] Note 11(d-I).

b) Funds guaranteeing technical reserves for insurance and private pension operations

	06.30.2019	06.30.2018
Marketable securities – Notes 3(d) and 7(b)	**16,837,452**	**13,694,495**
Quotas of funds PGBL/VGBL – Note 9(f)	**16,422,846**	**13,287,554**
Repurchase agreements	91,625	6,179
Marketable securities	16,355,855	13,292,431
Other	(24,634)	(11,056)
Other securities	**414,606**	**406,941**
Quotas of funds – Linked to Technical Reserve	220,328	238,653
Quotas of investments funds – DPVAT agreement	194,278	168,288
Receivables from reinsurance operations – Note 11(a-II) [1]	**16,309**	**13,389**
Credit rights – Insurance premium receivable	**9,959**	**9,874**
Total – Note 11(c-I(2))	**16,863,720**	**13,717,758**

[1] The amount shown net of Unearned Premium Reserve of R$ (18,740) (R$ (21,188) as at 06.30.2018), was not offered as asset to reduce technical reserves.

c) Insurance and private pension operations (liabilities)

The insurance and private pension operations are as follows:

	06.30.2019	06.30.2018
Technical reserves – Note 11(c-I(1))	16,828,194	13,644,849
Private pension	16,457,409	13,312,288
Insurance	176,529	164,406
DPVAT agreement [1]	194,256	168,155
Payables for insurance and reinsurance operations	15,155	13,746
Commissions and other insurance liabilities	5,855	5,697
Credit risk	(696)	(471)
Total	**16,848,508**	**13,663,821**

[1] Comprised by outstanding claims reserve in the amount of R$ 22,409 (R$ 21,169 as at 06.30.2018), IBNR in the amount of R$ 169,207 (R$ 145,165 as at 06.30.2018) and unearned premium reserve in the amount of R$ 2,640 (R$ 1,821 as at 06.30.2018).

I. Technical reserves

(1) Breakdown

	INSURANCE		PRIVATE PENSION		TOTAL	
	06.30.2019	06.30.2018	06.30.2019	06.30.2018	06.30.2019	06.30.2018
PMBAC and PMBC	-	-	16,422,988	13,287,803	16,422,988	13,287,803
PPNG	128,556	125,386	-	-	128,556	125,386
PSL	13,006	14,707	-	-	13,006	14,707
DPVAT agreement	194,256	168,155	-	-	194,256	168,155
IBNR	4,385	4,070	-	-	4,385	4,070
Supplementary reserve – Note 11(d-I)	30,582	20,243	26,050	21,407	56,632	41,650
PCC	30,582	20,243	6,107	2,824	36,689	23,067
PDR	-	-	19,943	18,583	19,943	18,583
Redemptions to be regularized	-	-	8,371	3,078	8,371	3,078
Total	**370,785**	**332,561**	**16,457,409**	**13,312,288**	**16,828,194**	**13,644,849**

(2) Coverage

	06.30.2019	06.30.2018
Funds guaranteeing technical reserves for insurance and private pension operations – Note 11(b)	16,863,720	13,717,758
Technical reserves – Note 11(c-I(1))	(16,828,194)	(13,644,849)
Coverage surplus	**35,526**	**72,909**

(3) Changes in the mathematical reserve for private pensions

	01.01. to 06.30.2019	01.01. to 06.30.2018
Opening balance	**14,561,873**	**11,930,334**
Contributions	600,373	521,245
Net transfers accepted	1,123,373	1,031,344
Redemptions	(486,312)	(394,692)
Benefits paid	(485)	(271)
Financial adjustment – Note 11(e)	653,046	219,976
Change in reserves	5,541	4,352
PCC and PDR – Note 11(d-II)	3,894	4,218
Other	1,647	134
Closing balance	**16,457,409**	**13,312,288**

(4) Change in the mathematical reserve for insurance

	01.01. to 06.30.2019					
		CLAIMS				
	PPNG	PSL, IBNR and PDR	PSL and PDR judicial	SUB TOTAL	PCC – Note 11(d-II)	TOTAL
Opening balance	**128,191**	**6,400**	**16,044**	**22,444**	**20,249**	**170,884**
Incurred claims	-	1,485	150	1,635	-	1,635
Change in estimate	-	(312)	53	(259)	-	(259)
Change in technical reserves	365	-	-	-	10,333	10,698
Paid claims	-	(1,198)	(6,471)	(7,669)	-	(7,669)
Inflation adjustment	-	-	1,240	1,240	-	1,240
Closing balance	**128,556**	**6,375**	**11,016**	**17,391**	**30,582**	**176,529**

d) Supplementary Coverage Reserve (PCC) and Liability Adequacy Test (LAT) – Note 3(l-III(c)).

I – Breakdown

	06.30.2019	06.30.2018
Assets – Reinsurance assets – Note 11(a-II)	**9,043**	**6,507**
Liabilities	**(56,632)**	**(41,650)**
Technical reserves – Insurance – Personal – Note 11(c-I(1))	(30,582)	(20,243)
Technical reserves – Private Pension – Note 11(c-I(1))	(26,050)	(21,407)
Supplementary coverage (PCC) and related expenses (PDR) reserve - Net	**(47,589)**	**(35,143)**

II – Effects on income

	2019	2018
Reinsurance operations - Note 11(a-II)	2,536	(261)
Insurance operations	(10,338)	(1,374)
Changes in insurance and private pension - Note 11(c-I(3))	(3,894)	(4,218)
Supplementary coverage (PCC) and related expenses (PDR) reserve - Net - Note 13(e)	**(11,696)**	**(5,853)**

e) Insurance and private pension operations

	2019	2018
Income from financial intermediation	8,312	8,737
Finance income from insurance and private pension operations – Note 13(a)	662,869	229,525
Finance expenses from insurance and private pension operations– Note 13(b) [1]	(654,557)	(220,788)
Income from insurance, reinsurance and private pension operations – Note 13(e)	126,994	126,695
Income from private pension fund management services – Note 9(f)	71,675	62,455
Total	**206,981**	**197,887**

[1] Substantially represented by mathematical adjustment of insurance– Note 11(c-I(3)).

12. OTHER FINANCIAL ASSETS AND LIABILITIES

	06.30.2019		06.30.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Foreign exchange portfolio – Note 12(a)	334,575	362,766	623,466	655,230
Collection of taxes and similar	-	2,346,409	-	2,427,440
Negotiation and intermediation of securities – Note 12(b)	812,101	763,170	486,090	941,779
Interbank and interdepartmental transactions	253,766	653,585	154,891	662,972
Amounts receivable/(payable) – Acquirer	2,330,253	2,354,790	1,081,800	1,097,307
Others	166,156	451,765	137,695	423,677
Provision for guarantees and sureties – Notes 8 (a-I and II) and 8(f)	-	133,878	-	191,341
Income receivable – Commission on funds and guarantees and sureties	56,523	-	49,872	-
Receivables from insurance and reinsurance operations –Note 11(a)	109,633	-	86,651	-
Credit card administration obligations	-	246,311	-	197,051
Other	-	71,576	1,172	35,285
Total	**3,896,851**	**6,932,485**	**2,483,942**	**6,208,405**

a) Foreign exchange portfolio

	06.30.2019		06.30.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Foreign Exchange purchases pending settlement (M.E.) and Payables for foreign exchange purchase (M.N.)	144,008	164,298	324,549	323,260
Foreign exchange gains or losses [1]	(20,146)	-	75,977	-
Interbank for ready settlement	38,648	38,648	-	78,622
Export with locked-in currency rate	23,826	23,934	24,950	20,900
Interdepartmental and arbitrage	94,447	94,483	76,114	76,230
Financial	7,233	7,233	147,508	147,508
Receivables for foreign exchange sales (M.N.) and Foreign Exchange sold pending settlement (M.E.)	190,567	198,468	298,917	331,970
Foreign exchange gains or losses	-	(716)	-	(348)
Interbank for ready settlement	76,700	76,700	135,111	135,111
Financial	13,987	13,987	17,864	17,864
(-)Advances received	(9,468)	-	(34,427)	-
Import	13,805	13,805	103,011	103,011
Interdepartmental and arbitrage	94,443	94,444	76,230	76,230
Other	1,100	248	1,128	102
Total	**334,575**	**362,766**	**623,466**	**655,230**

[1] The foreign exchange gains on advance on foreign exchange contract transactions - Note 3(f) amount to R$ 14,608 (R$ 198,917 as at 06.30.2018) and was shown in the line item Credit portfolio– Credit operations - Note 8.

b) Negotiation and intermediation of securities

	06.30.2019		06.30.2018	
	ASSETS	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Debtors / Creditors pending settlement [1]	123,635	374,802	135,397	471,582
Cash from registry and settlement [1]	369,295	349,046	182,650	225,398
Margin of derivatives abroad	278,444	-	67,778	-
Financial assets and commodities pending settlement	40,727	38,707	100,265	244,784
Other	-	615	-	15
Total	**812,101**	**763,170**	**486,090**	**941,779**

[1] Refers mainly to transactions on stock exchanges recorded by Safra Corretora de Valores e Câmbio Ltda.

13. REVENUE, EXPENSES AND INCOME FROM OPERATIONS

a) Financial intermediation income

	2019	2018
Credit portfolio	4,778,915	3,797,435
Credit operations	4,188,252	3,444,770
Other credit risk instruments	590,663	352,665
Gains and losses on marketable securities	2,054,647	2,282,248
Interbank investments	1,291,017	1,064,881
Marketable securities – Security portfolio	763,630	1,217,367
Government securities	700,324	1,168,430
Securities issued by Financial institutions and Companies	63,306	48,937
Finance income from insurance and private pension operations – Note 11(e)	662,869	229,525
Income from compulsory deposits	242,424	130,381
Other finance income	15,129	3,241
Total interest income	**7,753,984**	**6,442,830**

b) Financial intermediation expenses

	2019	2018
Transactions with funding	(2,669,922)	(2,178,692)
Funds obtained in the market – Corporate securities	(535,876)	(501,534)
Funds from acceptance and issue of securities	(1,956,100)	(1,510,030)
Structured funding	(148,096)	(157,923)
Direct funding expenses	(29,850)	(9,205)
Market funding operations- Government securities	(1,023,496)	(1,347,060)
Own portfolio	(155,832)	(265,657)
Third-party's portfolio	(665,653)	(429,909)
Obligations related to unrestricted securities	(202,011)	(651,494)
Borrowings and onlending	(270,128)	(262,325)
Subordinated debt	(274,430)	(197,935)
Finance expenses from insurance and private pension operations – Note 11(e)	(654,557)	(220,788)
Other finance expense	(82,877)	(40,954)
Total interest expenses	**(4,975,410)**	**(4,247,754)**

c) Income from derivative financial instruments

	2019	2018
Foreign Exchange gains or losses on investment abroad and ME operations	(23,618)	(333,044)
Foreign investments - Over Hedge – Note 19(c-II(2))	26,124	(368,575)
Transactions in foreign currencies	(49,742)	35,531
Income from derivatives (Accrual) – Swap/Future/Others – Note 3(d)	(88,899)	(82,403)
Realized and unrealized income from financial instruments	79,838	52,817
Mark-to-market adjustments of marketable securities and derivative financial instruments in income – Not Realized – Note 7(d)	99,472	(139,975)
Mark-to-market adjustments of futures transactions	(190,723)	143,838
Profit/(Loss) – Realized	171,089	48,954
Trading and derivatives	134,553	24,860
Available-for-sale	36,536	24,094
Total – Note 19(c-II(2))	**(32,679)**	**(362,630)**

d) Revenue from service and bank fees, and foreign exchange transactions

	2019	2018
Income from managed assets	546,026	770,738
Management and custody services of investment fund and portfolio administration– Note 9(f)	465,853	633,450
Brokerage, custody and income from security placement	80,173	137,288
Guarantees provided and guarantees and sureties – Note 8(f)	145,044	153,680
Credit operations	114,735	98,646
Credit operations	140,390	144,673
Direct costs with credit operations	(25,655)	(46,027)
Foreign exchange transactions and services	74,230	76,767
Current account and collection services	82,250	69,385
Total	**962,285**	**1,169,216**

e) Insurance, reinsurance and private pension operations

	2019	2018
Revenue from retained premiums, net	136,298	129,668
Premium revenue – Note 11(a-I(2))	140,770	120,122
Change in technical reserves	(4,472)	9,546
Claim revenue and expenses	(1,612)	1,418
Acquisition costs – Note 20(b)	8,615	2,072
Credit risk – Note 11(a-I(3))	(2,097)	(36)
Gains and losses on supplementary reserve – Note 11(d-II)	(11,557)	(6,228)
Other income and expenses [1]	(2,653)	(199)
Total – Note 11(e)	**126,994**	**126,695**

[1] Includes the income net of DPVAT agreement.

14. OTHER ASSET, LIABILITY AND INCOME ACCOUNTS

a) Other receivables - Sundry

	06.30.2019	06.30.2018
Debtors for deposits in guarantee of contingent liabilities	300,852	295,300
Tax and social security contingent liabilities and legal obligations[1]	166,572	175,871
Civil, labor – Note 15(c)	134,280	119,429
Taxes and contributions to be offset	224,525	538,018
Prepaid expenses	71,543	58,762
Other	51,185	49,487
TOTAL	**648,105**	**941,567**

[1] The amounts linked to tax and social security contingent liabilities and legal obligations are disclosed in Note 15(c).

b) Other liabilities - Sundry

	06.30.2019	06.30.2018
Provision for payables	621,094	462,527
Liability transactions to be processed	36,933	70,141
Deferred income	60,431	59,523
Other	24,831	55,198
TOTAL	**743,289**	**647,389**

c) Personnel expenses

	2019	2018
Remuneration and profit sharing	(913,931)	(748,932)
Benefits	(102,103)	(78,486)
Government Severance Indemnity Fund for Employees (FGTS)	(47,917)	(38,416)
Pension contributions	(173,127)	(142,502)
Employee termination and payroll additional allowance	(168,111)	(95,953)
Total	**(1,405,189)**	**(1,104,289)**

d) Administrative expenses

	2019	2018
Maintenance cost	(158,482)	(133,265)
Facilities and Rents – Note 20(b)	(93,549)	(91,983)
Depreciation and amortization – Note 17(b)	(64,933)	(41,282)
Data processing and telecommunications	(112,979)	(68,954)
Third-party services	(18,587)	(25,058)
Travel	(43,772)	(39,140)
Financial system services	(9,143)	(10,641)
Surveillance, security and transport services	(20,529)	(19,317)
Publicity and advertising	(89,235)	(24,037)
Other	(22,596)	(15,103)
Total	**(475,323)**	**(335,515)**

15. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS – TAX AND SOCIAL SECURITY

a) Contingent assets: There is no contingent asset to be disclosed.

b) Provisions and contingents liabilities - These are quantified as follows:

I - Civil lawsuits: are represented mainly by indemnity claims for pecuniary damage and/or pain and suffering due to issues related to direct consumer credit operations, collections and loans, protests of notes, inclusion of customer data in credit restriction databases and elimination of inflation effects in connection with economic plans on savings account balances. Civil lawsuits are evaluated when a court notice is received and are classified as mass, when related to similar causes with insignificant amount, or as special, when there is a peculiarity in the lawsuit filed, arising from the significance of the amount involved, or from matter with corporate importance or different from ordinary lawsuits. The provision recorded for mass lawsuits is calculated on a monthly basis at the average historical cost of payments of lawsuits settled in the last 12 months, also considering the average fees paid in the same period and claims settled with favorable outcome. This average cost is updated quarterly and multiplied by the amount of lawsuits in progress in the portfolio on the last business day of the month. The special lawsuits are individually evaluated concerning the likelihood of loss, and are periodically reviewed and quantified based on progress, on the evidence submitted and/or case law in accordance with the evaluation of management and internal legal counsel. A provision is recognized for lawsuits classified as a probable loss.

II - Labor claims: are filed to claim alleged labor rights derived from the labor legislation specifically relating to professional category, especially overtime. These labor claims are evaluated when a court notice is received, and are classified as technically evaluated. The claims are evaluated individually by likelihood of loss, and are periodically reviewed and quantified based on progress, on the evidence submitted and case law in accordance with the evaluation of management and internal legal counsel. A provision is recognized insofar as the probability of loss is considered probable, and adjusted by average ticket (claims with risk under one million reais) and special cases (claims with risk above one million reais) based on the considered risk, and both with the amount effectively paid for claims over the past 24 months. These adjustments are quarterly and annually recalculated. The provision arising from technical evaluation is adjusted by the amounts of the judicial deposits. The full amount of the deposits is provisioned by in cash.

III - Tax and social security proceedings: are mainly represented by administrative proceedings and lawsuits related to municipal and federal taxes. They are individually quantified when the notice of the administrative proceedings is received, based on the amounts assessed and are adjusted monthly. The provision is recognized at the full amount for proceedings classified as probable loss. The legal obligation is recognized notwithstanding the risk classification of the loss.

IV - Other risks: contingent liabilities quantified and provisioned per individual evaluation, basically represented by Salary Variations Compensation Fund (FCVS) provisions and Reinsurance.

c) The provisions recognized and the related changes were as:

	01.01.to 06.30.2019					01.01.to 06.30.2018
	Civil	**Labor**	**Tax and social security contingent liabilities and legal obligations[3]**	**Other**	**Total**	**Total**
At the beginning of the period 01.01.2019	**449,998**	**451,633**	**432,509**	**143,000**	**1,477,140**	**1,307,118**
Adjustment/Charges[1]	9,439	21,286	5,937	10,190	46,852	28,158
Changes in the period reflected in income [2]	(90,709)	48,625	127,621	-	85,537	122,113
Increase / (Reversal)	(83,502)	54,032	146,853	-	117,383	141,561
Reversal due to favorable decision	(7,207)	(5,407)	(19,232)	-	(31,846)	(19,448)
Payment	(34,219)	(63,325)	(98,490)	-	(196,034)	(129,675)
Other changes[4]	-	-	-	527	527	119,116
At the end of the period at 06.30.2019	**334,509**	**458,219**	**467,577**	**153,717**	**1,414,022**	**1,446,830**
At the end of the period at 06.30.2018	**434,527**	**456,438**	**427,007**	**128,858**	**1,446,830**	
Guarantee deposits of appeals[5]	59,584	74,696	139,079	-	273,359	
Guarantee securities[6]	-	76,578	-	-	76,578	
Total amounts guaranteed at 06.30.2019	**59,584**	**151,274**	**139,079**	**-**	**349,937**	
Guarantee deposits of appeals[5]	39,892	79,537	152,932	-	272,361	
Guarantee securities[6]	-	74,278	-	-	74,278	
Total amounts guaranteed at 06.30.2018	**39,892**	**153,815**	**152,932**	**-**	**346,639**	

[1] Recorded in "Other financial expenses". [2]The changes in the civil, tax and labor contingencies are recorded in "Other operating expenses". In 2019, civil they contemplate the reversal of the provision for economic plans in the amount of R$ 126,765. [3] The main proceedings related to Tax and Social Security Contingent Liabilities and Legal Obligations that comprise the balance are: (i) ISS in the amount of R$ 65,876 (R$ 87,595 as at 06.30.2018) and mainly refers to the levy of tax on revenues from banking activities, which should not be mistaken for the prices for services rendered; (ii) PIS and COFINS on income from interest on capital in the amount of R$99,888 (R$ 99,888 as at 06.30.2018); (iii) Social security contributions in the amount of R$ 118,408 (R$ 71,542 as at 06.30.2018) and mainly refers to the dispute over the legality of the FAP; levy of payroll charges on prior notice and 1/3 of vacation pay; and levy of INSS on Profit Sharing ; (iv) IRPJ/CSLL in the amount of R$ 107,783 (R$ 89,420 as at 06.30.2018) and mainly refers to the dispute over deductibility of the loan portfolio and deductibility of supposedly non-confirmed expenses; and (v) PERDCOMPs not ratified in the amount of R$ 56,015 (R$ 55,150 as at 06.30.2018). [4] In 2018, the change refers to the merger related to the corporate restructuring process authorized by BACEN carried out on 04.13.2018. [5] Note 14(a). [6] Note 7(a-III).

The amount of the contingent liabilities classified as a possible loss related to civil lawsuits, not recognized, is R$ 55,172 (R$ 57,763 as at 06.30.2018). There is no labor contingent liability and tax and social security proceedings classified as possible loss.

16. TAXES

a) Breakdown of income tax and social contribution expenses

I – Reconciliation of income tax and social contribution expenses

	2019	2018
Profit before income tax and social contribution	**1,346,484**	**1,230,776**
Charges (income tax and social contribution) at standard rates – Note 3(o)	(538,593)	(553,849)
Permanent (additions) deductions	**232,511**	**380,965**
Effect of foreign exchange gains or losses on investments abroad	(13,971)	201,680
Interest on capital – Note 18(b)	156,627	146,258
Non-deductible expenses, net of non-taxed income	35,712	(8,627)
Deferred tax assets not recognized in the period / recognized in previous periods and other	54,143	41,654
Income tax and social contribution for the period – Note 19(c-II(2))	**(306,082)**	**(172,884)**

II – Tax expenses of operations

	2019	2018
PIS / COFINS	(220,092)	(178,289)
Service tax (ISS)	(41,817)	(48,692)
Total – Note 19(c-II(2))	**(261,909)**	**(226,981)**

b) Deferred taxes

I - Origin of deferred income tax and social contribution assets

	Balance at 01.01.2019	Increase / (Reversal)	Realization	Other changes [1]	Balance at 06.30.2019	Balance at 06.30.2018
Allowance for credit risk	949,045	231,778	(104,797)	-	1,076,026	1,108,381
Provision for contingent liabilities – Note 15	630,502	2,323	(44,737)	-	588,088	524,256
Fair value adjustment of financial instruments	78,489	(44,088)	-	-	34,401	-
Other	173,349	113,170	(8,888)	-	277,631	340,386
Total deferred tax assets for temporary differences	**1,831,385**	**303,183**	**(158,422)**	**-**	**1,976,146**	**1,973,023**
Tax loss and social contribution loss carryforwards	337,247	(42,309)	(14,969)	-	279,969	299,732
Total deferred tax assets at 06.30.2019	**2,168,632**	**260,874**	**(173,391)**	**-**	**2,256,115**	**2,272,755**
Total deferred tax assets at 06.30.2018	**1,798,384**	**359,827**	**(231,396)**	**345,940**	**2,272,755**	

[1] In 2018, the change refers to the merger related to the corporate restructuring process authorized by BACEN carried out on 04.13.2018.

The balance of deferred tax assets for temporary differences amounts to R$ 477,818 (R$ 478,141 as at 06.30.2018), and refers to deferred tax assets arising from the recognition of Additional ALL– Note 8.

II - Deferred tax liabilities

	06.30.2019	06.30.2018
Excess depreciation	142,586	187,364
Fair Value adjustment of financial instruments	-	82,972
Other	9,550	5,584
Total	**152,136**	**275,920**

III - Expected realization of deferred tax assets for temporary differences, income tax and social contribution loss carryforwards and deferred taxes on the amount in excess

	Deferred tax assets				
Realization year	**Temporary differences**	**Tax and social contribution loss carryforwards**	**Total**	**Provision for deferred taxes and contributions**	**Net deferred taxes**
2019	405,166	15,150	420,316	(9,021)	411,295
2020	729,163	79,074	808,237	(13,067)	795,170
2021	566,141	77,759	643,900	(14,183)	629,717
2022	155,776	45,236	201,012	(17,844)	183,168
2023	110,367	43,889	154,256	(15,529)	138,727
2024 to 2028	9,533	18,861	28,394	(82,492)	(54,098)
Total	**1,976,146**	**279,969**	**2,256,115**	**(152,136)**	**2,103,979**
Present value [1]	**1,844,566**	**252,456**	**2,097,022**	**(125,989)**	**1,971,033**

[1] For adjustment to present value, the CDI projected interest rate for future periods was used, net of tax.

The technical study on realization of Deferred Tax Assets is reviewed every six months, supporting the totality of recognized amounts. The calculations were made under the terms of Art. 6 of CMN Resolution 3,059/2002.

c) Tax and social security obligations are shown below

	06.30.2019	**06.30.2018**
Income tax and social contribution payable	278,680	261,243
Taxes and contributions collectible	206,568	114,340
Special Tax Regularization Program (PERT)[1]	684,902	702,718
Total	**1,170,150**	**1,078,301**

[1] Refers to the debits payable in installments established by Law 13,496/2017 and consolidated through a non-financial company. The adjustment effects in the period amounted to R$ 19,278(R$ 7,299 in 2018) and are recorded as contra-entry to income in the line item "Other finance expenses".

17. PROPERTY AND EQUIPMENT IN USE AND INTANGIBLE ASSETS

a) Breakdown

	06.30.2019			**06.30.2018**		
	Cost	**Accumulated depreciation / amortization**	**Property and equipment, net**	**Cost**	**Accumulated depreciation / amortization**	**Property and equipment, net**
Property and equipment	**720,178**	**(200,738)**	**519,440**	**422,094**	**(140,789)**	**281,305**
Facilities, furniture and equipment in use	186,753	(51,023)	135,730	173,783	(41,785)	131,998
IT and data processing equipment	380,888	(115,090)	265,798	155,871	(68,736)	87,135
Property and equipment in progress	66,561	-	66,561	15,428	-	15,428
Other	85,976	(34,625)	51,351	77,012	(30,268)	46,744
Intangible assets - Software	**254,860**	**(106,574)**	**148,286**	**220,979**	**(87,443)**	**133,536**

b) Changes

	Property and equipment		**Intangible assets**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Opening balance	**377,073**	**253,193**	**141,350**	**133,957**	**518,423**	**387,150**
Acquisitions	186,103	51,203	30,688	20,352	216,791	71,555
Write-off for disposals	(1,974)	(2,024)	-	-	(1,974)	(2,024)
Foreign exchange gains or losses and transfers	(581)	(578)	-	20	(581)	(558)
Depreciation / amortization expenses – Note 14 (d)	(41,181)	(20,489)	(23,752)	(20,793)	(64,933)	(41,282)
Closing balance	**519,440**	**281,305**	**148,286**	**133,536**	**667,726**	**414,841**

18. EQUITY

a) Shares

Banco Safra S.A.'s capital is represented by 15,300 (15,301 as at 06.30.2018) registered shares, with no par value, out of which 7,650 (7,651 as at 06.30.2018) are common shares, which comprise classes "A","D" and "J" with 2,142 shares each and class "E" with 1,224 shares, and 7,650 (7,650 as at 06.30.2018) are preferred shares.

According to the Letter 15384/2019-BCB/Deorf/GTSP2 issued by the Brazilian Central Bank on July 26, 2019, the cancellation of one treasury share and creation of classes were ratified. Safra's controlling stake is held by Joseph Yacoub Safra (resident abroad), who owns 99.97% of total issued shares.

At the Extraordinary Shareholders' Meeting held on February 13, 2019, a resolution was taken to increase the company's capital in the amount of R$ 757,479, with revenue reserves.

b) Dividends and Interest on capital

The stockholders are entitled to an annual minimum mandatory dividend, as provided in the Bylaws, equivalent to 1% and 2% of the capital corresponding to common and preferred shares, respectively.

In the meetings of the Executive Board and the Board of Directors held on June 25, 2019 interest on capital were declared and paid in the amount of R$ 391,568.

In the period the amount of R$ 17,782 (R$ 341,749 as at 06.30.2018) of interest on capital was reserved and recorded in the line item "Social and Statutory".

c) Revenue reserves

	06.30.2019	06.30.2018
Revenue reserves	**960,540**	**1,818,874**
Legal	67,198	248,714
Special[1]	893,342	1,570,160

[1] Reserve recognized to enable the saving of resources for future contribution of these funds to capital, payment of interim dividends, maintaining operating margin compatible with the development of the company's operations and / or expansion of its activities.

d) Carrying value adjustment of available-for-sale financial assets

I- Changes in adjustment of the financial assets:

	01.01.to 06.30.2019	01.01.to 06.30.2018
Opening balance	**6,433**	**30,155**
Adjustment from changes in fair value – Note 18(d-II)	2,093	(26,381)
Available-for-sale securities – Note 7(d)	3,812	(45,235)
Change in fair value in the period	6,292	(22,343)
Transfer of category - Note 7(a-I)	-	(16,679)
Profit /(loss) on sale of securities	(2,480)	(6,213)
Tax effect	(1,719)	18,854
Closing balance	**8,526**	**3,774**
Gross amount – Note 7(a-I) and (d)	12,135	3,630
Tax effect	(3,609)	144

II- Statement of comprehensive income:

	2019	2018
Net income	**1,040,402**	**1,057,892**
Available-for-sale financial assets - Note 18(d-I)	2,093	(26,381)
Net change in unrealized gains / (losses)	3,455	(22,757)
Change in period at fair value	6,292	(22,343)
Transfer of category - Note 7(a-I)	-	(16,679)
Tax effect	(2,837)	16,265
Realized gains transferred to income for the period	(1,362)	(3,624)
Profit /(loss) on sale of securities	(2,480)	(6,213)
Tax effect	1,118	2,589
Comprehensive income	**1,042,495**	**1,031,511**

19. RISK AND CAPITAL MANAGEMENT

Banco Safra carries out risk management by using the methodology of three lines of defense, and has a set of procedures, aligned with the best market practices, that ensure the compliance with legal and regulatory provisions and its internal policies.

On Banco Safra's website (www.safra.com.br), information on risk management frameworks, established by BACEN Circular 3,678/13 and capital management framework, established by CMN Resolution 4,557/17, is available.

The CMN Resolution 4,553/2017 divided financial institutions into five segments, according to the level of assets and relevance of international activities, Banco Safra being classified as S2. The CMN Resolution 4,557/2017 introduced the concept of integrated risk management, which involves the interrelationship between the processes of finance, business, and risk and capital management. It is also worthy of note that, in compliance with the regulation, the Superior Risk Committee was created, comprising three members, and aimed at assisting the Board of Directors in fulfilling its responsibilities related to the integrated risk and capital management. In addition, the appointment of the Chief Risk Officer (CRO) was formalized, who will report to the Superior Risk Committee and Board of Directors, as well as the creation of an integrated risk management unit. A formal Risk Appetite Statement (RAS) is also included in Safra's risk management framework, and considers the key indicators, metrics and principles that guide the carry out of Safra's businesses and risk control. The RAS is periodically monitored by the Executive Officers and Superior Risk Committee, and approved by the Board of Directors.

Banco Safra will proceed with the Internal Capital Adequacy Assessment Process (ICAAP), giving continuity to the process initiated in 2012. This process, regulated by the Brazilian Central Bank, involves the evaluation of all procedures and processes related to risk and capital management in all hierarchical levels, including a forward-looking capital plan for a minimum period of three years. In addition, Safra participates, together with the other outstanding financial institutions, in the Bottom-Up Stress Test (TEBU) of the Brazilian Central Bank, which started in 2017. The objective of these processes is to bring greater solidity and security to the National Financial System, besides anticipating possible adjustments necessary to maintain the proper functioning of the market.

a) Credit risk

Credit risk is the possibility of incurring losses associated with the (i) breach, by the counterparty, of its obligations under the agreed-upon terms, (ii) devaluation, reduction in expected remunerations and gains on financial instrument arising from the impairment of the credit quality of the counterparty, intervening party or other mitigating instrument, (iii) restructuring of financial instruments, or (iv) recovery costs of exposures characterized as problem assets. The credit risk definition comprises, among others:

- the credit risk of the counterparty, understood as the possibility of breach, by a certain counterparty, of the obligations related to the settlement of transactions that involve the negotiation of financial assets, including those related to the settlement of derivative financial instruments;
- the country risk, understood as the possibility of losses associated with the breach of financial obligations under the terms agreed-upon by the borrower or counterparty located abroad as a result of the actions taken by the government of the country where the borrower or counterparty is located, and the transfer risk, understood as the possibility of encountering obstacles to exchange remittance of the received amounts;
- the possibility of incurring disbursements for meeting guarantees, sureties, co-obligations, credit commitments or other transactions of similar nature; and
- the possibility of losses associated with the breach of financial obligations under the terms agreed-upon by the intermediary or appropriate party of credit operations.

With the intention of maintaining Banco Safra's credit risk at levels consistent with the traditional conservatism and recognized agility in decision making, it has policies which main characteristic is the adjustment of the credit product to the customer profile.

Additionally, Banco Safra has a Credit Risk Management Committee, which concentrates the Credit Risk governance to ensure the overview of the credit cycle. To ensure the necessary independence for its operations, this committee is comprised of the CRO, Executive Officers and Superintendents with the following responsibilities: (i) analyze in detail the credit portfolios, (ii) follow-up the concentration limits, (iii) define methodologies for calculating credit risk and stress testing, (iv) define the metrics for determining risk, (v) guarantee the strategic alignment among the areas and a systemic view of Credit Risk, (vi) guarantee a forum for technical discussion to make the evaluation of impacts regarding significant changes in policies, credit model and strategies involving credit cycle, (vii) follow up the performance of the Conglomerate's credit portfolio, in order to guarantee its quality, as well as reformulate policies, if necessary, (viii) approve the key indicators to control exceptions to policies, (ix) follow-up the performance of the score models used in the decision-making process, and (x) follow the criteria adopted for stress testing and the obtained results;

I. Credit risk measurement

- Credit operations and other financial assets with credit characteristics

For granting credit, Safra attempts to obtain the largest volume of information on the customer and its business, to evaluate the customer's capacity to meet the obligations it assumed. This information, combined with the customer's adherence to the established credit policies, support the ultimate decision making.

Once the transaction is approved, the credit risk starts to exist. From this point, the transaction is monitored on ongoing basis through internal model, aiming at measuring and detecting changes in the customer's credit risk. Ongoing monitoring involves the analysis of customer's condition and provided guarantees, concentration levels, default indicators, among other aspects.

If an increase in the transaction's credit risk is detected, Safra establishes timely actions to guarantee the return of funds and maintain the operation's profitability.

The internal credit risk measurement model involves the individual risk rating of transactions. The transaction rating takes into account the customer's score, assigned based on market information, the customer's behavior in relation to the bank, besides the level of guarantees received by the bank.

Such credit risk measurements, which reflect the loss prospects, are incorporated into operational management, and determine the appropriate allowance for impairment loss to be recognized.

- Government securities, interbank investments and other debt securities

The Limit Committees of Financial Institutions, which meets quarterly, approves, sets and monitors the credit limits by counterparty for Financial Institutions in treasury, foreign exchange and third-party fund management operations and monitors the credit quality.

Government securities are treated in the general limits of the Treasury Market Risk, and there is no limit to repurchase agreements with government securities and specific limits are set to the securities of other countries.

II. Control of risk limits and mitigation policies

Safra sets limits to the concentration of credit risk in a specific debtor, groups of debtors and industry segments. These risks are periodically monitored and subject to annual or more frequent reviews, when necessary. The limits on the credit risk level by product and industry are approved by the Credit Management.

The exposure to credit risk is also managed through adjusting the limits granted based on the condition of the borrowers of actual and potential loans and advances.

The exposure to the 300 major groups/customers is monitored quarterly by the "300 top risks committee" with the participation of two Credit Executive Officers. This Committee evaluates the ability to generate funds, the need for working capital, capital structure, profitability, seasonable aspects, specific aspects of the business line, customer service level, relationship with Safra, restrictions, guarantees and stockholding control, credit monitoring areas, size, parent company or headquarters data, and master file data are weighted. The assessment by this committee may result in the change in the customer rating.

There are many other credit committees, which meet periodically, to individually assess risks, segregated by products and approval levels, according to the customers' size.

Other specific control and mitigation measures are described below:

- Guarantees

Safra uses a variety of policies and practices to mitigate credit risk. The most traditional of these measures is to take guarantees on the release of funds. Safra has internal policy on acceptance of specific classes of guarantees or other credit risk mitigation instruments. The main types of direct and indirect guarantees for loans and advances are:

- Financial guarantees;
- Receivables;
- Statutory liens on assets; and
- Guarantees and sureties.

Safra adopts a series of procedures that assure that all guarantees required upon the approvals are correctly analyzed and formalized so as to guarantee their collection if required.

The minimum guarantees required by credit type/product are defined in the product approval process and their application is always confirmed systemically (comparing the proposal approval with the contract signed).

The requirement of guarantees arises from the credit risk level, so that customers with more fragile economic and financial position may be supported by guarantees capable of covering the operation payment. Regardless of the setting of minimum limits for guarantees in each type, in the analysis of an operation additional guarantees may be required, always seeking the operation security.

All guarantees accepted in operations are carefully analyzed to eliminate the possibilities of fraud, observing the prevailing rules, especially as regards the guarantee quality in case collection is required.

The guarantee liquidity control instruments ensure that the risk coverage level in relation to the guarantee is compatible with Safra's risk limits and current market conditions.

The periodicity of this monitoring varies according to the type of guarantee:

- In the case of collectible notes –daily monitoring of the receivables liquidity and risk coverage in relation to the guarantee;
- In the case of vehicles - constant monitoring of the asset's market value;
- For real estate – there is a specific committee that revaluates the real state offered in guarantee;
- Other cases, such as machinery - are evaluated when the transaction is closed, or when there is indication of impairment of the customer or operation.

The efficiency of this process enables the control and monitoring of the guarantee, and, consequently, the turnover of the customer's operations with Safra.

- Derivatives

Safra maintains controls over the use of credit limits in derivative transactions, which may be impacted by individual operations or on an aggregate basis when there is a net position contract. Both the granting of limits and the monitoring of their use are made based on a fraction of the face value of the transaction, that is, by the Fractional Credit Risk, taking into account that in the moment the limit is granted this fraction is an estimate of the potential future gain, and in the moment the limit is used the fraction is the fair value of the settlement. This concept is used because a derivative contract will always be settled by the difference between the credit and debit balances.

- Credit commitments (off balance)

Credit commitments represent unused portions of authorizations for credit granting in the form of loans and advances, guarantees or letters of credit. In relation to the credit risk in credit commitments, Safra is potentially exposed to losses in amounts equal to the total unused commitments. However, the probable loss amount is lower than the total unused commitments since most commitments depend on the maintenance, by customers, of specific credit standards. Safra monitors the maturity of credit commitments because long-term commitments in general offer a higher credit risk level than short-term commitments.

III. Impairment loss policies

The level of allowance for impairment loss is part of the credit risk management and measurement process. Allowances for impairment losses are recognized for purposes of preparation of the financial reports considering both the minimum allowance level established by CMN Resolution 2,682 and the additional allowance for credit – Note 3(f).

IV. Maximum exposure to credit risk before guarantees or other credit improvements

The exposure to credit risk related to assets recorded in the consolidated statement of financial position is as follows:

Maximum exposure	06.30.2019	06.30.2018
Interbank investments	14,877,862	13,187,847
Central Bank compulsory deposits	8,943,887	5,151,870
Investments linked to open market operations - Government securities	29,937,022	36,267,976
Marketable securities	23,540,169	23,265,025
Funds guaranteeing technical reserves for insurance and private pension	16,837,451	13,694,495
Derivative financial instruments	1,175,196	1,303,398
Subtotal – Financial assets	**95,311,587**	**92,870,611**
Expanded credit portfolio - Note 8(a)	106,190,761	98,102,556
Credit portfolio	87,785,651	77,262,035
Credit operations	73,148,193	65,366,402
Other credit risk instruments	14,637,458	11,895,633
Guarantees and sureties (off balance) - Note 8(f)	18,405,110	20,840,521
Granted limits (off balance) - Note 8(f)	15,141,987	12,522,345
Subtotal - Credit portfolio and Credit commitments (Off balance)	**121,332,748**	**110,624,901**
Total – Note 19(a-VIII)	**216,644,335**	**203,495,512**

The above table represents the maximum exposure to credit risk without considering any guarantee or other credit improvements. For assets recorded in the statement of financial position, the exposures described above are based on net carrying amounts.

V. Quality of the financial assets subject to credit risk

Safra assesses the quality of its credit operations according to an internal methodology, whose main judgment parameters are described in Note 3(b).

To assess the quality of its credit risk operations, Safra uses objective criteria that combine the customer's economic and financial information (Customer rating) with the accessory guarantees offered for operations, according to a rating model created by the Credit Management, as described below:

• Customer Score: This is calculated using its own methodology, specific by type of customer (individual or business) and the company's size (with and without data of statement of financial position / trial balance / analysis for assignment of score through the 300 top committee), which consists of assigning scores and determining the likelihood of default according to customer information such as: behavior of the customer in relation to the Bank, statement of financial position data (if any), external restriction, BACEN and master file data. The customer rating ranges from 1 to 9, with 1 being the worst rating and 9 the best rating.

• Guarantee: The guarantee amount pledged according to its liquidity and sufficiency, which determines the guarantee percentage (%) short of coverage in the operation.

The breakdown of the main guarantees of the credit portfolio evaluated is as follows:

	06.30.2019	06.30.2018
Financial guarantees	8,493,853	6,641,227
Machineries and vehicles	14,414,500	10,906,128
Other guarantees[1]	3,552,409	3,337,430
Total[2]	**26,460,762**	**20,884,785**

[1] Substantially comprising mortgage, chattel mortgage, credit rights, rights or receivables for credit card sales and pledge. [2] Totals around R$ 58,654,477 (R$ 51,811,801) as at 06.30.2018), when considering the guarantees and sureties in the amount of R$ 32,193,715 (R$ 30,927,016 as at 06.30.2018).

VI. Credit operations and renegotiated financial instruments.

Renegotiation activities include agreements for payment extension, plans approved by Safra, modification and deferral of payments. After renegotiation, the customer bill previously past due returns to the normal condition and is managed together with other similar bills. Renegotiation policies and practices are based on indicators and criteria that indicate a high probability of continuity of the payments. These policies are submitted to continuous review. Renegotiations are most commonly applied to loans.

VII. Repossession of guarantees

The assets received in connection with debt consolidation processes, related to credit operations written-off of assets, are classified as "Non-current assets held for sale" and fully provisioned, given the institution's experience shows a low probability of giving rise to short-term liquidity by selling the asset, which usually occurs in a time horizon of over 36 months – Note 3(c).

The amount of such Non-current assets is shown in the statement of financial position net of the full provision, considering that such provision is shown in the statement of profit or loss in the expense of write-off of loss on the related credit operation. Any possible proceed is only recognized when the asset is sold.

VIII. Risk concentration of financial assets with credit risk exposure by economic activity

To avoid credit risks being increased due to the excess concentration in the same economic risk factors, credit limits are set to customer individually and to the economic groups they belong. The limits set to groups are equal to the sum of the individual limits of the customers comprising them.

The definition of credit limits specifies amounts for operations that avoid the excess concentration in one single customer, a same economic group, a certain business or economic segment, specific geographical regions, loans vulnerable to the same economic factors and a same business line.

The definition of operational rules for taking credit provides specific treatment of term and guarantee for each business line.

The monitoring of the excess concentration and specific treatments for business lines and specific geographical regions is made by the credit committees non-systematically and by monthly managerial controls of the credit portfolio, shared with Senior Management.

The table below shows the main exposures to credit risk based on the carrying amounts and categorized by economic activity of the counterparties.

	06.30.2019	06.30.2018
Financial institutions	7,553,360	10,024,730
Governments	87,826,569	82,946,106
Industry and trade	58,172,169	57,323,360
Services	31,823,947	29,633,273
Individuals	26,831,636	18,065,220
Other customers	4,436,654	5,502,823
Total – Note 19(a-IV)	**216,644,335**	**203,495,512**
Allowance for credit risk - Note 8(a)	**(3,053,144)**	**(3,026,094)**
Total Net	**213,591,191**	**200,469,418**

- Credit concentration

	06.30.2019	06.30.2018
01st to 10th largest customer	11,005,091	10,975,403
11th to 50th largest customer	13,891,665	12,805,299
51st to 100th largest customer	8,526,524	8,084,817
100 largest customers	**33,423,280**	**31,865,519**
Other customers	54,362,371	45,396,516
Total credit portfolio	**87,785,651**	**77,262,035**
Total loss on recoverable amount	(2,721,576)	(2,834,753)
Total	**85,064,075**	**74,427,282**

b) Liquidity risk

Liquidity risk consists of the possibility that the institution may not have sufficient financial resources to meet its commitments as a result of mismatches between payments and receipts, considering the different currencies and settlement terms of assets and liabilities.

I. Liquidity risk management process

To manage liquidity risk, committees for the management of assets and liabilities meet at least quarterly with the objective of devising liquidity strategies to be followed in a two-year horizon. Cash is monitored on a daily basis and reported to the managers and executive officers in charge.

Safra has a specific framework for monitoring and controlling liquidity risks. These activities are carried out by the Liquidity and Cash Flow management, an integral part of the Investment Risks area.

Statistics and projections on the development of payments and receipts are used to assess impacts on cash over time in a series of scenarios: planning or normality, run off, stress and hard stress. The results from the use of these scenarios are discussed at the meetings of the Asset and Liability Committee (ALCO).

II. Funding approach

Sources of liquidity are regularly reviewed by the Asset and Liability Committee in order to maintain the diversification of funding with respect to segments, providers, products and terms.

III. Cash flows of non-derivatives

The table below shows the projected cash flows (not discounted), taking into account the run off of the portfolios of liabilities at 06.30.2019:

Liabilities	**60 days**	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Funding	19,628,417	8,429,501	13,269,847	19,319,850	13,908,667	20,783,216	95,339,498
Open market deposits and funding – corporate securities– Note 9(a)	13,440,172	4,721,817	5,965,995	6,247,803	1,065,914	351,235	31,792,936
Funds from acceptance and issue of securities– Note 9(b)	5,806,210	3,321,201	7,120,287	12,050,062	11,474,984	18,293,400	58,066,144
Structured funding – Note(c) [1]	382,035	386,483	183,565	1,021,985	1,367,769	2,138,581	5,480,418
Borrowings and onlending – Note 9(d)	492,253	732,989	1,246,653	8,941,326	889,090	1,724,415	14,026,726
Funds guaranteeing technical reserves for insurance and private pension– Note 7(b)	-	-	-	-	-	16,422,847	16,422,847
Subordinated debt – Note 9(e)	162,541	9,827	96,884	57,243	2,386,892	5,148,651	7,862,038
Liquidity	**20,283,211**	**9,172,317**	**14,613,384**	**28,318,419**	**17,184,649**	**44,079,129**	**133,651,109**

[1] Of this amount, R$ 45.516 (R$ 407.058 as at 06.30.2018) are recorded in Derivative financial instruments – Note 7(c).

IV. Cash flow of derivatives

	60 days	**90 days**	**180 days**	**360 days**	**720 days**	**Over 720 days**	**TOTAL**
Assets	**206,207**	**112,039**	**293,490**	**215,483**	**136,476**	**211,566**	**1,175,261**
Non Deliverable Forward - NDF	10,249	2,964	4,076	13,713	1,291	34	32,327
Options	24,124	-	1,717	140,117	128,104	6,116	300,178
Forward	13,760	-	-	-	-	-	13,760
Swap –Amounts receivable	146,903	73,273	277,330	61,653	6,993	205,416	771,568
Credit derivative	11,171	35,802	10,367	-	88	-	57,428
Liabilities	**(268,553)**	**(108,917)**	**(336,195)**	**(146,893)**	**(197,388)**	**(219,152)**	**(1,277,098)**
Non Deliverable Forward - NDF	(6,114)	(2,577)	(5,881)	(3,881)	(1,983)	(164)	(20,600)
Options	(13,612)	-	(2,671)	(139,862)	(136,033)	(14,410)	(306,588)
Forward	(13,760)	-	-	-	-	-	(13,760)
Swap –Amounts payable	(234,965)	(81,054)	(306,240)	(3,150)	(59,372)	(204,578)	(889,359)
Credit derivative	(102)	(25,286)	(21,403)	-	-	-	(46,791)

V. Items not recorded in the statement of financial position

As described in Note 9(g), the off statement of financial position items are: 1) guarantees and sureties that have a history of very low losses, not having settled positions, and 2) for the credit limits granted and not used there is a contractual maturity term (total of 90 days) for use, and Safra may suspend the limit at any time. Therefore, Safra understands that the positions do not exert material impacts on liquidity.

c) Market risk

Market risk is the possibility of incurring losses arising from fluctuations in the market values of the positions held, including (i) the risk of change in interest rates and stock prices, for instruments classified into trading portfolio; and (ii) the risk of change in foreign exchange and commodity prices, for instruments classified into trading or banking portfolio.

In relation to the IRRBB, Art. 28 of the aforementioned Resolution defines as current or prospective risk of the impact of adverse changes in interest rates on the capital and income of the Financial Entity, for instrument classified into the banking portfolio.

Banco Safra's market risk management is structured to guarantee that the risk of extreme losses, arising from price fluctuations, is duly controlled, remaining within the operating limits set by the senior management, according to the Entity's internal policies.

For such purpose, Banco Safra has the Finance and Treasury Committee, formed by the CRO, Executive Officers and Superintendents, which meets at least monthly to take resolutions on accounting hedge and regulatory, methodology and new product issues that involve Treasury strategies and the Risk and Finance areas. Additionally, it addresses Market Risk management aspects, by setting and reviewing operating limits, following up metrics in effect, besides taking resolutions on possible extrapolations of limits or triggers and approval of New Products of Treasury Strategy. Its attributions are (i) follow up the use of market risk limits, (ii) approval of accounting hedge strategies and their effectiveness tests, (iii) follow up the amounts noted in embedded losses and gains, (iv) discussion about proposals for methodology or limit review related to market risk.

Banco Safra maintains its total exposure to market risks according to the limits set in the Risk Appetite Statement (RAS). In addition, Banco Safra performs the market risk management by using operating limits and other practices that maintain the exposure levels consistent with its internal standards and policies, that are as follows: (i) VaR (Value at Risk), (ii) Stress Testing, (iii) Stop Loss, (iv) Year Equivalent and DV01, (v) Notional, (vi) Consumption of market risk capital in relation to total capital, and (vii) delta EVE and delta NII.

I. Sensitivity analysis (Trading and Banking portfolios)

In accordance with the criteria for classification of operations provided in CMN Resolution 3,464/2007, BACEN Circular 3,354/2007 and the Basel II New Capital Accord, financial instruments are divided into Trading and Banking portfolios.

Trading Portfolio comprises all operations, including derivatives, held with the intent of trading or hedging other financial instruments of this strategy. They are transactions for resale, obtaining price difference benefits, either actual or expected, or for arbitrage. This portfolio has strict limits and is controlled on a daily basis by the risk areas.

Banking portfolio covers all operations that do not fit into Trading portfolio, and are typically banking operations of the institution's business lines and the respective hedges that may or may not be made through the use of derivative financial instruments.

The sensitivity analysis below is a simulation that does not take into consideration management's power to respond to the considered scenarios, which would certainly mitigate the losses that would be incurred. In addition to this, the impact presented below does not represent accounting losses as the methodology used does not reflect the set of Safra's accounting practices, and should be interpreted as exercise of sensitivity.

Trading portfolio at 06.30.2019				
Risk factors	**Risk of Change in:**	**Scenarios**		
		1	**2**	**3**
Stocks	Stock price change	(2,621)	(65,527)	(131,055)
Commodities	Commodity price change	(3)	(70)	(140)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate	(3,308)	(82,905)	(165,731)
Fixed income	Change in interest rates denominated in real	(24)	(4,464)	(8,437)
Options	Change in the market value of options	(234)	(24,617)	(48,703)
	Total	**(6,190)**	**(177,583)**	**(354,066)**

Trading portfolio at 06.30.2019				
Risk factors	**Risk of Change in:**	**Scenarios**		
		1	**2**	**3**
Stocks	Stock price change	(2,621)	(65,527)	(131,055)
Commodities	Commodity price change	(3)	(70)	(140)
Coupon and currencies	Foreign currency coupon rate and foreign exchange rate	(3,804)	(110,045)	(219,748)
Fixed income	Change in interest rates denominated in real	(866)	(133,761)	(260,061)
Options	Change in the market value of options	(234)	(24,617)	(48,703)
	Total	**(7,528)**	**(334,020)**	**(659,707)**

The sensitivity analysis was carried out using the following scenarios:

- **Scenario 1:** Stress of one basis point in the interest rates, and 1% in price changes based on market information (B3, Anbima etc.). Example: the Real / Dollar rate used was R$ 3.8756 and the 1 year fixed rate was 5.81% p.a.
- **Scenario 2:** Stress of 25% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R$ 4.7965 and the 1 year fixed rate was 7.25% p.a.
- **Scenario 3:** Stress of 50% in the respective curves or prices, based on the market. Example: the Real / Dollar rate used was R$ 5.7558 and the 1 year fixed rate was 8.70% p.a.

II. Foreign exchange risk

Safra is exposed to the effects of fluctuations in exchange rates on its exposures and cash flows denominated in foreign currencies or linked to foreign exchange changes. The foreign exchange risk is monitored daily through the determination of the foreign exchange exposure in foreign currency. (1) Exposure by currency is shown below and includes positions in reais (BR), U.S. dollars (USD) and other currencies:

PER CURRENCY	**06.30.2019**			
Assets	**BRL**	**Strong currencies** [1]	**Other currencies**	**Total**
Cash	202,829	579,182	8,725	790,736
Central Bank compulsory deposits	8,860,070	83,817	-	8,943,887
Investments linked to open market operations – Government securities – Note 10(a)	29,937,022	-	-	29,937,022
Interbank investments, Marketable securities, and Derivative financial instruments	31,246,244	7,980,373	366,610	39,593,227
Funds guaranteeing technical reserves for insurance and private pension operations	16,837,452	-	-	16,837,452
Credit portfolio	74,397,318	10,469,067	-	84,866,385
Other financial assets and Other assets	6,355,403	444,191	1,477	6,801,071
Investment, Property and equipment, and Intangible assets	674,965	23	-	674,988
Total Assets	**168,511,303**	**19,556,653**	**376,812**	**188,444,768**
Long position-Futures foreign currency coupon-Note 7(c-II(1))	12,399,515	4,978,565	-	17,378,080
Futures	82,058	798,432	-	880,490
NDF – Note 7(c-II(1))	1,051,915	1,755,215	-	2,807,130
Foreign currency option	217,410	265,215	-	482,625
SWAP and SCS	1,525,507	5,823,970	7,961	7,357,438
Off Balance – Derivative financial instruments– Assets	**15,276,405**	**13,621,397**	**7,961**	**28,905,763**
Total Assets as at 06.30.2019 (A)	**183,787,708**	**33,178,050**	**384,773**	**217,350,531**
Liabilities				
Funding, Borrowings and onlending, Subordinated debt and derivative financial instruments	98,887,026	19,627,098	272	118,514,396
Open market funding – Government securities – Note 10(a)	30,209,413	-	-	30,209,413
Insurance and private pension operations	16,848,508	-	-	16,848,508
Other financial liabilities and Other liabilities	9,900,349	529,509	6	10,429,864
Total Liabilities	**155,845,296**	**20,156,607**	**278**	**176,002,181**
Short position – Futures foreign currency coupon-Note 7(c-II(1))	4,978,565	12,399,515	-	17,378,080
Futures	798,432	72,511	9,547	880,490
NDF – Note 7(c-II(1))	1,755,215	680,636	371,279	2,807,130
Foreign currency option	265,215	217,410	-	482,625
SWAP and SCS	5,831,931	1,525,507	-	7,357,438
Off Balance – Derivative financial instruments– Liabilities	**13,629,358**	**14,895,579**	**380,826**	**28,905,763**
Total Liabilities as at 06.30.2019 (B)	**169,474,654**	**35,052,186**	**381,104**	**204,907,944**
Net exposure – Equity (C) = (A) – (B)	**14,313,054**	**(1,874,136)**	**3,669**	**12,442,587**
"Over Hedge" of Investment Abroad – Note 19(c-II(2))	(2,275,872)	2,275,872	-	-
Net position – Long/(Short) as at 06.30.2019	**12,037,182**	**401,736**	**3,669**	**12,442,587**
Net position – Long/(Short) as at 06.30.2018	**9,463,708**	**1,013,018**	**17,535**	**10,494,261**

[1] Strong currencies are considered to be the US dollar, Canadian dollar, euro, Swiss franc, yen, and pond Sterling, the same concept adopted by Circular Bacen 3,641/2013, which provides for the procedures to make the calculation of the amount of Risk-weighted Assets (RWA) for the assets subject to foreign exchange exposure.

(2) "Over Hedge" of investments abroad

To ensure 100% of the effectiveness of the foreign exchange hedge of investments abroad, Safra contracts an amount sufficiently greater of derivatives in relation to the foreign exchange exposure posed ("Over Hedge"), in order to offset, in income, the corresponding tax effects. The foreign exchange exposure adjustment for this position is regulated by BACEN Circular 3,641/2013.

The foreign exchange gains or losses of the excess of purchased derivatives ("Over Hedge") are recorded as derivative income, as provided in the rules, affecting the gross financial margin of the entity.

Given the economic rationale of the operation, the statement of income lines, reclassified considering the foreign exchange hedge strategy adopted by Safra are as follows:

	2019			2018		
	Recorded	**Over hedge adjustment**	**Adjusted balance**	**Recorded**	**Over hedge adjustment**	**Adjusted balance**
INCOME (EXPENSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS – Note 13(c)	(32,679)	(26,124)	(58,803)	(362,630)	368,575	5,945
TAX EXPENSES OF OPERATIONS – Note 16(a-II)	(261,909)	2,839	(259,070)	(226,981)	(37,378)	(264,359)
NET INCOME FROM OPERATIONS	**3,307,616**	**(23,285)**	**3,284,331**	**2,794,182**	**331,197**	**3,125,379**
INCOME BEFORE TAXES	**1,346,484**	**(23,285)**	**1,323,199**	**1,230,776**	**331,197**	**1,561,973**
INCOME TAX AND SOCIAL CONTRIBUTION – Note 16(a-I)	(306,082)	23,285	(282,797)	(172,884)	(331,197)	(504,081)
NET INCOME	**1,040,402**	**-**	**1,040,402**	**1,057,892**	**-**	**1,057,892**

d) Fair Value of financial assets and liabilities

I. Methodology for determining Fair Value

The fair value of financial instruments is determined based on the price that would be received to sell an asset or paid to transfer a liability in a transaction conducted between independent participants at the measurement date, without bias. There are different levels of data that must be used to measure the fair value of financial instruments: the observable data that reflect quoted prices for identical assets or liabilities in active markets (Level 1), the data that are directly or indirectly observable as similar assets or liabilities (Level 2), identical assets or liabilities in illiquid markets and unobservable market data that reflect the very assumptions of Safra when pricing an asset or liability (Level 3). It maximizes the use of observable inputs and minimizes the use of unobservable inputs to determine fair value.

To arrive at an estimate of fair value of a financial instrument measured based on unobservable markets, which includes, for example, low-liquidity financial instruments, Safra first determines the appropriate model to be adopted, based on all material information, including but not limited to, yield curves, interest rates, volatilities, difference between quoted and effective prices, prices of interest in capital or debt, exchange rates and credit curves.

In the case of financial instruments not traded in stock exchange, Safra uses its best judgment to determine the appropriate level of adjustments for determining a market price that best reflect the probable realization value of the financial instrument, taking into account the counterparty's credit quality, the actual amount of credit, liquidity constraints and unobservable parameters when relevant. Although it is believed that the valuation techniques are appropriate and consistent with those in the market, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date and / or settlement date.

II. Classification by level of financial assets and liabilities at fair value

	06.30.2019[1]		
	Level 1	**Level 2**	**Total**
Marketable securities - Note 7(a-I) [2]	**23,087,534**	**2,830,211**	**25,917,745**
Securities Portfolio - Note 7(a-I)	**20,710,263**	**2,830,211**	**23,540,474**
Government securities	20,708,802	-	20,708,802
Securities issued by Financial Institutions	-	2,234,465	2,234,465
Securities issued by Companies	1,461	595,746	597,207
Investments linked to open market operations – Government securities-Note 10(a)	**2,377,271**	**-**	**2,377,271**
Other credit risk instruments - Note 8(b)	**-**	**14,637,458**	**14,637,458**
(-)Securities designated to Hedge Market Risk [3]	**-**	**(5,998,533)**	**(5,998,533)**
Funds guaranteeing technical reserves for insurance and private pension-Note 7(b)	**16,635,900**	**201,552**	**16,837,452**
Private pension	16,221,295	201,552	16,422,847
Repurchase agreements	91,625	-	91,625
Government securities - National treasury	15,826,173	-	15,826,173
Corporate securities	303,497	226,184	529,681
Other	-	(24,632)	(24,632)
Securities - Government securities - National treasury – National Treasury Bills	220,328	-	220,328
DPVAT fund quotas – Government securities	194,277	-	194,277
Derivative financial instruments – Assets – Note 7(c-I(1))	**13,760**	**1,161,436**	**1,175,196**
Non Deliverable Forward – NDF	-	32,327	32,327
Option premiums	-	300,178	300,178
Forward – Government securities	13,760	-	13,760
Swap – amounts receivable	-	771,568	771,568
Credit derivatives (CDS)	-	57,428	57,428
Credit risk – Notes 3(f) and 8(a)	-	(65)	(65)
Derivative financial instruments - Liabilities – Note 7(c-I(1))	**(13,760)**	**(1,272,374)**	**(1,286,134)**
Non Deliverable Forward (NDF)	-	(20,600)	(20,600)
Option premiums	-	(306,588)	(306,588)
Forward - Government securities	(13,760)	-	(13,760)
Swap – amounts payable	-	(889,359)	(889,359)
Credit derivatives (CDS)	-	(46,791)	(46,791)
Regulatory adjustments – CMN Resolution 4,277/2013	-	(9,036)	(9,036)
Obligations related to unrestricted repurchase agreements-Gov. securities-Note 10(b)	**(3,946,760)**	**-**	**(3,946,760)**
Strategy – Market risk hedge - Note 7(e)	**-**	**47,753,760**	**47,753,760**
Fixed rate portfolio	-	31,181,967	31,181,967
Assets – Credit portfolio – Note 8(a-I)	-	38,250,507	38,250,507
Liabilities – Funding	-	(7,068,540)	(7,068,540)
Repurchase agreements - fixed rate	-	14,474,759	14,474,759
IPCA portfolio	-	2,183,761	2,183,761
Asset - Marketable securities-Available for sale-Debentures-Note 7(a-I) [3]	-	5,039,242	5,039,242
Liabilities – Funding	-	(2,855,481)	(2,855,481)
Eurobonds [3]	-	5,998,533	5,998,533
Marketable securities – Available for sale – Note 7(a-I)	-	1,560,037	1,560,037
Other credit risk instruments – Note 8(b)	-	4,438,496	4,438,496
Funding	-	(2,947,869)	(2,947,869)
Structured funding – Structured CD – Note 9(c)	-	(827,078)	(827,078)
Liabilities for marketable securities abroad – Note 9(b)	-	(2,120,791)	(2,120,791)
Subordinated debt – Medium term notes – Note 9(e)	-	(3,137,391)	(3,137,391)

[1] No transaction was classified into level3. [2] Of these amounts, R$ 21,161,291 refer to trading securities (R$ 19,759,411 classified in level 1 and R$ 1,401,880 in level 2) and R$ 2,379,183 refer to available-for-sale securities (R$ 950,852 classified in level 1 and R$ 1,428,831 in level 2) [3] Reclassification of the amount related to the securities designated to hedge market risk (Eurobonds).

III. Financial instruments not measured at fair value

The following table summarizes the carrying amounts and fair values of financial assets and liabilities that were not stated in the statement of financial position at fair value.

	06.30.2019		06.30.2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Cash	790,736	790,736	955,607	955,607
Interbank investments	14,877,862	14,877,862	13,187,846	13,187,846
Central Bank compulsory deposits	8,943,887	8,943,887	5,151,870	5,151,870
Credit portfolio – At amortized cost	37,664,297	37,664,297	44,441,270	44,441,270
Total financial assets	**62,276,782**	**62,276,782**	**63,736,593**	**63,736,593**
Financial liabilities – At amortized cost	98,482,496	98,498,674	88,582,068	88,642,901
Financial institution deposits and open market funding	31,545,813	31,547,165	23,408,490	23,408,490
Structured funding – Fixed-rate structured transactions	3,427,444	3,427,444	3,882,152	3,882,152
Borrowings and onlending	14,026,726	14,026,726	14,838,625	14,838,625
Funds from acceptance and issue of securities	49,482,513	49,497,339	46,452,801	46,513,634
Funds guaranteeing technical reserves for insurance and private pension	16,848,508	16,848,508	13,663,821	13,663,821
Subordinated debts – At amortized cost	2,696,819	2,697,145	3,071,986	3,112,143
Total financial liabilities	**118,027,823**	**118,044,327**	**105,317,875**	**105,418,865**

The carrying amounts of the items cash and cash equivalent, interbank investments, open market transactions and Central Bank compulsory deposits approximate their fair values.

The carrying amounts of other items are purchased with floating indexes, most of them being CDI, and for this reason approximate their fair value.

The fair value of onlending is not demonstrated, because the changes between the carrying amount and fair value of assets and liabilities approximate, as they are adjusted by the same index, and, therefore, considered immaterial.

The following table shows the breakdown of financial assets and liabilities, which were not presented in the statement of financial position at their fair values, classified by hierarchical levels:

	06.30.2019		
	Level 1	Level 2	Total
Cash	790,736	-	790,736
Interbank investments	14,877,862	-	14,877,862
Central Bank compulsory deposits	8,943,887	-	8,943,887
Credit portfolio – At amortized cost	-	37,664,297	37,664,297
Total financial assets	**24,612,486**	**37,664,297**	**62,276,782**
Financial liabilities – At amortized cost	14,026,726	84,471,948	98,498,674
Financial institution deposits and open market funding	-	31,547,165	31,547,165
Structured funding – Fixed-rate structured transactions	-	3,427,444	3,427,444
Borrowings and onlending	14,026,726	-	14,026,726
Funds from acceptance and issue of securities	-	49,497,339	49,497,339
Funds guaranteeing technical reserves for insurance and private pension	16,848,508	-	16,848,508
Subordinated debts – At amortized cost	-	2,697,145	2,697,145
Total financial liabilities	**30,875,234**	**87,169,093**	**118,044,327**
	06.30.2018		
	Level 1	**Level 2**	**Total**
Total financial assets	19,295,323	44,441,270	63,736,593
Total financial liabilities	28,502,446	76,916,419	105,418,865

e) Operational risk

Defined by Art. 32 of Resolution 4,557/2017, operational risk is the possibility of incurring losses resulting from external events or failure, deficiency or inadequacy of internal processes, people and systems. Among the operational risk events, the following is included: (i) internal frauds, (ii) external frauds, (iii) labor claims and deficient occupational safety, (iv) inappropriate practices related to customers, products and services, (v) damages to own physical assets or asset in use by the Entity, (vi) situations that cause disruption to the Entity's activities, (vii) failures in the Information Technology (IT) systems, processes or infrastructure, and (viii) failures in the execution, timing and management of the Entity's activities.

This definition includes the legal risk associated with the inadequacy or deficiency in the contracts signed by the Entity, sanctions in view of the breach of legal provisions, and damages to third parties arising from the activities performed by the Entity.

In Safra, the Operational Risk management governance is structured not only by policies, processes and procedures, but also by the dissemination of the culture of operational risk prevention in its entire organization, and awareness of each employee, regardless of position or duty, of everybody's responsibility for risk management during the performance of their duties in day-to-day activities.

In addition, the Operational and Compliance Risk Management Committee (CGROC), which relies on the participation of the CRO, Executive Officers and Superintendents, meets quarterly, or in a shorter period if necessary, and takes resolutions on matters related to Operational Risk, Internal Controls, Compliance, Money Laundering Prevention, Reputation Risk and Social and Environmental Risk.

The Operational Risk area is an independent control unit (UC), segregated from the unit that performs internal audit activities, and is also responsible for the application of the methodology described in the document "Classification of the Critical Level of Outsourced Services" and Going Concern Management.

f) Underwriting risk

The underwriting risk is the possibility of incurring losses which may be contrary to the institution's expectations directly or indirectly associated with the actuarial and technical bases used for the calculation of premiums, contributions and technical reserves arising from insurance and private pension operations.

Safra has a risk underwriting policy formulated by the Technical Board, where it describes all the rules for the analysis and acceptance of risks, and also contains guidelines for the risks subject to previous analysis, as well as the excluded risks.

Safra's Technical Board carries out risk assessment and it involves the following activities:

I - Creation of new products;

II - Devising of acceptance policies;

III - Negotiation of reinsurance arrangements and of conditions and fee for individual policies;

IV – Follow-up and assessment of the co-insurance conditions; and

V - Technical support to customers and representatives.

Safra adopts a policy on transfer of risks in reinsurance and coinsurance, thus preventing claims with low rates and high value from affecting the stability of income. The changes in life or mortality expectations, which directly affect the assumed risk, are controlled through a periodical follow-up by the actuarial area of Safra and its result is reflected, if necessary, in the adjustments of technical reserves.

The main insurance lines operated by Safra are: comprehensive, D&O, surety bond, other property and casualty, credit life insurance, accident and life insurance and DPVAT. In the private pension segment, the main products are: VGBL and PGBL.

The main business risk of insurance operations is the loss ratio change. The main business risks of private pension operations are the change in interest rate, life expectancy, and the likelihood of conversion of the accumulated fund into income.

Gross written premiums by geographical region are as follows:

	06.30.2019					
Lines	**Southeast**	**South**	**Center West**	**Northeast**	**North**	**Total**
Comprehensive	7,234	2,395	1,033	1,092	196	11,950
Credit life insurance	48,804	14,064	7,623	7,576	5,102	83,169
Accidents	14,216	4,883	2,019	2,218	1,408	24,744
Group life	12,902	3,103	1,222	1,343	763	19,333
Other	2,346	1,608	683	269	58	4,964
Total[1]	**85,502**	**26,053**	**12,580**	**12,498**	**7,527**	**144,160**

	06.30.2018					
Lines	**Southeast**	**South**	**Center West**	**Northeast**	**North**	**Total**
Comprehensive	10,672	3,406	1,653	1,450	303	17,484
Credit life insurance	36,992	12,396	5,991	5,186	5,104	65,669
Accidents	12,883	3,889	1,984	1,953	1,009	21,718
Group life	11,692	2,566	966	1,026	602	16,852
Other	3,670	2,536	2,071	847	222	9,346
Total[1]	**75,909**	**24,793**	**12,665**	**10,462**	**7,240**	**131,069**

[1] The concentration of risk does not consider the DPVAT, policies in force but not issued and retrocession totaling R$ 18,742 (R$ 29,184 as at 06.30.2018).

g) Capital management

Banco Safra's capital management aim is to manage its equity in view of the risks associated with its operations.

It includes the following aspects:

- Fulfillment of the regulatory requirements of the banking markets where it operates;
- Safeguard its operating capacity so that it continues providing return to stockholders and benefits to other stakeholders; and
- Maintenance of a solid capital base to support the development and sustainability of its business.

Capital adequacy and the use of regulatory capital are monitored by Banco Safra, through techniques based on guidelines established by the Basel Committee, as implemented by the Brazilian Central Bank (BACEN), for oversight purposes. The required information is submitted to the appropriate body on a monthly basis.

The bank authority requires that each Bank or group of bank institutions maintain a minimum regulatory capital of 10.5%. Banco Safra's regulatory capital is divided into two tiers (I and II) and additional capital buffer:

Tier I capital - share capital, retained earnings and reserves set up for the appropriation of retained earnings and funding instruments eligible to Additional Capital – Tier I;

Tier II capital - funding instruments eligible to Tier II Capital; and

Additional capital buffer, comprising the following portions: Capital Conservation Buffer, Countercyclical Buffer, and Systemic Important Institution Buffer, considering that only the Capital Conservation Buffer is currently required.

The Systemic Important Institution Buffer is not applicable to Banco Safra, as it is not classified as regional systemically important large banks (D-SIB).

Risk-weighted assets (RWA) are measured according to the nature of each asset and its contra-entry, reflecting estimated market, operational, and credit risks and other associated risks. A similar treatment is adopted for the exposure that is not accounted for, with some adjustments being made to reflect the more contingent nature of potential losses.

20. RELATED-PARTY TRANSACTIONS

a) Management remuneration:

In corporate documents recorded for 2019, the annual total management's remuneration was set at R$ 147,350 (R$ 138,200 in 2018). The remuneration received by management amounts to R$ 54,088 (R$ (60,384) in 2018).

The Group does not have any long-term benefits, termination benefits, or share-based payment arrangements for any key management personnel.

b) Related-party transactions

Transactions between related parties are disclosed in accordance with CMN Resolution 4,636/2018. These are arm's length transactions, in the sense that their amounts, terms and average rates are those usual in the market on the respective dates.

The transactions between the companies that are included in consolidation were eliminated for the purposes of the consolidated financial statements and continue to be considered void of risk.

	Assets / (Liabilities)		Income / (Expenses)	
	06.30.2019	06.30.2018	2019	2018
Cash – Note 4	**76,423**	**425,983**	**(48)**	**24**
Grupo J. Safra Sarasin	66,556	413,060	(48)	24
Safra National Bank of New York	9,867	12,923	-	-
Foreign currency investments – Note 5 – Safra National Bank of New York	**600,580**	**1,562,064**	**23,218**	**10,590**
Demand deposits /savings deposits – Note 9(a)	**(6,354)**	**(13,837)**	**-**	**-**
Time deposits – Note 9(a)	**(589,534)**	**(813,702)**	**(6,473)**	**(7,808)**
Grupo J. Safra Sarasin	**(229,087)**	(219,374)	**(663)**	(693)
Safra National Bank of New York	(360,447)	(594,328)	(5,810)	(7,115)
Open market funding – Corporate securities – Debentures – Note 9(a)	-	**(102)**	-	**6**
Funds from acceptance and issue of securities – Funds from financial bills, bills of credit and similar notes – Institutos Safra – Note 9(b)	**(201,342)**	**(906)**	**(5,542)**	**3**
Subordinated debts –Note 9(e) – Andromeda Global Strategy Fund Ltd. – Exclusive fund	**(1,160,087)**	**(1,151,371)**	**(40,735)**	**(36,418)**
Other	**15,802**	**80**	**(9,127)**	**1,864**
Administrative expenses	**-**	**-**	**(53,647)**	**(55,702)**
Rental expenses – Note 14(d)	**-**	-	(53,585)	(55,601)
Exton Participações Ltda.	-	-	(20,197)	(19,817)
J. Safra Participações Ltda.	-	-	(12,109)	(10,966)
Kiama S.A.	-	-	(11,980)	(15,648)
Lebec Participações Ltda.	-	-	(4,955)	(5,006)
Other companies	-	-	(4,344)	(4,164)
Other	-	-	(62)	(101)
Rental income – Casablanc Representação e Participação Ltda.	-	-	**42**	**51**
Operations with investment funds – Note 9(f)				
Open market investments – Gov. securities – Note 10	-	-	71	16,864
Open market funding – Gov. securities – Note 10	(24,383,907)	(20,929,366)	(828,907)	(445,870)
Funds from acceptance and issue of securities - Financial bills[1] – Note 9(b)	(1,920,046)	(1,686,026)	(62,186)	(45,773)
Revenue from management and administration of investment funds	-		465,853	680,864
Consolidated companies – Note 9(f)	-		465,853	633,450
Related parties – Note 9(f)	-		-	47,414

[1] Of this amount, R$ 207,597 (R$374,320 as at 06.30.2018) refers to subordinated financial bills.

21. OTHER INFORMATION

a) Insurance policy

Banco Safra and its subsidiaries, despite having a reduced risk level in view of the physical non-concentration of assets, have the policy of insuring their amounts and assets at amounts considered adequate to cover any possible claims.

b) Audit committee

The Audit Committee ("Committee") of Banco Safra S.A. is a statutory body that operates on permanent basis in compliance with the provisions of Resolution 3,198, of 05.27.2004, of the National Monetary Council (CMN) and Resolution 312, of 06.16.2014, of the National Council of Private Insurance (CNSP).

The Committee shall directly report to the Board of Directors and is composed of five members, of which three are executive officers of the Company and two are independent members.

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SUMMARY REPORT OF AUDIT COMMITTEE

The Audit Committee ("Committee") of Banco Safra S/A, hereinafter referred to as "SAFRA", is a permanent statutory body that operates in accordance with the National Monetary Council Resolution (CMN) 3,198, of May 27, 2004, and the National Council of Private Insurance (CNSP) Resolution 312, of June 16, 2014.

The Committee directly reports to the Board of Directors and is comprised of five members, of which three are Executive Officers of the Company and two are independent members.

The Committee undertakes its activities based on the provisions of its internal rules and bylaws.

Among the evaluation and oversight works carried out in the first half of 2019, the Committee held periodic monthly meetings with agendas established beforehand, as follows:

a) Holding of meetings with the Internal and External Audits aimed at analyzing the works performed by them;

b) Approval of the Financial Statements of Banco Safra and its subsidiaries (Corporate Consolidated) and individual companies;

c) Approval of the Consolidated Financial Statements of the Company according to the IFRS and of the Prudential Conglomerate;

d) Examination of the Ombuds report about measures for correcting or improving procedures and routines, as a result of the analysis of the complaints received;

e) Participation of the independent members of this Audit Committee in the Operational and Compliance Risk Management Committee (CGROC), where the following themes were addressed: (i) Operational Risk; (ii) Social and Environmental Risk; (iii) Reputation Risk; (iv) Internal Controls; (v) IT Internal Controls; (vi) Management of Going Concern; and (vii) the Risk Management Framework of Safra Seguros Gerais and Safra Vida e Previdência;

f) Keeping up with, follow-up and monthly reporting of the issues pointed out by Regulatory Bodies, the External Audit, and the Operational Risk and Internal Controls areas, by means of the Regular Internal Controls Committee (CCI); and

g) Keeping up with and follow-up of the results of the inspections of the Brazilian Central Bank (BACEN).

In view of the results of the works it carried out, the Audit Committee recommends that the Board of Directors approve the consolidated financial statements dated July 30, 2019, related to the period ended June 30, 2019.

São Paulo, July 30, 2019.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Banco Safra S.A.

Opinion

We have audited the accompanying consolidated financial statements of Banco Safra S.A. and its subsidiaries ("Consolidated" or "Banco Safra"), which comprise the consolidated balance sheet as at June 30, 2019, and the related consolidated statements of income, of changes in equity and of cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Safra S.A. and its subsidiaries as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil - BACEN.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Banco Safra and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters ("KAM")

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current semester. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

1. Hedge accounting

Why is it a KAM?

Banco Safra held derivatives designated as hedging instruments of fair value hedge to protect it against market change on foreign currency and/or interest rate, including a portfolio hedge of interest rate risk (see note 7.(e) to the consolidated financial statements). According to Circular BACEN 3082/02, to designate and maintain hedge accounting, Banco Safra has to meet certain conditions on a cumulative basis, such as providing evidence of the transaction effectiveness since its inception and during its course. Due to the matter complexity and high-level estimates in measuring fair values of hedged financial assets and financial liabilities, we dedicated significant efforts in the audit work, including involvement of senior members of our audit team to analyze the hedge effectiveness and adequacy of the documentation, policies, designated transactions and effectiveness tests.

How the KAM was addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding, together with Management, the hedge and macro hedge strategies implemented at Banco Safra; (b) analyzing the designation documentation and policies prepared by Management with respect to hedging structures, including the hedged risk description, and detailed transaction information, stressing the risk management process and methodology applied to assess the hedge effectiveness since the transaction inception; (c) analyzing the hedge structure effectiveness tests designed by Management; and (d) reviewing the financial statements, considering the minimum disclosures required, as shown in note 7 to the consolidated financial statements.

Conclusion from the assessment

Considering the policy, the criteria adopted to meet the strategies and the processes of effectiveness analysis of the structures and the hedge accounting disclosures made by Management, the result of our procedures was considered appropriate in the context of the consolidated financial statements taken as a whole.

2. Impairment of financial assets and extended loan portfolio - lending transactions and securities issued by the private sector (private securities)

Why is it a KAM?

Banco Safra held credit operations and investment in private securities held to collect cash flows from interest and principal of these financial assets, similarly to credit operations (extended credit portfolio). Accordingly, credit risks are treated similarly to the credit operations when assessing credit losses on those securities (impairment). For this reason, Banco Safra develops models of allowance for credit losses for the Group's credit transactions and investments in private securities, recognizing, when necessary, an allowance to cover the credit risk deriving from its credit portfolio and private securities as shown in notes 3.f) and 8 to the consolidated financial statements. In view of the complexity of the model of allowance for loan losses, the use of estimates and high level of judgment by Management when determining the allowances recognized, we dedicated significant efforts in the audit work, including by involving the work of senior members of our team, because we considered the matter as relevant to our audit work.

How the KAM was addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the provisioning criteria adopted by Banco Safra for the extended credit portfolio; (b) reading Banco Safra's provisioning policy adopted for the extended credit portfolio; (c) involving experts in reviewing the models used; (d) reviewing and testing internal controls over the rating assignment process; (e) analyzing the provisioning criteria designed for credit portfolio on a sample basis; (f) analyzing the total provisioning level of portfolios and challenging the criteria used in the Banco Safra's policy; and (g) conducting a research, on a sample basis, on the default of these issuers in the market and at Banco Safra with respect to private securities.

Conclusion from the assessment

Considering the policy and the criteria adopted by Management to determine the allowance for loan losses, the result of our procedures was considered appropriate in the context of the consolidated financial statements taken as a whole.

3. Fair value of financial instruments

Why is it a KAM?

Banco Safra applies a methodology for calculating the market value of financial instruments developed internally, when there are no observed trading prices in the active market, or the assets have a low trading volume that does not represent the active market due to the low liquidity of the securities. The determination of the market value of financial instruments was considered a focus area in our audit due to its relevance in the context of the consolidated financial statements, the use of Management's judgment and the use of pricing techniques based on internal models that take into account observable data or market benchmarks. These financial instruments are substantially represented by derivative financial instruments and private securities. Disclosures on the fair value pricing methodology are included in note 3.e) to the consolidated financial statements.

How the KAM was addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding and testing the relevant internal controls to the determination of market value, recognition and disclosure of these financial instruments; (b) analyzing the mark-to-market policy with respect to the criteria for defining the existence of an active market; (c) verifying, on a sample basis, the low trading volume in front of the volume of total issuance of such securities;
(d) understanding the mark-to-market methodology developed internally; and
(e) reperforming the calculation on a sample basis.

Conclusion from the assessment

Considering the policy and the criteria adopted by Management in measuring the market value of these financial instruments, the result of our procedures was considered appropriate in the context of the consolidated financial statements taken as a whole.

4. Information technology environment

Why is it a KAM?

Banco Safra's operations rely on an information technology environment and infrastructure capable of supporting a high number of transactions daily processed in its information systems that are used to feed its accounting records. The information technology-related processes, associated to its controls, may possibly pose risks in relation to the processing and generation of critical information, including that used in the preparation of consolidated financial statements, which justify our consideration as a focus area in our audit in the context of the consolidated financial statements.

How the KAM was addressed in our audit?

With the support of our system audit specialists, we assessed the design of the general controls over the processing environment and tested the operating effectiveness of these controls related to information security, system development and maintenance and computing operation related to the infrastructure that supports Banco Safra's business.

Conclusion from the assessment

Based on the information technology environment processes and controls, associated with the abovementioned tests conducted, we consider the outcome of our procedures as appropriate in the context of the consolidated financial statements taken as a whole.

Other matters

Statements of value added

The consolidated statement of value added ("DVA") for the six-month period ended June 30, 2019, prepared under Management's responsibility and presented as supplemental information, was subject to audit procedures performed together with the audit of the consolidated financial statements of Banco Safra and its subsidiaries. In forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and is consistent in relation to the consolidated financial statements taken as a whole.

Other information accompanying the consolidated financial statements and the independent auditor's report

Management is responsible for such other information that comprises the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report such fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by BACEN, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing Banco Safra and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the preparation of the consolidated financial statements, unless Management either intends to liquidate Banco Safra and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Banco Safra and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Banco Safra and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Banco Safra and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Banco Safra and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, when applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current semester and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, July 30, 2019

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Luiz Carlos Oseliero Filho
Engagement Partner

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